

Practice Problems for Chapter 1
AGEC 105

1. Even though households may have unlimited wants, they have to allocate their spending carefully because they
 - a. Do not want their credit card bills to be too high
 - b. Worry about their taxes
 - c. Have limited intelligence
 - d. Have limited income
 - e. Basically want to become wealthy

2. The three groups of decision makers in the economy are
 - a. Households, business firms and banks
 - b. Households, business firms and government
 - c. Business firms, government and banks
 - d. Business firms, bank and foreign trade
 - e. Household, government and banks

3. Economics is the study of choice under conditions of
 - a. Demand
 - b. utility
 - c. Scarcity
 - d. Opportunity cost
 - e. Abundance

4. Economics is the study of
 - a. How to make money in financial markets
 - b. How to allocate unlimited resources to satisfy limited uses
 - c. How to allocate limited resources to satisfy unlimited wants
 - d. Using stocks and bonds to their maximum potential
 - e. How to be conservative in financial affairs

5. Scarcity is a situation in which
 - 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

6. The basic problem addressed in economics is
 - a. Scarce resources and unlimited wants
 - b. Scarce wants and unlimited wants
 - c. Cost minimization
 - d. How to manage a financial portfolio
 - e. Unlimited time and unlimited potential

7. The problem of scarcity occurs under
 - a. Centrally planned and socialist economies, but not capitalism
 - b. Communism and communal ownership only
 - c. Socialism and capitalism, but not communism
 - d. Communal ownership, communism and socialism, but not capitalism
 - e. All economic systems

8. A physician's knowledge and skills is referred to by economists as
 - a. Human resources
 - b. Biological resources
 - c. Physical resources
 - d. Entrepreneurship
 - e. Intellectual raw materials

9. Which of the following is the best example of physical capital used to produce a textbook?
 - a. The expertise and writing ability of the authors
 - b. The ink used in the printing press
 - c. The printing press
 - d. The property on which the publisher's office is located
 - e. The time spent by editors reviewing the textbook

10. Suppose that you start your own company making T-shirts that commemorate campus sporting events. An example of the resource capital would be
 - a. The "factory" you created in a building you are leasing
 - b. Your time and effort used to produce T-shirt
 - c. The entire campus, since demand for T-shirts is obtained from campus students
 - d. Your creative designs used to commemorate different sporting events

11. Macroeconomics focuses on the behavior of economic agents such as the consumer, a business firm or a specific market
 - a. True
 - b. False

12. How retail gasoline stations behave in a local market is an example of a macroeconomic issue
 - a. True
 - b. False

13. The study of how consumers and producers interact in individual markets is
- Macroeconomics
 - Labor economics
 - Microeconomics
 - Econometrics
 - Development economics
14. Suppose that the following headlines appeared in a newspaper. Which would most clearly represent a macroeconomic issue
- "Central Bank Raises Interest Rates"
 - "Auto Dealership to Cut Prices"
 - "Fanny's Freeze Dried Prunes to Lay Off 50 Workers"
 - "United Workers Union to Strike April 15"
 - "Brazilian Coffee Bean Crop Falls by 10 Percent"
15. Which of the following would be strictly a microeconomic topic?
- A general rise in interest rate
 - A drop in inflation
 - An increase in total production in the United States
 - A drop in the nation's unemployment rate
 - An increase in the price of the Ford Taurus
16. Microeconomics is the study of
- Government decisions
 - The federal government's budget
 - The economic behavior of entire nation
 - The economic behavior of individual decision makers
 - The overall economy
17. Macroeconomics is the study of
- How the price of gasoline is determined
 - Large objects
 - The economic behavior of individual decision makers
 - The behavior of the economy as a whole
 - The economic behavior of individual firms
18. Which of the following is the study of "what should be" rather than the study of "what is"?
- Positive economics
 - Law and economics
 - Microeconomics
 - Development economics
 - Normative economics