



Chapter 1:
Introducing
Economics

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Multiple choice questions

Try the multiple choice questions below to test your knowledge of this chapter. Once you have completed the test, click on 'Submit Answers for Grading' to get your results.

If your lecturer has requested that you send your results to them, please complete the Routing Information found at the bottom of your graded page and click on the 'E-Mail Results' button. Please **do not** forward your results unless your lecturer has specifically requested that you do so.

This activity contains 20 questions.

1.

In economics the central problem is:

consumption.
production.
allocation.
money.
scarcity.
production.
scarcity.
allocation.
consumption.
money.
2.

Indicate below what is NOT a factor of production.

Capital.
Land.
Labour.
A bank loan.
Capital.

Labour.

A bank loan.

Land.

3.

Macroeconomics deals with:

the activities of individual units.

economic aggregates.

the behaviour of firms.

the behaviour of the electronics industry.

the behaviour of firms.

economic aggregates.

the activities of individual units.

the behaviour of the electronics industry.

4.

Microeconomics is not concerned with the behaviour of:

consumers.

industries.

aggregate demand.

firms.

consumers.

aggregate demand.

firms.

industries.

5.

The study of inflation is part of :

descriptive economics.

normative economics.

microeconomics.

macroeconomics.

descriptive economics.

microeconomics.

normative economics.

macroeconomics.

6.

Aggregate supply is the total amount:

- produced by the government.
- of labour supplied by all households.
- of products produced by a given industry.
- of goods and services produced in an economy.
- of labour supplied by all households.
- produced by the government.
- of products produced by a given industry.
- of goods and services produced in an economy.

7.

The total demand for goods and services in an economy is known as:

- national demand.
- economy-wide demand.
- aggregate demand.
- gross national product.
- aggregate demand.
- economy-wide demand.
- gross national product.
- national demand.

8.

Inflation is:

- a decrease in the overall price level.
- an increase in the overall price level.
- a decrease in the overall level of economic activity.
- an increase in the overall level of economic activity.
- a decrease in the overall price level.
- a decrease in the overall level of economic activity.
- an increase in the overall price level.
- an increase in the overall level of economic activity.

9.

A recession is:

- a period during which aggregate output declines.
- a period of declining unemployment.
- a period of declining prices.
- a period of very rapidly declining prices.
- a period of very rapidly declining prices.
- a period during which aggregate output declines.
- a period of declining unemployment.
- a period of declining prices.

10.

Unemployment means that:

- there are some people who will not work at the going wage rate.
- there is excess demand in the labour market.
- at the going wage rate, there are people who want to work but cannot find work.
- people are not willing to work at the going wage rate.
- at the going wage rate, there are people who want to work but cannot find work.
- people are not willing to work at the going wage rate.
- there is excess demand in the labour market.
- there are some people who will not work at the going wage rate.

11.

If marginal benefit is greater than marginal cost, a rational choice involves:

- more of the activity.
- less of the activity.
- more or less, depending on the benefits of other activities.
- no more of the activity.
- more or less, depending on the benefits of other activities.
- more of the activity.

no more of the activity.
less of the activity.

12.

A student chooses to study because the marginal benefit is greater than the _____ cost.

expected
total
marginal
average
marginal
total
average
expected

13.

The concept of opportunity cost:

is relevant only for a capitalist economy like the United States.

suggests all our wants can be achieved.

suggests a major increase in public health-care spending means an expansion in other areas will be harder to achieve.

would be irrelevant if we eliminated poverty.

is relevant only for a capitalist economy like the United States.

would be irrelevant if we eliminated poverty.

suggests all our wants can be achieved.

suggests a major increase in public health-care spending means an expansion in other areas will be harder to achieve.

14.

Opportunity cost is

the cost incurred in the past before we make a decision about what to do in the future.

the additional benefit of buying an additional unit of a product.

a cost that cannot be avoided, regardless of what is done in the future.

that which we forgo, or give up, when we make a choice or a decision.

the additional benefit of buying an additional unit of a product.

a cost that cannot be avoided, regardless of what is done in the future.

that which we forgo, or give up, when we make a choice or a decision.

the cost incurred in the past before we make a decision about what to do in the future.

15.

A graph showing all the combinations of goods and services that can be produced if all of society's resources are used efficiently is a:

production possibility curve.

Lorenz curve.

circular-flow diagram.

capital consumption frontier.

circular-flow diagram.

capital consumption frontier.

production possibility curve.

Lorenz curve.

16.

Periods of less than full employment correspond to:

either points inside or outside the production possibility curve.

points inside the production possibility curve.

points outside the production possibility curve.

points on the production possibility curve.

points inside the production possibility curve.

points outside the production possibility curve.

either points inside or outside the production possibility curve.

points on the production possibility curve.

17.

The circular flow of goods and incomes shows the relationship between:

- goods and services.
- wages and salaries.
- income and money.
- firms and households.
- wages and salaries.
- goods and services.
- income and money.
- firms and households.

18.

In a free market system, the amount of goods and services that any one household gets depends upon its:

- wage and interest income.
- income and wealth.
- wealth.
- income.
- income.
- wage and interest income.
- income and wealth.
- wealth.

19.

In a planned or command economy, all the economic decisions are taken by the:

- government.
- workers.
- voters.
- consumers.
- workers.
- consumers.

voters.
government.

20.

Which one of the following is a normative statement?

The proportion of people's income paid in taxes is higher under this government than under the previous one.

Inequality in the distribution of income is a more serious problem than unemployment.

Inflation is rising.

The richest 10 per cent of the population has had a bigger percentage increase in incomes over the past 10 years than the poorest 10 per cent.

The richest 10 per cent of the population has had a bigger percentage increase in incomes over the past 10 years than the poorest 10 per cent.

Inequality in the distribution of income is a more serious problem than unemployment.

Inflation is rising.

The proportion of people's income paid in taxes is higher under this government than under the previous one.

Clear Answers / Start Over

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