

ECO 156 PREVIEW FOR HOMEWORK # 1.

INSTRUCTIONS: Print this file and read the textbook and the lecture notes to find the answers to these questions. When you have done all the questions, go to the Learning Modules in Angel and do Homework # 1 there using the answers that you have here. Do it all at one time.

DO NOT DO PART AND THEN LEAVE. YOU WILL NOT BE ABLE TO ACCESS THE ASSIGNMENT AGAIN AND YOU WILL ONLY GET CREDIT FOR THE ANSWERS YOU DID.

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

1. Scarcity means that:
 - a. human desires are limited.
 - b. resources are insufficient to satisfy all human desires.
 - c. choices are unnecessary.
 - d. all but the very wealthy must face choices.
 - e. market prices are too low.
2. Scarcity:
 - a. is only a problem in communist countries.
 - b. is a problem in both communist and socialist countries, but not in market economies.
 - c. does not exist in wealthy countries.
 - d. will never be eradicated because humans develop new wants as productive capabilities improve.
 - e. implies that both b. and c. are correct.
3. An economy's resources:
 - a. consist of land, labor, capital, and entrepreneurial skills.
 - b. are unlimited in a country like the United States.
 - c. are always efficiently utilized in wealthy nations.
 - d. consist of land, labor, and entrepreneurial skills but not capital.
4. Which of the following is not a factor of production?
 - a. capital
 - b. entrepreneurship
 - c. legal institutions
 - d. labor
5. Which of the following is not a factor of production?
 - a. land
 - b. private property rights
 - c. capital
 - d. entrepreneurship
6. Economic resources are also known as:
 - a. elements.
 - b. financial capital.
 - c. factors of production.
 - d. building blocks.
7. Which of the following will not directly add to improvements in human capital?
 - a. increases in take home pay
 - b. a low-level manager is sent back to college to acquire an MBA degree
 - c. improved job training programs offered to employees
 - d. an increase in the computer-proficiency requirements of all high school graduates
8. Which of the following is not an example of a resource?
 - a. a forest
 - b. a river
 - c. a John Deere tractor
 - d. the chef at the city's best cafe
 - e. all of the above are resources

9. Money is not considered to be an economic resource because:
- money is not directly used to produce goods and services.
 - money loses its value too easily due to inflation.
 - money is an intangible good.
 - goods can still be produced and traded using a barter system.
10. An example of physical capital is:
- a \$100 bill.
 - a stock certificate.
 - a chainsaw.
 - a cheeseburger.
 - a savings account.
11. Human capital is:
- the same as labor.
 - a term describing the tools and equipment owned by households.
 - a worker's physical effort when working with machines.
 - the expertise or knowledge possessed by workers.
 - the money in checking, savings, or CD accounts at banks.
12. Human capital is:
- machinery owned by firms, but not by individuals.
 - machinery owned by individuals, but not by firms.
 - machinery owned by individuals or firms, but not by the government.
 - the skill or knowledge of individuals.
13. Which of the following is an example of a capital resource?
- an unskilled worker
 - a large coal deposit
 - a fishing boat
 - yellow-fin tuna
14. Which of the following is not an example of a capital resource?
- the expertise of a computer programmer
 - a pitch fork
 - a commercial sewing machine
 - 100 acres of farmland in central California
15. An example of an intangible good is:
- an automobile.
 - a new house.
 - a snowplow.
 - friendship.
 - a recliner chair.
16. The opportunity cost of attending college is likely to include all except which of the following?
- the cost of required textbooks
 - tuition fees
 - the income you forego in order to attend classes
 - the cost of haircuts received during the school term
 - the cost of paper and pencils needed to take notes
17. The opportunity cost of attending a university for a year is measured by:
- the tuition fees incurred.
 - the size of the student loans the student becomes responsible for.
 - the sum of all expenditures on rent, food, books and tuition incurred during the school year.
 - the value of the best opportunity or opportunities foregone in order to enroll for the year.
18. The opportunity cost of an action is equal to:
- the monetary expense incurred as a result of the action.
 - the value of any alternative use of the time expended on the action.
 - the highest valued alternative sacrificed as a result of the action.
 - the sum of the benefits received as a result of the action.
 - none of the above.

19. The opportunity cost of an action:

- a. can be objectively determined only by economists.
- b. is a subjective valuation that can only be determined by the individual who chooses the action.
- c. can be determined by adding up the bills incurred as a result of the action.
- d. can be determined by considering both the benefits that flow from as well as the monetary costs incurred as a result of the action.

20. The opportunity cost of attending a college basketball game is:

- a. price of the admission to the game.
- b. the sum of the value of all the alternative uses of your time while at the game.
- c. the value of the highest alternative use of your time and money sacrificed as a result of attending the game.
- d. zero if your favorite team wins.

21. Lance's boss offers him twice his usual wage rate to work tonight instead of taking his girlfriend on a romantic date. This offer will likely:

- a. not affect the opportunity cost of going on the date.
- b. reduce the opportunity cost of going on the date because giving up the additional work dollars will make his girlfriend feel even more appreciated.
- c. increase the opportunity cost of going on the date.
- d. not be taken into consideration by Lance when deciding what to do tonight.

22. Which of the following best characterizes marginal thinking?

- a. people wanting to make themselves better off
- b. the rule of rational choice
- c. calculating the ratio of the total benefit of an activity to the total cost of that activity
- d. comparing the total benefit and total cost of two desserts when deciding whether or not to enjoy a second dessert
- e. comparing the additional cost of an activity to the average cost before making a decision

23. Which of the following best defines rational behavior?

- a. analyzing the total costs of a decision
- b. analyzing the total benefits of a decision
- c. undertaking an activity as long as the total benefit of all activities exceeds the total cost of all activities
- d. undertaking activities whenever the marginal benefit exceeds the marginal cost
- e. undertaking activities as long as the marginal benefit exceeds zero

24. The most essential economic problem is the existence of:

- a. both an increasing population and the depletion of natural resources.
- b. both limited economic resources and unlimited desires.
- c. both inflation and unemployment.
- d. income inequality and economic freedom.

25. Which of the following would be likely to raise your opportunity cost of attending a big basketball game this Sunday night?

- a. a friend calls you up and offers you free tickets to a concert by one of your favorite bands on Sunday night.
- b. Your employer offered you double your usual wage to work this Sunday night.
- c. Late Friday afternoon, your physics professor makes a surprise announcement that there will be a major exam on Monday morning.
- d. All of the above would likely raise the opportunity cost of attending the game.

26. Which of the following is true?

- a. Economics concerns anything that is considered worthwhile to some human being.
- b. If we valued leisure more highly, the opportunity cost of working would be lower.
- c. Self-interest cannot include benevolence.
- d. For a person to be rational implies that he or she always makes the right choice.
- e. None of the above are true.

27. If people are self-interested:

- a. they will always choose work over leisure.
- b. they will never choose work over leisure.
- c. as their preferences for leisure time increase, they are likely to work less.
- d. as the wages that are offered increase, they are likely to work more.
- e. both c. and d. are true.

28. The rule of rational choice is that in trying to make themselves better off, people alter their behavior if the expected marginal benefits to them from doing so _____ the expected marginal cost they will bear.

- a. exceed
- b. equal
- c. are less than
- d. Either a. or b.
- e. Either b. or c.

29. Ted has decided to buy a burger and fries at a restaurant, but is considering whether to buy a drink as well. If the price of a burger is \$2, fries are \$1, drinks are \$1, but a value meal with all three costs \$3.80, the marginal cost to Ted of the drink is:

- a. \$0.20
- b. \$0.80
- c. \$1.00
- d. \$3.80
- e. impossible to determine from the above information.

30. Which of the following would reflect self-interested behavior?

- a. A worker pursuing a higher paying job and better working conditions.
- b. A consumer seeking a higher level of satisfaction with her current income.
- c. Trying to help others more because the cost of doing so is lower.
- d. Mother Theresa using her Nobel Prize money to care for the poor.
- e. All of the above would reflect self-interested behavior.

31. Barter:

- a. can be used when wants among potential buyers and sellers do not coincide
- b. entails the exchange of goods and or services for goods and or services
- c. accounts for over 30% of the dollar volume of all exchanges in our economy
- d. is the major means of exchange in centrally planned economies

32. The term "laissez faire" suggests that:

- a. government action is necessary if the economy is to achieve full employment and full production
- b. government should not interfere with the operation of the economy
- c. land and other natural resources should be publicly owned, but capital equipment should be privately owned
- d. land and other natural resources should be privately owned, but capital should be publicly owned

33. The basic reason for the production of capital goods is to:

- a. enhance future production of goods and services
- b. better synchronize the operation of resource and product markets
- c. facilitate exchange where a coincidence of wants do not exist
- d. promote the concentration of power in the business sector