ECON 101
Quiz 1

Name:
Student ID:

1. Economics is the study of choice under conditions of  (c)
   a. demand
   b. supply
   c. scarcity
   d. opportunity
   e. abundance

2. Scarcity is a situation in which  (a)
   a. available resources cannot satisfy all potential uses for the resources
   b. there are unlimited wants
   c. resources outnumber the potential uses for resources in society
   d. there is a surplus, since buyers cannot obtain all of the goods that they want
   e. society's productive capital is publicly owned

3. Individuals must make choices because (d)
   a. resources are scarce and wants are limited
   b. resources and wants are unlimited
   c. assets and wealth are distributed unevenly
   d. resources are scarce and wants are unlimited
   e. inflation usually outpaces income growth

4. Society's resources include  (c)
   a. land and labor
   b. labor and machinery
   c. land, labor, and capital
   d. land, capital, and money
   e. labor, capital, and money

5. Microeconomics analyzes individual parts of the economy rather than broad economic aggregates. (a)
   a. True
   b. False

6. Macroeconomics is the study of  (c)
   a. how wages are determined in a specific labor market
   b. how to use the fewest natural resources to produce public goods
   c. what is happening in the economy as a whole
   d. how consumers and producers interact in individual markets
   e. the price and the quantity exchanged in a market
7. Positive economics deals with (b)
   a. value judgments
   b. how the economy does work
   c. how the economy should work
   d. how the federal government should operate
   e. what the price level should be

8. An economist claims that "the evidence suggests that high rates of inflation are associated with slow long-term economic growth." This is an example of (a)
   a. positive economics
   b. normative economics
   c. negative economics
   d. a simplifying assumption
   e. microeconomic analysis

9. Which of the following is a positive statement? (b)
   a. driving speeds should be lowered so that fewer accidents will occur
   b. when per capita income falls, fewer meals are consumed at restaurants
   c. the minimum wage is too low; college students deserve a raise
   d. cigarette sales should be made illegal in order to reduce the incidence of cancer
   e. Social Security is a good program for U.S. workers

10. Economic models do not have to completely describe every aspect of the economy in order to be useful. (a)
    a. True
    b. False

11. Simplifying assumptions always affect the conclusions derived from an economic model. (b)
    a. True
    b. False

12. A critical assumption (c)
    a. makes an economic model a more concrete representation of reality
    b. eliminates unnecessary details from an economic model
    c. has an important impact on the conclusions of an economic model
    d. is usually implicit in an economic model
    e. increases the level of abstraction of an economic model

13. The opportunity cost of any activity can be measured by the (a)
    a. value of the best alternative that is given up
    b. price (or monetary costs) of the activity
    c. level of technology
    d. time needed to select among various alternatives
    e. fringe benefits associated with the activity
14. The money we pay for a good or service (e)
a. generally exceeds its opportunity cost
b. generally equals its opportunity cost
c. has no part in determining its opportunity cost
d. generally equals two-thirds of its opportunity cost
e. generally is only part of its opportunity cost

15. The idea of opportunity cost suggests that the cost of a particular choice should be measured by the (c)
a. price of the good chosen
b. price of the good divided by income
c. value of the best alternative sacrificed
d. amount of the good consumed
e. sum of the costs of all foregone opportunities