

**Test Bank for Foundations of Economics 6th Edition by Bade Parkin ISBN
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Chapter 1

Getting Started

1.1 Definition and Questions

1) Scarcity exists because

- A) human wants exceed the resources available to satisfy them.
- B) some individuals have low income.
- C) the costs of production are high.
- D) some people make bad economic decisions.
- E) people take too much leisure time.

Answer: A

Topic: Scarcity

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: TS

AACSB: Reflective Thinking

2) Scarcity

- A) is the inability to satisfy all our wants.

- B) leads to higher prices.
- C) applies only to people living in poverty.
- D) is not something that affects very rich people.
- E) used to exist everywhere but has been eliminated in advanced economies.

Answer: A

Topic: Scarcity

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: SA

AACSB: Reflective Thinking

3) Scarcity requires that we

- A) produce efficiently.
- B) learn to limit our wants.
- C) have the most rapid economic growth possible.
- D) have unlimited resources.
- E) make choices about what goods and services to produce.

Answer: E

Topic: Scarcity

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: PH

AACSB: Reflective Thinking

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4) Scarcity means that

- A) what we can produce with our resources is greater than our material wants.
- B) resources are unlimited.
- C) wants are greater than what we can produce with out resources.
- D) governments must make up for shortages in resources.
- E) choices made in self-interest cannot be the same as those made in the social interest.

Answer: C

Topic: Scarcity

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: PH

AACSB: Reflective Thinking

5) Because human wants are insatiable and unlimited while available resources are limited, people

are said to face the problem of

- A) scarcity.
- B) why to produce.
- C) macroeconomics.
- D) microeconomics.
- E) social interest versus self-interest.

Answer: A

Topic: Scarcity

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: PH

AACSB: Reflective Thinking

6) Which of the following statements best describes the study of economics?
Economics studies

how

- A) to organize production so that scarcity does not occur.
- B) firms make profits.
- C) we make choices in the face of scarcity.
- D) to create incentives so that scarcity does not exist.
- E) businesses reach decisions.

Answer: C

Topic: Scarcity

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: CD

AACSB: Reflective Thinking

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- 7) Scarcity forces people to
- A) choose among available alternatives.
 - B) cheat and steal.
 - C) be unwilling to help others.
 - D) live at a low standard of living.
 - E) consume as much as they can as quickly as they can.

Answer: A

Topic: Scarcity

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: TS

AACSB: Reflective Thinking

8) Scarcity means we must

A) consume less.

B) produce less.

C) make choices.

D) earn more.

E) work more.

Answer: C

Topic: Scarcity

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: SB

AACSB: Reflective Thinking

9) What is the reason that all economic issues and problems occur?

A) All nations use some form of money to buy and sell goods and services.

B) Humans are always wasteful and inefficient in production and consumption.

C) Powerful governments are able to control production and consumption.

D) Human wants exceed the resources available to satisfy them.

E) People seek only their own self-interest.

Answer: D

Topic: Scarcity

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: TS

AACSB: Reflective Thinking

10) The study of economics is best described as a study of

- A) the factors that influence the stock and bond markets.
- B) capitalism.
- C) the choices made in producing goods and services.
- D) coping with scarcity, and choices made as a result of scarcity in a society.
- E) how people earn a living.

Answer: D

Topic: Definition of economics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: PH

AACSB: Reflective Thinking

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11) Which of the following statements best describes the study of economics?

Economics studies

how

- A) to organize production so that scarcity does not occur.
- B) firms make profits.
- C) we make choices in the face of scarcity.
- D) to create incentives so that scarcity does not exist.
- E) businesses reach decisions.

Answer: C

Topic: Definition of economics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: CD

AACSB: Reflective Thinking

12) Which of the following best defines economics?

- A) Economics teaches how to limit our wants.
- B) Economics studies how to choose the best alternative when coping with scarcity.
- C) Economics helps you earn as much money as possible.
- D) Economics analyzes all aspects of human behavior in general.
- E) Economics is concerned with prices and quantities of goods and services, both at the individual level and at the industry level.

Answer: B

Topic: Definition of economics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: TS

AACSB: Reflective Thinking

13) Economics is the social science that studies

- A) the real reasons people buy goods and services.
- B) the psychology of individuals and businesses.
- C) whether a nation has enough natural resources.
- D) how people make choices to cope with scarcity.
- E) how choices made in the social interest could eliminate scarcity.

Answer: D

Topic: Definition of economics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: SA

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14) Economics is best defined as the social science that studies

A) how a person can get everything he or she wants.

B) the reason money exists.

C) the way to eliminate choices in our decisions.

D) the choices that societies, and the people and institutions that make up societies, make in

dealing with the issue of scarcity.

E) how choices made in the social interest must conflict with choices made in the self-interest.

Answer: D

Topic: Definition of economics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: JC

AACSB: Reflective Thinking

15) Microeconomics includes the study of the

A) aggregate effects on the national economy.

B) recessions and inflation in the global economy.

C) choices made by individuals and businesses.

D) reasons why the government changes interest rates.

E) nationwide unemployment rate.

Answer: C

Topic: Microeconomics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

16) The primary focus of microeconomics is

A) to examine the operation of the entire (aggregate) economy.

B) to examine the behavior and operation of the individual units or sectors that make up the economy.

C) our government's monetary policy.

D) the levels of employment and inflation.

E) to study how we managed to eliminate scarcity.

Answer: B

Topic: Microeconomics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

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17) Which of the following is a microeconomic issue?

A) The price of gasoline increases in the United States this year.

B) The Brazilian economy experiences rapid economic growth.

- C) The unemployment rate soars in Spain.
- D) Inflation skyrockets in Russia.
- E) The U.S. government cuts taxes to combat a recession.

Answer: A

Topic: Microeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

18) Which of the following is a microeconomic issue?

- A) Growth in the U.S. economy slowed.
- B) Increased federal government expenditures have lowered the unemployment rate.
- C) The inflation rate fell this year.
- D) The quantity of wheat grown in the United States increases this year.
- E) The U.S. government cuts taxes to combat a recession.

Answer: D

Topic: Microeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

19) Which of the following is a microeconomic topic?

- i. K-Mart's decision to close stores that are not making a profit
- ii. Home Depot's choice to hire more full-time employees because its sales increased

iii. Delta Airlines changes its fares

A) i only

B) ii only

C) i and iii

D) ii and iii

E) i, ii, and iii

Answer: E

Topic: Microeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

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20) Which of the following is a microeconomic topic?

A) Northwest Airlines analyzes the benefits of adding one more flight to Salt Lake City.

B) Unemployment soars as taxes increase.

C) The government leaves interest rates unchanged as the economy improves.

D) Germany's government increases taxes to avoid a budget deficit.

E) Chinese economic growth slows.

Answer: A

Topic: Microeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

21) Which of the following is a microeconomic topic?

- i) Gas prices increase after a hurricane hits the gulf coast.
 - ii) Xavier starts a new business designing web pages.
 - iii) Abby decides to practice an extra hour of soccer instead of studying.
- A) i, ii and iii B) i only C) ii and iii D) ii only E) i and ii

Answer: A

Topic: Microeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: New

AACSB: Reflective Thinking

22) Macroeconomics is the study of

- A) the actions of individual consumers.
- B) national or global economies.
- C) the actions of individual businesses.
- D) the government.
- E) how ceteris paribus affects causation.

Answer: B

Topic: Macroeconomics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

23) Which of the following BEST describes macroeconomics?

- A) It analyzes the aggregate effects on the national economy of the choices made by individuals, firms, and governments.
- B) It studies the choices that individuals and businesses make when coping with scarcity.
- C) It examines how the choices that individuals affect governments.
- D) It is not a social science because its predictions cannot be tested.
- E) Proving causation is never a problem for macroeconomics.

Answer: A

Topic: Macroeconomics

Skill: Level 1: Definition

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

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24) Which of the following is a topic studied in macroeconomics?

- A) The pricing decisions in the computer hardware industry
- B) The effect on economic growth if the government raises taxes
- C) How the wheat industry determines how much wheat to grow
- D) The impact of labor unions on wages
- E) The impact of higher prices for gasoline on the number of SUVs people buy

Answer: B

Topic: Macroeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

25) Which of the following is a macroeconomic topic?

- A) The federal government's decision to spend more on environmental protection
- B) The county government's decision to increase the sales tax for your county
- C) Why did production and jobs expand slowly in 2011?
- D) General Motors decides what prices to set for their new models.
- E) The effect of floods in the growing areas on the price and quantity of wheat.

Answer: C

Topic: Macroeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

26) Which of the following is a macroeconomic issue?

- A) The price of a ticket to Walt Disney World in Orlando is increased.
- B) The National Football League signs a new television contract.
- C) The number of jobs and production in Zimbabwe increase.
- D) The Iowa corn harvest is smaller than normal.
- E) Utilities are required to install more anti-pollution devices.

Answer: C

Topic: Macroeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: Checkpoint 1.2, 5e

AACSB: Reflective Thinking

27) Which of the following is a macroeconomic topic?

- i) China increases interest rates to slow its economic growth.
 - ii) Congress lowers tax rates to try and lower the unemployment rate.
 - iii) Nissan decides to produce more electric Leaf models and fewer Altima sedans.
- A) i and ii B) i, ii and iii C) iii only D) i and iii E) ii and iii

Answer: A

Topic: Macroeconomics

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: New

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28) When you make the decision to spend your time attending class, which economic question are you answering?

- A) What?
- B) How?
- C) For whom?
- D) Why?
- E) Social interest

Answer: A

Topic: Economic questions, what

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: SB

AACSB: Reflective Thinking

29) Of the three major economic questions, which of the following is the best example of a "What?" question?

- A) Should automobiles be produced using workers or robots?
- B) Should higher-income or lower-income people buy SUVs?
- C) Should we make faster microprocessors or pest-resistant corn?
- D) Should migrant workers or domestic workers be used to pick grapes?
- E) What should doctors be paid?

Answer: C

Topic: Economic questions, what

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: SA

AACSB: Reflective Thinking

30) When Ford decides to increase production of hybrid cars, it directly answers the _____ question.

- A) what B) how C) for whom D) where E) why

Answer: A

Topic: Economic questions, what

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: CD

AACSB: Reflective Thinking

31) When Delta decides to quit flying to Lithuania, it directly answers the _____ question.

A) what B) why C) for whom D) how E) when

Answer: A

Topic: Economic questions, what

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: CD

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32) The question of "What goods and services get produced?" most closely relates to which of the

following issues?

A) the distribution of goods and services in the economy

B) producing goods and services in the least costly manner

C) building a missile defense system, or putting a computer in every elementary school

classroom

D) obtaining specialized training to increase one's income

E) taxing high income workers to give payments to poor households

Answer: C

Topic: Economic questions, what

Skill: Level 3: Using models

Section: Checkpoint 1.1

Status: PH

AACSB: Reflective Thinking

33) When a home builder decides to computerize all of its production schedule, it directly answers

the _____ question.

A) for whom B) what C) where D) how E) why

Answer: D

Topic: Economic questions, how

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: CD

AACSB: Reflective Thinking

34) When Fresh Express Salads decides to mechanically pick all of its lettuce, it directly answers the

_____ question.

A) what B) how C) for whom D) where E) when

Answer: B

Topic: Economic questions, how

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: CD

AACSB: Reflective Thinking

35) When the power company decides to use manpower to bury its lines, it directly answers the

_____ question.

A) what B) for whom C) how D) why E) when

Answer: C

Topic: Economic questions, how

Skill: Level 2: Using definitions

Section: Checkpoint 1.1

Status: CD

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