

Fundamentals

Part A



Introduction to Microeconomics and Macroeconomics



Quiz Question

- Microeconomics focuses on:
 - A) the big picture of the economy.
 - B) how governments, individuals, and businesses make decisions when faced with scarcity.
 - C) how governments, individuals, and businesses make decisions when resources are unlimited.
 - D) how to make money on investments.

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 - D) how to make money on investments.

The correct answer is B.

Resources



Quiz Question

- Resources are:
 - A) relatively plentiful in all countries.
 - B) relatively evenly distributed in all countries.
 - C) relatively scarce in all countries.
 - D) identical in all countries.

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 - C) relatively scarce in all countries.
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The correct answer is C.

Scarcity



Quiz Question

- A recurring theme in economics is that people
 - A. have unlimited resources but limited economic wants.
 - B. can increase resources by limiting their economic wants.
 - C. have limited economic wants and limited resources.
 - D. have unlimited economic wants but limited resources.

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The correct answer is D

Opportunity Cost



Quiz Question

- Economic reasoning is based on the premise that:
 - A. all decisions or actions are costless.
 - B. only economic decisions or actions have a cost associated with them.
 - C. only non-economic decisions or actions have a cost associated with them.
 - D. all decisions or actions have a cost associated with them.

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The correct answer is D

The Role of Incentives



Quiz Question

- To say that "people respond to incentives" is to say that
 - A. changes in costs (but not changes in benefits) influence people's decisions and their behavior.
 - B. Changes in benefits (but not changes in costs) influence people's decisions and their behavior.
 - C. changes in benefits or changes in costs influence people's decisions and their behavior
 - D. tradeoffs can be eliminated by rational people who think at the margin.

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The correct answer is C

Rational Decision Making



Quiz Question

- A rational decision:
 - A) considers the relative scarcity of resources.
 - B) is the best decision for a person.
 - C) is the option chosen.
 - D) results from the comparison of marginal benefit and marginal cost.

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The correct answer is D.

Marginal Benefits and Marginal Costs



Quiz Question

- When studying human behavior, economists assume rational self-interest. This means that people
 - A. have all the information they need to make a decision.
 - B. are quite selfish and are not concerned about others.
 - C. always make the right decisions.
 - D. make decisions based on some desired outcome.

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The correct answer is D.

Marginal Benefits and Costs in Equilibrium



Quiz Question

- Michelle wants to purchase a new phone. Michelle will purchase the phone if:
 - A) she compares the total cost to her income.
 - B) she has enough income to purchase the phone.
 - C) the marginal cost of the phone is greater than its marginal benefit.
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The correct answer is D.

Quiz Question

- The main significance of the equilibrium between marginal benefit and marginal cost is:
 - A) the market involved in the options is balanced.
 - B) an irrational decision has been made.
 - C) a rational decision has been made.
 - D) None of the above

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The correct answer is C.