

Chapter 01 Limits, Alternatives, and Choices

True / False Questions

1. Rational individuals may make different choices because their information and circumstances differ.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-02 Define economics and the features of the economic way of thinking.

Topic: 01-05 Marginal Analysis: Comparing Benefits and Costs

2. Certain inherently desirable products such as education and health care should be produced so long as resources are available.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

Learning Objective: 01-02 Define economics and the features of the economic way of thinking.

Topic: 01-07 Microeconomics and Macroeconomics

3. Marginal analysis means that decision-makers compare the extra benefits with the extra costs of a specific choice.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-02 Define economics and the features of the economic way of thinking.

Topic: 01-08 Microeconomics

4. Choices entail marginal costs because resources are scarce.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-02 Define economics and the features of the economic way of thinking.

Topic: 01-08 Microeconomics

5. If economic theories are solidly based on relevant facts, then there can be no question as to the character of appropriate economic policy.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-03 Describe the role of economic theory in economics.

Topic: 01-09 Macroeconomics

6. The fact that economic generalizations are abstract renders them impractical and useless.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-03 Describe the role of economic theory in economics.

Topic: 01-09 Macroeconomics

7. Macroeconomics explains the behaviour of individual households and business firms; microeconomics is concerned with the behaviour of aggregates or the economy as a whole.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-04 Distinguish microeconomics from macroeconomics; and positive economics from normative economics.

Topic: 01-12 Limited Income

8. Positive statements are expressions of value judgments.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-04 Distinguish microeconomics from macroeconomics; and positive economics from normative economics.

Topic: 01-13 Unlimited Wants

9. Normative statements are expressions of facts.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-04 Distinguish microeconomics from macroeconomics; and positive economics from normative economics.

Topic: 01-13 Unlimited Wants

10. Individuals face an economic problem but society does not.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-06 List the categories of scarce resources and delineate the economic problem.

Topic: 01-12 Limited Income

11. The entrepreneur's sole function is to combine other resources (land, labour, and capital) in the production of some good or service.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-06 List the categories of scarce resources and delineate the economic problem.

Topic: 01-18 Income Changes

12. Products and services are scarce because resources are scarce.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-06 List the categories of scarce resources and delineate the economic problem.

Topic: 01-19 Society's Economic Problem

13. The process by which capital goods are accumulated is known as investment.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-06 List the categories of scarce resources and delineate the economic problem.

Topic: 01-18 Income Changes

14. The production possibilities curve shows various combinations of two products which an economy can produce when achieving full employment and productive efficiency.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 01-07 Apply the concepts of production possibilities analysis; increasing opportunity costs; and economic growth.

Topic: 01-23 Labour

15. An economy will always operate at some point on its production possibilities curve.

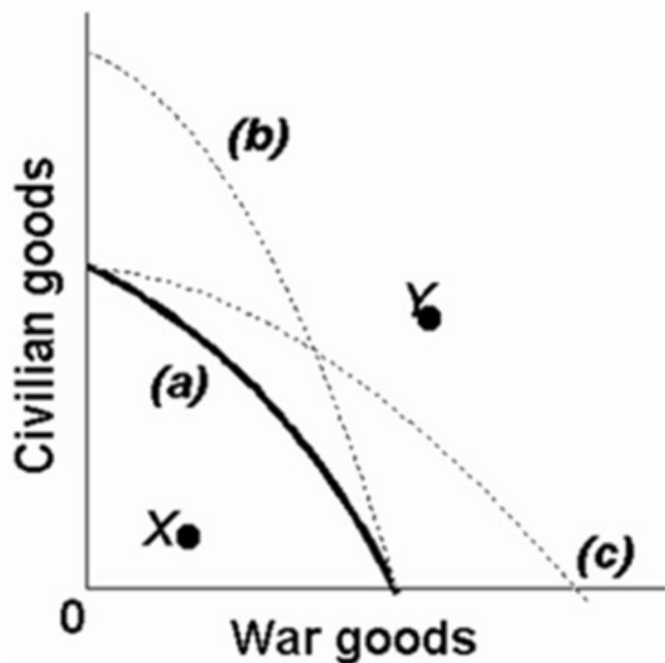
FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

Learning Objective: 01-07 Apply the concepts of production possibilities analysis; increasing opportunity costs; and economic growth.

Topic: 01-23 Labour



16.

Refer to the above production possibilities curves. Given production possibilities curve (a), point Y indicates that society is failing to use available resources efficiently.

FALSE

Difficulty: Medium

Learning Objective: 01-07 Apply the concepts of production possibilities analysis; increasing opportunity costs; and economic growth.

Topic: 01-23 Labour