

Microeconomics, 13e (Parkin)
Chapter 1 What Is Economics?

1 Definition of Economics

- 1) All economic questions are about
- A) how to make money.
 - B) what to produce.
 - C) how to cope with scarcity.
 - D) how to satisfy all our wants.

Answer: C

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 2) All economic questions arise because we
- A) want more than we can get.
 - B) want more than we need.
 - C) have an abundance of resources.
 - D) have limited wants that need to be satisfied.

Answer: A

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 3) Economics is best defined as the study of how people, businesses, governments, and societies
- A) choose abundance over scarcity.
 - B) make choices to cope with scarcity.
 - C) use their infinite resources.
 - D) attain wealth.

Answer: B

Topic: Scarcity

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 4) Scarcity is a situation in which
- A) people cannot satisfy all their wants.
 - B) most people can get only bare necessities.
 - C) people can satisfy all their wants.
 - D) some people can get all they want and some cannot.

Answer: A

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

5) Economists point out that scarcity confronts

- A) neither the poor nor the rich.
- B) the poor but not the rich.
- C) the rich but not the poor.
- D) both the poor and the rich.

Answer: D

Topic: Scarcity

Skill: Conceptual

Status: Old

AACSB: Ethical understanding and reasoning

6) Scarcity is

- A) our inability to satisfy all our wants.
- B) a situation that exists during economic recessions but not during economic booms.
- C) eliminated by choices.
- D) an economic problem only for poor people.

Answer: A

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

7) When an economist talks of scarcity, the economist is referring to the

- A) ability of society to employ all of its resources.
- B) ability of society to consume all that it produces.
- C) inability of society to satisfy all human wants because of limited resources.
- D) ability of society to continually make technological breakthroughs and increase production.

Answer: C

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

8) Fundamental economic problems basically arise from

- A) the fact that society has more than it needs.
- B) turmoil in the stock market.
- C) the unequal distribution of income.
- D) our wants exceeding our scarce resources.

Answer: D

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 9) Scarcity exists because
- A) society and people are greedy and wasteful.
 - B) our wants exceed the resources available to satisfy them.
 - C) of the inefficient choices we make.
 - D) poor people need more food and other goods.

Answer: B

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 10) Scarcity can be eliminated through
- A) the use of market mechanisms.
 - B) exploration that helps us find new resources.
 - C) wise use of our resources.
 - D) None of the above because scarcity cannot be eliminated.

Answer: D

Topic: Scarcity

Skill: Recognition

Status: Old

AACSB: Reflective thinking

- 11) As an economic concept, scarcity applies to
- A) both money and time.
 - B) money but not time.
 - C) time but not money.
 - D) neither time nor money.

Answer: A

Topic: Scarcity

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

- 12) In every economic system, choices must be made because resources are _____ and our wants are _____.

- A) unlimited; limited
- B) limited; unlimited
- C) unlimited; unlimited
- D) limited; limited

Answer: B

Topic: Scarcity

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

13) The problem of "scarcity" applies

- A) only in industrially developed countries because resources are scarce in these countries.
- B) only in underdeveloped countries because there are few productive resources in these countries.
- C) only in economic systems that are just beginning to develop because specialized resources are scarce.
- D) to all economic systems, regardless of their level of development.

Answer: D

Topic: Scarcity

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

14) Scarcity requires that people must

- A) cooperate.
- B) compete.
- C) trade.
- D) make choices.

Answer: D

Topic: Scarcity

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

15) People must make choices because

- A) most people enjoy shopping.
- B) of scarcity.
- C) there are many goods available.
- D) None of the above answers is correct.

Answer: B

Topic: Scarcity

Skill: Conceptual

Status: Old

AACSB: Reflective thinking

16) An incentive

- A) could be a reward but could not be a penalty.
- B) could be a penalty but could not be a reward.
- C) could be either a reward or a penalty.
- D) is the opposite of a tradeoff.

Answer: C

Topic: Incentive

Skill: Recognition

Status: Old

AACSB: Reflective thinking

17) An inducement to take a particular action is called

- A) the marginal benefit.
- B) the marginal cost.
- C) opportunity cost.
- D) an incentive.

Answer: D

Topic: Incentive

Skill: Recognition

Status: Old

AACSB: Reflective thinking

18) Economics is best defined as

- A) how people make money and profits in the stock market.
- B) making choices from an unlimited supply of goods and services.
- C) making choices with unlimited wants but facing a scarcity of resources.
- D) controlling a budget for a household.

Answer: C

Topic: Definition of Economics

Skill: Recognition

Status: Old

AACSB: Reflective thinking

19) The study of economics

- A) focuses mainly on individual consumers.
- B) arises from the fact that our wants exceed available resources.
- C) recognizes that scarcity does not affect rich nations.
- D) deals mainly with microeconomics.

Answer: B

Topic: Definition of Economics

Skill: Recognition

Status: Old

AACSB: Reflective thinking

20) Economics is best defined as the science of choice and how people cope with

- A) differences in wants.
- B) differences in needs.
- C) scarcity.
- D) different economic systems.

Answer: C

Topic: Definition of Economics

Skill: Recognition

Status: Old

AACSB: Reflective thinking