Chapter 1

*Student: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | The economic problem is essentially one of deciding how to make the best use of:      |  |  | | --- | --- | | A. | unlimited resources to satisfy unlimited wants |  |  |  | | --- | --- | | B. | limited resources to satisfy unlimited wants |  |  |  | | --- | --- | | C. | unlimited resources to satisfy limited wants |  |  |  | | --- | --- | | D. | limited resources to satisfy limited wants |  |  |  | | --- | --- | | E. | free resources to satisfy expensive wants | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. | Economists assume that people customarily behave rationally, meaning that people:      |  |  | | --- | --- | | A. | virtually always weigh the personal benefits and costs of every available action and choose an action on the basis of their individual wants |  |  |  | | --- | --- | | B. | act in a rational way when buying and selling products, but not in other settings |  |  |  | | --- | --- | | C. | act rationally when they buy products, but not when they sell them |  |  |  | | --- | --- | | D. | act rationally when they sell products, but not when they buy them |  |  |  | | --- | --- | | E. | are unable to act in an irrational way | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. | An economist who says that consumer wants are inexhaustible means that:      |  |  | | --- | --- | | A. | economic resources are valuable only because they can be used to produce consumer goods |  |  |  | | --- | --- | | B. | economic resources—natural, capital, and human resources—are scarce |  |  |  | | --- | --- | | C. | consumers wants are virtually unlimited and, therefore, incapable of being fully satisfied |  |  |  | | --- | --- | | D. | the nature of consumer wants is highly unpredictable |  |  |  | | --- | --- | | E. | the nature of consumer demand varies from time to time and from country to country | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. | The fundamental problem of economics is:      |  |  | | --- | --- | | A. | to establish equity between personal and business taxation |  |  |  | | --- | --- | | B. | to establish a democratic political framework for the provision of social goods and services |  |  |  | | --- | --- | | C. | to establish prices that accurately reflect the relative scarcities of products and resources |  |  |  | | --- | --- | | D. | to achieve a fair distribution of money income to reduce poverty |  |  |  | | --- | --- | | E. | the scarcity of productive resources relative to consumer wants | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. | The economic problem stems from the fact that:      |  |  | | --- | --- | | A. | the production possibilities curve bows out to the right |  |  |  | | --- | --- | | B. | resources are scarce relative to people's demand for goods and services |  |  |  | | --- | --- | | C. | people act to maximize their own welfare |  |  |  | | --- | --- | | D. | historically the production possibilities curve has been shifting down toward the origin |  |  |  | | --- | --- | | E. | the production possibilities curve bows in to the left | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. | The study of economics is carried out because:      |  |  | | --- | --- | | A. | government interferes with the efficient distribution of scarce resources |  |  |  | | --- | --- | | B. | resources are scarce in relation to consumer wants |  |  |  | | --- | --- | | C. | the market system is an obstacle to the efficient use of plentiful resources to satisfy limited wants |  |  |  | | --- | --- | | D. | resources are overly abundant as compared with wants and, therefore, a distribution problem exists |  |  |  | | --- | --- | | E. | government aids in the efficient distribution of scarce resources | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. | The scarcity problem:      |  |  | | --- | --- | | A. | persists only because countries have failed to achieve continual full employment |  |  |  | | --- | --- | | B. | persists because a society's consumer wants exceed its available economic resources |  |  |  | | --- | --- | | C. | has been eliminated in all industrialized nations |  |  |  | | --- | --- | | D. | has been eliminated in affluent societies such as Canada and the United States |  |  |  | | --- | --- | | E. | is eliminated when a nation has achieved full employment | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. | Because of scarcity, the efficient use of resources is:      |  |  | | --- | --- | | A. | an important economic goal in all economies |  |  |  | | --- | --- | | B. | an important economic goal only in command economies |  |  |  | | --- | --- | | C. | an important economic goal only in market economies |  |  |  | | --- | --- | | D. | not an important economic goal |  |  |  | | --- | --- | | E. | an important economic goal only in traditional economies | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. | As used in economics, the notion of scarcity means that:      |  |  | | --- | --- | | A. | mineral deposits are available only in limited amounts |  |  |  | | --- | --- | | B. | resources are not so plentiful that all consumer wants can be fulfilled |  |  |  | | --- | --- | | C. | many resources are freely available |  |  |  | | --- | --- | | D. | the quantities available of some resources exceed the demand for them |  |  |  | | --- | --- | | E. | the demand for some resources is nonexistent | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. | Stocks and bonds are not considered to be an economic resource because they:      |  |  | | --- | --- | | A. | sometimes fall in value |  |  |  | | --- | --- | | B. | do not earn interest income |  |  |  | | --- | --- | | C. | are available in unlimited quantities |  |  |  | | --- | --- | | D. | are not free gifts of nature |  |  |  | | --- | --- | | E. | do not add to the economy's stock of real capital | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. | The money payments made to owners of human resources are:      |  |  | | --- | --- | | A. | wages, salaries, or interest |  |  |  | | --- | --- | | B. | wages, salaries, or rent |  |  |  | | --- | --- | | C. | interest or profit |  |  |  | | --- | --- | | D. | wages, salaries, or profit |  |  |  | | --- | --- | | E. | rent or profit | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. | Economic resources do NOT include:      |  |  | | --- | --- | | A. | natural resources |  |  |  | | --- | --- | | B. | real capital assets |  |  |  | | --- | --- | | C. | human effort |  |  |  | | --- | --- | | D. | stocks and bonds |  |  |  | | --- | --- | | E. | human ingenuity | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. | Which of the following is a capital resource?      |  |  | | --- | --- | | A. | a pair of stockings |  |  |  | | --- | --- | | B. | a dump truck |  |  |  | | --- | --- | | C. | a savings account |  |  |  | | --- | --- | | D. | a share of IBM stock |  |  |  | | --- | --- | | E. | a Bell Canada bond | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. | The role of the entrepreneur involves:      |  |  | | --- | --- | | A. | waiting for leadership |  |  |  | | --- | --- | | B. | manual labour |  |  |  | | --- | --- | | C. | bearing risks |  |  |  | | --- | --- | | D. | hiring chartered accountants to make business decisions for them |  |  |  | | --- | --- | | E. | acting as a landowner | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. | Economics can best be described as the study of how:      |  |  | | --- | --- | | A. | to profitably to invest one's income in stocks and bonds |  |  |  | | --- | --- | | B. | to manage household expenses |  |  |  | | --- | --- | | C. | government policies affect businesses and labour |  |  |  | | --- | --- | | D. | to manage business enterprises for profit |  |  |  | | --- | --- | | E. | to distribute limited resources among alternative ends | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. | Economics is primarily the study of:      |  |  | | --- | --- | | A. | why resources are scarce |  |  |  | | --- | --- | | B. | how advertising and sales promotion shape consumer wants |  |  |  | | --- | --- | | C. | how to make profitable investments |  |  |  | | --- | --- | | D. | how to use scarce resources among alternative ends |  |  |  | | --- | --- | | E. | why consumer wants are unlimited | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Microeconomics is concerned with the:      |  |  | | --- | --- | | A. | total levels of income, employment, and output |  |  |  | | --- | --- | | B. | behaviour of individual participants in various markets |  |  |  | | --- | --- | | C. | causes of inflation and unemployment |  |  |  | | --- | --- | | D. | overall view of the operation of the economic system |  |  |  | | --- | --- | | E. | way governments can stabilize the economy | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. | Which of the following is a microeconomic statement?      |  |  | | --- | --- | | A. | Total economic output increased by 2.5 percent last year. |  |  |  | | --- | --- | | B. | Unemployment was 9.8 percent of the labour force last year. |  |  |  | | --- | --- | | C. | The price of wheat declined last year. |  |  |  | | --- | --- | | D. | The general price level increased by 4 percent last year. |  |  |  | | --- | --- | | E. | Business investment decreased by 2 percent last year. | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. | Macroeconomics approaches the study of economics from the viewpoint of:      |  |  | | --- | --- | | A. | individual producers |  |  |  | | --- | --- | | B. | governmental units |  |  |  | | --- | --- | | C. | specific product and resource markets |  |  |  | | --- | --- | | D. | individual consumers |  |  |  | | --- | --- | | E. | entire economic sectors | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. | Which of the following is a macroeconomic statement?      |  |  | | --- | --- | | A. | The gross profits of all Canadian businesses were $60 billion last year. |  |  |  | | --- | --- | | B. | The price of computers declined by 3 percent last year. |  |  |  | | --- | --- | | C. | Bombardier's profits decreased last year. |  |  |  | | --- | --- | | D. | The productivity of Canadian steelworkers increased by 1 percent last year. |  |  |  | | --- | --- | | E. | The prices of science and technology stock rose by 10 percent last year. | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | Economic models:      |  |  | | --- | --- | | A. | are useless because they are not based upon laboratory experiments |  |  |  | | --- | --- | | B. | deal with a multitude of details |  |  |  | | --- | --- | | C. | are generalizations of economic reality |  |  |  | | --- | --- | | D. | are abstractions of reality and are, therefore, of no use to economists |  |  |  | | --- | --- | | E. | are more effective the more complex they are | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | Economic models:      |  |  | | --- | --- | | A. | are of limited use because they cannot be tested empirically |  |  |  | | --- | --- | | B. | are limited to variables that are directly related to one another |  |  |  | | --- | --- | | C. | emphasize basic economic relationships by abstracting from the complexities of the real world |  |  |  | | --- | --- | | D. | are unrealistic and are, therefore, of no practical consequence |  |  |  | | --- | --- | | E. | are often illogical, but are sometimes useful | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | Which of the following is a correct statement?      |  |  | | --- | --- | | A. | Economics is concerned only with explaining the way that economies actually operate and not with how they should operate. |  |  |  | | --- | --- | | B. | Though not quantitatively exact, economic laws are useful because they allow us to predict and, therefore, to control or to adjust to events. |  |  |  | | --- | --- | | C. | Economics is as scientific as physics and chemistry because economic laws are as quantitatively precise as the laws of physics or chemistry. |  |  |  | | --- | --- | | D. | Because economics is concerned with questions of "ought," it is a branch of applied ethics and not scientific. |  |  |  | | --- | --- | | E. | Economics is concerned with how economies should operate and not with how they do operate. | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | An economic model usually includes:      |  |  | | --- | --- | | A. | neither independent nor dependent variables |  |  |  | | --- | --- | | B. | only a dependent variable and no independent variables |  |  |  | | --- | --- | | C. | the proposition that no relationship exists between various factors |  |  |  | | --- | --- | | D. | only an independent variable and no dependent variables |  |  |  | | --- | --- | | E. | two or more factors that have measurable values | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. | Which of the following statements is correct?      |  |  | | --- | --- | | A. | The value of the independent variable is determined by the value of the dependent variable. |  |  |  | | --- | --- | | B. | The value of the dependent variable is determined by the value of the independent variable. |  |  |  | | --- | --- | | C. | The dependent variable designates the "cause" and the independent variable the "effect." |  |  |  | | --- | --- | | D. | There is no cause and effect relationship between an independent and dependent variable. |  |  |  | | --- | --- | | E. | There is only a cause and effect relationship between two dependent variables. | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | If we say that two variables are directly related, this means that:      |  |  | | --- | --- | | A. | the relationship between the two is purely random |  |  |  | | --- | --- | | B. | an increase in one variable is associated with a decrease in the other variable |  |  |  | | --- | --- | | C. | an increase in one variable is associated with an increase in the other variable |  |  |  | | --- | --- | | D. | an increase in one variable is associated with no change in the other variable |  |  |  | | --- | --- | | E. | there is no relationship between the two variables | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | If we say that two variables are inversely related, this means that:      |  |  | | --- | --- | | A. | there is no relationship between the two variables |  |  |  | | --- | --- | | B. | an increase in one variable is associated with a decrease in the other variable |  |  |  | | --- | --- | | C. | an increase in one variable is associated with an increase in the other variable |  |  |  | | --- | --- | | D. | an increase in one variable is associated with no change in the other variable |  |  |  | | --- | --- | | E. | the resulting relationship can be portrayed by a straight line parallel to the horizontal axis | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Consider the following table: These data suggest that:      |  |  | | --- | --- | | A. | consumption varies inversely with after-tax incomes |  |  |  | | --- | --- | | B. | consumption varies directly with after-tax incomes |  |  |  | | --- | --- | | C. | consumption and after-tax income are unrelated |  |  |  | | --- | --- | | D. | a tax increase will increase consumption |  |  |  | | --- | --- | | E. | a tax decrease will decrease consumption | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | If an inverse relationship exists between x and y, then a(n):      |  |  | | --- | --- | | A. | increase in x will not affect y |  |  |  | | --- | --- | | B. | decrease in x will cause y to decrease |  |  |  | | --- | --- | | C. | increase in y will cause x to increase |  |  |  | | --- | --- | | D. | increase in x will cause y to decrease |  |  |  | | --- | --- | | E. | an increase in y will not affect x | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | Ceteris paribus means that:      |  |  | | --- | --- | | A. | if event A precedes event B, A has caused B |  |  |  | | --- | --- | | B. | economics deals with facts, not values |  |  |  | | --- | --- | | C. | if event A happens then event B cannot happen |  |  |  | | --- | --- | | D. | prosperity inevitably follows recession |  |  |  | | --- | --- | | E. | all other things remain the same | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. | The basic purpose of the ceteris paribus assumption is to:      |  |  | | --- | --- | | A. | isolate the relationship between two variables by assuming all other factors remain constant |  |  |  | | --- | --- | | B. | allow one to focus upon micro variables by ignoring macro variables |  |  |  | | --- | --- | | C. | allow one to focus upon macro variables by ignoring micro variables |  |  |  | | --- | --- | | D. | determine whether x causes y or vice versa |  |  |  | | --- | --- | | E. | determine whether two variables are directly or inversely related | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. | Suppose an economist says "Ceteris paribus, the lower the price of the breakfast cereal, Wheaties, the larger the amount of Wheaties purchased." This statement indicates that:      |  |  | | --- | --- | | A. | the quantity of Wheaties purchased determines the price of Wheaties |  |  |  | | --- | --- | | B. | all factors other than the price of Wheaties (for example, consumer preferences and incomes) are assumed to be constant |  |  |  | | --- | --- | | C. | economists can conduct controlled laboratory experiments |  |  |  | | --- | --- | | D. | one cannot generalize about the relationship between the price of Wheaties and quantity purchased |  |  |  | | --- | --- | | E. | the price and quantity demanded of Wheaties are directly related | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. | A positive statement is one that:      |  |  | | --- | --- | | A. | outlines a direct relationship between two variables |  |  |  | | --- | --- | | B. | outlines an inverse relationship between two variables |  |  |  | | --- | --- | | C. | is subjective and is, therefore, based upon a value judgement |  |  |  | | --- | --- | | D. | is necessarily true |  |  |  | | --- | --- | | E. | is objective and is, therefore, based upon facts | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. | Which of the following is a positive statement?      |  |  | | --- | --- | | A. | The humidity is too high today. |  |  |  | | --- | --- | | B. | It is too hot to jog today. |  |  |  | | --- | --- | | C. | The temperature is 22°C. |  |  |  | | --- | --- | | D. | I enjoy summer evenings when it cools off. |  |  |  | | --- | --- | | E. | I dislike humid nights. | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. | Normative statements are concerned with:      |  |  | | --- | --- | | A. | facts and theories |  |  |  | | --- | --- | | B. | what ought to be |  |  |  | | --- | --- | | C. | what is |  |  |  | | --- | --- | | D. | rational choice involving costs and benefits |  |  |  | | --- | --- | | E. | what can never be | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. | Which of the following is a normative statement?      |  |  | | --- | --- | | A. | The temperature is high today. |  |  |  | | --- | --- | | B. | The humidity is high today. |  |  |  | | --- | --- | | C. | It is too hot to play tennis today. |  |  |  | | --- | --- | | D. | It will cool off later this evening. |  |  |  | | --- | --- | | E. | I think it will be hot today. | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | A product has utility if it:      |  |  | | --- | --- | | A. | takes more and more resources to produce successive units of it |  |  |  | | --- | --- | | B. | can be produced in unlimited quantities |  |  |  | | --- | --- | | C. | satisfies consumer wants |  |  |  | | --- | --- | | D. | is useful |  |  |  | | --- | --- | | E. | is available in only limited quantities | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. | Utility refers to the:      |  |  | | --- | --- | | A. | extent to which a product can be used as a capital resource |  |  |  | | --- | --- | | B. | opportunity cost of a product |  |  |  | | --- | --- | | C. | relative scarcity of a product |  |  |  | | --- | --- | | D. | usefulness of a product |  |  |  | | --- | --- | | E. | satisfaction that a consumer derives from a good or service | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. | To maximize utility, a consumer who derives greater satisfaction from writing music than from studying drama will choose to:      |  |  | | --- | --- | | A. | study music |  |  |  | | --- | --- | | B. | study drama |  |  |  | | --- | --- | | C. | write plays |  |  |  | | --- | --- | | D. | write music |  |  |  | | --- | --- | | E. | both write music and study drama | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Which of the following expressions best states the idea of opportunity cost?      |  |  | | --- | --- | | A. | "A penny saved is a penny earned." |  |  |  | | --- | --- | | B. | "He who hesitates is lost." |  |  |  | | --- | --- | | C. | "There is no such thing as a free lunch." |  |  |  | | --- | --- | | D. | "All that glitters is not gold." |  |  |  | | --- | --- | | E. | "Watch the pennies, and the pounds will look after themselves." | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. | The notion of opportunity cost:      |  |  | | --- | --- | | A. | applies to consumers, but not to businesses |  |  |  | | --- | --- | | B. | applies to businesses, but not to consumers |  |  |  | | --- | --- | | C. | is relevant to economies of all ideological persuasions |  |  |  | | --- | --- | | D. | would disappear if we were able to eliminate poverty |  |  |  | | --- | --- | | E. | does not apply to governments | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. | The concept of opportunity cost:      |  |  | | --- | --- | | A. | is irrelevant in command economies because of central planning |  |  |  | | --- | --- | | B. | suggests that resources are often unlimited in quantity |  |  |  | | --- | --- | | C. | is irrelevant if the production possibilities curve is shifting to the right |  |  |  | | --- | --- | | D. | suggests that inexhaustible wants can be fulfilled |  |  |  | | --- | --- | | E. | suggests that the use of resources in any particular line of production means that alternative outputs must be forgone | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. | Which of the following is not an illustration of the notion of opportunity cost?      |  |  | | --- | --- | | A. | A growing economy can produce more ice cream and more ice cream cones at the same time. |  |  |  | | --- | --- | | B. | If I buy a pizza, I will not be able to afford a movie. |  |  |  | | --- | --- | | C. | Resources devoted to the production of computers are not available for the production of computer software. |  |  |  | | --- | --- | | D. | The land on which a Saskatchewan farmer plants wheat is not available for barley production. |  |  |  | | --- | --- | | E. | The more time it takes to commute to work, the less time is available for other activities. | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. | The notion of opportunity cost is best defined as:      |  |  | | --- | --- | | A. | the monetary price of any productive resource |  |  |  | | --- | --- | | B. | the amount of labour that must be used to produce one unit of any product |  |  |  | | --- | --- | | C. | the monetary price of any product |  |  |  | | --- | --- | | D. | the utility that could have been gained by choosing an action's best alternative |  |  |  | | --- | --- | | E. | the number of units of a product that are available to be purchased | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. | The production possibilities curve illustrates the basic principle that:      |  |  | | --- | --- | | A. | the production of more of any one item will in time require smaller and smaller sacrifices of other items |  |  |  | | --- | --- | | B. | an economy automatically seeks that level of output that employs all of its resources |  |  |  | | --- | --- | | C. | if all the resources of an economy are fully used, more of one item could be produced only if less of another item is produced |  |  |  | | --- | --- | | D. | any production point below the curve reflects high opportunity cost |  |  |  | | --- | --- | | E. | any production point above the curve reflects low opportunity cost | |

|  |  |
| --- | --- |
|  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. | A total output of 3 TVs and 4 stereos:      |  |  | | --- | --- | | A. | would never be chosen because the economy is capable of producing a larger total output |  |  |  | | --- | --- | | B. | represents the full employment of available resources |  |  |  | | --- | --- | | C. | involves the employment of an economy's scarce resources at less than their full capacity |  |  |  | | --- | --- | | D. | is unobtainable in this economy |  |  |  | | --- | --- | | E. | would always be chosen because this is the product combination that gives the economy's citizens the most satisfaction | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. | To produce a total output of 3 TVs and 13 stereos, this economy must:      |  |  | | --- | --- | | A. | undergo an outward shift in its production possibilities curve |  |  |  | | --- | --- | | B. | ignore the notion of opportunity cost |  |  |  | | --- | --- | | C. | distribute its available resources more efficiently among alternative uses |  |  |  | | --- | --- | | D. | achieve the full employment of available resources |  |  |  | | --- | --- | | E. | leave some of its available resources idle | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. | Assume that a change in government policy results in the increased production of all types of products. It can be concluded that the:      |  |  | | --- | --- | | A. | economy was not fully employing its resources before the policy change |  |  |  | | --- | --- | | B. | economy's production possibilities curve has shifted to the left as a result of the policy change |  |  |  | | --- | --- | | C. | economy's production possibilities curve does not bow out to the right |  |  |  | | --- | --- | | D. | law of increasing opportunity costs does not apply in this society |  |  |  | | --- | --- | | E. | economy's resources are freely available | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. | The production possibilities curve:      |  |  | | --- | --- | | A. | shows all levels of production that are consistent with a stable price level |  |  |  | | --- | --- | | B. | indicates that any combination of products lying outside the curve is undesirable |  |  |  | | --- | --- | | C. | shows how an economy actually employs its resources |  |  |  | | --- | --- | | D. | shows all combinations of products that are most preferred by consumers |  |  |  | | --- | --- | | E. | is a frontier between all combinations of products that can be produced and those combinations that cannot be produced | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. | Any point inside the production possibilities curve indicates:      |  |  | | --- | --- | | A. | that resources are imperfectly shiftable among alternative uses |  |  |  | | --- | --- | | B. | the presence of inflationary pressures |  |  |  | | --- | --- | | C. | that more output could be produced with available resources |  |  |  | | --- | --- | | D. | that the economy is saving a part of its income |  |  |  | | --- | --- | | E. | that some of an economy's potential output is not desired by consumers | |

|  |  |
| --- | --- |
|  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 51. | At the end of World War II, Canada's economic adjustment from wartime to peacetime can best be described by the movement from:      |  |  | | --- | --- | | A. | point a to point b |  |  |  | | --- | --- | | B. | point a to point c |  |  |  | | --- | --- | | C. | point b to point c |  |  |  | | --- | --- | | D. | point b to point d |  |  |  | | --- | --- | | E. | point c to point b | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 52. | Consider the following two tables.      Suppose that North Cantina is producing 2 hamburgers and 17 hot dogs while South Cantina is producing 2 hamburgers and 21 hot dogs. We can conclude that:      |  |  | | --- | --- | | A. | North Cantina is fully employing its resources but South Cantina is not |  |  |  | | --- | --- | | B. | South Cantina is fully employing its resources but North Cantina is not |  |  |  | | --- | --- | | C. | neither South Cantina nor North Cantina is fully employing its resources |  |  |  | | --- | --- | | D. | both South Cantina and North Cantina are fully employing their resources |  |  |  | | --- | --- | | E. | resources are perfectly shiftable between hotdogs and hamburgers | |

|  |  |
| --- | --- |
|  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 53. | The shape of each production possibilities curve:      |  |  | | --- | --- | | A. | indicates that resources shift perfectly from one use to another |  |  |  | | --- | --- | | B. | indicates that resources are virtually unlimited |  |  |  | | --- | --- | | C. | indicates that prices are constant |  |  |  | | --- | --- | | D. | illustrates the law of increasing opportunity costs |  |  |  | | --- | --- | | E. | shows that consumer wants are variable | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 54. | The concept of opportunity cost is best represented by the:      |  |  | | --- | --- | | A. | shift of the production possibilities curve from PP1 to PP2 |  |  |  | | --- | --- | | B. | move from point B on PP1 to point E on PP2 |  |  |  | | --- | --- | | C. | move from point E on PP2 to point A on PP1 |  |  |  | | --- | --- | | D. | move from point D inside PP1 to point B on PP1 |  |  |  | | --- | --- | | E. | move from point B to point C along PP1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 55. | An improvement in technology could be expected to:      |  |  | | --- | --- | | A. | shift the production possibilities curve from PP1 to PP2 |  |  |  | | --- | --- | | B. | shift the production possibilities curve from PP2 to PP1 |  |  |  | | --- | --- | | C. | move the economy from point A to point C along PP1 |  |  |  | | --- | --- | | D. | move the economy from points A, B, or C on PP1 to point D inside PP1 |  |  |  | | --- | --- | | E. | move the economy from point C to point A along PP1 | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 56. | Which one of the following would shift the production possibilities curve from PP1 to PP2?      |  |  | | --- | --- | | A. | the immigration of skilled workers into the economy |  |  |  | | --- | --- | | B. | a worsening of diseases such as AIDS |  |  |  | | --- | --- | | C. | an increase in consumer prices |  |  |  | | --- | --- | | D. | a reduction in hourly wages |  |  |  | | --- | --- | | E. | a change in consumer preferences | |

|  |  |
| --- | --- |
|  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 57. | Points A, B, C, D, and E show:      |  |  | | --- | --- | | A. | that the opportunity cost of bicycles increases while that of computers is constant |  |  |  | | --- | --- | | B. | combinations of bicycles and computers that a society can produce by fully employing its resources |  |  |  | | --- | --- | | C. | that the opportunity cost of computers increases while that of bicycles is constant |  |  |  | | --- | --- | | D. | that the demand for computers is greater than the demand for bicycles |  |  |  | | --- | --- | | E. | that the opportunity cost of both bicycles and computers are constant | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. | If a society is currently producing 9 bicycles and 4 computers, the decision to increase computer output to 6 costs:      |  |  | | --- | --- | | A. | 4 bicycles |  |  |  | | --- | --- | | B. | 2 bicycles |  |  |  | | --- | --- | | C. | 5 bicycles |  |  |  | | --- | --- | | D. | zero because unemployed resources are available |  |  |  | | --- | --- | | E. | irrelevant because this decision is inconsistent with consumer preferences | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 59. | If a society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more bicycles:      |  |  | | --- | --- | | A. | cannot be realized because resources are fully employed |  |  |  | | --- | --- | | B. | costs 1 computer |  |  |  | | --- | --- | | C. | costs 2 computers |  |  |  | | --- | --- | | D. | means that some resources are not fully employed |  |  |  | | --- | --- | | E. | costs 6 computers | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 60. | The law of increasing opportunity costs is reflected in a production possibilities curve that:      |  |  | | --- | --- | | A. | is an upward-sloping straight line |  |  |  | | --- | --- | | B. | is a downward-sloping straight line |  |  |  | | --- | --- | | C. | bows in to the left |  |  |  | | --- | --- | | D. | is any shape |  |  |  | | --- | --- | | E. | bows out to the right | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 61. | The problem of economic scarcity forces every country to determine:      |  |  | | --- | --- | | A. | the shape of its production possibilities curve |  |  |  | | --- | --- | | B. | the amount of economic resources that can be employed in production |  |  |  | | --- | --- | | C. | what, how, and for whom to produce |  |  |  | | --- | --- | | D. | the ways that individuals can pursue their own self-interest |  |  |  | | --- | --- | | E. | how to plan to overcome scarcity | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. | The two basic markets shown by the simple circular flow diagram are:      |  |  | | --- | --- | | A. | capital goods and consumer goods |  |  |  | | --- | --- | | B. | free and controlled |  |  |  | | --- | --- | | C. | product and resource |  |  |  | | --- | --- | | D. | household and business |  |  |  | | --- | --- | | E. | government and private | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. | In the product market:      |  |  | | --- | --- | | A. | businesses sell economic resources to households |  |  |  | | --- | --- | | B. | businesses sell consumer products to households |  |  |  | | --- | --- | | C. | businesses buy consumer products from households |  |  |  | | --- | --- | | D. | businesses buy economic resources from households |  |  |  | | --- | --- | | E. | business and households both sell consumer products to each other | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. | The economy of India most closely approximates a:      |  |  | | --- | --- | | A. | traditional mixed economy |  |  |  | | --- | --- | | B. | market economy |  |  |  | | --- | --- | | C. | command economy |  |  |  | | --- | --- | | D. | modern mixed economy |  |  |  | | --- | --- | | E. | traditional economy | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 65. | Between the early 1990s and late 2000s, India's and China's economies steadily grew by annual average of:      |  |  | | --- | --- | | A. | 4 percent and 6 percent respectively |  |  |  | | --- | --- | | B. | 6 percent and 8 percent respectively |  |  |  | | --- | --- | | C. | 8 percent and 10 percent respectively |  |  |  | | --- | --- | | D. | 10 percent and 12 percent respectively |  |  |  | | --- | --- | | E. | 12 percent and 14 percent respectively | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 66. | Modern mixed economy refers to an economy:      |  |  | | --- | --- | | A. | with both product and resource markets |  |  |  | | --- | --- | | B. | that engages in both domestic and international trade |  |  |  | | --- | --- | | C. | with both private and public sectors |  |  |  | | --- | --- | | D. | that functions primarily on the basis of custom and tradition |  |  |  | | --- | --- | | E. | that operates on the basis of central planning | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 67. | The Canadian economy most closely approximates a:      |  |  | | --- | --- | | A. | traditional mixed economy |  |  |  | | --- | --- | | B. | market economy |  |  |  | | --- | --- | | C. | command economy |  |  |  | | --- | --- | | D. | modern mixed economy |  |  |  | | --- | --- | | E. | traditional economy | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. | The unemployment rate includes:      |  |  | | --- | --- | | A. | pensioners |  |  |  | | --- | --- | | B. | homemakers |  |  |  | | --- | --- | | C. | brewery workers who have been laid off recently |  |  |  | | --- | --- | | D. | students working part-time at a grocery store |  |  |  | | --- | --- | | E. | young children | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 69. | The Kyoto Protocol:      |  |  | | --- | --- | | A. | aimed to increase emissions of so-called greenhouse gases, in particular carbon dioxide |  |  |  | | --- | --- | | B. | was signed by over 170 countries, including Canada |  |  |  | | --- | --- | | C. | ensured that all countries in the world cut greenhouse gases until 2012 |  |  |  | | --- | --- | | D. | requirements were met by Canada, but by few other countries |  |  |  | | --- | --- | | E. | imposed a global carbon tax | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. | The achievement of full employment frequently conflicts with the economic goal of:      |  |  | | --- | --- | | A. | economic efficiency |  |  |  | | --- | --- | | B. | economic growth |  |  |  | | --- | --- | | C. | income equity |  |  |  | | --- | --- | | D. | a viable balance of payments |  |  |  | | --- | --- | | E. | price stability | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 71. | According to Adam Smith, the most significant single cause of economic progress has been:      |  |  | | --- | --- | | A. | the increase in the fertility of land used in agriculture |  |  |  | | --- | --- | | B. | the use of more specialized forms of machinery in manufacturing |  |  |  | | --- | --- | | C. | a more educated workforce |  |  |  | | --- | --- | | D. | the division of labour |  |  |  | | --- | --- | | E. | the rise of large companies that dominate particular industries | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 72. | Laissez-faire suggests that:      |  |  | | --- | --- | | A. | land and other natural resources should be privately owned but capital should be owned by the government |  |  |  | | --- | --- | | B. | land and other natural resources should be owned by the government but capital should be privately owned |  |  |  | | --- | --- | | C. | government should not interfere with the operation of the economy |  |  |  | | --- | --- | | D. | government action is necessary if the economy is to achieve full employment |  |  |  | | --- | --- | | E. | government policies are needed to deal with environmental damage | |

Chapter 1 Key

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | The economic problem is essentially one of deciding how to make the best use of:      |  |  | | --- | --- | | A. | unlimited resources to satisfy unlimited wants |  |  |  | | --- | --- | | **B.** | limited resources to satisfy unlimited wants |  |  |  | | --- | --- | | C. | unlimited resources to satisfy limited wants |  |  |  | | --- | --- | | D. | limited resources to satisfy limited wants |  |  |  | | --- | --- | | E. | free resources to satisfy expensive wants | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #1 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. | Economists assume that people customarily behave rationally, meaning that people:      |  |  | | --- | --- | | **A.** | virtually always weigh the personal benefits and costs of every available action and choose an action on the basis of their individual wants |  |  |  | | --- | --- | | B. | act in a rational way when buying and selling products, but not in other settings |  |  |  | | --- | --- | | C. | act rationally when they buy products, but not when they sell them |  |  |  | | --- | --- | | D. | act rationally when they sell products, but not when they buy them |  |  |  | | --- | --- | | E. | are unable to act in an irrational way | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #2 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. | An economist who says that consumer wants are inexhaustible means that:      |  |  | | --- | --- | | A. | economic resources are valuable only because they can be used to produce consumer goods |  |  |  | | --- | --- | | B. | economic resources—natural, capital, and human resources—are scarce |  |  |  | | --- | --- | | **C.** | consumers wants are virtually unlimited and, therefore, incapable of being fully satisfied |  |  |  | | --- | --- | | D. | the nature of consumer wants is highly unpredictable |  |  |  | | --- | --- | | E. | the nature of consumer demand varies from time to time and from country to country | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #3 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. | The fundamental problem of economics is:      |  |  | | --- | --- | | A. | to establish equity between personal and business taxation |  |  |  | | --- | --- | | B. | to establish a democratic political framework for the provision of social goods and services |  |  |  | | --- | --- | | C. | to establish prices that accurately reflect the relative scarcities of products and resources |  |  |  | | --- | --- | | D. | to achieve a fair distribution of money income to reduce poverty |  |  |  | | --- | --- | | **E.** | the scarcity of productive resources relative to consumer wants | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #4 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. | The economic problem stems from the fact that:      |  |  | | --- | --- | | A. | the production possibilities curve bows out to the right |  |  |  | | --- | --- | | **B.** | resources are scarce relative to people's demand for goods and services |  |  |  | | --- | --- | | C. | people act to maximize their own welfare |  |  |  | | --- | --- | | D. | historically the production possibilities curve has been shifting down toward the origin |  |  |  | | --- | --- | | E. | the production possibilities curve bows in to the left | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #5 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. | The study of economics is carried out because:      |  |  | | --- | --- | | A. | government interferes with the efficient distribution of scarce resources |  |  |  | | --- | --- | | **B.** | resources are scarce in relation to consumer wants |  |  |  | | --- | --- | | C. | the market system is an obstacle to the efficient use of plentiful resources to satisfy limited wants |  |  |  | | --- | --- | | D. | resources are overly abundant as compared with wants and, therefore, a distribution problem exists |  |  |  | | --- | --- | | E. | government aids in the efficient distribution of scarce resources | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #6 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. | The scarcity problem:      |  |  | | --- | --- | | A. | persists only because countries have failed to achieve continual full employment |  |  |  | | --- | --- | | **B.** | persists because a society's consumer wants exceed its available economic resources |  |  |  | | --- | --- | | C. | has been eliminated in all industrialized nations |  |  |  | | --- | --- | | D. | has been eliminated in affluent societies such as Canada and the United States |  |  |  | | --- | --- | | E. | is eliminated when a nation has achieved full employment | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #7 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. | Because of scarcity, the efficient use of resources is:      |  |  | | --- | --- | | **A.** | an important economic goal in all economies |  |  |  | | --- | --- | | B. | an important economic goal only in command economies |  |  |  | | --- | --- | | C. | an important economic goal only in market economies |  |  |  | | --- | --- | | D. | not an important economic goal |  |  |  | | --- | --- | | E. | an important economic goal only in traditional economies | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #8 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. | As used in economics, the notion of scarcity means that:      |  |  | | --- | --- | | A. | mineral deposits are available only in limited amounts |  |  |  | | --- | --- | | **B.** | resources are not so plentiful that all consumer wants can be fulfilled |  |  |  | | --- | --- | | C. | many resources are freely available |  |  |  | | --- | --- | | D. | the quantities available of some resources exceed the demand for them |  |  |  | | --- | --- | | E. | the demand for some resources is nonexistent | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #9 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. | Stocks and bonds are not considered to be an economic resource because they:      |  |  | | --- | --- | | A. | sometimes fall in value |  |  |  | | --- | --- | | B. | do not earn interest income |  |  |  | | --- | --- | | C. | are available in unlimited quantities |  |  |  | | --- | --- | | D. | are not free gifts of nature |  |  |  | | --- | --- | | **E.** | do not add to the economy's stock of real capital | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #10 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. | The money payments made to owners of human resources are:      |  |  | | --- | --- | | A. | wages, salaries, or interest |  |  |  | | --- | --- | | B. | wages, salaries, or rent |  |  |  | | --- | --- | | C. | interest or profit |  |  |  | | --- | --- | | **D.** | wages, salaries, or profit |  |  |  | | --- | --- | | E. | rent or profit | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #11 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. | Economic resources do NOT include:      |  |  | | --- | --- | | A. | natural resources |  |  |  | | --- | --- | | B. | real capital assets |  |  |  | | --- | --- | | C. | human effort |  |  |  | | --- | --- | | **D.** | stocks and bonds |  |  |  | | --- | --- | | E. | human ingenuity | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #12 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. | Which of the following is a capital resource?      |  |  | | --- | --- | | A. | a pair of stockings |  |  |  | | --- | --- | | **B.** | a dump truck |  |  |  | | --- | --- | | C. | a savings account |  |  |  | | --- | --- | | D. | a share of IBM stock |  |  |  | | --- | --- | | E. | a Bell Canada bond | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #13 Topic: 01-02 The Economic Problem Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. | The role of the entrepreneur involves:      |  |  | | --- | --- | | A. | waiting for leadership |  |  |  | | --- | --- | | B. | manual labour |  |  |  | | --- | --- | | **C.** | bearing risks |  |  |  | | --- | --- | | D. | hiring chartered accountants to make business decisions for them |  |  |  | | --- | --- | | E. | acting as a landowner | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #14 Topic: 01-02 The Economic Problem Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. | Economics can best be described as the study of how:      |  |  | | --- | --- | | A. | to profitably to invest one's income in stocks and bonds |  |  |  | | --- | --- | | B. | to manage household expenses |  |  |  | | --- | --- | | C. | government policies affect businesses and labour |  |  |  | | --- | --- | | D. | to manage business enterprises for profit |  |  |  | | --- | --- | | **E.** | to distribute limited resources among alternative ends | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #15 Topic: 01-03 Economics Defined Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. | Economics is primarily the study of:      |  |  | | --- | --- | | A. | why resources are scarce |  |  |  | | --- | --- | | B. | how advertising and sales promotion shape consumer wants |  |  |  | | --- | --- | | C. | how to make profitable investments |  |  |  | | --- | --- | | **D.** | how to use scarce resources among alternative ends |  |  |  | | --- | --- | | E. | why consumer wants are unlimited | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #16 Topic: 01-03 Economics Defined Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Microeconomics is concerned with the:      |  |  | | --- | --- | | A. | total levels of income, employment, and output |  |  |  | | --- | --- | | **B.** | behaviour of individual participants in various markets |  |  |  | | --- | --- | | C. | causes of inflation and unemployment |  |  |  | | --- | --- | | D. | overall view of the operation of the economic system |  |  |  | | --- | --- | | E. | way governments can stabilize the economy | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #17 Topic: 01-03 Economics Defined Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. | Which of the following is a microeconomic statement?      |  |  | | --- | --- | | A. | Total economic output increased by 2.5 percent last year. |  |  |  | | --- | --- | | B. | Unemployment was 9.8 percent of the labour force last year. |  |  |  | | --- | --- | | **C.** | The price of wheat declined last year. |  |  |  | | --- | --- | | D. | The general price level increased by 4 percent last year. |  |  |  | | --- | --- | | E. | Business investment decreased by 2 percent last year. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #18 Topic: 01-03 Economics Defined Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. | Macroeconomics approaches the study of economics from the viewpoint of:      |  |  | | --- | --- | | A. | individual producers |  |  |  | | --- | --- | | B. | governmental units |  |  |  | | --- | --- | | C. | specific product and resource markets |  |  |  | | --- | --- | | D. | individual consumers |  |  |  | | --- | --- | | **E.** | entire economic sectors | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #19 Topic: 01-03 Economics Defined Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. | Which of the following is a macroeconomic statement?      |  |  | | --- | --- | | **A.** | The gross profits of all Canadian businesses were $60 billion last year. |  |  |  | | --- | --- | | B. | The price of computers declined by 3 percent last year. |  |  |  | | --- | --- | | C. | Bombardier's profits decreased last year. |  |  |  | | --- | --- | | D. | The productivity of Canadian steelworkers increased by 1 percent last year. |  |  |  | | --- | --- | | E. | The prices of science and technology stock rose by 10 percent last year. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #20 Topic: 01-03 Economics Defined Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | Economic models:      |  |  | | --- | --- | | A. | are useless because they are not based upon laboratory experiments |  |  |  | | --- | --- | | B. | deal with a multitude of details |  |  |  | | --- | --- | | **C.** | are generalizations of economic reality |  |  |  | | --- | --- | | D. | are abstractions of reality and are, therefore, of no use to economists |  |  |  | | --- | --- | | E. | are more effective the more complex they are | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #21 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | Economic models:      |  |  | | --- | --- | | A. | are of limited use because they cannot be tested empirically |  |  |  | | --- | --- | | B. | are limited to variables that are directly related to one another |  |  |  | | --- | --- | | **C.** | emphasize basic economic relationships by abstracting from the complexities of the real world |  |  |  | | --- | --- | | D. | are unrealistic and are, therefore, of no practical consequence |  |  |  | | --- | --- | | E. | are often illogical, but are sometimes useful | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #22 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | Which of the following is a correct statement?      |  |  | | --- | --- | | A. | Economics is concerned only with explaining the way that economies actually operate and not with how they should operate. |  |  |  | | --- | --- | | **B.** | Though not quantitatively exact, economic laws are useful because they allow us to predict and, therefore, to control or to adjust to events. |  |  |  | | --- | --- | | C. | Economics is as scientific as physics and chemistry because economic laws are as quantitatively precise as the laws of physics or chemistry. |  |  |  | | --- | --- | | D. | Because economics is concerned with questions of "ought," it is a branch of applied ethics and not scientific. |  |  |  | | --- | --- | | E. | Economics is concerned with how economies should operate and not with how they do operate. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Hard Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #23 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | An economic model usually includes:      |  |  | | --- | --- | | A. | neither independent nor dependent variables |  |  |  | | --- | --- | | B. | only a dependent variable and no independent variables |  |  |  | | --- | --- | | C. | the proposition that no relationship exists between various factors |  |  |  | | --- | --- | | D. | only an independent variable and no dependent variables |  |  |  | | --- | --- | | **E.** | two or more factors that have measurable values | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #24 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. | Which of the following statements is correct?      |  |  | | --- | --- | | A. | The value of the independent variable is determined by the value of the dependent variable. |  |  |  | | --- | --- | | **B.** | The value of the dependent variable is determined by the value of the independent variable. |  |  |  | | --- | --- | | C. | The dependent variable designates the "cause" and the independent variable the "effect." |  |  |  | | --- | --- | | D. | There is no cause and effect relationship between an independent and dependent variable. |  |  |  | | --- | --- | | E. | There is only a cause and effect relationship between two dependent variables. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #25 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | If we say that two variables are directly related, this means that:      |  |  | | --- | --- | | A. | the relationship between the two is purely random |  |  |  | | --- | --- | | B. | an increase in one variable is associated with a decrease in the other variable |  |  |  | | --- | --- | | **C.** | an increase in one variable is associated with an increase in the other variable |  |  |  | | --- | --- | | D. | an increase in one variable is associated with no change in the other variable |  |  |  | | --- | --- | | E. | there is no relationship between the two variables | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #26 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | If we say that two variables are inversely related, this means that:      |  |  | | --- | --- | | A. | there is no relationship between the two variables |  |  |  | | --- | --- | | **B.** | an increase in one variable is associated with a decrease in the other variable |  |  |  | | --- | --- | | C. | an increase in one variable is associated with an increase in the other variable |  |  |  | | --- | --- | | D. | an increase in one variable is associated with no change in the other variable |  |  |  | | --- | --- | | E. | the resulting relationship can be portrayed by a straight line parallel to the horizontal axis | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #27 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Consider the following table: These data suggest that:      |  |  | | --- | --- | | A. | consumption varies inversely with after-tax incomes |  |  |  | | --- | --- | | **B.** | consumption varies directly with after-tax incomes |  |  |  | | --- | --- | | C. | consumption and after-tax income are unrelated |  |  |  | | --- | --- | | D. | a tax increase will increase consumption |  |  |  | | --- | --- | | E. | a tax decrease will decrease consumption | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #28 Topic: 01-04 Economic Models Type: Numerical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | If an inverse relationship exists between x and y, then a(n):      |  |  | | --- | --- | | A. | increase in x will not affect y |  |  |  | | --- | --- | | B. | decrease in x will cause y to decrease |  |  |  | | --- | --- | | C. | increase in y will cause x to increase |  |  |  | | --- | --- | | **D.** | increase in x will cause y to decrease |  |  |  | | --- | --- | | E. | an increase in y will not affect x | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #29 Topic: 01-04 Economic Models Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | Ceteris paribus means that:      |  |  | | --- | --- | | A. | if event A precedes event B, A has caused B |  |  |  | | --- | --- | | B. | economics deals with facts, not values |  |  |  | | --- | --- | | C. | if event A happens then event B cannot happen |  |  |  | | --- | --- | | D. | prosperity inevitably follows recession |  |  |  | | --- | --- | | **E.** | all other things remain the same | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #30 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. | The basic purpose of the ceteris paribus assumption is to:      |  |  | | --- | --- | | **A.** | isolate the relationship between two variables by assuming all other factors remain constant |  |  |  | | --- | --- | | B. | allow one to focus upon micro variables by ignoring macro variables |  |  |  | | --- | --- | | C. | allow one to focus upon macro variables by ignoring micro variables |  |  |  | | --- | --- | | D. | determine whether x causes y or vice versa |  |  |  | | --- | --- | | E. | determine whether two variables are directly or inversely related | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #31 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. | Suppose an economist says "Ceteris paribus, the lower the price of the breakfast cereal, Wheaties, the larger the amount of Wheaties purchased." This statement indicates that:      |  |  | | --- | --- | | A. | the quantity of Wheaties purchased determines the price of Wheaties |  |  |  | | --- | --- | | **B.** | all factors other than the price of Wheaties (for example, consumer preferences and incomes) are assumed to be constant |  |  |  | | --- | --- | | C. | economists can conduct controlled laboratory experiments |  |  |  | | --- | --- | | D. | one cannot generalize about the relationship between the price of Wheaties and quantity purchased |  |  |  | | --- | --- | | E. | the price and quantity demanded of Wheaties are directly related | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Hard Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #32 Topic: 01-04 Economic Models Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. | A positive statement is one that:      |  |  | | --- | --- | | A. | outlines a direct relationship between two variables |  |  |  | | --- | --- | | B. | outlines an inverse relationship between two variables |  |  |  | | --- | --- | | C. | is subjective and is, therefore, based upon a value judgement |  |  |  | | --- | --- | | D. | is necessarily true |  |  |  | | --- | --- | | **E.** | is objective and is, therefore, based upon facts | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #33 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. | Which of the following is a positive statement?      |  |  | | --- | --- | | A. | The humidity is too high today. |  |  |  | | --- | --- | | B. | It is too hot to jog today. |  |  |  | | --- | --- | | **C.** | The temperature is 22°C. |  |  |  | | --- | --- | | D. | I enjoy summer evenings when it cools off. |  |  |  | | --- | --- | | E. | I dislike humid nights. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #34 Topic: 01-04 Economic Models Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. | Normative statements are concerned with:      |  |  | | --- | --- | | A. | facts and theories |  |  |  | | --- | --- | | **B.** | what ought to be |  |  |  | | --- | --- | | C. | what is |  |  |  | | --- | --- | | D. | rational choice involving costs and benefits |  |  |  | | --- | --- | | E. | what can never be | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #35 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. | Which of the following is a normative statement?      |  |  | | --- | --- | | A. | The temperature is high today. |  |  |  | | --- | --- | | B. | The humidity is high today. |  |  |  | | --- | --- | | **C.** | It is too hot to play tennis today. |  |  |  | | --- | --- | | D. | It will cool off later this evening. |  |  |  | | --- | --- | | E. | I think it will be hot today. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics Lovewell - Chapter 01 #36 Topic: 01-04 Economic Models Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | A product has utility if it:      |  |  | | --- | --- | | A. | takes more and more resources to produce successive units of it |  |  |  | | --- | --- | | B. | can be produced in unlimited quantities |  |  |  | | --- | --- | | **C.** | satisfies consumer wants |  |  |  | | --- | --- | | D. | is useful |  |  |  | | --- | --- | | E. | is available in only limited quantities | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #37 Topic: 01-04 Economic Models Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. | Utility refers to the:      |  |  | | --- | --- | | A. | extent to which a product can be used as a capital resource |  |  |  | | --- | --- | | B. | opportunity cost of a product |  |  |  | | --- | --- | | C. | relative scarcity of a product |  |  |  | | --- | --- | | D. | usefulness of a product |  |  |  | | --- | --- | | **E.** | satisfaction that a consumer derives from a good or service | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #38 Topic: 01-06 Utility Maximization Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. | To maximize utility, a consumer who derives greater satisfaction from writing music than from studying drama will choose to:      |  |  | | --- | --- | | A. | study music |  |  |  | | --- | --- | | B. | study drama |  |  |  | | --- | --- | | C. | write plays |  |  |  | | --- | --- | | **D.** | write music |  |  |  | | --- | --- | | E. | both write music and study drama | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #39 Topic: 01-06 Utility Maximization Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Which of the following expressions best states the idea of opportunity cost?      |  |  | | --- | --- | | A. | "A penny saved is a penny earned." |  |  |  | | --- | --- | | B. | "He who hesitates is lost." |  |  |  | | --- | --- | | **C.** | "There is no such thing as a free lunch." |  |  |  | | --- | --- | | D. | "All that glitters is not gold." |  |  |  | | --- | --- | | E. | "Watch the pennies, and the pounds will look after themselves." | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #40 Topic: 01-07 Opportunity Cost Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. | The notion of opportunity cost:      |  |  | | --- | --- | | A. | applies to consumers, but not to businesses |  |  |  | | --- | --- | | B. | applies to businesses, but not to consumers |  |  |  | | --- | --- | | **C.** | is relevant to economies of all ideological persuasions |  |  |  | | --- | --- | | D. | would disappear if we were able to eliminate poverty |  |  |  | | --- | --- | | E. | does not apply to governments | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #41 Topic: 01-07 Opportunity Cost Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. | The concept of opportunity cost:      |  |  | | --- | --- | | A. | is irrelevant in command economies because of central planning |  |  |  | | --- | --- | | B. | suggests that resources are often unlimited in quantity |  |  |  | | --- | --- | | C. | is irrelevant if the production possibilities curve is shifting to the right |  |  |  | | --- | --- | | D. | suggests that inexhaustible wants can be fulfilled |  |  |  | | --- | --- | | **E.** | suggests that the use of resources in any particular line of production means that alternative outputs must be forgone | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #42 Topic: 01-07 Opportunity Cost Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. | Which of the following is not an illustration of the notion of opportunity cost?      |  |  | | --- | --- | | **A.** | A growing economy can produce more ice cream and more ice cream cones at the same time. |  |  |  | | --- | --- | | B. | If I buy a pizza, I will not be able to afford a movie. |  |  |  | | --- | --- | | C. | Resources devoted to the production of computers are not available for the production of computer software. |  |  |  | | --- | --- | | D. | The land on which a Saskatchewan farmer plants wheat is not available for barley production. |  |  |  | | --- | --- | | E. | The more time it takes to commute to work, the less time is available for other activities. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #43 Topic: 01-07 Opportunity Cost Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. | The notion of opportunity cost is best defined as:      |  |  | | --- | --- | | A. | the monetary price of any productive resource |  |  |  | | --- | --- | | B. | the amount of labour that must be used to produce one unit of any product |  |  |  | | --- | --- | | C. | the monetary price of any product |  |  |  | | --- | --- | | **D.** | the utility that could have been gained by choosing an action's best alternative |  |  |  | | --- | --- | | E. | the number of units of a product that are available to be purchased | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #44 Topic: 01-07 Opportunity Cost Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. | The production possibilities curve illustrates the basic principle that:      |  |  | | --- | --- | | A. | the production of more of any one item will in time require smaller and smaller sacrifices of other items |  |  |  | | --- | --- | | B. | an economy automatically seeks that level of output that employs all of its resources |  |  |  | | --- | --- | | **C.** | if all the resources of an economy are fully used, more of one item could be produced only if less of another item is produced |  |  |  | | --- | --- | | D. | any production point below the curve reflects high opportunity cost |  |  |  | | --- | --- | | E. | any production point above the curve reflects low opportunity cost | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #45 Topic: 01-08 The Production Possibilities Curve Type: Definition* |

|  |  |
| --- | --- |
|  |  |

|  |
| --- |
| *Lovewell - Chapter 01* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. | A total output of 3 TVs and 4 stereos:      |  |  | | --- | --- | | A. | would never be chosen because the economy is capable of producing a larger total output |  |  |  | | --- | --- | | B. | represents the full employment of available resources |  |  |  | | --- | --- | | **C.** | involves the employment of an economy's scarce resources at less than their full capacity |  |  |  | | --- | --- | | D. | is unobtainable in this economy |  |  |  | | --- | --- | | E. | would always be chosen because this is the product combination that gives the economy's citizens the most satisfaction | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #46 Topic: 01-08 The Production Possibilities Curve Type: Numerical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. | To produce a total output of 3 TVs and 13 stereos, this economy must:      |  |  | | --- | --- | | **A.** | undergo an outward shift in its production possibilities curve |  |  |  | | --- | --- | | B. | ignore the notion of opportunity cost |  |  |  | | --- | --- | | C. | distribute its available resources more efficiently among alternative uses |  |  |  | | --- | --- | | D. | achieve the full employment of available resources |  |  |  | | --- | --- | | E. | leave some of its available resources idle | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #47 Topic: 01-08 The Production Possibilities Curve Type: Numerical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. | Assume that a change in government policy results in the increased production of all types of products. It can be concluded that the:      |  |  | | --- | --- | | **A.** | economy was not fully employing its resources before the policy change |  |  |  | | --- | --- | | B. | economy's production possibilities curve has shifted to the left as a result of the policy change |  |  |  | | --- | --- | | C. | economy's production possibilities curve does not bow out to the right |  |  |  | | --- | --- | | D. | law of increasing opportunity costs does not apply in this society |  |  |  | | --- | --- | | E. | economy's resources are freely available | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #48 Topic: 01-08 The Production Possibilities Curve Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. | The production possibilities curve:      |  |  | | --- | --- | | A. | shows all levels of production that are consistent with a stable price level |  |  |  | | --- | --- | | B. | indicates that any combination of products lying outside the curve is undesirable |  |  |  | | --- | --- | | C. | shows how an economy actually employs its resources |  |  |  | | --- | --- | | D. | shows all combinations of products that are most preferred by consumers |  |  |  | | --- | --- | | **E.** | is a frontier between all combinations of products that can be produced and those combinations that cannot be produced | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #49 Topic: 01-08 The Production Possibilities Curve Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. | Any point inside the production possibilities curve indicates:      |  |  | | --- | --- | | A. | that resources are imperfectly shiftable among alternative uses |  |  |  | | --- | --- | | B. | the presence of inflationary pressures |  |  |  | | --- | --- | | **C.** | that more output could be produced with available resources |  |  |  | | --- | --- | | D. | that the economy is saving a part of its income |  |  |  | | --- | --- | | E. | that some of an economy's potential output is not desired by consumers | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #50 Topic: 01-08 The Production Possibilities Curve Type: Application* |

|  |  |
| --- | --- |
|  |  |

|  |
| --- |
| *Lovewell - Chapter 01* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 51. | At the end of World War II, Canada's economic adjustment from wartime to peacetime can best be described by the movement from:      |  |  | | --- | --- | | A. | point a to point b |  |  |  | | --- | --- | | B. | point a to point c |  |  |  | | --- | --- | | **C.** | point b to point c |  |  |  | | --- | --- | | D. | point b to point d |  |  |  | | --- | --- | | E. | point c to point b | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #51 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 52. | Consider the following two tables.      Suppose that North Cantina is producing 2 hamburgers and 17 hot dogs while South Cantina is producing 2 hamburgers and 21 hot dogs. We can conclude that:      |  |  | | --- | --- | | A. | North Cantina is fully employing its resources but South Cantina is not |  |  |  | | --- | --- | | **B.** | South Cantina is fully employing its resources but North Cantina is not |  |  |  | | --- | --- | | C. | neither South Cantina nor North Cantina is fully employing its resources |  |  |  | | --- | --- | | D. | both South Cantina and North Cantina are fully employing their resources |  |  |  | | --- | --- | | E. | resources are perfectly shiftable between hotdogs and hamburgers | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #52 Topic: 01-08 The Production Possibilities Curve Type: Numerical* |

|  |  |
| --- | --- |
|  |  |

|  |
| --- |
| *Lovewell - Chapter 01* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 53. | The shape of each production possibilities curve:      |  |  | | --- | --- | | A. | indicates that resources shift perfectly from one use to another |  |  |  | | --- | --- | | B. | indicates that resources are virtually unlimited |  |  |  | | --- | --- | | C. | indicates that prices are constant |  |  |  | | --- | --- | | **D.** | illustrates the law of increasing opportunity costs |  |  |  | | --- | --- | | E. | shows that consumer wants are variable | |

|  |
| --- |
| *Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #53 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 54. | The concept of opportunity cost is best represented by the:      |  |  | | --- | --- | | A. | shift of the production possibilities curve from PP1 to PP2 |  |  |  | | --- | --- | | B. | move from point B on PP1 to point E on PP2 |  |  |  | | --- | --- | | C. | move from point E on PP2 to point A on PP1 |  |  |  | | --- | --- | | D. | move from point D inside PP1 to point B on PP1 |  |  |  | | --- | --- | | **E.** | move from point B to point C along PP1 | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #54 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 55. | An improvement in technology could be expected to:      |  |  | | --- | --- | | **A.** | shift the production possibilities curve from PP1 to PP2 |  |  |  | | --- | --- | | B. | shift the production possibilities curve from PP2 to PP1 |  |  |  | | --- | --- | | C. | move the economy from point A to point C along PP1 |  |  |  | | --- | --- | | D. | move the economy from points A, B, or C on PP1 to point D inside PP1 |  |  |  | | --- | --- | | E. | move the economy from point C to point A along PP1 | |

|  |
| --- |
| *Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #55 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 56. | Which one of the following would shift the production possibilities curve from PP1 to PP2?      |  |  | | --- | --- | | **A.** | the immigration of skilled workers into the economy |  |  |  | | --- | --- | | B. | a worsening of diseases such as AIDS |  |  |  | | --- | --- | | C. | an increase in consumer prices |  |  |  | | --- | --- | | D. | a reduction in hourly wages |  |  |  | | --- | --- | | E. | a change in consumer preferences | |

|  |
| --- |
| *Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #56 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |
| --- | --- |
|  |  |

|  |
| --- |
| *Lovewell - Chapter 01* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 57. | Points A, B, C, D, and E show:      |  |  | | --- | --- | | A. | that the opportunity cost of bicycles increases while that of computers is constant |  |  |  | | --- | --- | | **B.** | combinations of bicycles and computers that a society can produce by fully employing its resources |  |  |  | | --- | --- | | C. | that the opportunity cost of computers increases while that of bicycles is constant |  |  |  | | --- | --- | | D. | that the demand for computers is greater than the demand for bicycles |  |  |  | | --- | --- | | E. | that the opportunity cost of both bicycles and computers are constant | |

|  |
| --- |
| *Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #57 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. | If a society is currently producing 9 bicycles and 4 computers, the decision to increase computer output to 6 costs:      |  |  | | --- | --- | | **A.** | 4 bicycles |  |  |  | | --- | --- | | B. | 2 bicycles |  |  |  | | --- | --- | | C. | 5 bicycles |  |  |  | | --- | --- | | D. | zero because unemployed resources are available |  |  |  | | --- | --- | | E. | irrelevant because this decision is inconsistent with consumer preferences | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #58 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 59. | If a society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more bicycles:      |  |  | | --- | --- | | A. | cannot be realized because resources are fully employed |  |  |  | | --- | --- | | **B.** | costs 1 computer |  |  |  | | --- | --- | | C. | costs 2 computers |  |  |  | | --- | --- | | D. | means that some resources are not fully employed |  |  |  | | --- | --- | | E. | costs 6 computers | |

|  |
| --- |
| *Difficulty: Hard Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #59 Topic: 01-08 The Production Possibilities Curve Type: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 60. | The law of increasing opportunity costs is reflected in a production possibilities curve that:      |  |  | | --- | --- | | A. | is an upward-sloping straight line |  |  |  | | --- | --- | | B. | is a downward-sloping straight line |  |  |  | | --- | --- | | C. | bows in to the left |  |  |  | | --- | --- | | D. | is any shape |  |  |  | | --- | --- | | **E.** | bows out to the right | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model Lovewell - Chapter 01 #60 Topic: 01-08 The Production Possibilities Curve Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 61. | The problem of economic scarcity forces every country to determine:      |  |  | | --- | --- | | A. | the shape of its production possibilities curve |  |  |  | | --- | --- | | B. | the amount of economic resources that can be employed in production |  |  |  | | --- | --- | | **C.** | what, how, and for whom to produce |  |  |  | | --- | --- | | D. | the ways that individuals can pursue their own self-interest |  |  |  | | --- | --- | | E. | how to plan to overcome scarcity | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #61 Topic: 01-10 Basic Economic Questions Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. | The two basic markets shown by the simple circular flow diagram are:      |  |  | | --- | --- | | A. | capital goods and consumer goods |  |  |  | | --- | --- | | B. | free and controlled |  |  |  | | --- | --- | | **C.** | product and resource |  |  |  | | --- | --- | | D. | household and business |  |  |  | | --- | --- | | E. | government and private | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #62 Topic: 01-12 Market Economy Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. | In the product market:      |  |  | | --- | --- | | A. | businesses sell economic resources to households |  |  |  | | --- | --- | | **B.** | businesses sell consumer products to households |  |  |  | | --- | --- | | C. | businesses buy consumer products from households |  |  |  | | --- | --- | | D. | businesses buy economic resources from households |  |  |  | | --- | --- | | E. | business and households both sell consumer products to each other | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #63 Topic: 01-12 Market Economy Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. | The economy of India most closely approximates a:      |  |  | | --- | --- | | **A.** | traditional mixed economy |  |  |  | | --- | --- | | B. | market economy |  |  |  | | --- | --- | | C. | command economy |  |  |  | | --- | --- | | D. | modern mixed economy |  |  |  | | --- | --- | | E. | traditional economy | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #64 Topic: 01-14 Mixed Economies Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 65. | Between the early 1990s and late 2000s, India's and China's economies steadily grew by annual average of:      |  |  | | --- | --- | | A. | 4 percent and 6 percent respectively |  |  |  | | --- | --- | | B. | 6 percent and 8 percent respectively |  |  |  | | --- | --- | | **C.** | 8 percent and 10 percent respectively |  |  |  | | --- | --- | | D. | 10 percent and 12 percent respectively |  |  |  | | --- | --- | | E. | 12 percent and 14 percent respectively | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Hard Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #65 Topic: 01-14 Mixed Economies Type: Factual* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 66. | Modern mixed economy refers to an economy:      |  |  | | --- | --- | | A. | with both product and resource markets |  |  |  | | --- | --- | | B. | that engages in both domestic and international trade |  |  |  | | --- | --- | | **C.** | with both private and public sectors |  |  |  | | --- | --- | | D. | that functions primarily on the basis of custom and tradition |  |  |  | | --- | --- | | E. | that operates on the basis of central planning | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #66 Topic: 01-14 Mixed Economies Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 67. | The Canadian economy most closely approximates a:      |  |  | | --- | --- | | A. | traditional mixed economy |  |  |  | | --- | --- | | B. | market economy |  |  |  | | --- | --- | | C. | command economy |  |  |  | | --- | --- | | **D.** | modern mixed economy |  |  |  | | --- | --- | | E. | traditional economy | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #67 Topic: 01-14 Mixed Economies Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. | The unemployment rate includes:      |  |  | | --- | --- | | A. | pensioners |  |  |  | | --- | --- | | B. | homemakers |  |  |  | | --- | --- | | **C.** | brewery workers who have been laid off recently |  |  |  | | --- | --- | | D. | students working part-time at a grocery store |  |  |  | | --- | --- | | E. | young children | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #68 Topic: 01-15 Economic Goals Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 69. | The Kyoto Protocol:      |  |  | | --- | --- | | A. | aimed to increase emissions of so-called greenhouse gases, in particular carbon dioxide |  |  |  | | --- | --- | | **B.** | was signed by over 170 countries, including Canada |  |  |  | | --- | --- | | C. | ensured that all countries in the world cut greenhouse gases until 2012 |  |  |  | | --- | --- | | D. | requirements were met by Canada, but by few other countries |  |  |  | | --- | --- | | E. | imposed a global carbon tax | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #69 Topic: 01-15 Economic Goals Type: Factual* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. | The achievement of full employment frequently conflicts with the economic goal of:      |  |  | | --- | --- | | A. | economic efficiency |  |  |  | | --- | --- | | B. | economic growth |  |  |  | | --- | --- | | C. | income equity |  |  |  | | --- | --- | | D. | a viable balance of payments |  |  |  | | --- | --- | | **E.** | price stability | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Hard Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #70 Topic: 01-15 Economic Goals Type: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 71. | According to Adam Smith, the most significant single cause of economic progress has been:      |  |  | | --- | --- | | A. | the increase in the fertility of land used in agriculture |  |  |  | | --- | --- | | B. | the use of more specialized forms of machinery in manufacturing |  |  |  | | --- | --- | | C. | a more educated workforce |  |  |  | | --- | --- | | **D.** | the division of labour |  |  |  | | --- | --- | | E. | the rise of large companies that dominate particular industries | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Medium Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #71 Topic: 01-16 The Founder of Modern Economics: Adam Smith and the Invisible Hand Type: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 72. | Laissez-faire suggests that:      |  |  | | --- | --- | | A. | land and other natural resources should be privately owned but capital should be owned by the government |  |  |  | | --- | --- | | B. | land and other natural resources should be owned by the government but capital should be privately owned |  |  |  | | --- | --- | | **C.** | government should not interfere with the operation of the economy |  |  |  | | --- | --- | | D. | government action is necessary if the economy is to achieve full employment |  |  |  | | --- | --- | | E. | government policies are needed to deal with environmental damage | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: Easy Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them Lovewell - Chapter 01 #72 Topic: 01-16 The Founder of Modern Economics: Adam Smith and the Invisible Hand Type: Definition* |

Chapter 1 Summary

|  |  |
| --- | --- |
| *Category* | *# of Questions* |
| Accessibility: Keyboard Navigation | 60 |
| Difficulty: Easy | 30 |
| Difficulty: Hard | 14 |
| Difficulty: Medium | 28 |
| Learning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economics | 36 |
| Learning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities model | 24 |
| Learning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer them | 12 |
| Lovewell - Chapter 01 | 76 |
| Topic: 01-02 The Economic Problem | 14 |
| Topic: 01-03 Economics Defined | 6 |
| Topic: 01-04 Economic Models | 17 |
| Topic: 01-06 Utility Maximization | 2 |
| Topic: 01-07 Opportunity Cost | 5 |
| Topic: 01-08 The Production Possibilities Curve | 16 |
| Topic: 01-10 Basic Economic Questions | 1 |
| Topic: 01-12 Market Economy | 2 |
| Topic: 01-14 Mixed Economies | 4 |
| Topic: 01-15 Economic Goals | 3 |
| Topic: 01-16 The Founder of Modern Economics: Adam Smith and the Invisible Hand | 2 |
| Type: Application | 16 |
| Type: Definition | 42 |
| Type: Factual | 2 |
| Type: Graphical | 8 |
| Type: Numerical | 4 |