

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)
- value judgments
 - how the economy does work
 - how the economy should work
 - how the federal government should operate
 - 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)
- positive economics
 - normative economics
 - negative economics
 - a simplifying assumption
 - microeconomic analysis
9. Which of the following is a positive statement? (b)
- driving speeds should be lowered so that fewer accidents will occur
 - when per capita income falls, fewer meals are consumed at restaurants
 - the minimum wage is too low; college students deserve a raise
 - cigarette sales should be made illegal in order to reduce the incidence of cancer
 - 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)
- True
 - False
11. Simplifying assumptions always affect the conclusions derived from an economic model. (b)
- True
 - False
12. A critical assumption (c)
- makes an economic model a more concrete representation of reality
 - eliminates unnecessary details from an economic model
 - has an important impact on the conclusions of an economic model
 - is usually implicit in an economic model
 - increases the level of abstraction of an economic model
13. The opportunity cost of any activity can be measured by the (a)
- value of the best alternative that is given up
 - price (or monetary costs) of the activity
 - level of technology
 - time needed to select among various alternatives
 - 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