Test Bank for Essentials of Economics 11th Schiller

Access Complete Test Bank for Essentials of Economics 11th Schiller

Essentials of Economics 11th Edition by Schiller CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Economics is the study of how to allocate scarce resources among competing uses.

1) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy

2) When an economic choice is made, it is possible to avoid opportunity costs.

2) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Topic : The Central Problem of Scarcity
Difficulty : 1 Easy
Learning Objective : 01-02 Define "opportunity cost."

3) The quantity of capital in an economy is unlimited since more can always be produced.

3) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Difficulty : 1 Easy

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4) Scarcity is not an issue in countries such as the United States since people live in nice homes and have plenty to eat.

4) _____

- ◎ true
- ◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Difficulty : 1 Easy

5) Every economy faces the situation of scarcity of resources.

5) _____

- ◎ true
- ◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Difficulty : 1 Easy

6) The United States is a prosperous nation because its resources are sufficient to meet the desires of its citizens.

6) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity

7) All economies must decide what to produce, how to produce it, and who gets the output.

7) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

8) The factors of production include the land, labor, and money used to produce goods and services.

8) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

9) Capital includes the machinery and buildings used to produce goods and services.

9) _____

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◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

10) When a society is operating on the production possibilities curve, it is using its available resources efficiently in the production of goods and services.

10) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

11) More resources and better technology shift the production possibilities curve inward.

11) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

12) To experience future economic growth, an economy must allocate some of its scarce resources to investment.

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12) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

13) The FOR WHOM to produce question focuses on the distribution of output across the members of society.

13) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

14) The invisible hand refers to the price signal in a free market economy.

14) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

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15) Adam Smith was a proponent of the doctrine of laissez faire.

15) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

16) The United States relies primarily on central planning to allocate resources.

16) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

17) Karl Marx encouraged a policy of laissez faire because he believed that the market mechanism provided society with the best answers to the WHAT, HOW, and FOR WHOM questions.

17) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

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18) A mixed economy is one that relies solely on market signals to allocate goods and services.

18) _____

- ◎ true
- ◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

19) Pollution is an example of an externality.

19) _____

- ◎ true
- ◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : Undesirable Choices

20) Government failure occurs when government intervention fails to improve economic outcomes.

20) _____

- ◎ true
- ◎ false

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : Undesirable Choices

21) Because the economy is so complex, it is impossible to construct a theory about how it works.

21) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

22) An accurate definition of the term "optimal mix" would be the production of goods and services that would satisfy all the wants and needs of the individuals in society.

22) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

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

23) The central problem of economics is the

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23) _____

A) distribution of goods and services to those in need.
B) fact that human wants exceed the availability of resources.
C) inefficiency of government operations.
D) labor unemployment visible throughout the economy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity

24) The primary concern of economics is the study of

24) _____

A) why human wants exist and what motivates them.
B) how to distribute goods and services according to human needs.
C) how best to allocate scarce resources among competing uses.
D) the measurement of political power in an economy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity

25) Which of the following explains why economic choices must be made?

25) _____

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A) The factors of production are scarce.
B) The factors of production are expensive.
C) The factors of production are used inefficiently.
D) The factors of production are of inferior quality.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity

26) The main focus of economic studies concerns

26) _____

A) the behavior of successful businesses.
B) the role of money in our economy.
C) how best to allocate scarce resources.
D) the elimination of opportunity costs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity

27) Opportunity cost may be defined as the

27) _____

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A) value of the most desired goods or services that are forgone in order to obtain something else.
B) dollar price paid for a final good or service.
C) dollar cost of producing a particular product.
D) dollar cost of the next best alternative resources for producing a good.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Define "opportunity cost."

28) Given that resources are scarce

28) _____

A) a "free lunch" is possible, but only for a limited number of people.
B) poor countries must make choices, but rich countries do not have to make choices.
C) opportunity costs always exist whenever choices are made.
D) some choices involve opportunity costs while other choices do not.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."

29) The opportunity cost of playing tennis with your friend is

29) _____

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A) negative since it is good exercise.
B) zero since you already own the tennis racket and play on a public court.
C) the next-best alternative use of your time that is forgone.
D) the cost of the tennis lessons you took last year.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."

30) There would be no reason for students to study the concept of opportunity costs if

30) _____

A) the market mechanism functioned to allocate resources.
B) the government allocated resources.
C) the production possibilities curve bowed outward.
D) resources were no longer scarce.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Central Problem of Scarcity
Bloom's : Remember
Learning Objective : 01-02 Define "opportunity cost."

31) If resources are limited

31) _____

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A) people will rush to buy more goods than they would otherwise.
B) businesses will sell more products than they would otherwise.
C) there will be tradeoffs whenever choices are made.
D) all individuals are deprived of basic necessities.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."

32) Which of the following is true about the factors of production?

32) _____

A) The physical limits of production are determined by all of the factors of production and technology.
B) Rich countries have an unlimited quantity of factors.
C) The factors include natural resources but not skilled labor.
D) Some factors are scarce but other factors are not.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity

33) If society lacks enough resources to satisfy all the desired uses of the resources, this is known as

33) _____

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A) government failure.
B) laissez faire.
C) scarcity.
D) market failure.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy

34) Scarcity means

34) _____

A) retail stores always run out of popular products.
B) the desire for goods exceeds our capacity to produce them.
C) society will run out of the factors of production in the near future.
D) a surplus of unsold goods in a specific market will not occur.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy

35) Societies must address the question of WHAT to produce because

35) _____

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A) we can't produce all the goods and services we want.
B) the amount of money in an economy is limited.
C) we are wasteful and use resources inefficiently.
D) our economy experiences market failures.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

36) Which of the following is the best example of the "WHAT" economic question?

36) _____

A) Is the production process using an efficient amount of labor and capital machinery?
B) Who are the recipients of the goods produced?
C) What is the most efficient method for producing goods?
D) What is the optimal mix of output?

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

37) Which of the following is NOT a factor of production?

37) _____

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A) A toll-bridge across a lake.
B) The money hidden in an old basement.
C) A wrecking ball used to tear down old buildings.
D) The CEO of a large corporation.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

38) In economics, capital refers to

38) _____

A) money.
B) savings put aside for future investment.
C) goods that can be used to produce other goods.
D) the value of a corporation's assets.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

39) In economics, which of the following is the best example of capital?

39) _____

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A) Money held in a checking account.
B) A computer used by a lawyer to prepare legal documents.
C) Investment in training for employees in an accounting firm.
D) The executive producer of a new adventure movie.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

40) Which of the following is NOT an example of land or a natural resource?

40) _____

A) Coal.
B) A river.
C) Natural gas.
D) A homebuilder.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

41) Which of the following is an example of labor as a factor of production?

41) _____

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A) People who bring together the skills necessary for creating products and services.
B) The skills and abilities of workers.
C) People who are paid an hourly wage but not those paid a salary.
D) A college or university that educates people.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

42) Entrepreneurship refers to

42) _____

A) natural resources, such as land and water.
B) computer technology.
C) skilled labor.
D) the ability to see market opportunities and the will to take risk.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

43) In economics, which of the following represents entrepreneurship?

43) _____

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A) Natural resources.
B) Ideas about how to create new products and services.
C) The skills of workers.
D) Machinery, buildings, and networks.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

44) Output choices are necessary within a market because of

44) _____

A) inefficient use of resources.
B) high prices for goods.
C) scarcity of resources.
D) limited technology.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : Three Basic Economic Questions

45) When economists talk about a trade-off between "guns and butter," they mean

45) _____

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A) society can produce more military goods without giving up any consumer goods.
B) military goods are an inefficient use of resources.
C) the production of more military goods may require the production of fewer consumer goods.
D) consumer goods are always more costly than military goods.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions

46) The following table shows the tradeoff between different combinations of missile production and home construction, ceteris paribus. Complete the table by calculating the required opportunity costs for both missiles and houses. Then answer the indicated question(s).

Production of Missiles and Houses

Combination	Number of Houses	Opportunity Cost of Houses in Terms of Missiles	Number of Missiles	Opportunity Cost of Missiles in Terms of Houses
J	0		4	
K	10,000		3	
L	17,000		2	
M	21,000		1	
N	23,000		0	

In the table Production of Missiles and Houses, what is the opportunity cost of increasing the production of missiles from 2 to 3 in terms of houses?

46) _____

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A) 1,000 houses.
B) 3,333 houses.
C) 7,000 houses.
D) 17,000 houses.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions
AACSB : Knowledge Application
Bloom's : Apply

47) The following table shows the tradeoff between different combinations of missile production and home construction, ceteris paribus. Complete the table by calculating the required opportunity costs for both missiles and houses. Then answer the indicated question(s).

Production of Missiles and Houses

Combination	Number of Houses	Opportunity Cost of Houses in Terms of Missiles	Number of Missiles	Opportunity Cost of Missiles in Terms of Houses
J	0		4	
K	10,000		3	
L	17,000		2	
M	21,000		1	
N	23,000		0	

In the table, the opportunity cost of increasing the production of houses from 17,000 to 21,000 in terms of missiles per house is:

47) _____

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A) 0.00014 of a missile.
B) 0.00025 of a missile.
C) 2.00 missiles.
D) 4.00 missiles.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions
AACSB : Knowledge Application
Bloom's : Apply

48) The following table shows the tradeoff between different combinations of missile production and home construction, ceteris paribus. Complete the table by calculating the required opportunity costs for both missiles and houses. Then answer the indicated question(s).

Combination	Number of Houses	Opportunity Cost of Houses in Terms of Missiles	Number of Missiles	Opportunity Cost of Missiles in Terms of Houses
J	0		4	
K	10,000		3	
L	17,000		2	
M	21,000		1	
N	23,000		0	

In the table, the lowest opportunity cost of houses in terms of missiles is:

48) _____

A) 0.00010 of a missile per house.
B) 0.00050 of a missile per house.
C) 7.00 missiles per house.
D) 10.00 missiles per house.

Access Complete Test Bank for Essentials of Economics 11th Schiller

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions
AACSB : Knowledge Application
Bloom's : Apply

49) The following table shows the tradeoff between different combinations of missile production and home construction, ceteris paribus. Complete the table by calculating the required opportunity costs for both missiles and houses. Then answer the indicated question(s).

Production of Missiles and Houses

Combination	Number of Houses	Opportunity Cost of Houses in Terms of Missiles	Number of Missiles	Opportunity Cost of Missiles in Terms of Houses
J	0		4	
K	10,000		3	
L	17,000		2	
M	21,000		1	
N	23,000		0	

In the table, the highest opportunity cost of missiles in terms of houses is:

49) _____

A) 500 houses per missile.
B) 4,000 houses per missile.
C) 7,000 houses per missile.
D) 10,000 houses per missile.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions
AACSB : Knowledge Application
Bloom's : Apply

50) Which of the following statements about production possibilities is true?

50) _____

A) Production possibilities are limited for all countries because resources are scarce.
B) The production of food does not involve opportunity costs since people must eat.
C) A reduction in productivity will expand the production possibility curve.
D) Production possibilities are only limited for a country if prices are too high.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : Three Basic Economic Questions

51) Which of the following is NOT an assumption under which the production possibilities curve is drawn?

51) _____

A) The economy's resources are fully employed.
B) The price level is stable.
C) Technology is being held constant.
D) The supplies of factors of production are fixed.
E) The trade-off of one good for another is not constant.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions

52) All points on the production possibilities curve

52) _____

A) represent the use of all available resources.
B) are equally desirable.
C) represent the same mix of output.
D) represent the same opportunity costs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : Three Basic Economic Questions

53) Ceteris paribus, if North Korea increases the size of its military, then

53) _____

A) its production possibilities curve will shift outward.
B) its production possibilities curve will shift inward.
C) its production of consumer goods will increase.
D) its production of consumer goods will decrease.

Access Complete Test Bank for Essentials of Economics 11th Schiller

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions

54) Assuming the level of resources and technology are constant, if France decreases the size of its military, then

54) _____

A) its production possibilities curve will shift outward.
B) its production possibilities curve will shift inward.
C) its production of consumer goods can increase.
D) its production of consumer goods must decrease.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : Three Basic Economic Questions

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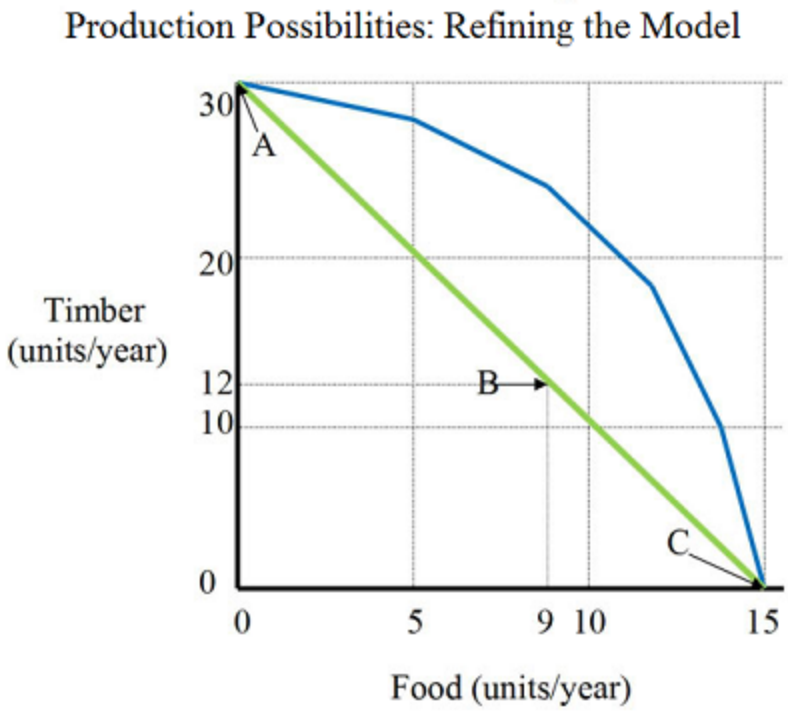


55)

In the linear production possibilities model, we assume each of five equally sized parcels of land contributes the same to the production of food and timber: 6 units of timber or 3 units of food.

By contrast, in the non-linear model, we will assume that there are five different types of land in equal-sized plots and that each plot may contribute as follows to the production of food or timber:

Plot	Production Quality	Potential Contribution	
(A plot can be used for *either* food or timber.)		Food	Timber
1	Great farmland/Terrible timberland	+5 food units	+2 timber units
2	Good farmland/Poor timberland	+4 food units	+4 timber units
3	Moderate farmland/Moderate timberland	+3 food units	+6 timber units
4	Poor farmland/Good timberland	+2 food units	+8 timber units
5	Terrible farmland/Great timberland	+1 food unit	+10 timber units

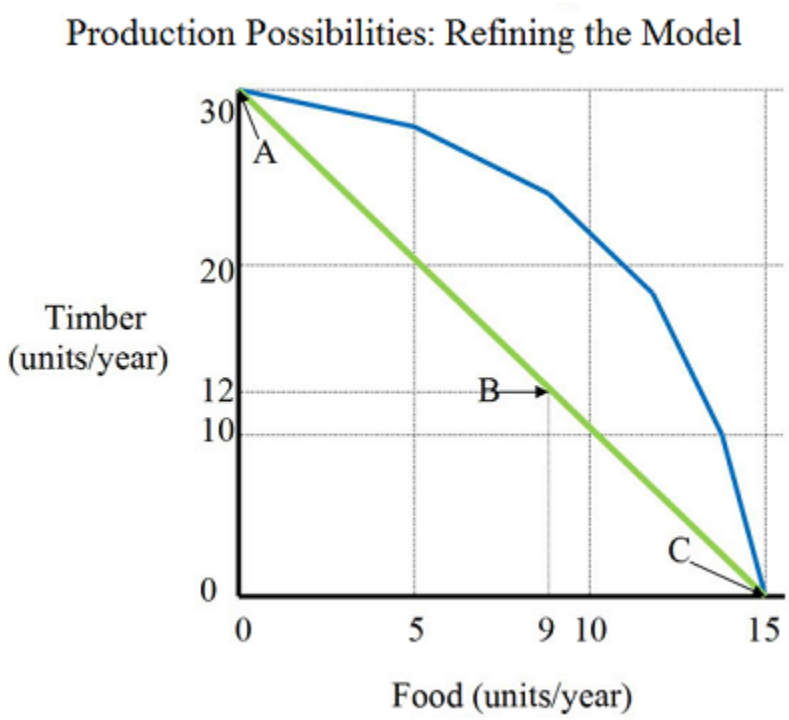
Assuming all parcels of land are the same, when all land is in use, one more unit of timber produced will require:

55) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) Two more units of food produced
B) Five fewer units of food produced
C) One-half fewer units of food produced
D) Two fewer units of food produced

Question Details
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."
AACSB : Analytical Thinking
Bloom's : Analyze
Difficulty : 3 Hard
Topic : Appendix: Using Graphs



56)

In the linear production possibilities model, we assume each of five equally sized parcels of land contributes the same to the production of food and timber: 6 units of timber or 3 units of food.

By contrast, in the non-linear model, we will assume that there are five different types of land in equal-sized plots and that each plot may contribute as follows to the production of food or timber:

Plot	Production Quality	Potential Contribution

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(A plot can be used for *either* food or timber.)		Food	Timber
1	Great farmland/Terrible timberland	+5 food units	+2 timber units
2	Good farmland/Poor timberland	+4 food units	+4 timber units
3	Moderate farmland/Moderate timberland	+3 food units	+6 timber units
4	Poor farmland/Good timberland	+2 food units	+8 timber units
5	Terrible farmland/Great timberland	+1 food unit	+10 timber units

Assuming all parcels of land are the same, there is a constant trade-off in the production of timber and food. When all land is in use, one more unit of food produced will require...

56) _____

A) Two more units of timber produced
B) Five fewer units of timber produced
C) One-half fewer units of timber produced
D) Two fewer units of timber produced

Question Details
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."
AACSB : Analytical Thinking
Bloom's : Analyze
Difficulty : 3 Hard
Topic : Appendix: Using Graphs

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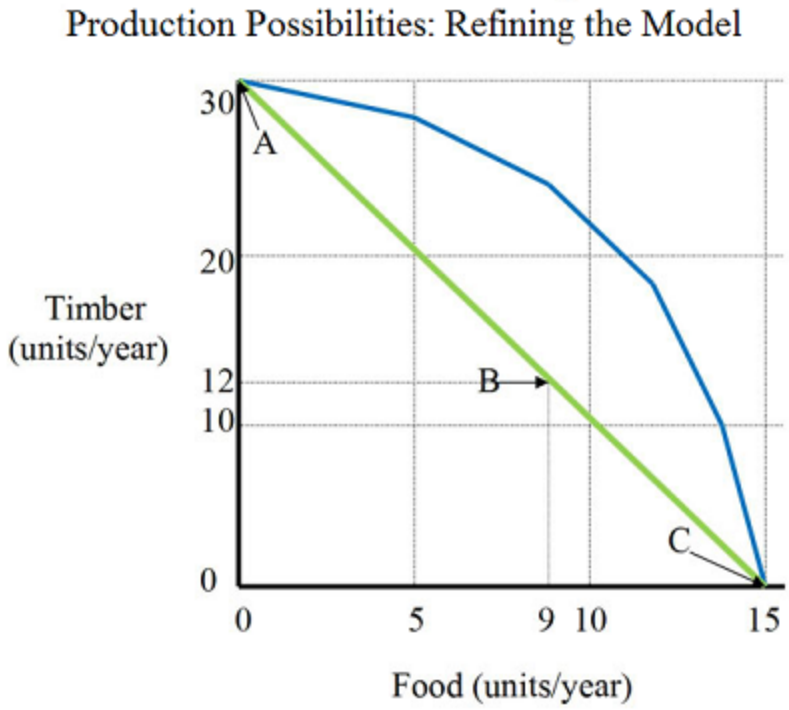

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4	Poor farmland/Good timberland	+2 food units	+8 timber units
5	Terrible farmland/Great timberland	+1 food unit	+10 timber units

Assuming all land is equally productive in either use, how much output of each type will be produced with 2/5 of the land in timber production and 3/5 of the land in food production?

57) _____

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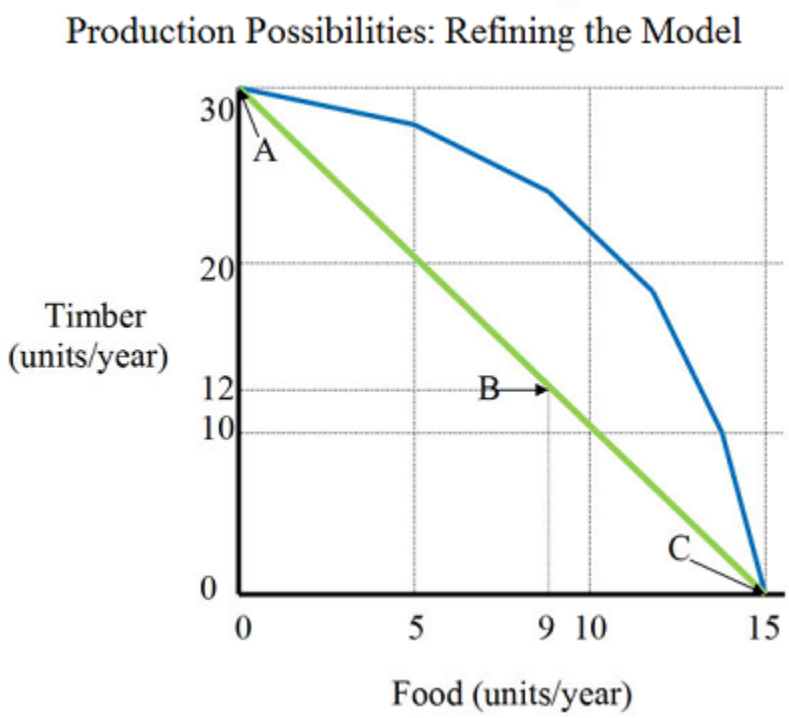
A) 12 units of timber and 9 units of food
B) 9 units of timber and 12 units of food
C) 18 units of timber and 9 units of food
D) 9 units of timber and 18 units of food

Question Details
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."
AACSB : Analytical Thinking
Bloom's : Analyze
Difficulty : 3 Hard
Topic : Appendix: Using Graphs



58)
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4	Poor farmland/Good timberland	+2 food units	+8 timber units
5	Terrible farmland/Great timberland	+1 food unit	+10 timber units

Starting from point A on the production possibilities line where 30 units of timber and no food is produced, suppose that we choose to produce more food by moving one parcel of land out of timber production and into food production. In order to minimize the opportunity cost of producing more food, the first plot to be re-purposed should be...

58) _____

A) 1
B) 2
C) 3
D) 4
E) 5

Question Details
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."
AACSB : Analytical Thinking
Bloom's : Analyze
Difficulty : 3 Hard
Topic : Appendix: Using Graphs

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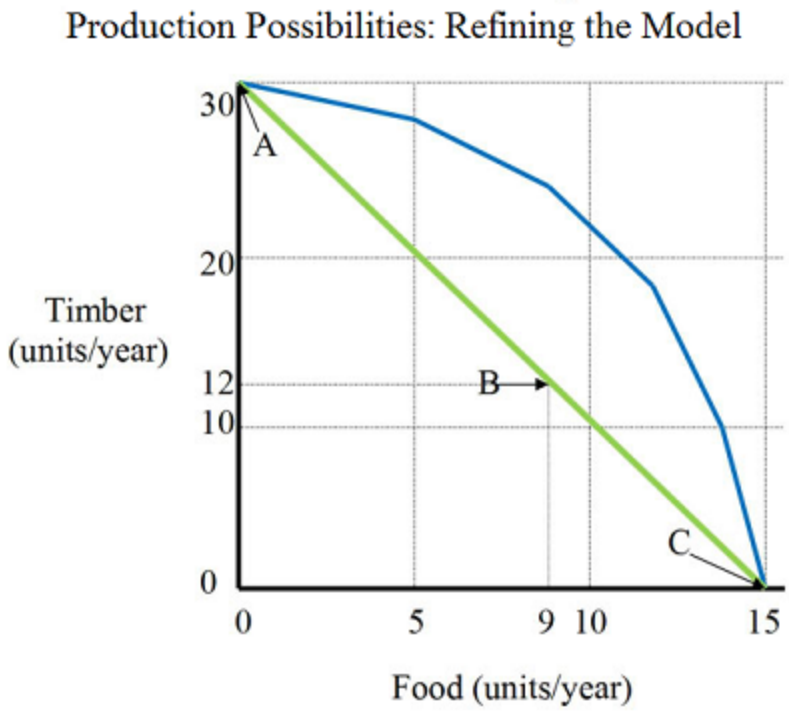

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5	Terrible farmland/Great timberland	+1 food unit	+10 timber units

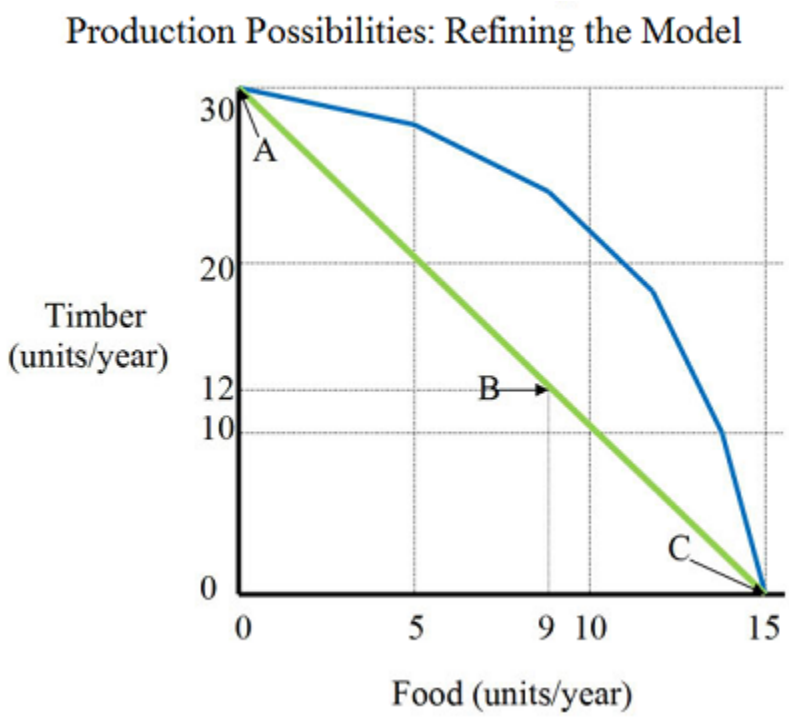
In the model where we assume that all parcels of land are the same, the relationship between food and timber produced when all land is in use is:

59) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) Linear and inverse
B) Direct and linear
C) Inverse and nonlinear
D) Direct and nonlinear

Question Details
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."
AACSB : Analytical Thinking
Bloom's : Analyze
Difficulty : 3 Hard
Topic : Appendix: Using Graphs



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Access Complete Test Bank for Essentials of Economics 11th Schiller

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4	Poor farmland/Good timberland	+2 food units	+8 timber units
5	Terrible farmland/Great timberland	+1 food unit	+10 timber units

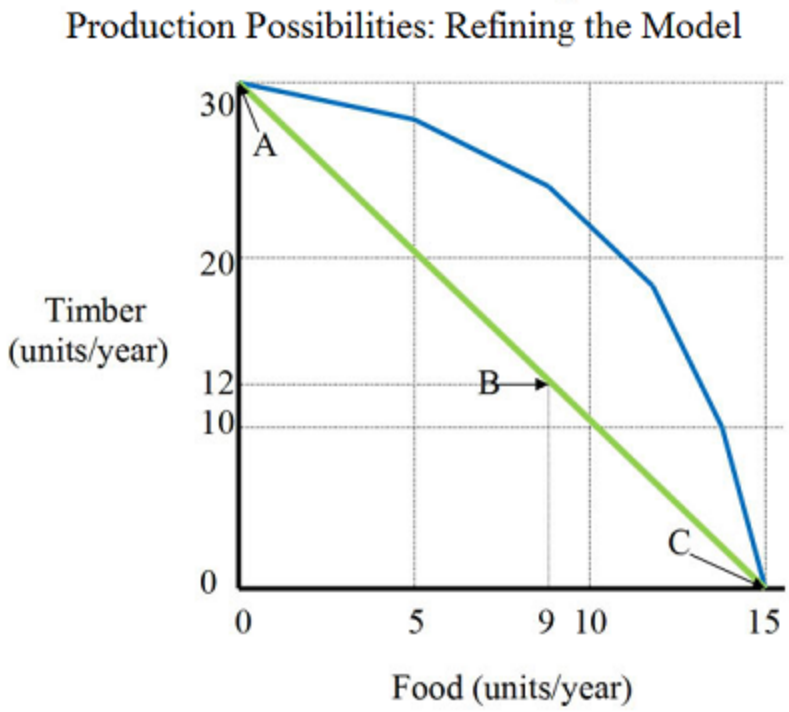
In the model where we assume that all five parcels of land are NOT the same, the relationship between food and timber produced when all land is in use is:

60) _____

A) Linear and inverse
B) Direct and linear
C) Inverse and nonlinear
D) Direct and nonlinear

Question Details
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."
AACSB : Analytical Thinking
Bloom's : Analyze
Difficulty : 3 Hard
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller



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4	Poor farmland/Good timberland	+2 food units	+8 timber units
5	Terrible farmland/Great timberland	+1 food unit	+10 timber units

The most desirable attainable mix of output for society

61) _____

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A) consists of the entire production possibilities curve.
B) consists of a point on the production possibilities curve.
C) consists of a point outside the production possibilities curve.
D) occurs to the left and the right of the production possibility curve.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions
AACSB : Analytical Thinking
Bloom's : Analyze
Difficulty : 3 Hard

62) In attempting to answer the WHAT question, a society seeks to

62) _____

A) produce the optimal mix of output.
B) exploit its workers in order to produce more output.
C) produce more military goods so that the citizens will be safe.
D) distribute an equal amount of goods to all citizens.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

63) Investment refers to all of the following except

63) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) an increase in business inventories.
B) the purchase of new equipment by a business.
C) the construction of new factories by a company.
D) the purchase of stock by an individual.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

64) Which of the following is NOT an example of investment?

64) _____

A) A hair salon buys additional hair dryers.
B) The campus bookstore buys new T-shirts with the college logo.
C) A business owner uses his profits to play the lottery and wins.
D) Toyota expands the size of its factories located in the United States.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

65) Economic growth always takes the form of

65) _____

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A) an expansion of production possibilities.
B) a change in how goods are distributed.
C) a movement along the production possibilities curve.
D) higher prices.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

66) Economic growth is represented by

66) _____

A) an inward shift of the production possibilities curve.
B) a point inside the production possibilities curve.
C) an outward shift of the production possibilities curve.
D) a movement along the production possibilities curve.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

67) The production possibilities curve shifts outward in response to

67) _____

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A) a decline in technology, more resources, or both.
B) a decline in technology, fewer resources, or both.
C) improved technology, more resources, or both.
D) improved technology, fewer resources, or both.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

68) Ceteris paribus, which of the following is likely to cause an outward shift of the production possibilities curve?

68) _____

A) Investment in telecommunications networks.
B) The deportation of illegal immigrants.
C) An increase in the unemployment rate.
D) A tax increase on factors of production.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions
Difficulty : 3 Hard

69) Ceteris paribus, when technological change allows a smaller amount of a resource to be used in producing any combination of two goods, there will be

69) _____

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A) a movement along the production possibilities curve.
B) an outward shift of the production possibilities curve.
C) an inward shift of the production possibilities curve.
D) no change in the production possibilities curve.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions
Difficulty : 3 Hard

70) Ceteris paribus, which of the following is least likely to contribute to economic growth?
70) _____

A) A greater quantity of labor.
B) A greater quantity of capital.
C) An increase in prices.
D) Improved production technology.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions
Difficulty : 3 Hard

71) Ceteris paribus, which of the following will most likely cause an inward shift of the production possibilities curve?
71) _____

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A) A decrease in the size of the labor force.
B) An increase in population.
C) An increase in knowledge.
D) An improvement in technology.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions
Difficulty : 3 Hard

72) Ceteris paribus, which of the following events would most likely cause the production possibilities curve to shift inward?

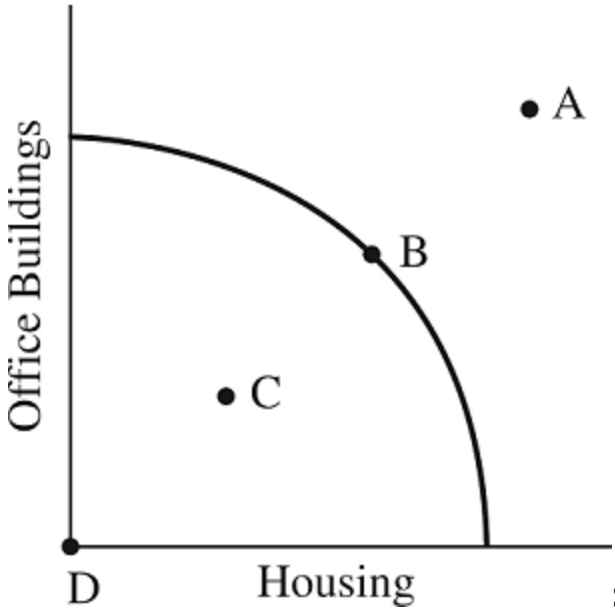
72) _____

A) The labor supply grows.
B) New factories are built.
C) A technological breakthrough occurs that makes production of all goods more efficient.
D) A major earthquake destroys several industrial centers.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions
Difficulty : 3 Hard

Access Complete Test Bank for Essentials of Economics 11th Schiller

Figure – Production-Possibilities Curve



73) Society is employing some of the available technology but not all of it. Select the appropriate point that could represent this situation.

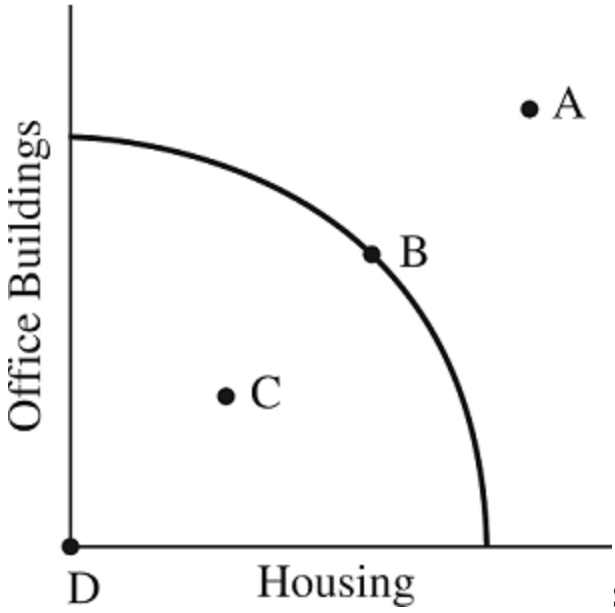
73) _____

A) A
B) B
C) C
D) D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

Access Complete Test Bank for Essentials of Economics 11th Schiller

Figure – Production-Possibilities Curve



74) Society is producing some output, but some of the available resources are unemployed. Select the appropriate point that could represent this situation.

74) _____

A) A
B) B
C) C
D) D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

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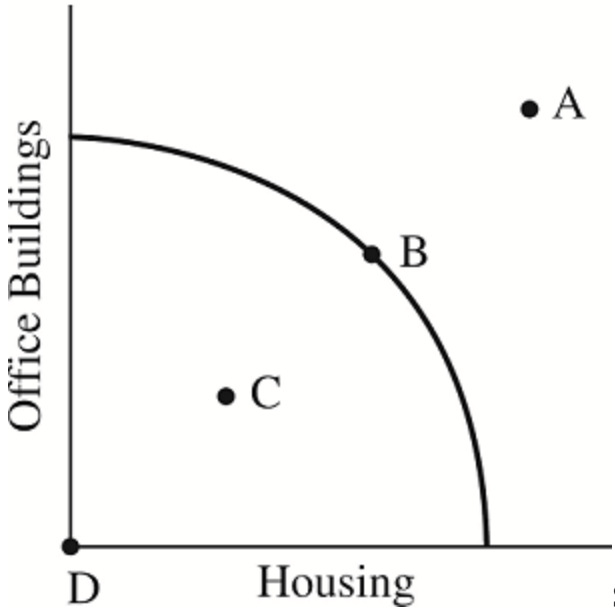
Figure – Production-Possibilities Curve



75) Society is producing the maximum potential output, given its existing resources and technology. Select the appropriate point that could represent this level of production for office buildings and housing.

75) _____

A) A
B) B
C) C
D) D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

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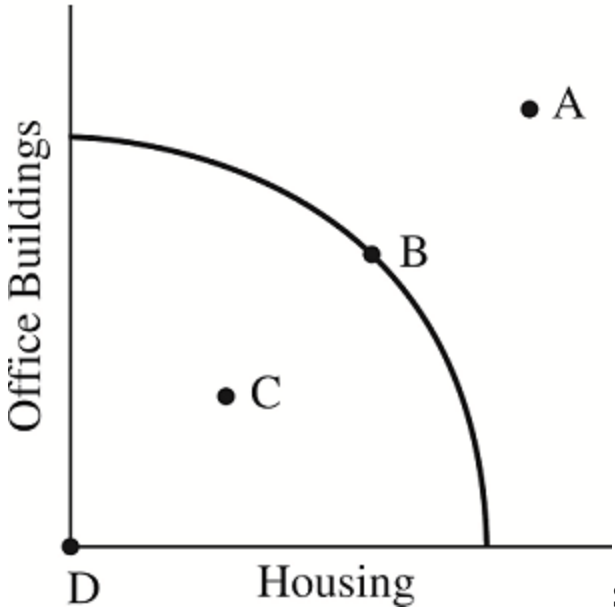
Figure – Production-Possibilities Curve



76) Society might be able to produce this combination if new resources were discovered but cannot produce it with current resources. Select the appropriate point that would represent the production possibilities after this discovery.

76) _____

A) A
B) B
C) C
D) D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

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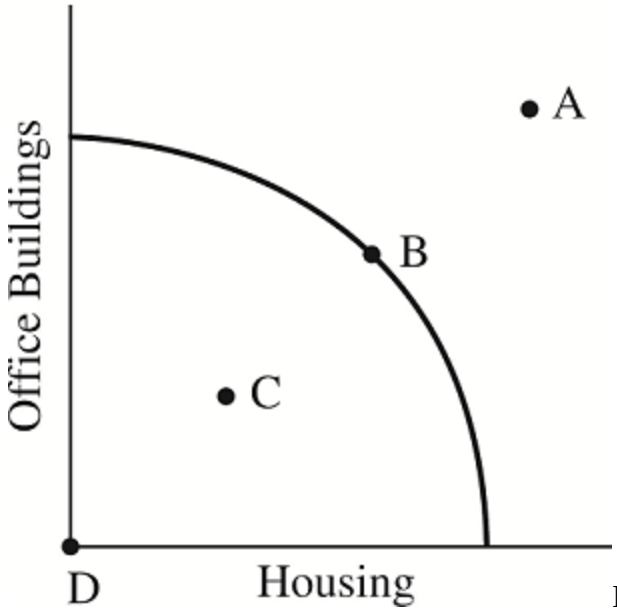

77) It is not possible for society to produce this combination of office buildings and housing with current resources and technology. Which of the following points in the figure could represent this combination?

77) _____

A) A
B) B
C) C
D) D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

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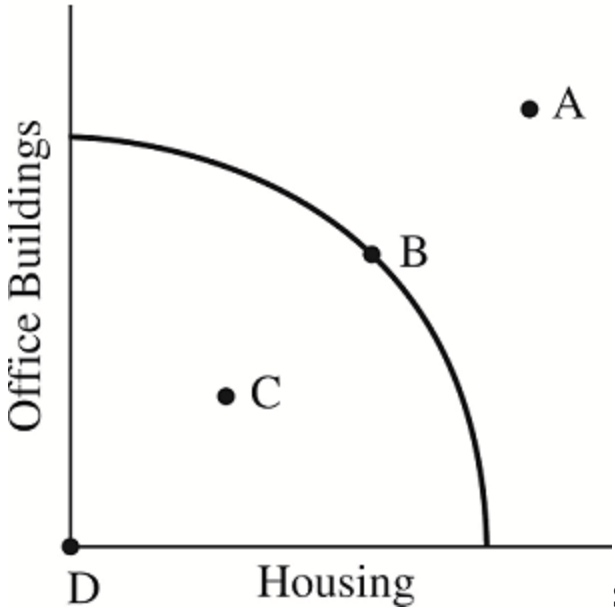

78) Society is not producing either good because of extreme inefficiencies. Select a point that would represent this combination of office buildings and housing.

78) _____

A) A
B) B
C) C
D) D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

79) When society searches for the optimal method of producing goods and services, it is responding to the:

79) _____

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A) "WHAT" question.
B) "HOW" question.
C) "FOR WHOM" question.
D) "WHY" question.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

80) When society struggles with how to divide up the "economic pie," it is responding to the:
80) _____

A) "FOR WHOM" question.
B) "HOW" question.
C) "WHAT" question.
D) "WHY" question.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

81) Welfare programs are designed to address the:
81) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) "HOW" question.
B) "FOR WHOM" question.
C) Issue of scarce resources.
D) "WHAT" question.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

82) Which of the following best describes what allocates resources in the U.S. economy?

82) _____

A) Rules.
B) Markets.
C) Regulations.
D) Government.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

83) The market mechanism

83) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) works through central planning by the government.
B) eliminates market failures created by the government.
C) uses prices as a means of communication between consumers and producers.
D) is very inefficient since consumers cannot communicate directly with producers.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

84) The market mechanism

84) _____

A) is an inefficient means of communicating consumer wants to producers.
B) relies on government control and planning.
C) eliminates the market failures caused by government.
D) relies on prices and sales to communicate consumer wants to producers.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

85) The essential signal of the market mechanism is

85) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) income.
B) price.
C) property.
D) government directive.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

86) The price of a good or service

86) _____

A) never has an impact on the market mechanism.
B) serves as the essential signal of the market mechanism.
C) sometimes plays a role in the market mechanism.
D) rarely has an impact on the market mechanism.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

87) Which of the following best describes the "invisible hand?"

87) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) Price signals drive the market mechanism.
B) Government regulations influence the allocation of society's scarce resources.
C) The Internal Revenue Service enforces the nation's tax laws.
D) Lobbyists influence which laws are passed by Congress.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

88) The essential feature of the market mechanism is

88) _____

A) that every consumer is concerned about the welfare of others.
B) the price signal for both consumers and producers.
C) equity in the distribution of income and housing.
D) government taxation of profits.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

89) Laissez faire refers to

89) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) the belief that government can make better choices than the market about the mix of output.
B) the economic theory of Karl Marx.
C) a belief of nonintervention by government in the market mechanism.
D) a preference for central planning.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

90) Which of the following is most consistent with a market economy?

90) _____

A) Shortages.
B) Central planners.
C) Government directives.
D) Laissez faire.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

91) Which of the following individuals is typically associated with a laissez faire economic policy?

91) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) Adam Smith.
B) Karl Marx.
C) The Chairman of the Federal Reserve.
D) John Maynard Keynes.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

92) Which of the following statements is consistent with central planning?

92) _____

A) The economy relies heavily on the market mechanism to allocate resources.
B) Government planners play the dominant role in deciding how resources are allocated.
C) Economic decisions are made by large competitive firms.
D) Market prices are used to guide production and consumption activities.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

93) Karl Marx wrote:

93) _____

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A) *Das Kapital*, which was used as the rationale for centrally-planned economies.
B) *Das Kapital*, which described the virtues of market-based economies.
C) *The Wealth of Nations*, which provided the rationale for centrally-planned economies.
D) *The Wealth of Nations*, which described the virtues of market-based economies.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

94) Central planning is the principal method for making economic decisions in:

94) _____

A) The United States.
B) Singapore.
C) New Zealand.
D) North Korea.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

95) The economy of the United States is best characterized as:

95) _____

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A) Centrally planned.
B) A laissez faire model.
C) A mixed economy.
D) A democratic socialist economy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

96) Which of the following is NOT a reason why the U.S. government intervenes in the economy?

96) _____

A) To ensure the safety of products.
B) To reduce pollution.
C) To make a profit for the government.
D) To improve the mix of output.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

97) If the market mechanism causes the economy to arrive at the wrong mix of output, there is:

97) _____

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A) Market failure.
B) Mixed economy failure.
C) Government failure.
D) Laissez faire.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

98) Market failure means:

98) _____

A) Government solutions fail to improve economic outcomes.
B) The market mechanism does not produce the best mix of output.
C) The market allocates goods more efficiently than does the government.
D) The market is responsive to consumer demand.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

99) An externality is

99) _____

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A) a cost or benefit of a market activity that impacts a third party.
B) the private costs that are borne by an individual.
C) the cost of clean up paid for by the polluter.
D) a situation in which the government solution makes the outcome worse.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

100) Which of the following is an example of a negative externality?

100) _____

A) A decrease in available educational options due to government intervention.
B) An increase in government bureaucracy and red tape.
C) An increase in the incidence of cancer due to pollution.
D) An introduction to a pollution decreasing technology.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

101) Pollution is an example of

101) _____

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A) inefficiency by the polluting firm.
B) market failure.
C) government transfers.
D) economic instability.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

102) If government intervention fails to improve economic outcomes, the result is known as:
102) _____

A) Government failure.
B) Market failure.
C) Mixed economy failure.
D) Laissez faire.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

103) Government intervention designed to address market failure
103) _____

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A) may either improve or worsen the mix of output produced.
B) will definitely worsen the mix of output produced.
C) will definitely improve the mix of output produced.
D) never has an impact on the mix of output produced.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

104) Which of the following is an example of government failure?

104) _____

A) A negative externality, such as pollution.
B) An increase in bureaucracy and red tape that fails to improve economic outcomes.
C) An increase in airline safety.
D) An increase in the costs of production and an improvement in economic outcomes.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

105) Which of the following groups of words best represents macroeconomic goals?

105) _____

A) Full employment, price stability, economic growth.
B) Rate of production, choice of factors of production, and the pricing of specific goods.
C) Welfare of individual consumers and business firms.
D) Land, labor, and capital.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-03 Recite society's three core economic questions.
Difficulty : 3 Hard
Topic : What Economics is All About

106) Macroeconomics focuses on:

106) _____

A) Government failure.
B) The behavior of individuals, firms, and government agencies.
C) Land, labor, and capital.
D) The economy as a whole.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

107) Microeconomics focuses on:

107) _____

A) Full employment, price stability, and economic growth.
B) The behavior of individuals, firms, and government agencies.
C) Land, labor, and capital.
D) Centrally planned economies.

Access Complete Test Bank for Essentials of Economics 11th Schiller

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

108) Which of the following is associated with microeconomics?

108) _____

A) An increase in sales for a chain of pet supply stores.
B) A decrease in the unemployment rate for the nation.
C) An increase in the inflation rate for the entire economy.
D) A decrease in the level of economic growth for the country.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

109) Which of the following is associated with microeconomics?

109) _____

A) An economy's overall output level.
B) The country's unemployment rate.
C) A specific U.S. industry's sales figures.
D) The economy's rate of growth.

Access Complete Test Bank for Essentials of Economics 11th Schiller

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

110) Economic theories can be used to do all of the following EXCEPT:

110) _____

A) Evaluate economic policy.
B) Design economic policy.
C) Explain consumer and market behavior.
D) Determine exact economic outcomes.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

111) Economic models:

111) _____

A) Focus on details about the economy.
B) Focus on basic relationships.
C) Cannot be constructed because of the complexity of the economy.
D) Can be used to predict market behavior but not consumer behavior.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

112) According to the Latin phrase ceteris paribus:

112) _____

A) Resources are limited.
B) Things do not remain equal.
C) There is no government intervention.
D) Nothing else changes.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

113) Ceteris paribus means:

113) _____

A) Leave the market alone.
B) Noninterference by the government.
C) Other things remaining equal.
D) Things are always changing.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

114) A News Wire article in the text asks, "Do you think the future of the next generation of Americans will be better, worse, or about the same as life today?" What is necessary for the standard of living to rise?

114) _____

A) Economic growth.
B) A greater allocation of resources to consumption.
C) An inward shift in the production possibilities curve.
D) A less equitable distribution of income.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : What Economics is All About

115) A News Wire article in the text indicates that North Korea is running out of food. If North Korea is on its production possibilities curve and reduces its production of food so that it can increase the size of its military, this is most consistent with:

115) _____

A) Market failure.
B) A movement along the production possibilities curve.
C) An inward shift of the production possibilities curve.
D) An expansion beyond the production possibilities curve.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-02 Define "opportunity cost."
Difficulty : 3 Hard
Topic : What Economics is All About

116) A News Wire article in the text indicates that North Korea is expanding its missile programs, and at the same time it is running out of food. If North Korea is on its production possibilities curve and reduces food production so that it can increase the size of its military, this is an example of:

116) _____

A) Opportunity costs.
B) Laissez faire.
C) Externalities.
D) Ceteris paribus.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : What Economics is All About

117) A News Wire article in the text indicates that North Korea is expanding its missile programs. Assume North Korea is currently on its production possibilities curve. If the increase in missile production results in a decrease in food production, this is an example of:

117) _____

A) Market failure.
B) An inward shift of the production possibilities curve.
C) Opportunity cost.
D) A reduction in available resources.

Access Complete Test Bank for Essentials of Economics 11th Schiller

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Define "opportunity cost."
Topic : What Economics is All About

118) If government intervention makes the economy worse off, this is referred to as:

118) _____

A) Scarce resources.
B) Central planning.
C) Market failure.
D) Government failure.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

119) Most Americans do not trust the federal government to do the right thing. If they are correct, then government intervention results in:

119) _____

A) A decrease in opportunity costs.
B) A less desirable mix of output.
C) Market failure.
D) Less unemployment.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

120) In order to understand a particular graph, it is important to know:

120) _____

A) The total number of squares in the grid.
B) Which variable is on the vertical axis and which is on the horizontal axis.
C) Where a point on the graph is.
D) Where the maximum quantity is.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 1 Easy
Topic : Appendix: Using Graphs

121) The slope of a line is:

121) _____

A) The vertical distance between the two points, divided by the horizontal distance between the two points.
B) Always positive.
C) Sometimes referred to as "run over rise."
D) The horizontal distance between the two points, divided by the vertical distance between the two points.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Appendix: Using Graphs

122) The slope of a curve is given by the formula:

122) _____

A) The percentage change in x coordinates between two points divided by the percentage change in y coordinates.
B) The percentage change in y coordinates between two points divided by the percentage change in x coordinates.
C) The change in x coordinates between two points divided by the change in y coordinates.
D) The change in y coordinates between two points divided by the change in x coordinates.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Analytical Thinking
Topic : Appendix: Using Graphs

123) When a curve shifts, this indicates that:

123) _____

A) One variable has increased and the other has decreased.
B) A change has occurred in the underlying relationship between the two variables.
C) The slope has changed.
D) The two variables are now unrelated.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Appendix: Using Graphs

124) A linear curve can be distinguished by:

124) _____

A) The continuous change in its slope.
B) The changing relationship between the two variables.
C) The same slope throughout the curve.
D) A shift in the curve.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 3 Hard
Topic : Appendix: Using Graphs

125) If one variable increases when the other variable decreases, then the drawn curve is:

125) _____

A) Horizontal.
B) Downward-sloping.
C) Upward-sloping.
D) Vertical.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 3 Hard
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller

126) If one variable increases when the other variable increases, then the drawn curve is:

126) _____

A) Upward-sloping.
B) Downward-sloping.
C) Horizontal.
D) Vertical.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 3 Hard
Topic : Appendix: Using Graphs

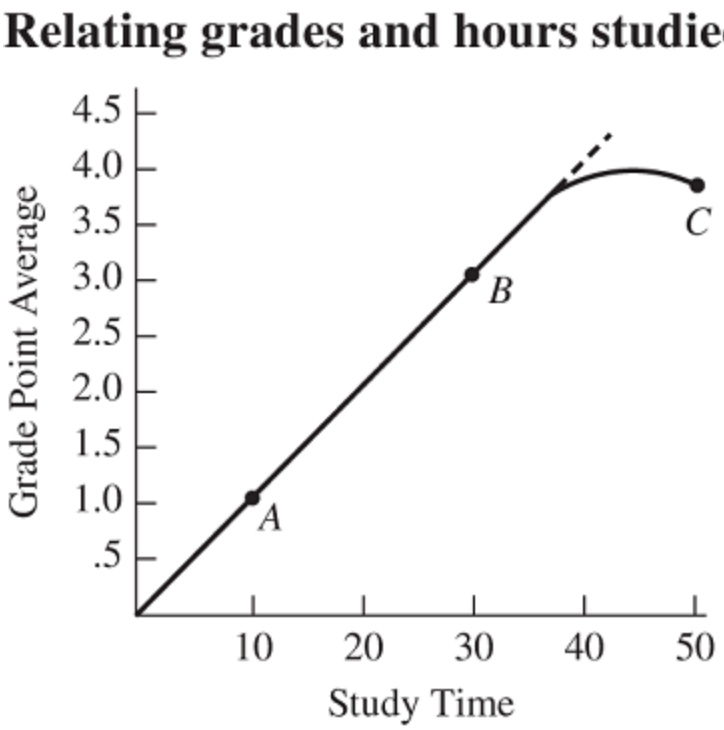
127) A line that slopes upward from left to right has a:

127) _____

A) Negative slope.
B) Positive slope.
C) Slope that changes as you move along the curve.
D) Slope of zero.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 3 Hard
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller



128)

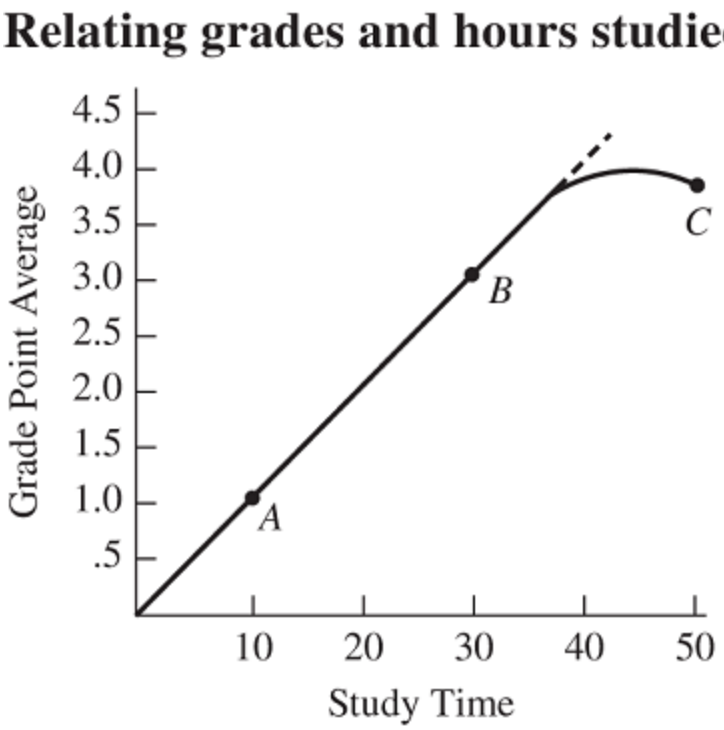
In the figure, a grade-point average of 3.0 is associated with how many hours of study time per week?

128) _____

A) 10 hours
B) 20 hours
C) 30 hours
D) 40 hours

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AACSB : Knowledge Application
Bloom's : Apply
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller



129)

In the figure, a grade-point average of 1.0 is associated with how many hours of study time per week?

129) _____

A) 10 hours.
B) 20 hours.
C) 30 hours.
D) 40 hours.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AACSB : Knowledge Application
Bloom's : Apply
Topic : Appendix: Using Graphs

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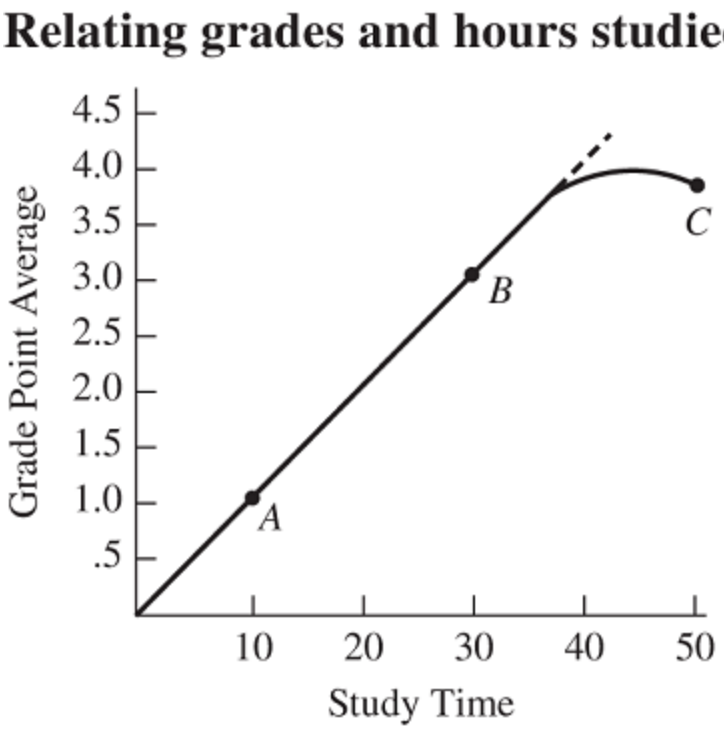


130)

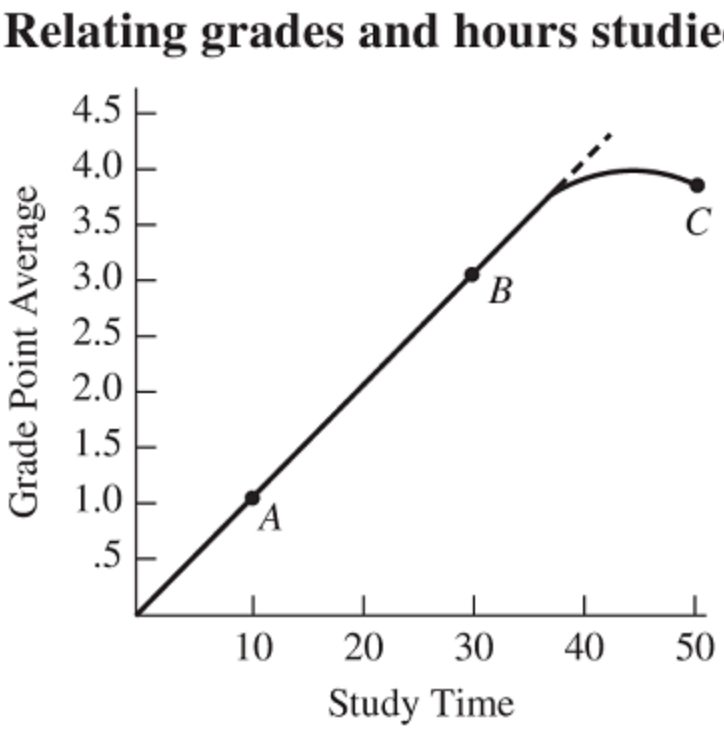
The figure suggests that the relationship between the variables is:

130) _____

A) Linear at every point.
B) Linear at places and nonlinear at places.
C) Linear at places and nonlinear at places but always negatively sloped.
D) Negative after 30 hours of study time.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller



131)

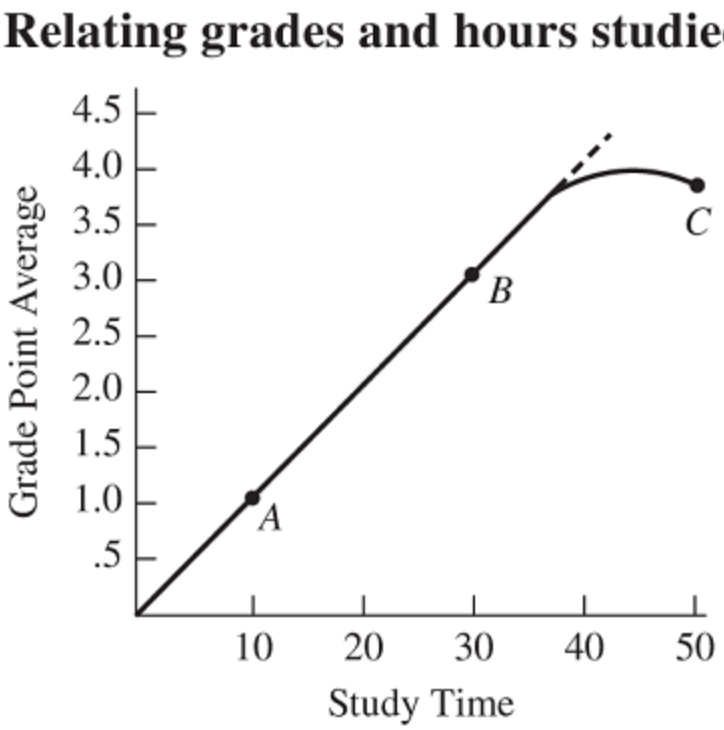
Based on the figure, if a student wants to achieve a grade-point average of 3.0, he or she should study:

131) _____

A) An average of 40 hours per week.
B) An average of 30 hours per week.
C) An average of 20 hours per week.
D) An average of 10 hours per week.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AACSB : Knowledge Application
Bloom's : Apply
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller



132)

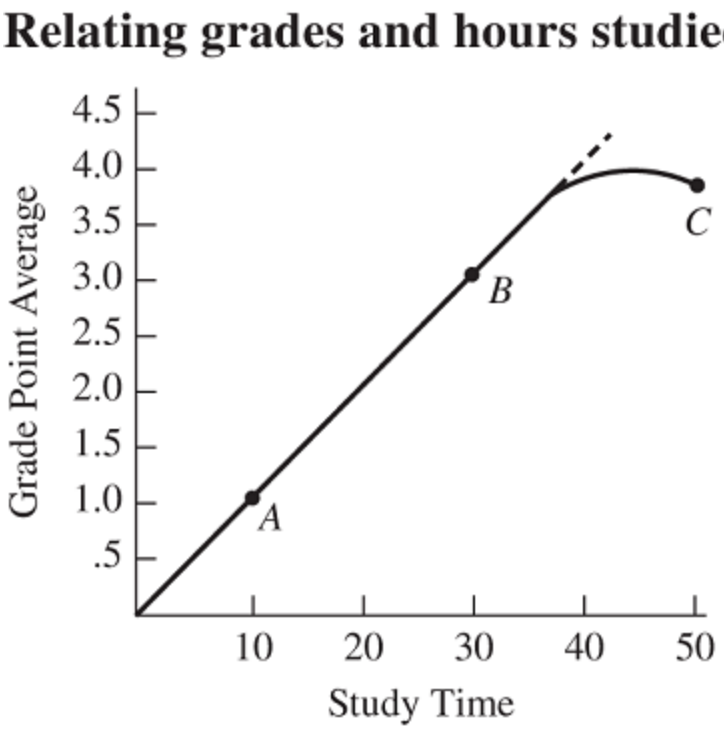
Based on the figure, if a student wants to achieve a grade-point average of 2.0, he or she should study:

132) _____

A) An average of 40 hours per week.
B) An average of 30 hours per week.
C) An average of 20 hours per week.
D) An average of 10 hours per week.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AACSB : Knowledge Application
Bloom's : Apply
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller



133)

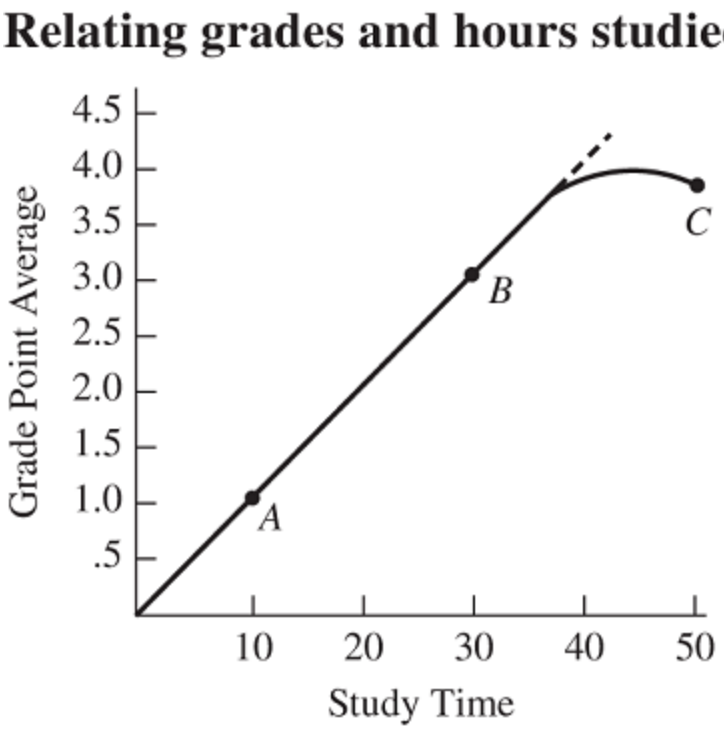
Based on the figure, if a student studies 40 hours per week, he or she will:

133) _____

A) Earn a grade-point average between 3.5 and 4.0.
B) Earn a grade-point average of exactly 3.0.
C) Drop out of school because of the stress.
D) Earn a lower grade-point average than if the study time is reduced to 30 hours per week.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AACSB : Knowledge Application
Bloom's : Apply
Topic : Appendix: Using Graphs

Access Complete Test Bank for Essentials of Economics 11th Schiller



134) Based on the figure, if a student studies 30 hours per week, he or she will:

134) _____

A) Earn a grade-point average of between 3.5 and 4.0.
B) Earn a grade-point average of 3.0.
C) Earn a grade-point average 2.0.
D) Drop out of school because of the stress.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AACSB : Knowledge Application
Bloom's : Apply
Topic : Appendix: Using Graphs

135) Karl Marx viewed _____ as the major flaw within capitalism.

135) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) state controlled production
B) labor unions
C) private property ownership
D) social classes

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

136) Because of scarcity,

136) _____

A) choices must be made.
B) there are not enough goods and services to satisfy everyone.
C) there are plenty of goods to go around.
D) Both choices must be made *and* there are not enough goods to satisfy everyone.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy

137) When an economist says that "there is no such thing as a free lunch," she means that:

137) _____

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A) We cannot have everything we want, even if the price is $0.
B) There are sufficient resources to produce everything we want.
C) Even when a meal is free, we give up the chance to do something else with that time.
D) Both we cannot have everything we want, even if the price is $0, *and* even when a meal is free, we give up the change to do something else with that time.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity

138) Factors of production are:

138) _____

A) the laws that regulate manufacturers.
B) the technological innovations available to companies.
C) the resources used to create output.
D) the waste left over after goods are produced.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Define "opportunity cost."

139) Opportunity cost is:

139) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) The value of the least desired alternative that you give up.
B) The most desired goods and services that are forgone in order to obtain something else.
C) What you acquire in the process of doing something.
D) The price you pay when you perform an activity.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Define "opportunity cost."

140) Which of the three basic economic questions deals with choosing the correct mix of output?

140) _____

A) What to produce.
B) How to produce.
C) For whom to produce.
D) How much to charge.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

141) Economic growth means:

141) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) An increase in imports.
B) An expansion of production possibilities outward.
C) An increase in population.
D) Both an increase in imports and an expansion of production possibilities outward.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

142) Which of the following factors determines how the market mechanism allocates economic activity?

142) _____

A) The price of the good.
B) The government.
C) The presence of foreigners.
D) The quantity of the good.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

143) Consumers play a part in the market mechanism by:

143) _____

Access Complete Test Bank for Essentials of Economics 11th Schiller

A) Writing letters to firms asking for certain products.
B) Buying goods that they both desire and can afford.
C) Voting for their favorite politician.
D) Producing the output that firms pay them to produce.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

144) Which of these is an example of a market failure?

144) _____

A) Too few doctors and hospitals in rural areas.
B) Too much pollution in urban areas.
C) Too many people living in poverty.
D) All of these choices are correct.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

145) A market failure occurs:

145) _____

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A) When the market does not provide the "best" answers to the basic economic questions.

B) When the market doesn’t always produce the "right" amount of output.

C) When the government fails to improve market outcomes.

D) Both when the market fails to provide the "best" answers to the basic economic questions and when the market doesn’t always produce the "right" amount of output.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Describe the nature of market and government failures.
Topic : What Economics is All About

146) Which of the following best describes the shift in attitudes for American adults in the years after the Great Recession of 2008–2009?

146) _____

A) American adults felt increasingly positive about the capitalist economic system.

B) American adults grew more confident that another recession would not happen for many years to come.

C) More American adults felt that resource limitations would not be an issue in the future.

D) American adults became more concerned that their children would have fewer goods and services in the future.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy

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147) Which of the following is true of American adults after the Great Recession of 2008–2009?

147) _____

A) They felt more positively about the economy.
B) Their opinions about the economy did not change from before the recession.
C) They felt more negatively about the economy.
D) Many felt an increasing level of optimism.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Explain the meaning of scarcity.
Topic : The Central Problem of Scarcity
Bloom's : Remember
Difficulty : 1 Easy

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

148) Explain opportunity cost. Give one example of an opportunity cost.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : The Central Problem of Scarcity
Learning Objective : 01-02 Define "opportunity cost."

149) What are the factors of production? How do these factors play a role in an economy answering the Three Basic Economic Questions?

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Recite society's three core economic questions.
Topic : Three Basic Economic Questions

150) Define market mechanism and discuss Adam Smith’s explanation of the "invisible hand."

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Discuss how market and command economies differ.
Topic : The Mechanisms of Choice

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Essentials of Economics 11th Edition by Schiller CH01

Answer Key

Test name: CH01

1) TRUE
Economics is the study of how to allocate scarce resources among various uses.

2) FALSE
The opportunity cost of a good is the sacrifice of the next-best alternative goods that are forgone. Since a choice implies an option not taken, all choices come with opportunity costs.

3) FALSE
All factors of production, or resources, are finite.

4) FALSE
The resources of the United States are not sufficient to meet the desires of all its citizens.

5) TRUE
No economy can escape scarcity.

6) FALSE
Not all desires of every citizen are met.

7) TRUE
The Three Basic Economic Questions are WHAT, FOR WHOM, and HOW.

8) FALSE
The factors of production include land, labor and capital.

9) TRUE

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Capital is a good (or goods) used to produce other goods.

10) TRUE
All resources are being used efficiently.

11) FALSE
Economic growth will expand the production possibilities outward, allowing more production and thus shifting the production possibilities curve outward.

12) TRUE
Investment is necessary for growth.

13) TRUE
FOR WHOM question address issues of distribution and who will get what share of goods and services.

14) TRUE
No direct communication is needed between the producer and the consumer.

15) TRUE
Adam Smith preferred little or no government intervention.

16) FALSE
Because the United States uses a combination of government directives and market mechanisms to determine economic outcomes, the United States is a mixed economy.

17) FALSE
Karl Marx believed central planning was necessary to keep workers from being exploited.

18) FALSE

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A mixed economy relies on both market signals and government directives to allocate goods and services.

19) TRUE
An externality places the burden on a third party.

20) TRUE
Government intervention does not always result in a positive outcome.

21) FALSE
The focus of economics is on basic relationships, ignoring unnecessary details. Therefore, theories, or models of economic behavior are possible to formulate.

22) FALSE
With limited resources, it is impossible to satisfy everyone's needs. The optimal mix would be the best combination of output from scarce resources that could meet as many needs possible.

23) B
There are only a finite amount of resources, so there are not enough to meet all human desires.

24) C
There are not enough resources for everyone to have all that they desire.

25) A
The factors of production and the resources used to make goods and services are finite.

26) C
The goal of economic theory is to figure out how to use scarce resources in the best possible way.

27) A

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The opportunity cost is the value of the next best alternative that is given up when we make a choice.

28) C
Resources required in the production of desired goods and services are limited so there is an opportunity cost for every production decision.

29) C
In this case, an opportunity cost is an opportunity lost due to scarce time.

30) D
If no resources were scarce, consumers would not have to make choices. This would also mean that humans would need to live forever, otherwise time is always a scarce resource.

31) C
Available resources always fall short of our desires.

32) A
The more advanced our technological and managerial abilities, the more output we will be able to produce with available factors of production.

33) C
All factors of production are finite in quantity.

34) B
Given that resources are finite, consumers will not be able to have everything they desire.

35) A
With finite factors of production, society must decide what is best to produce for the majority of the population.

36) D

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The "WHAT" question of economics asks which goods or services to produce that would best benefit society.

37) B
In economics, capital is referred to as the goods that are used to make goods. Money is not a factor of production.

38) C
Capital would include items such as machinery, buildings, and networks. Money is not economic capital.

39) B
Capital refers to goods that are used to produce other goods. In this example, the computer is the good used to produce the document which is the other good.

40) D
A homebuilder would be an example of a labor resource.

41) B
Labor is the number and skills of workers.

42) D
Entrepreneurship is skill in creating products, services, and processes. An entrepreneur uniquely combines the other three factors of production to make a good or service.

43) B
Entrepreneurship is defined as the ability to create products, services, and processes.

44) C
With limited factors of production and technology, output would have a finite limit.

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45) C
In this case guns represent military spending while butter represents consumer goods.

46) C
Seventeen thousand houses are built when two missiles are built. Ten thousand houses are built when three missiles are built. Over this range of production seven thousand houses are sacrificed so that an additional missile can be produced.
See Table 1.1 in the textbook.

47) B
The difference in the production of 17,000 houses to 21,000 houses is 4,000. The difference between the number of missiles produced is one. Therefore the opportunity cost of increasing the production of houses from 17,000 to 21,000 in terms of missiles per house is 0.00025, or 1/4,000.
See Table 1.1 in the textbook.

48) A
When 10,000 houses are built the cost is 1 missile. Therefore, the opportunity cost of a house over this range is 0.00010 missiles, or 1/10000 missiles.
See Table 1.1 in the textbook.

49) D
The creation of 1 missile creates the highest cost at 10,000 houses. This is the opportunity cost of producing the fourth missile given an economy is already producing three (moving from combination K to combination J).
See Table 1.1 in the textbook.

50) A
No country has an infinite amount of resources.

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51) B
The production possibilities curve represents the alternative combinations of goods and services that could be produced in a given time period with all available resources and technology. Price is not a factor.

52) A
A production possibilities curve describes the various combination of final goods or services that could be produced in a given time period with available resources and technology.

53) D
Because of limited resources the increase in military production will decrease the production of consumer goods. This would represent a movement along a given production possibilities curve since the fundamental ability of North Korea to produce has not changed (and so the curve would not shift).

54) C
Because of limited resources the decrease in military production will increase the production of consumer goods. This would represent a movement along a given production possibilities curve since the fundamental ability of France to produce has not changed (and so the curve would not shift).

55) C
56) D
57) A
58) A
59) A
60) C
61) B

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There is no single point on the production possibilities curve that is right for all nations at all times unless all nations have identical preferences.

62) A
Locating and producing the optimal mix of output is the essence of the WHAT challenge, answering the question of what to produce.

63) D
Economic investments enhance the ability to produce.

64) C
Lottery is a game of chance and is not an investment, which should expand the ability of a firm to produce its output.

65) A
Economic growth expands the possibilities to produce more.

66) C
Production possibilities increase and shift outward with growth in resources and technology.

67) C
Outward shifts of the production possibilities curve occur with growth. Growth is due to improved technologies which use fewer resources and/or an increase in resources.

68) A
Investment in new technologies is necessary to economic growth.

69) B
A change in technology allows for resources to be used more efficiently.

70) C
Prices are not a factor in growth because they do not represent resources or technology.

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71) A
Labor is a factor of production. If there is a reduction of labor, production possibilities decrease.

72) D
In this scenario, loss of industrial centers creates a reduction in capital which would cause production to decrease.

73) C
When all resources are not used to their fullest capacity, production falls below the curve.
See Figure 1.1 in the textbook.

74) C
Point C falls below the production possibilities curve, which indicates some resources are not being used to the fullest potential.
See Figure 1.1 in the textbook.

75) B
Point B is a point along the production-possibilities curve, indicating that society is efficiently using all resources to produce office buildings and housing.
See Figure 1.1 in the textbook.

76) A
If new resources are discovered the production possibilities curve shifts to the right.
See Figure 1.1. in the textbook.

77) A
There are not sufficient recourses or technology to produce at this level of office buildings or housing.
See Figure 1.1 in the textbook.

78) D
At point D there is no production of houses nor of office buildings.
See Figure 1.1 in the textbook.

79) B
The best possible answer to the HOW question will entail both efficiency in the use of factors of production and adequate safeguards for the environment and other social concerns.

80) A

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Everyone wants a slice of the "economic pie" that would best fit their needs. Because the pie is limited, we must choose how to allocate what is produced.

81) B
The optimal distribution of income and output must satisfy our sense of fairness and as well as our desire for more. Welfare programs are implemented to redistribute income or output to better match our view of who should receive what.
82) B
The use of market prices and sales to signal desired outputs. These prices are generated in markets, which largely determine how goods and services are allocated.

83) C
The market mechanism signals to producers what products consumers demand.

84) D
Prices and sales indicate to producers what they should continue to produce.

85) B
Price and sales send signals to producers about what mix of output consumers want.

86) B
Price and sales send signals to producers about what mix of output consumers want.

87) A
No direct communication between consumer and producer is required to signal what market participants want.

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88) B
Price is a determining factor for consumers to buy and producers to sell.

89) C
Laissez faire means "hands off," which invites the government to stay out of the market decisions.

90) D
Laissez faire means "hands off," which invites the government to stay out of the market decisions.

91) A
Adam Smith argued that nations would prosper with less government interference.

92) B
The government, not the market, assumes responsibility for answering the three basic economic questions.

93) A
Karl Marx proposed serious faults with market-based economies.

94) D
Central planning is still the principal mechanism of choice in some countries that still tend to be Communist.

95) C
The U.S. uses a mix of market mechanism and government directives to make economic choices.

96) C
The government is not a business and does not seek profits.

97) A
The market may not always pick the best possible mix of output.

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98) B
The market did not produce the best possible mix of outputs.

99) A
An externality is a cost imposed on innocent third parties.

100) C
The cancer was a result of pollution and borne by a third party.

101) B
When the market mechanism selects the wrong choice of HOW to produce, this will cause a market failure.

102) A
The government may not necessarily offer better answers to the three basic questions.

103) A
Government intervention might not just worsen the mix of output but even reduce the total amount of output.

104) B
An increase in bureaucratic red tape may burden private industry and reduce the total amount of output.

105) A
Macroeconomics focuses on the behavior of an entire economy—the big picture.

106) D
The essential concern of macroeconomics is to understand and improve the performance of the economy as a whole.

107) B

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Microeconomics focuses on individuals, firms, and government agencies.

108) A
One focus of microeconomics is on individual firms.

109) C
One focus of microeconomics is on individual firms.

110) D
There are too many factors that contribute to economic theory; exact economic outcomes cannot be determined.

111) B
Models are used like maps to show basic relationships.

112) D
The assertion is that all things remain equal except for one. This assumption is made to better isolate the relationship between two variables.

113) C
Only one circumstance will change in a model; all other circumstances will remain constant.

114) A
Economic growth is essential for future generations to continue to enjoy a higher standard of living than previous generations.

115) B
With a reduction in food production there are more resources to produce military goods. This leads to a movement along the production possibilities curve.

116) A

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Resources used for the military aren't available for producing food. This is an opportunity cost of the production of missiles.

117) C
Resources used for the military aren't available for producing food. This is an opportunity cost to the production of missiles in terms of food.

118) D
Government intervention may fail to improve market outcomes.

119) B
A government failure may result in a less desirable mix of output.

120) B
The horizontal and vertical axes identify the variables being analyzed, which is critical to understanding what a graph is showing.

121) A
Divide the vertical distance between the two points, by the horizontal distance between the two points. By doing this, we scale how much the variable on the vertical axis changes whenever the variable on the horizontal axis changes by one unit.

122) D
Slope is calculated as the rise divided by the run.

123) B
Shifts are reflective of changes in the underlying relationships between the two variables.

124) C
A distinguishing feature of linear curves is that they have the same slope throughout and so they appear straight on a graph.

125) B

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A negative relationship among the variables produces a negatively-sloped curve.

126) A
Variables on both axes are moving upward to the right.

127) B
This would imply that if one variable increases, so too does the other.

128) C
A grade of 3.0 intersects with 30 hours of study time.
See Figure A.1 in the textbook.

129) A
A grade of 1.0 intersects with 10 hours of study time.
See Figure A.1 in the textbook.

130) B
The line is straight until approximately 4.0 then moves downward.
See Figure A.1 in the textbook.

131) B
A grade of 3.0 intersects with 30 hours.
See Figure A.1 in the textbook.

132) C
A grade of 2.0 intersects with 20 hours.
See Figure A.1 in the textbook.

133) A
A point between 3.5 and 4.0 intersects with 40 hours.
See Figure A.1 in the textbook.

134) B
The intersection of 3.0 and 30 hours implies that someone studying 30 hours would a grade of 3.0.
See Figure A.1 in the textbook.

135) C
Karl Marx felt that private property ownership would increase inequality within society and lead to capitalism's downfall.

136) D

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Both of these things are true of scarcity.

137) D
Scarcity forces us to choose between alternative uses of a resource; even if there is no monetary cost to a choice, we must pick the "best" use of the resource and give up the next alternative.

138) C
Factors of production are the resource inputs used to produce goods and services.

139) B
Opportunity cost is described by the value of goods or services you give up in order to obtain something.

140) A
What to produce refers to choosing the mix of output.

141) B
Economic growth involves an outward shift of production possibilities, but none of the other options are true.

142) A
The price of the good is the determining factor in a market. Prices induce both consumers and producers to alter their behavior. The quantity supplied and quantity demanded are determined by price, so that cannot be a correct answer.

143) B
As firms see the sales and prices of certain goods rise, they will produce more of these goods.

144) D

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Each of these answers illustrates an externality that causes too much or too little of a product to be provided by the market.

145) D
Market failure is described by both of these.

146) D
Survey results revealed increasingly pessimistic views about the economy and many adults were concerned that economic growth would not positively impact their children.

147) C
Survey results revealed increasingly pessimistic views about the economy and many adults were concerned that economic growth would not positively impact their children.

148) An opportunity cost is the value of the second best choice.
Example: A student stays home to study for an exam instead of going to a movie with friends. (Answers may vary)

149) The factors of production are Land, Labor, Capital, and Entrepreneurship. Each factor of production plays a role in answering the WHAT, HOW, and FOR WHOM questions by distributing scarce resources in the best possible way. (Answers may vary)

150) The market mechanism is central in reshuffling resources and outputs. Market sales and prices send a signal to producers about what mix of output consumers want. Without direct communication between consumers and producers the "invisible hand" communicates sales and prices.

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