

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) In a world characterized by scarcity 1) \_\_\_\_\_  
A) all goods are free.  
B) people must make choices among alternatives.  
C) opportunity cost is zero.  
D) individuals need not work to obtain goods.  
E) we are not limited by time.
- 2) Which of the following is the best definition of economics? 2) \_\_\_\_\_  
A) the study of how individuals, businesses, governments, and entire societies make choices as they cope with scarcity and the incentives that influence and reconcile those choices  
B) the study of how consumers and producers meet each other in the market  
C) the study of how a provincial government allocates tax dollars  
D) the study of how producers decide what inputs to hire and what outputs to produce  
E) the study of how consumers spend their income
- 3) Which of the following is a microeconomic topic? 3) \_\_\_\_\_  
A) the effect of the government budget deficit on inflation  
B) the reasons why the labour force in a country decreases  
C) the reasons why a consumer buys less honey  
D) the reasons why the average price level in a country falls  
E) the cause of increasing unemployment
- 4) The study of how wages are set for New Brunswick teachers is classified as 4) \_\_\_\_\_  
A) a macroeconomic topic.  
B) economics of private interest.  
C) normative economics.  
D) economics of social interest.  
E) a microeconomic topic.
- 5) Which of the following newspaper headlines concerns a macroeconomic issue? 5) \_\_\_\_\_  
A) How would a tax on e-commerce affect chapters.indigo.ca?  
B) Why are people buying more SUVs and fewer minivans?  
C) Why is Japan's economy stagnant?  
D) Why do grain producers purchase less pesticides?  
E) How would an unexpected freeze in Oxford, Nova Scotia change the price of blueberries in the Maritimes?
- 6) The branch of economics that studies the choices of individuals and businesses is 6) \_\_\_\_\_  
A) positive economics.  
B) macroeconomics.  
C) social economics.  
D) microeconomics.  
E) normative economics.

- 7) Each of the following would be considered a macroeconomic topic *except* 7) \_\_\_\_\_  
A) the effect of the government budget deficit on inflation.  
B) the reasons for a decrease in the unemployment rate.  
C) the determination of aggregate income.  
D) the selection of production techniques.  
E) the cause of recessions.
- 8) Complete the following sentence. Macroeconomics 8) \_\_\_\_\_  
A) deals mainly with the economic behaviour of households.  
B) is the study of the performance of the national economy and the global economy.  
C) is primarily concerned with the operation of individual markets in the economy.  
D) is primarily concerned with the behaviour of the stock market.  
E) is the only part of economics to deal with government decisions.
- 9) The determination of prices in individual markets is primarily a concern of 9) \_\_\_\_\_  
A) macroeconomics.  
B) microeconomics.  
C) descriptive economics.  
D) positive economics.  
E) negative economics.
- 10) Which one of the following topics does macroeconomics study? 10) \_\_\_\_\_  
A) the performance of the global economy  
B) effects of taxes on the price of gasoline  
C) decisions of individual firms  
D) prices of individual goods and services  
E) effects of government safety regulations on the price of cars
- 11) Which one of the following topics does microeconomics study? 11) \_\_\_\_\_  
A) the effect of a rise in the Canadian dollar on Canada's exports  
B) effect of the government budget deficit on employment  
C) reasons for a fall in the price of orange juice  
D) effect of interest rates on national economic growth  
E) determination of total production in a country
- 12) Complete the following sentence. Microeconomics is 12) \_\_\_\_\_  
A) not concerned with factors of production.  
B) concerned with normative issues only.  
C) concerned exclusively with the role of the government in the economy.  
D) the branch of economics that studies the choices of individuals and businesses.  
E) concerned with the size of the total amount of income earned by all households in an economy.
- 13) Which of the following would be considered a microeconomic topic? 13) \_\_\_\_\_  
A) the determination of aggregate income  
B) the severity of a recession  
C) the effect of the government budget deficit on inflation  
D) the study of how wages are set for mine workers  
E) the cause of unemployment in the economy

- 14) The branch of economics that studies the performance of the national economy and the global economy is 14) \_\_\_\_\_  
A) positive economics.  
B) normative economics.  
C) microeconomics.  
D) macroeconomics.  
E) Keynesian economics.
- 15) The fact that human wants cannot be fully satisfied with available resources is called the problem of 15) \_\_\_\_\_  
A) scarcity.  
B) opportunity cost.  
C) the big tradeoff.  
D) marginal cost.  
E) normative economics.
- 16) The problem of scarcity exists 16) \_\_\_\_\_  
A) only in economies that lack incentives.  
B) now but will be eliminated with economic growth.  
C) only when people are unemployed.  
D) in all economies.  
E) only in economies that have incentives.
- 17) The inescapable economic fact is that 17) \_\_\_\_\_  
A) there are unlimited resources, and we just have to decide how to allocate them.  
B) there are unlimited wants and limited resources.  
C) unions are always exploiting firms.  
D) capitalists and unions cannot work together.  
E) capitalists are always exploiting the workers.
- 18) An incentive 18) \_\_\_\_\_  
A) occurs in the macroeconomy but not in the microeconomy.  
B) could be a reward but could not be a penalty.  
C) is the opposite of a tradeoff.  
D) could be either a reward or a penalty.  
E) could be a penalty but could not be a reward.
- 19) Scarcity confronts 19) \_\_\_\_\_  
A) neither the poor nor the rich.  
B) the rich but not the poor.  
C) only families with incomes less than \$25,000 a year.  
D) the poor but not the rich.  
E) the rich and the poor.
- 20) The problem of scarcity applies 20) \_\_\_\_\_  
A) only in industrially developed countries because resources are scarce in these countries.  
B) only in countries that are over-populated  
C) to all countries, regardless of their level of development.  
D) only in developing countries because resources are scarce in these countries  
E) only in countries that use natural resources in most of their production processes

- 21) Operators of private dog parks in your city decide to eliminate their fees and allow dog owners to exercise their dogs in the parks at no charge. 21) \_\_\_\_\_
- This statement means that the incentive to exercise dogs at the dog park \_\_\_\_\_.
- The operators' decision is a \_\_\_\_\_.
- A) changes; macroeconomic decision
  - B) remains the same; microeconomic decision
  - C) changes; decision in the self-interest but not in the social interest
  - D) remains the same; macroeconomic decision
  - E) changes; microeconomic decision

## Answer Key

Testname: UNTITLED2

- 1) B
- 2) A
- 3) C
- 4) E
- 5) C
- 6) D
- 7) D
- 8) B
- 9) B
- 10) A
- 11) C
- 12) D
- 13) D
- 14) D
- 15) A
- 16) D
- 17) B
- 18) D
- 19) E
- 20) C
- 21) E