

Test Bank for Understanding Economics 2026 Canadian Release 1st Lovewell

Correct answers located at the end of the chapter.

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

- 1) The economic problem is essentially one of deciding how to make the best use of:
 - A) unlimited resources to satisfy unlimited wants.
 - B) limited resources to satisfy unlimited wants.
 - C) unlimited resources to satisfy limited wants.
 - D) limited resources to satisfy limited wants.
 - E) public resources to satisfy expensive wants.
- 2) Economists assume that people behave rationally, *meaning* that **people**:
 - A) always weigh the personal benefits and costs of every available action and choose an action on the basis of their individual wants.
 - B) act in a rational way when buying and selling products, but not in other settings.
 - C) act rationally when they buy products, but not when they sell them.
 - D) act rationally when they sell products, but not when they buy them.
 - E) are unable to act in a rational way.
- 3) An economist who says that consumer wants are inexhaustible means that:
 - A) economic resources are valuable only because they can be used to produce consumer goods.
 - B) economic resources—natural, capital, and human—are scarce.
 - C) consumers wants are virtually unlimited and, therefore, incapable of being fully satisfied.
 - D) the nature of consumer wants is unpredictable.
 - E) the nature of consumer demand varies from time to time and from country to country.
- 4) The fundamental problem of economics is:
 - A) to establish equity between personal and business taxation.
 - B) to establish a democratic political framework for the provision of social goods and services.
 - C) to establish prices that accurately reflect the relative scarcities of products and resources.
 - D) to achieve a fair distribution of money income to reduce poverty.
 - E) the scarcity of productive resources relative to consumer wants.

- 5) The economic problem stems from the fact that:
- A) the production possibilities curve bows out to the right.
 - B) resources are scarce relative to people's demand for goods and services.
 - C) people act to maximize their own welfare.
 - D) historically the production possibilities curve has been shifting down toward the origin.
 - E) the production possibilities curve bows in to the left.
- 6) Rational behaviour is:
- A) not typically the assumption made of people by most economists.
 - B) never considered legal behaviour.
 - C) often illogical.
 - D) not necessarily ethical.
 - E) always ethical and legal.

- 7) The study of economics is carried out because:
- A) government interferes with the efficient distribution of scarce resources.
 - B) resources are scarce in relation to consumer wants.
 - C) the market system is an obstacle to the efficient use of plentiful resources to satisfy limited wants.
 - D) resources are overly abundant as compared with wants and, therefore, a distribution problem exists.
 - E) government aids in the efficient distribution of scarce resources.
- 8) The scarcity problem:
- A) persists only because countries have failed to achieve continual full employment.
 - B) persists because a society's consumer wants exceed its available economic resources.
 - C) has been eliminated in all industrialized nations.
 - D) has been eliminated in affluent societies such as Canada and the United States.
 - E) is eliminated when a nation has achieved full employment.

- 9) Because of scarcity, the efficient use of resources is:
- A) an important economic goal in all economies.
 - B) an important economic goal only in command economies.
 - C) an important economic goal only in market economies.
 - D) not an important economic goal.
 - E) an important economic goal only in traditional economies.
- 10) As used in economics, the notion of scarcity means that:
- A) mineral deposits are available only in limited amounts.
 - B) resources are not so plentiful that all consumer wants can be fulfilled.
 - C) many resources are freely available.
 - D) the quantities available of some resources exceed the demand for them.
 - E) the demand for some resources is nonexistent.
- 11) Stocks and bonds are not considered to be an economic resource because they:
- A) sometimes fall in value.
 - B) do not earn interest income.
 - C) are available in unlimited quantities.
 - D) are not free gifts of nature.
 - E) do not add to the economy's stock of real capital.
- 12) The money payments made to owners of human resources are:
- A) wages, salaries, or interest.
 - B) wages, salaries, or rent.
 - C) interest or profit.
 - D) wages, salaries, or profit.
 - E) rent or profit.
- 13) Economic resources include all of the following, except:
- A) natural resources.
 - B) real capital assets.
 - C) human effort.
 - D) stocks and bonds.
 - E) human ingenuity.
- 14) Which of the following is a capital resource?
- A) A pair of stockings
 - B) A dump truck
 - C) A savings account
 - D) A share of IBM stock
 - E) A Roger's Telecommunications bond
- 15) The role of the entrepreneur involves:
- A) waiting for leadership.
 - B) manual labour.
 - C) bearing risks.
 - D) hiring chartered accountants to make business decisions for them.
 - E) acting as a landowner.

16) Economics can best be described as the study of how:

- A) to profitably to invest one's income in stocks and bonds.
- B) to manage household expenses.
- C) government policies affect businesses and labour.
- D) to manage business enterprises for profit.
- E) to distribute limited resources among alternative ends.

17) Economics is primarily the study of:

- A) why resources are scarce.
- B) how advertising and sales promotion shape consumer wants.
- C) how to make profitable investments.
- D) how to use scarce resources among alternative ends.
- E) why consumer wants are unlimited.

18) Microeconomics is concerned with the:

- A) total levels of income, employment, and output.
- B) behaviour of individual participants in various markets.
- C) causes of inflation and unemployment.
- D) overall view of the operation of the economic system.
- E) way governments can stabilize the economy.

19) Which of the following is a microeconomic statement?

- A) Total economic output increased by 2.5 percent last year.
- B) Unemployment was 9.8 percent last year.
- C) The price of wheat declined last year.
- D) The general price level increased by 4 percent last year.
- E) Business investment decreased by 2 percent last year.

20) Macroeconomics approaches the study of economics from the viewpoint of:

- A) individual producers.
- B) governmental units.
- C) specific product and resource markets.
- D) individual consumers.
- E) entire economic sectors.

21) Which of the following is a macroeconomic statement?

- A) The total value of production was \$850 billion last year.
- B) The price of smartphones increased by 10 percent last year.
- C) Apple's profits substantially decreased last year.
- D) The productivity of Canadian steelworkers increased by 1 percent last year.
- E) The prices of all social media stocks rose by 25 percent last year.

22) Economic models:

- A) are useless because they are not based upon laboratory experiments.
- B) deal with a multitude of details.
- C) are generalizations of economic reality.
- D) are abstractions of reality and are, therefore, of no use to economists.
- E) are more effective the more complex they are.

23) Economic models:

- A) are of limited use because they cannot be tested empirically.
- B) are limited to variables that are directly related to one another.
- C) emphasize basic economic relationships by abstracting from the complexities of the real world.
- D) are unrealistic and are, therefore, of no practical consequence.
- E) are often illogical, but are sometimes useful.

24) Which of the following is a correct statement?

- A) Economics is concerned only with explaining the way that economies actually operate and not with how they should operate.
- B) Though not quantitatively exact, economic laws are useful because they allow us to predict and, therefore, to control or to adjust to events.
- C) Economics is as scientific as physics and chemistry because economic laws are as quantitatively precise as the laws of physics or chemistry.
- D) Because economics is concerned with questions of "ought," it is a branch of applied ethics and not scientific.
- E) Economics is concerned with how economies should operate and not with how they do operate.

25) An economic model usually includes:

- A) neither independent nor dependent variables.
- B) only a dependent variable and no independent variables.
- C) the proposition that no relationship exists between various factors.
- D) only an independent variable and no dependent variables.
- E) two or more factors that have measurable values.

26) Which of the following statements is correct?

- A) The value of the independent variable is determined by the value of the dependent variable.
- B) The value of the dependent variable is determined by the value of the independent variable.
- C) The dependent variable designates the "cause" and the independent variable the "effect."
- D) There is no cause and effect relationship between an independent and dependent variable.
- E) There is only a cause and effect relationship between two dependent variables.

27) If we say that two variables are directly related, this means that:

- A) the relationship between the two is purely random.
- B) an increase in one variable is associated with a decrease in the other variable.
- C) an increase in one variable is associated with an increase in the other variable.
- D) an increase in one variable is associated with no change in the other variable.
- E) there is no relationship between the two variables.

28) If we say that two variables are inversely related, this means that:

- A) there is no relationship between the two variables.
- B) an increase in one variable is associated with a decrease in the other variable.
- C) an increase in one variable is associated with an increase in the other variable.
- D) an increase in one variable is associated with no change in the other variable.
- E) the resulting relationship can be portrayed by a straight line parallel to the horizontal axis.

29) Consider the following table:

After-Tax Income	Consumption
\$1,000	\$900
2,000	1,800
3,000	2,700
4,000	3,600
5,000	4,500

These data suggest that:

- A) consumption varies inversely with after-tax incomes.
- B) consumption varies directly with after-tax incomes.
- C) consumption and after-tax income are unrelated.
- D) a tax increase will increase consumption.
- E) a tax decrease will decrease consumption.

30) If an inverse relationship exists between x and y, then a(n):

- A) increase in x will not affect y.
- B) decrease in x will cause y to decrease.
- C) increase in y will cause x to increase.
- D) increase in x will cause y to decrease.
- E) an increase in y will not affect x.

31) *Ceteris paribus* means that:

- A) if event A precedes event B, A has caused B.
- B) economics deals with facts, not values.
- C) if event A happens then event B cannot happen.
- D) prosperity inevitably follows recession.
- E) all other things remain the same.

32) The basic purpose of the ceteris paribus assumption is to:

- A) isolate the relationship between two variables by assuming all other factors remain constant.
- B) allow one to focus upon micro variables by ignoring macro variables.
- C) allow one to focus upon macro variables by ignoring micro variables.
- D) determine whether x causes y or vice versa.
- E) determine whether two variables are directly or inversely related.

33) Suppose an economist says "Ceteris paribus, the lower the price of the breakfast cereal, Wheaties, the larger the amount of Wheaties purchased." This statement indicates that:

- A) the quantity of Wheaties purchased determines the price of Wheaties.
- B) all factors other than the price of Wheaties (for example, consumer preferences and incomes) are assumed to be constant.
- C) economists can conduct controlled laboratory experiments.
- D) one cannot generalize about the relationship between the price of Wheaties and quantity purchased.
- E) the price and quantity demanded of Wheaties are directly related.

34) A positive statement is one that:

- A) outlines a direct relationship between two variables.
- B) outlines an inverse relationship between two variables.
- C) is subjective and is, therefore, based upon a value judgement.
- D) is necessarily true.
- E) is objective and is, therefore, based upon facts.

- 35) Which of the following is a positive statement?
- A) The humidity is too high today.
 - B) It is too hot to jog today.
 - C) The temperature is 22°C outside.
 - D) I enjoy summer evenings when the temperature cools down
 - E) I dislike humid evenings.

- 36) Which of the following is a positive statement?
- A) To me, the temperature along with the humidity today makes it feel like it is over 45 degrees.
 - B) Recent scientific research in nutrition science is very interesting and will likely have a positive impact on at least 75% of the population.
 - C) The development of artificial intelligence to predict online consumer purchasing behaviour is very concerning.
 - D) I believe that 100 percent of my staff at my law firm are only interested in the facts of any particular case.
 - E) Data from a nationwide opinion survey revealed that 60 percent of the population puts a high value on hard work.

- 37) Normative statements are concerned with:
- A) facts and theories.
 - B) what ought to be.
 - C) what is.
 - D) rational choice involving costs and benefits.
 - E) what can never be.

- 38) Which of the following is a normative statement?
- A) The temperature is high today.
 - B) The humidity is high today.
 - C) It is too hot to play tennis today.
 - D) It will cool off later this evening.
 - E) I think it will be hot today.

- 39) Which of the following is a normative statement?
- A) Tabulations from data collected in a recent government survey show that 10 percent of adults in the population think that social media ought to be heavily regulated.
 - B) Social media is detrimental to the mental health of the current generation.
 - C) French fries are not really French.
 - D) Michael Jordan is a retired basketball player, considered by some to be the best the sport has ever seen.
 - E) A random sample of a population is a necessary condition in order to obtain unbiased statistics.

- 40) A product has utility if it:
- A) takes more and more resources to produce successive units of it.
 - B) can be produced in unlimited quantities.
 - C) satisfies consumer wants.
 - D) is useful.
 - E) is available in only limited quantities.
- 41) Utility refers to the:
- A) extent to which a product can be used as a capital resource.
 - B) opportunity cost of a product.
 - C) relative scarcity of a product.
 - D) usefulness of a product.
 - E) satisfaction that a consumer derives from a good or service.
- 42) To maximize utility, a consumer who derives greater satisfaction from writing music than from studying drama will choose to:
- A) study music.
 - B) study drama.
 - C) write plays.
 - D) write music.
 - E) both write music and study drama.
- 43) Which of the following expressions best states the idea of opportunity cost?
- A) "A penny saved is a penny earned."
 - B) "He who hesitates is lost."
 - C) "There is no such thing as a free lunch."
 - D) "All that glitters is not gold."
 - E) "Watch the pennies, and the pounds will look after themselves."
- 44) The notion of opportunity cost:
- A) applies to consumers, but not to businesses.
 - B) applies to businesses, but not to consumers.
 - C) is relevant to economies of all ideological persuasions.
 - D) would disappear if we were able to eliminate poverty.
 - E) does not apply to governments.

45) The concept of opportunity cost:

- A) is irrelevant in command economies because of central planning.
- B) suggests that resources are often unlimited in quantity.
- C) is irrelevant if the production possibilities curve is shifting to the right.
- D) suggests that inexhaustible wants can be fulfilled.
- E) suggests that the use of resources in any particular line of production means that alternative outputs must be forgone.

46) Which of the following is not an illustration of the notion of opportunity cost?

- A) A growing economy can produce more ice cream and more ice cream cones at the same time.
- B) If I buy a pizza, I will not be able to afford a movie.
- C) Resources devoted to the production of computers are not available for the production of computer software.
- D) The land on which a Saskatchewan farmer plants wheat is not available for barley production.
- E) The more time it takes to commute to work, the less time is available for other activities.

47) The notion of opportunity cost is best defined as:

- A) the monetary price of any productive resource.
- B) the amount of labour that must be used to produce one unit of any product.
- C) the monetary price of any product.
- D) the utility that could have been gained by choosing an action's best alternative.
- E) the number of units of a product that are available to be purchased.

48) Which of the following best describes your opportunity cost of downloading a free app on your smartphone?

- A) The utility you get from using the app.
- B) The time spent by the programmer in order to develop the app.
- C) The different alternative uses of the app.
- D) The time you spent downloading and registering the app.
- E) The remaining storage space on your phone after the app is installed.

- 49) The production possibilities curve illustrates the basic principle that:
- A) the production of more of any one item will in time require smaller and smaller sacrifices of other items.
 - B) an economy automatically seeks that level of output that employs all of its resources.
 - C) if all the resources of an economy are fully used, more of one item could be produced only if less of another item is produced.
 - D) any production point below the curve reflects high opportunity cost.
 - E) any production point above the curve reflects low opportunity cost.

50)

	Production Possibilities (alternatives)					
	A	B	C	D	E	F
TVs	5	4	3	2	1	0
Stereos	0	5	9	12	14	15

A total output of 3 TVs and 4 stereos:

- A) would never be chosen because the economy is capable of producing a larger total output.
- B) represents the full employment of available resources.
- C) involves the employment of an economy's scarce resources at less than their full capacity.
- D) is unobtainable in this economy.
- E) would always be chosen because this is the product combination that gives the economy's citizens the most satisfaction.

51)

	Production Possibilities (alternatives)					
	A	B	C	D	E	F
TVs	5	4	3	2	1	0
Stereos	0	5	9	12	14	15

To produce a total output of 3 TVs and 13 stereos, this economy must:

- A) undergo an outward shift in its production possibilities curve.
- B) ignore the notion of opportunity cost.
- C) distribute its available resources more efficiently among alternative uses.
- D) achieve the full employment of available resources.
- E) leave some of its available resources idle.

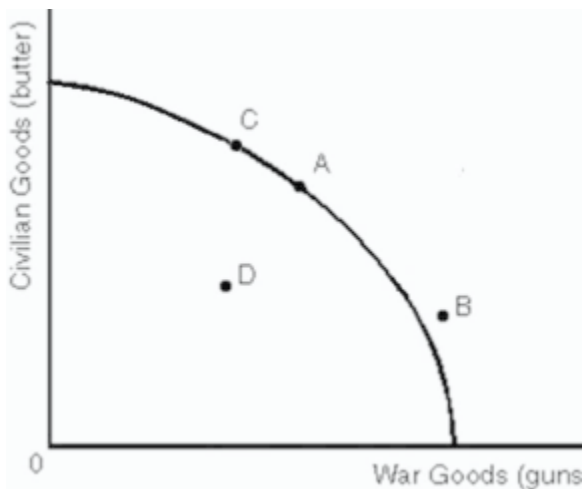
52) Assume that a change in government policy results in the increased production of all types of products. It can be concluded that the:

- A) economy was not fully employing its resources before the policy change.
- B) economy's production possibilities curve has shifted to the left as a result of the policy change.
- C) economy's production possibilities curve does not bow out to the right.
- D) law of increasing opportunity costs does not apply in this society.
- E) economy's resources are freely available.

53) The production possibilities curve:

- A) shows all levels of production that are consistent with a stable price level.
- B) indicates that any combination of products lying outside the curve is undesirable.
- C) shows how an economy actually employs its resources.
- D) shows all combinations of products that are most preferred by consumers.
- E) is a frontier between all combinations of products that can be produced and those combinations that cannot be produced.

- 54) Any point inside the production possibilities curve indicates:
- A) that resources are imperfectly shiftable among alternative uses.
 - B) the presence of inflationary pressures.
 - C) that more output could be produced with available resources.
 - D) that the economy is saving a part of its income.
 - E) that some of an economy's potential output is not desired by consumers.



- 55) At the end of World War II, Canada's economic adjustment from wartime to peacetime can best be described by the movement from:
- A) point a to point b.
 - B) point a to point c.
 - C) point b to point c.
 - D) point b to point d.
 - E) point c to point b.

- 56) Consider the following two tables.

North Cantina	Production Possibilities (alternatives)					
	A	B	C	D	E	F
Hamburgers	5	4	3	2	1	0
Hot Dogs	0	10	18	24	28	30

South Cantina	Production Possibilities (alternatives)					
	A	B	C	D	E	F
Hamburgers	5	4	3	2	1	0
Hot Dogs	0	8	15	21	25	27

Suppose that North Cantina is producing 2 hamburgers and 17 hot dogs while South Cantina is producing 2 hamburgers and 21 hot dogs. We can conclude that:

- A) North Cantina is fully employing its resources, but South Cantina is not.
- B) South Cantina is fully employing its resources, but North Cantina is not.
- C) neither South Cantina nor North Cantina is fully employing its resources.
- D) both South Cantina and North Cantina are fully employing their resources.
- E) resources are perfectly shiftable between hot dogs and hamburgers.

57)

South Cantina	Production Possibilities (alternatives)					
	A	B	C	D	E	F
Hamburgers	5	4	3	2	1	0
Hot Dogs	0	8	15	21	25	27

For South Cantina, who is currently producing at combination F in the above table, the opportunity cost of the first hamburger is:

- A) 8 hot dogs.
- B) 7 hot dogs.
- C) 1 hot dog.
- D) 2 hot dogs.
- E) $\frac{1}{2}$ of a hot dog.

59)

South Cantina	Production Possibilities (alternatives)					
	A	B	C	D	E	F
Hamburgers	5	4	3	2	1	0
Hot Dogs	0	8	15	21	25	27

For South Cantina, who is currently producing at combination A in the above table, the opportunity cost of the first hot dog is:

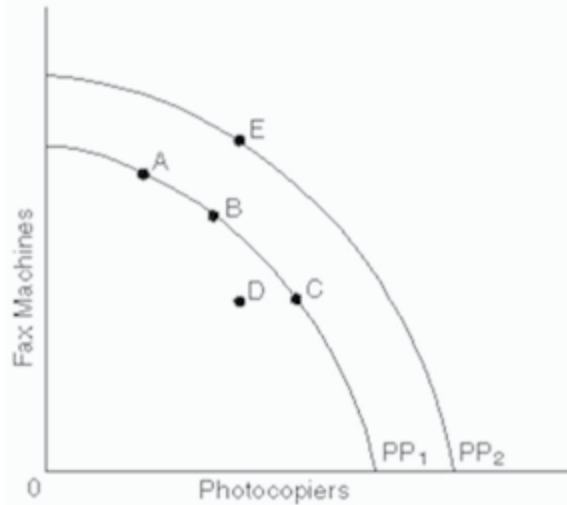
- A) 8 hamburgers.
- B) 4 hamburgers.
- C) $\frac{1}{8}$ th of a hamburger.
- D) 2 hamburgers.
- E) $\frac{1}{4}$ of a hamburger.

58)

South Cantina	Production Possibilities (alternatives)					
	A	B	C	D	E	F
Hamburgers	5	4	3	2	1	0
Hot Dogs	0	8	15	21	25	27

For South Cantina, who is currently producing at combination E in the above table, the opportunity cost of the second hamburger is:

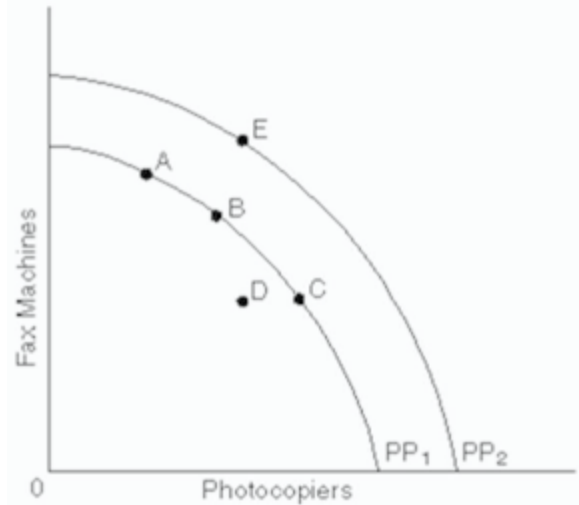
- A) 4 hot dogs.
- B) 7 hot dogs.
- C) 1 hot dog.
- D) 2 hot dogs.
- E) $\frac{1}{2}$ of a hot dog.



60)

The shape of each production possibilities curve:

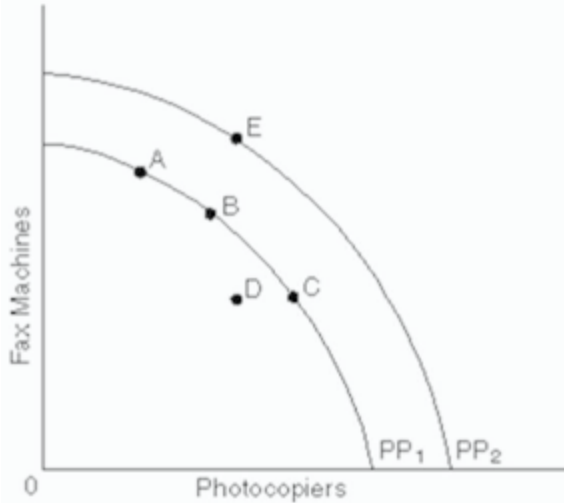
- A) indicates that resources shift perfectly from one use to another
- B) indicates that resources are virtually unlimited.
- C) indicates that prices are constant.
- D) illustrates the law of increasing opportunity costs.
- E) shows that consumer wants are variable.



61)

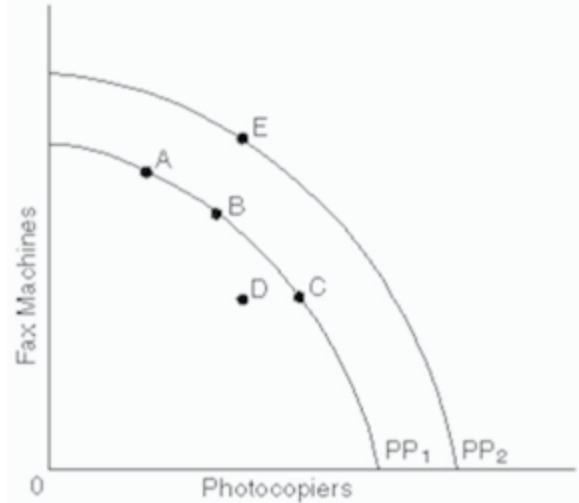
The concept of opportunity cost is best represented by the:

- A) shift of the production possibilities curve from PP1 to PP2.
- B) move from point B on PP1 to point E on PP2.
- C) move from point E on PP2 to point A on PP1.
- D) move from point D inside PP1 to point B on PP1.
- E) move from point B to point C along PP1.



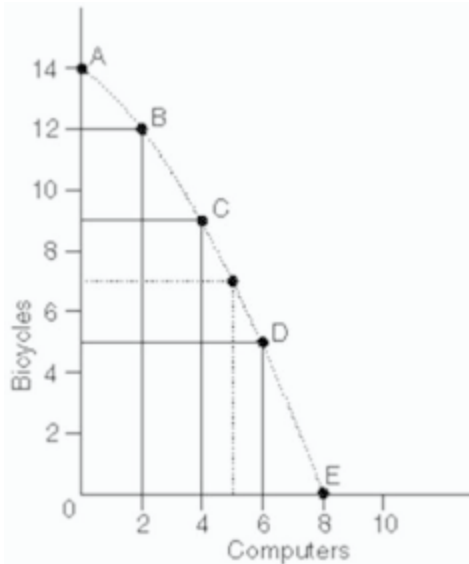
62) An improvement in technology could be expected to:

- A) shift the production possibilities curve from PP₁ to PP₂.
- B) shift the production possibilities curve from PP₂ to PP₁.
- C) move the economy from point A to point C along PP₁.
- D) move the economy from points A, B, or C on PP₁ to point D inside PP₁.
- E) move the economy from point C to point A along PP₁.



63) Which one of the following would shift the production possibilities curve from PP₁ to PP₂?

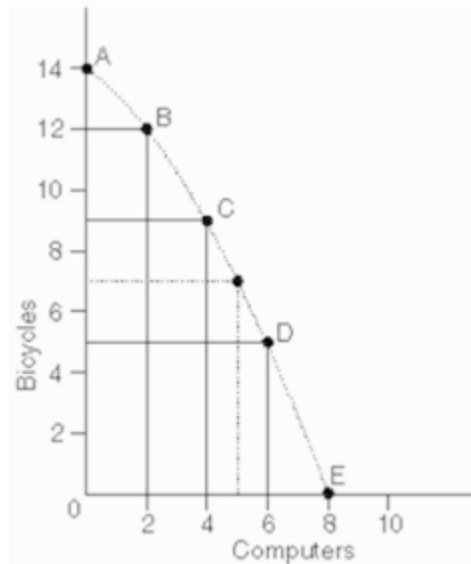
- A) The immigration of skilled workers into the economy
- B) A worsening of diseases such as AIDS
- C) An increase in consumer prices
- D) A reduction in hourly wages
- E) A change in consumer preferences



64)

Points A, B, C, D, and E show:

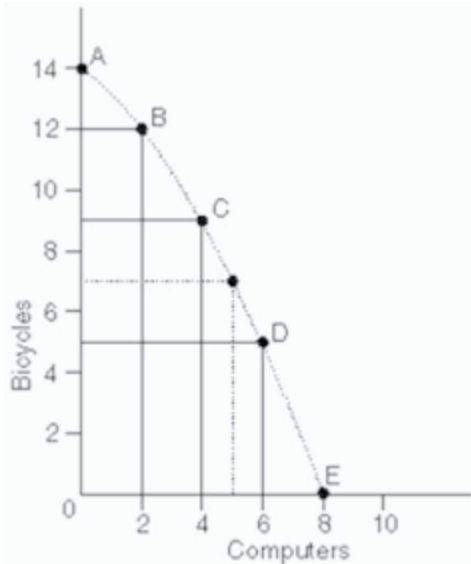
- A) that the opportunity cost of bicycles increases while that of computers is constant.
- B) combinations of bicycles and computers that a society can produce by fully employing its resources.
- C) that the opportunity cost of computers increases while that of bicycles is constant.
- D) that the demand for computers is greater than the demand for bicycles.
- E) that the opportunity cost of both bicycles and computers are constant.



65)

If a society is currently producing 9 bicycles and 4 computers, the decision to increase computer output to 6 costs:

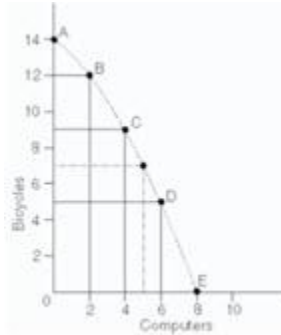
- A) 4 bicycles.
- B) 2 bicycles.
- C) 5 bicycles.
- D) zero because unemployed resources are available.
- E) irrelevant because this decision is inconsistent with consumer preferences.



66)

If a society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more bicycles:

- A) cannot be realized because resources are fully employed.
- B) costs 1 computer.
- C) costs 2 computers.
- D) means that some resources are not fully employed.
- E) costs 6 computers.



67)

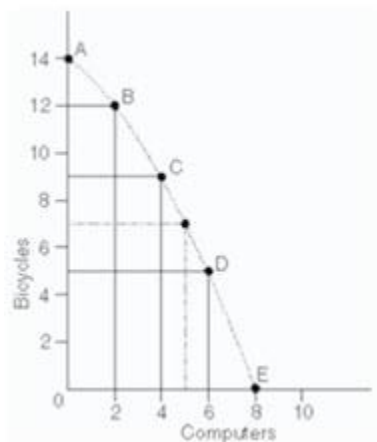
The optimal output combination in the above image is:

- A) A.
- B) C.
- C) D.
- D) E.
- E) Cannot be determined with the information given.

68) The law of increasing opportunity costs is reflected in a production possibilities curve that:

- A) is an upward-sloping straight line.
- B) is a downward-sloping straight line.
- C) bows inwards, to the left.
- D) is linear.
- E) bows out to the right.

- 69) If a society is currently producing the combination of bicycles and computers shown by point A, then the opportunity cost of one computer is:



- A) 2 bicycles.
 - B) 1 bicycle.
 - C) $\frac{1}{2}$ of a bicycle.
 - D) 4 bicycles.
 - E) 14 bicycles.
- 70) The problem of economic scarcity forces every country to determine:
- A) the shape of its production possibilities curve.
 - B) the amount of economic resources that can be employed in production.
 - C) what, how, and for whom to produce.
 - D) the ways that individuals can pursue their own self-interest.
 - E) how to plan to overcome scarcity.

- 71) Suppose a factory decides to automate its production process with robots. Which basic economic question of economics is associated with this decision?

- A) What to produce?
- B) How to produce?
- C) For whom to produce?
- D) None of the above questions relate to this decision.

- 72) Suppose a marketing research firm administers a telephone survey in order to collect and analyze data for a client that is interested in learning what fruit combinations would be most popular for its new frozen yogurt dessert. Which basic economic question of economics is associated with this activity?

- A) What to produce?
- B) How to produce?
- C) For whom to produce?
- D) None of the above questions relate to this decision.

73) Suppose our class ends up on a deserted island. After one week, we finally built wood huts for shelter and gathered many fruits and vegetables to eat. Not everyone contributed an equal amount of work effort. But everyone is equally hungry and some people are demanding an equal share of the food. Which basic economic question of economics is associated with this scenario?

- A) What to produce?
- B) How to produce?
- C) For whom to produce?
- D) None of the above questions relate to this decision.
- E) Who shall make the decisions?

74) The two basic markets shown by the simple circular flow diagram are:

- A) capital goods and consumer goods
- B) free and controlled
- C) product and resource
- D) household and business
- E) government and private

75) In the product market:

- A) businesses sell economic resources to households.
- B) businesses sell consumer products to households.
- C) businesses buy consumer products from households.
- D) businesses buy economic resources from households.
- E) business and households both sell consumer products to each other.

76) In the resource market:

- A) businesses sell economic resources to households.
- B) businesses sell consumer products to households.
- C) businesses buy consumer products from households.
- D) businesses buy economic resources from households.
- E) business and households both sell consumer products to each other.

77) How is the basic question, "what to produce" answered in a market economy?

- A) The government answers this question directly for its citizens.
- B) Consumers indirectly answer this question through their purchasing behaviour.
- C) Private business owners answer this question through consultation with various government agencies.
- D) Economists working in the private sector answer this question for society directly.
- E) Citizens answer this question directly and produce at home all of the goods and services they need.

78) Which of the following is a benefit of a market economy whereby the decision of what to produce is ultimately guided by the needs and wants of households in their role as consumers?

- A) Ceteris paribus.
- B) Consumer sovereignty.
- C) Price stability.
- D) Equitable distribution.
- E) Opportunity cost.

79) Which of the following is a drawback of a market economy?

- A) Recessions and unemployment.
- B) Income equality.
- C) Inefficient use of scarce resources.
- D) Too little economic freedom.
- E) Positive external effects.

80) The economy of Cuba most closely approximates a:

- A) traditional mixed economy
- B) market economy
- C) command economy
- D) modern mixed economy
- E) traditional economy

81) How is the basic question, "what to produce" answered in a command economy?

- A) The government answers this question directly for its citizens.
- B) Consumers indirectly answer this question through their purchasing behaviour.
- C) Private business owners answer this question through consultation with various consumer groups.
- D) Generally, this question is of no concern to the government in a command economy.
- E) Citizens answer this question directly and produce at home all of the goods and services they need.

82) Which of the following is a drawback of a command economy?

- A) Recessions and unemployment
- B) Income inequality
- C) Inefficient use of scarce resources
- D) Too much economic freedom
- E) Too little intervention from government

83) The United States economy most closely approximates a:

- A) traditional mixed economy.
- B) pure market economy.
- C) command economy.
- D) modern mixed economy.
- E) traditional economy.

84) In a traditional economy, economic decisions depend largely on:

- A) the government.
- B) the availability of resources.
- C) opportunity costs.
- D) customs.
- E) the distribution of wealth.

85) Traditional economies tend to offer the advantage of:

- A) an equitable distribution of wealth.
- B) stability.
- C) innovation.
- D) technological advancement.
- E) economic growth.

86) Modern mixed economy refers to an economy:

- A) with both product and resource markets.
- B) that engages in both domestic and international trade.
- C) with both private and public sectors.
- D) that functions primarily on the basis of custom and tradition.
- E) that operates on the basis of central planning.

87) The Canadian economy most closely approximates a:

- A) traditional mixed economy.
- B) market economy.
- C) command economy.
- D) modern mixed economy.
- E) traditional economy.

88) Which of the following are good examples of emerging economies?

- A) Canada and the United States.
- B) France and Germany.
- C) North Korea and Cuba.
- D) China and India.
- E) North Korea and China.

89) The unemployment rate includes:

- A) pensioners.
- B) homemakers.
- C) brewery workers who have been laid off recently.
- D) students working part-time at a grocery store.
- E) young children.

90) Inflation is defined as:

- A) a rise in the average level of prices.
- B) a fall in the general level of prices.
- C) the average price level in the economy.
- D) the purchasing power of a single dollar.
- E) a rise in unemployment as a result of higher prices.

91) The Kyoto Protocol:

- A) aimed to increase emissions of so-called greenhouse gases, in particular carbon dioxide.
- B) was signed by over 170 countries, including Canada.
- C) ensured that all countries in the world cut greenhouse gases until 2012.
- D) requirements were met by Canada, but by few other countries.
- E) imposed a global carbon tax.

92) The achievement of full employment frequently conflicts with the economic goal of:

- A) economic efficiency.
- B) economic growth.
- C) income equity.
- D) a viable balance of payments.
- E) price stability.

93) Full employment and ____ are considered to be complementary goals.

- A) ecological sustainability.
- B) economic growth.
- C) income inequity.
- D) a viable balance of payments.
- E) price stability.

94) How has Canada performed with respect to its Kyoto or Paris agreement promises?

- A) Canada has performed on target.
- B) Canada has underperformed with respect to its promises.
- C) Canada is not a member of the Paris Agreement.
- D) Canada is not a member of the Kyoto Protocol.
- E) Canada has outperformed other countries on both agreements.

95) Which sectors of the Canadian economy were among the hardest hit by the COVID pandemic?

- A) Manufacturing and healthcare.
- B) Education and healthcare.
- C) Manufacturing and retail.
- D) Retail, healthcare, and education.
- E) Travel and hospitality services, as well as entertainment industries.

96) Most developed nations have which economic system?

- A) Mixed
- B) Command
- C) Traditional
- D) Purely Market
- E) Public Market

- 97) According to Adam Smith, the most significant single cause of economic progress has been:
- A) the increase in the fertility of land used in agriculture.
 - B) the use of more specialized forms of machinery in manufacturing.
 - C) a more educated workforce.
 - D) the division of labour.
 - E) the rise of large companies that dominate particular industries.
- 98) Laissez-faire suggests that:
- A) land and other natural resources should be privately owned but capital should be owned by the government.
 - B) land and other natural resources should be owned by the government but capital should be privately owned.
 - C) government should not interfere with the operation of the economy.
 - D) government action is necessary if the economy is to achieve full employment.
 - E) government policies are needed to deal with environmental damage.

Answer Key

Test name: Chapter 01

- | | |
|-------|-------|
| 1) B | 38) C |
| 2) A | 39) B |
| 3) C | 40) C |
| 4) E | 41) E |
| 5) B | 42) D |
| 6) D | 43) C |
| 7) B | 44) C |
| 8) B | 45) E |
| 9) A | 46) A |
| 10) B | 47) D |
| 11) E | 48) D |
| 12) D | 49) C |
| 13) D | 50) C |
| 14) B | 51) A |
| 15) C | 52) A |
| 16) E | 53) E |
| 17) D | 54) C |
| 18) B | 55) B |
| 19) C | 56) B |
| 20) E | 57) D |
| 21) A | 58) A |
| 22) C | 59) C |
| 23) C | 60) D |
| 24) B | 61) E |
| 25) E | 62) A |
| 26) B | 63) A |
| 27) C | 64) B |
| 28) B | 65) A |
| 29) B | 66) B |
| 30) D | 67) E |
| 31) E | 68) E |
| 32) A | 69) B |
| 33) B | 70) C |
| 34) E | 71) B |
| 35) C | 72) A |
| 36) E | 73) C |
| 37) B | 74) C |
| | 75) B |
| | 76) D |
| | 77) B |

- 78) B
- 79) A
- 80) C
- 81) A
- 82) C
- 83) D
- 84) D
- 85) B
- 86) C
- 87) D
- 88) D
- 89) C
- 90) A
- 91) B
- 92) E
- 93) B
- 94) B
- 95) E
- 96) A
- 97) D
- 98) C