Unit 1 Basic econ concepts

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Section I - Multiple Choice (27 questions)

Question 1

In which of the following situations is a good NOT scarce?

A. Consumer give up nothing to obtain more of the good.

B. Consumer can purchase as much of the good as they want at its current market price.

C. Large quantities of the good are available in the marketplace.

D. There is a surplus of the good at some positive price.

E. There is a shortage of the good at some positive price.

Question 2

As a factor of production, capital refers to the

A. money available to start a business

B. stocks and bonds issued by businesses to raise funds

C. financial investment of businesses

D. currency in circulation and deposits in financial institutions

E. tools and machinery used to produce goods and services

Question 3

Which of the following is necessary in a well-functioning capitalist economy but not in a command economy?

A. Centralized decision making

B. Scarcity of resources

C. Monopolies

D. Protection of property rights

E. Positive externalities

Question 4

Which of the following is associated with a command economy?

A. Competitive product markets

B. Use of resources for private gain

C. Use of available resources to meet all the needs and wants of its citizens

D. Entry of firms into industries with economic profit

E. Public ownership of the means of production

Question 5

Assume there are two goods in a market economy. The amount of each good produced is determined by

A. buyers and sellers' interactions in the market for each good

B. a central planning agency

C. the desires of households only

D. each citizen's minimum needs for survival

E. popular voting with one vote per citizen

Question 6

Command economies differ from capitalist economies mainly because of which of the following?

A. Command economies have higher prices for oil.

B. Capitalist economies have higher prices for oil.

C. Command economies have higher degree of government ownership of resources.

D. Capitalist economies have higher degree of government ownership of resources.

E. Command economies rely on prices to allocate resources.

Question 7

In contrast to a market economy, a command economy relies on which of the following?

A. The private sector in deciding what goods will be produced

B. Private ownership of resources

C. Profits as incentives to make choices

D. The government to allocate resources

E. Supply and demand to determine prices

Question 8

In a command economy, the quantity of computers produced would be determined by

A. factory owners

B. the government

C. consumers and producers

D. international trade

E. the wealthy

Question 9

The study of economics is primarily concerned with which of the following?

A. The testing of hypotheses under controlled conditions

B. The allocation of scarce resources, given unlimited wants

C. The fair and equal treatment of all households

D. The provision of conclusive answers to public policy issues

E. The development of the dynamics of group behavior

Question 10

Scarcity is correctly described by which of the following statements?
I. Scarcity exists if there are more uses for resources than can be satisfied at one time.
II. Scarcity exists if decisions must be made about alternative uses for resources.
III. Scarcity would not exist in a society in which people wanted to help others instead of themselves.

A. I only

B. II only

C. III only

D. I and II only

E. I, II, and III

Question 11

The study of economics exists because people are confronted with the basic problem of

A. elasticity

B. negative externality

C. scarcity

D. overabundance

E. monopoly

Question 12

The basic economic problem of all countries is the existence of

A. tax increases and budget deficits

B. limited resources and unlimited wants

C. unemployment and inflation

D. government and private industry

E. unions and monopoly firms

Question 13

The fundamental difference between a market economy and a command economy lies in which of the following?

A. Property rights and protection of private property

B. Absolute and comparative advantages

C. Specialization and trade

D. Taxes and subsidies

E. Positive and negative externalities

Question 14

Which of the following describes a factor of production that is not fully scarce and that can be used simultaneously in the production of more than one good?

A. Machines that can produce both clothing and bedsheets

B. Unskilled labor needed to produce all goods

C. Basic knowledge that enhances the organization of all manufacturing assembly lines

D. Land that is cultivated for two crops by more than one farmer

E. Labor that has received enhanced training in assembly-line work

Question 15

Which of the following is NOT an example of physical capital?

A. A delivery truck

B. A warehouse

C. Office furniture

D. Machinery

E. Land

Question 16

Which of the following is true in a capitalist economy?

A. The factors of production are collectively owned.

B. The factors of production are distributed according to needs.

C. The prices of goods and services are usually determined by the government.

D. The prices of goods and services are set so that an equitable distribution of private property is achieved.

E. Prices serve as incentives for factors of production to move to the markets where they are most valued.

Question 17

Relative to a command economy, resources in a market economy are more commonly allocated by

A. democratic elections

B. government planning

C. the price system

D. established traditions

E. a system of checks and balances

Question 18

Which of the following is the defining characteristic of a capitalistic economy?

A. Well-functioning capital markets

B. Private ownership and protection of property rights

C. Fair distribution of income and low income taxes

D. Equality of opportunity

E. Efficient allocation of resources

Question 19

Which of the following is a defining characteristic of a market economy?

A. Private ownership of resources

B. Equitable distribution of income

C. Taxation of personal income

D. Reliance on public goods

E. Government-guided resource allocation

Question 20

The basic economic problem of all economies is essentially one of deciding how to make the best use of

A. unlimited resources to satisfy unlimited wants

B. limited resources to satisfy unlimited wants

C. unlimited resources to satisfy limited wants

D. limited resources to satisfy limited wants

E. limited resources to provide public goods

Question 21

Individual private property rights provide people incentives to

A. meet societal goals rather than pursue their own self-interest

B. produce goods and services regardless of market demand

C. achieve equitable distribution of goods and services through competitive markets

D. focus only on benefits without regard to costs

E. produce goods and services that are valued in markets

Question 22

Which of the following statements describes an economy confronting scarcity?

A. If more of one good is produced, less of another good must be produced.

B. An economy can produce a limitless amount of all goods.

C. All individuals are able to satisfy their consumption desires.

D. Scarcity is eliminated by government provision of goods.

E. Scarcity only exists as a problem when there is more than one good to produce.

Question 23

Individuals and societies must make choices regarding which goods and services will be produced and consumed because

A. unlimited wants can only be satisfied by allocating resources efficiently

B. resources are insufficient to satisfy the unlimited wants of people

C. allocating scarce resources efficiently reduces the equitable distribution of goods

D. income is not equally distributed to ensure that everyone can participate in the market

E. a country cannot have a comparative advantage in the production of all goods

Question 24

People must make choices among available options because people

A. are irrational

B. have limited wants

C. have limited resources

D. are not provided goods by the government

E. do not receive positive benefits from consuming certain goods

Question 25

Individuals in any society must make choices regarding the types of goods and services to be produced because

A. free markets do not always allocate resources efficiently

B. free markets only satisfy the demands of paying consumers

C. opportunity costs increase as more of a good or service is produced

D. resources are scarce and human wants are unlimited

E. resources must be allocated for the benefit of the entire society

Question 26

The allocation of resources in a market economy is described by which of the following statements?

I. The government decides which goods will be produced and which consumers will receive them.

II. Buyers and sellers exchange goods and services on a voluntary basis.

III. Prices and costs help producers decide whether they are producing too little or too much of a good.

A. I only.

B. II only.

C. III only.

D. I and III only.

E. II and III only.

Question 27

Assume an economy is using all its available resources efficiently to produce only two goods, X and Y. As more of good X is produced, what happens to the production of good Y?

A. The production of good Y also increases.

B. More resources will need to be devoted to producing good Y.

C. Less of good Y is produced as resources move from producing good Y to producing good X.

D. The economy can only produce more of good X if there is more labor available.

E. There will be no loss of good Y produced.

Multiple-choice answer key

Answers reproduced from the website. No FRQ scoring guide was provided in the question pages.

1: A | 2: E | 3: D | 4: E | 5: A

6: C | 7: D | 8: B | 9: B | 10: D

11: C | 12: B | 13: A | 14: C | 15: E

16: E | 17: C | 18: B | 19: A | 20: B

21: E | 22: A | 23: B | 24: C | 25: D

26: E | 27: C