

Student: _____

1. Economics may best be defined as:
 - A. the interaction between macro and micro considerations.
 - B. the study of the behaviour of people and institutions in the production, distribution and consumption of scarce goods.
 - C. the empirical testing of value judgments through the use of induction and deduction.
 - D. the use of policy to refute facts and hypotheses.
2. The study of economics is primarily concerned with:
 - A. keeping private businesses from losing money.
 - B. demonstrating that capitalistic economies are superior to socialistic economies.
 - C. choices that are made in seeking to use scarce resources efficiently.
 - D. determining the most equitable distribution of society's output.
3. Economic theories:
 - A. are useless because they are not based upon laboratory experimentation.
 - B. that are true for individual economic units are never true for the economy as a whole.
 - C. are generalisations based upon a careful observation of facts.
 - D. are abstractions and therefore have no application to real situations.
4. Which of the following is a correct statement?
 - A. Economic concepts or laws that are valid during depression are necessarily valid during prosperity.
 - B. Though not quantitatively exact, economic laws are useful because they allow us to make predictions that are meaningful and useful.
 - C. Economics is as scientific as physics and chemistry because economic laws are as quantitatively precise as the laws of physics or chemistry.
 - D. Since economics is concerned with questions of 'ought', it is a branch of applied ethics and is not scientific.
5. Generally speaking, it may be said that the inductive method:
 - A. begins with hypotheses that are tested against real-world facts.
 - B. confuses correlation with cause and effect.
 - C. moves from facts to generalisations or theory.
 - D. cannot be applied to economic analysis.
6. The deductive method:
 - A. begins with hypotheses that are tested against real-world facts.
 - B. confuses correlation with cause and effect.
 - C. begins with facts and moves to generalisations or theory.
 - D. applies to the physical sciences but not to social sciences.
7. In constructing models, economists:
 - A. make simplified assumptions.
 - B. include all available information.
 - C. must use mathematical equations.
 - D. attempt to duplicate the real world.
8. 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. emphasise basic economic relationships by abstracting from the complexities of the real world.
 - D. are unrealistic and therefore are of no practical consequence.

9. The term *ceteris paribus* means:
 - A. if event A precedes event B, A has caused B.
 - B. economics deals with facts, not values.
 - C. other things being equal.
 - D. prosperity inevitably follows recession.
10. The basic purpose of the *ceteris paribus* assumption is to:
 - A. allow one to reason about the relationship between two variables, without the intrusion of other variables.
 - 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.
11. A 'hypothesis' is:
 - A. a fundamental truth which all economists accept.
 - B. a tentative, untested principle.
 - C. the same as a normative statement.
 - D. always the result of induction.
12. The term *ceteris paribus* means that:
 - A. the associated statement is normative.
 - B. many variables affect the variable under consideration.
 - C. a number of relevant variables are assumed to be constant.
 - D. when variable X increases, so does the related variable.
13. Microeconomics is concerned with:
 - A. the aggregate or total levels of income, employment and output.
 - B. a detailed examination of specific economic units which comprise the economic system.
 - C. the concealment of detailed information about specific segments of the economy.
 - D. the establishment of an overall view of the operation of the economic system.
14. Macroeconomics approaches the study of economics from the viewpoint of:
 - A. the entire economy.
 - B. governmental units.
 - C. the operation of specific product and resource markets.
 - D. individual firms.
15. Which of the following is a microeconomic statement?
 - A. The real domestic output increased by 2.5% last year.
 - B. Unemployment was 6.8% of the labour force last year.
 - C. The price of wheat declined last year.
 - D. The general price level increased by 4% last year.
16. Which of the following is a macroeconomic statement?
 - A. The gross profit of all Australian businesses was \$182 billion last year.
 - B. The price of beef declined by 3% last year.
 - C. General Motors' profit increased in 1988.
 - D. The productivity of steelworkers increased by 1% in 1992.
17. A normative statement is one that:
 - A. is based on the law of averages.
 - B. pertains only to microeconomics.
 - C. pertains only to macroeconomics.
 - D. is based upon value judgments.

18. A positive statement is:
 - A. derived by induction.
 - B. derived by deduction.
 - C. subjective and based upon a value judgment.
 - D. objective and based upon facts.

19. 'Economics is concerned with using scarce productive resources efficiently in attempting to satisfy society's material wants.' This statement is:
 - A. positive, but incorrect.
 - B. positive and correct.
 - C. normative, but incorrect.
 - D. normative and correct.

20. Dean says that, 'The imposition of a tax on beer will raise its price'. Kylie argues that 'Taxes should be imposed on beer because university students drink too much'. We can conclude that:
 - A. Dean's statement is normative, but Kylie's is positive.
 - B. Kylie's statement is normative, but Dean's is positive.
 - C. both statements are normative.
 - D. both statements are positive.

21. Achieving full employment is most likely to conflict with the goal of:
 - A. price level stability.
 - B. economic growth.
 - C. an equitable distribution of income.
 - D. economic security.

22. Assume the relationship between unemployment and inflation is such that a low rate of unemployment results in a high rate of inflation, and vice versa. On the basis of this relationship, we can say that:
 - A. the goals of full employment and price level stability are compatible.
 - B. the goals of full employment and price level stability are conflicting.
 - C. society should seek to eliminate inflation, even if it means a high level of unemployment.
 - D. society should seek to eliminate unemployment, even if it means a high rate of inflation.

23. The 'fallacy of composition' states that:
 - A. because economic systems are comprised of so many diverse economic units, economic laws are necessarily inexact.
 - B. the anticipation of a particular event can affect the nature or composition of the event, when it occurs.
 - C. what is true for the individual must necessarily be true for the group.
 - D. because event A precedes event B, A is necessarily the cause of B.

24. The 'post-hoc' fallacy states that:
 - A. because event A precedes event B, A is necessarily the cause of B.
 - B. the very attempt to accomplish a certain objective may create conditions that prohibit the achievement of that goal.
 - C. events may drastically alter plans; therefore, intentions and actual accomplishments may differ considerably.
 - D. generalisations that are accurate at the level of microeconomics may be inaccurate at the level of macroeconomics.

25. The safest way for an individual to leave a burning theatre is to run for the nearest exit. It is, therefore, also the best means of escape for a large audience. This illustrates:
 - A. the 'post-hoc' fallacy.
 - B. Wagner's law.
 - C. the fallacy of composition.
 - D. the fallacy of limited decisions.

26. Which of the following pertains to the notion that generalisations which apply to individuals are not always valid for a group?
- The law of large numbers.
 - The law of averages.
 - The fallacy of composition.
 - The post-hoc fallacy.
27. The 'post-hoc' fallacy states that:
- positive statements are always followed by normative judgments.
 - normative statements can never be proven true or false.
 - if one acts on one's expectations, those expectations will always be fulfilled.
 - cause and effect can be determined merely by observing the sequence of events.
28. Which of the following best illustrates the post-hoc fallacy?
- Because it was 30 degrees today, I worked up a sweat playing tennis.
 - I took the day off work to go to the beach and that's why it rained.
 - Because it rained at the football game, my new sweater got wet.
 - Because I have studied diligently this semester, my grade average has improved.
29. Economics deals primarily with the concept of:
- scarcity.
 - poverty.
 - change.
 - power.
30. Scarcity exists when:
- there is less than an infinite amount of a resource or good.
 - society can meet the wants of every individual.
 - there is less of a good or resource available than people wish to have.
 - the government fails to produce goods.
31. A rational decision maker takes an action only if:
- marginal benefit is less than the marginal cost.
 - marginal benefit is greater than the marginal cost.
 - average benefit is greater than the average cost.
 - marginal benefit is greater than the average cost but less than the marginal cost.
32. Making decisions 'at the margin' means that people:
- make those decisions that do not impose a marginal cost.
 - evaluate how easily a decision can be reversed if problems arise.
 - compare the marginal costs and marginal benefits of each decision.
 - can ignore the cost of forgoing an alternative.
33. One difficulty that economists face that some other scientists do not, is that:
- unlike other sciences, economic studies must include the largest economic player, the government.
 - economists receive less government funding than other scientists.
 - corporations are reluctant to disclose information necessary for economic research.
 - experiments are often difficult in economics.
34. A macroeconomist would study each of the following, except the:
- impact of minimum wage laws on employment in the fast food industry.
 - effect of changes in savings rates on GDP.
 - impact of monetary policy on the rate of inflation.
 - effect of tax policy on the rate of economic growth.

35. The scarcity principle implies that:
- you will never be satisfied with what you have.
 - as population increases, goods will be rarer.
 - as wealth decreases, making tradeoffs becomes more necessary.
 - choices must be made.
36. 'Thinking at the margin' refers to
- the alternatives to neoclassical economics, such as green and Marxist economics.
 - considering the effects of your decisions on others who are socially disadvantaged.
 - making large-scale decisions that take you into new and unknown possibilities.
 - None of the answers given is correct.
37. Causation:
- occurs when two variables are positively correlated.
 - means one event is observed to occur along with another.
 - means one event brings about another event.
 - occurs when there is no correlation.
38. The use of economic models, like thinking at the margin, means that economists believe that:
- people should use this principle to make decisions.
 - After studying economics, more people will consciously make decisions by using the model.
 - this is (almost) exactly how people actually choose between alternatives.
 - the model helps predict or explain what people do.
39. Economic models:
- are relatively recent by-products of laboratory experiments of people making choices under controlled conditions.
 - would not be needed if controlled experiments were used more often.
 - are complicated since human behaviour is complicated.
 - are different from the phenomena they attempt to explain.
40. The basic economic problem is:
- inefficiency.
 - unemployment.
 - scarcity.
 - poverty.
41. Which of the following statements is true?
- All economic systems must determine methods to deal with competing claims to scarce resources.
 - If resources are allocated efficiently, they are allocated to their most valuable use.
 - All economic systems must determine methods to deal with competing claims to scarce resources and if resources are allocated efficiently, they are allocated to their most valuable use.
 - If resources are allocated efficiently, all wants are satisfied.
42. A resource is not scarce if:
- people can afford to buy it.
 - it has many suppliers.
 - it has a low opportunity cost.
 - scarcity.
43. The fact that economic generalisations are abstract renders them impractical and useless.
True False
44. If economic theories are solidly based upon relevant facts, then there can be no question as to the character of appropriate economic policy.
True False
45. Positive statements are expressions of value judgments.
True False

46. The primary objective of economic science is to help businesspeople operate their firms profitably.
True False
47. The basic goals of Australian capitalism are always complementary, in that the achievement of any one goal simultaneously furthers the attainment of other basic goals.
True False
48. A rational decision maker takes an action if and only if the marginal cost exceeds the marginal benefit.
True False
49. Economics is the study of how fairly goods and services are distributed within society.
True False
50. Scarcity means that there is less of a good or resource available than people wish to have.
True False
51. Economic choice removes the problem of scarcity.
True False
52. It is desirable to make economic models as realistic as possible.
True False

1 Key

1. Economics may best be defined as:
(p. 4) A. the interaction between macro and micro considerations.
B. the study of the behaviour of people and institutions in the production, distribution and consumption of scarce goods.
C. the empirical testing of value judgments through the use of induction and deduction.
D. the use of policy to refute facts and hypotheses.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #1

Learning Objective: 01-01 Assess whether the study of economics is of consequence or importance

2. The study of economics is primarily concerned with:
(p. 4) A. keeping private businesses from losing money.
B. demonstrating that capitalistic economies are superior to socialistic economies.
C. choices that are made in seeking to use scarce resources efficiently.
D. determining the most equitable distribution of society's output.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #2

Learning Objective: 01-01 Assess whether the study of economics is of consequence or importance

3. Economic theories:
(p. 6) A. are useless because they are not based upon laboratory experimentation.
B. that are true for individual economic units are never true for the economy as a whole.
C. are generalisations based upon a careful observation of facts.
D. are abstractions and therefore have no application to real situations.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #3

Learning Objective: 01-02 Identify the methodology of economics

4. Which of the following is a correct statement?
(p. 4) A. Economic concepts or laws that are valid during depression are necessarily valid during prosperity.
B. Though not quantitatively exact, economic laws are useful because they allow us to make predictions that are meaningful and useful.
C. Economics is as scientific as physics and chemistry because economic laws are as quantitatively precise as the laws of physics or chemistry.
D. Since economics is concerned with questions of 'ought', it is a branch of applied ethics and is not scientific.

AACSB: Analytic
Difficulty: Easy
Difficulty: Medium
EQUIS: Analysis
Est Time: 3 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #4

Learning Objective: 01-01 Assess whether the study of economics is of consequence or importance

5. Generally speaking, it may be said that the inductive method:
(p. 5) A. begins with hypotheses that are tested against real-world facts.
B. confuses correlation with cause and effect.
C. moves from facts to generalisations or theory.
D. cannot be applied to economic analysis.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #5

Learning Objective: 01-02 Identify the methodology of economics

6. The deductive method:
(p. 5) **A.** begins with hypotheses that are tested against real-world facts.
B. confuses correlation with cause and effect.
C. begins with facts and moves to generalisations or theory.
D. applies to the physical sciences but not to social sciences.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analysis
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #6

Learning Objective: 01-02 Identify the methodology of economics

7. In constructing models, economists:
(p. 7) **A.** make simplified assumptions.
B. include all available information.
C. must use mathematical equations.
D. attempt to duplicate the real world.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #7

Learning Objective: 01-02 Identify the methodology of economics

8. Economic models:
(p. 7) A. are of limited use because they cannot be tested empirically.
B. are limited to variables that are directly related to one another.
C. emphasise basic economic relationships by abstracting from the complexities of the real world.
D. are unrealistic and therefore are of no practical consequence.

AACSB: Communication
Difficulty: Medium
EQUIS: Communicate
Est Time: 3 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #8

Learning Objective: 01-02 Identify the methodology of economics

9. The term *ceteris paribus* means:
(p. 7) A. if event A precedes event B, A has caused B.
B. economics deals with facts, not values.
C. other things being equal.
D. prosperity inevitably follows recession.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #9

Learning Objective: 01-02 Identify the methodology of economics

10. The basic purpose of the *ceteris paribus* assumption is to:
- (p. 7) **A.** allow one to reason about the relationship between two variables, without the intrusion of other variables.
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.

AACSB: Communication
Difficulty: Medium
EQUIS: Communicate
Est Time: 3 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #10
Learning Objective: 01-02 Identify the methodology of economics

11. A 'hypothesis' is:
- (p. 7) **A.** a fundamental truth which all economists accept.
B. a tentative, untested principle.
C. the same as a normative statement.
D. always the result of induction.

AACSB: Communication
Difficulty: Medium
EQUIS: Communicate
Est Time: 3 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #11
Learning Objective: 01-02 Identify the methodology of economics

12. The term *ceteris paribus* means that:
- (p. 7) **A.** the associated statement is normative.
B. many variables affect the variable under consideration.
C. a number of relevant variables are assumed to be constant.
D. when variable X increases, so does the related variable.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #12
Learning Objective: 01-02 Identify the methodology of economics

13. Microeconomics is concerned with:
- (p. 8) **A.** the aggregate or total levels of income, employment and output.
B. a detailed examination of specific economic units which comprise the economic system.
C. the concealment of detailed information about specific segments of the economy.
D. the establishment of an overall view of the operation of the economic system.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #13
Learning Objective: 01-02 Identify the methodology of economics

14. Macroeconomics approaches the study of economics from the viewpoint of:
- (p. 8) **A.** the entire economy.
B. governmental units.
C. the operation of specific product and resource markets.
D. individual firms.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #14
Learning Objective: 01-02 Identify the methodology of economics

15. Which of the following is a microeconomic statement?
(p. 8)
- A. The real domestic output increased by 2.5% last year.
 - B. Unemployment was 6.8% of the labour force last year.
 - C.** The price of wheat declined last year.
 - D. The general price level increased by 4% last year.

AACSB: Analyse
Difficulty: Easy
EQUIS: Analytic
Est Time: 2 mins
Graduate Attributes: Analyse
Jackson - Chapter 01 #15

Learning Objective: 01-02 Identify the methodology of economics

16. Which of the following is a macroeconomic statement?
(p. 8)
- A.** The gross profit of all Australian businesses was \$182 billion last year.
 - B. The price of beef declined by 3% last year.
 - C. General Motors' profit increased in 1988.
 - D. The productivity of steelworkers increased by 1% in 1992.

AACSB: Analyse
Difficulty: Easy
EQUIS: Analytic
Est Time: 2 mins
Graduate Attributes: Analyse
Jackson - Chapter 01 #16

Learning Objective: 01-02 Identify the methodology of economics

17. A normative statement is one that:
(p. 9)
- A. is based on the law of averages.
 - B. pertains only to microeconomics.
 - C. pertains only to macroeconomics.
 - D.** is based upon value judgments.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #17

Learning Objective: 01-02 Identify the methodology of economics

18. A positive statement is:
(p. 9)
- A. derived by induction.
 - B. derived by deduction.
 - C. subjective and based upon a value judgment.
 - D.** objective and based upon facts.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #18

Learning Objective: 01-02 Identify the methodology of economics

19. 'Economics is concerned with using scarce productive resources efficiently in attempting to satisfy society's material wants.' This statement is:
(p. 9)
- A. positive, but incorrect.
 - B.** positive and correct.
 - C. normative, but incorrect.
 - D. normative and correct.

AACSB: Analytic
Difficulty: Medium
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #19

Learning Objective: 01-02 Identify the methodology of economics

20. Dean says that, 'The imposition of a tax on beer will raise its price'. Kylie argues that 'Taxes should be imposed on beer because university students drink too much'. We can conclude that:
- A. Dean's statement is normative, but Kylie's is positive.
 - B.** Kylie's statement is normative, but Dean's is positive.
 - C. both statements are normative.
 - D. both statements are positive.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #20
Learning Objective: 01-02 Identify the methodology of economics

21. Achieving full employment is most likely to conflict with the goal of:
- A.** price level stability.
 - B. economic growth.
 - C. an equitable distribution of income.
 - D. economic security.

AACSB: Analytic
Difficulty: Medium
EQUIS: Analyse
Est Time: 3 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #21
Learning Objective: 01-02 Identify the methodology of economics

22. Assume the relationship between unemployment and inflation is such that a low rate of unemployment results in a high rate of inflation, and vice versa. On the basis of this relationship, we can say that:
- A. the goals of full employment and price level stability are compatible.
 - B.** the goals of full employment and price level stability are conflicting.
 - C. society should seek to eliminate inflation, even if it means a high level of unemployment.
 - D. society should seek to eliminate unemployment, even if it means a high rate of inflation.

AACSB: Analytic
Difficulty: Medium
EQUIS: Analyse
Est Time: 3 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #22
Learning Objective: 01-02 Identify the methodology of economics

23. The 'fallacy of composition' states that:
- A. because economic systems are comprised of so many diverse economic units, economic laws are necessarily inexact.
 - B. the anticipation of a particular event can affect the nature or composition of the event, when it occurs.
 - C.** what is true for the individual must necessarily be true for the group.
 - D. because event A precedes event B, A is necessarily the cause of B.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #23
Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics

24. The 'post-hoc' fallacy states that:
(p. 13) **A.** because event A precedes event B, A is necessarily the cause of B.
B. the very attempt to accomplish a certain objective may create conditions that prohibit the achievement of that goal.
C. events may drastically alter plans; therefore, intentions and actual accomplishments may differ considerably.
D. generalisations that are accurate at the level of microeconomics may be inaccurate at the level of macroeconomics.

AACSB: Communication
Difficulty: Medium
EQUIS: Communicate
Est Time: 3 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #24

Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics

25. The safest way for an individual to leave a burning theatre is to run for the nearest exit. It is, therefore, also the best means of escape for a large audience. This illustrates:
(p. 13) **A.** the 'post-hoc' fallacy.
B. Wagner's law.
C. the fallacy of composition.
D. the fallacy of limited decisions.

AACSB: Analytic
Difficulty: Medium
EQUIS: Analyse
Est Time: 3 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #25

Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics

26. Which of the following pertains to the notion that generalisations which apply to individuals are not always valid for a group?
(p. 13) **A.** The law of large numbers.
B. The law of averages.
C. The fallacy of composition.
D. The post-hoc fallacy.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #26

Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics

27. The 'post-hoc' fallacy states that:
(p. 13) **A.** positive statements are always followed by normative judgments.
B. normative statements can never be proven true or false.
C. if one acts on one's expectations, those expectations will always be fulfilled.
D. cause and effect can be determined merely by observing the sequence of events.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #27

Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics

28. Which of the following best illustrates the post-hoc fallacy?
(p. 13) **A.** Because it was 30 degrees today, I worked up a sweat playing tennis.
B. I took the day off work to go to the beach and that's why it rained.
C. Because it rained at the football game, my new sweater got wet.
D. Because I have studied diligently this semester, my grade average has improved.

AACSB: Analyse
Difficulty: Easy
EQUIS: Analytic
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #28

Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics

29. Economics deals primarily with the concept of:

(p. 14)

- A.** scarcity.
- B. poverty.
- C. change.
- D. power.

AACSB: Communication

Difficulty: Easy

EQUIS: Communicate

Est Time: 2 mins

Graduate Attributes: Communication

Jackson - Chapter 01 #29

Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

30. Scarcity exists when:

(p. 14)

- A. there is less than an infinite amount of a resource or good.
- B. society can meet the wants of every individual.
- C.** there is less of a good or resource available than people wish to have.
- D. the government fails to produce goods.

AACSB: Communication

Difficulty: Easy

EQUIS: Communicate

Est Time: 2 mins

Graduate Attributes: Communication

Jackson - Chapter 01 #30

Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

31. A rational decision maker takes an action only if:

(p. 15)

- A. marginal benefit is less than the marginal cost.
- B.** marginal benefit is greater than the marginal cost.
- C. average benefit is greater than the average cost.
- D. marginal benefit is greater than the average cost but less than the marginal cost.

AACSB: Communication

Difficulty: Easy

EQUIS: Communicate

Est Time: 2 mins

Graduate Attributes: Communication

Jackson - Chapter 01 #31

Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

32. Making decisions 'at the margin' means that people:

(p. 15)

- A. make those decisions that do not impose a marginal cost.
- B. evaluate how easily a decision can be reversed if problems arise.
- C.** compare the marginal costs and marginal benefits of each decision.
- D. can ignore the cost of forgoing an alternative.

AACSB: Communication

Difficulty: Medium

EQUIS: Communicate

Est Time: 3 mins

Graduate Attributes: Communication

Jackson - Chapter 01 #32

Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

33. One difficulty that economists face that some other scientists do not, is that:

(p. 14)

- A. unlike other sciences, economic studies must include the largest economic player, the government.
- B. economists receive less government funding than other scientists.
- C. corporations are reluctant to disclose information necessary for economic research.
- D.** experiments are often difficult in economics.

AACSB: Analytic

Difficulty: Medium

EQUIS: Analyse

Est Time: 3 mins

Graduate Attributes: Problem solving

Jackson - Chapter 01 #33

Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

34. A macroeconomist would study each of the following, except the:
(p. 8) **A.** impact of minimum wage laws on employment in the fast food industry.
B. effect of changes in savings rates on GDP.
C. impact of monetary policy on the rate of inflation.
D. effect of tax policy on the rate of economic growth.

AACSB: Analytic
Difficulty: Medium
EQUIS: Analyse
Est Time: 3 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #34
Learning Objective: 01-02 Identify the methodology of economics

35. The scarcity principle implies that:
(p. 14) A. you will never be satisfied with what you have.
B. as population increases, goods will be rarer.
C. as wealth decreases, making tradeoffs becomes more necessary.
D. choices must be made.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #35
Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

36. 'Thinking at the margin' refers to
(p. 15) A. the alternatives to neoclassical economics, such as green and Marxist economics.
B. considering the effects of your decisions on others who are socially disadvantaged.
C. making large-scale decisions that take you into new and unknown possibilities.
D. None of the answers given is correct.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #36
Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

37. Causation:
(p. 13) A. occurs when two variables are positively correlated.
B. means one event is observed to occur along with another.
C. means one event brings about another event.
D. occurs when there is no correlation.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #37
Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics

38. The use of economic models, like thinking at the margin, means that economists believe that:
(p. 7) A. people should use this principle to make decisions.
B. After studying economics, more people will consciously make decisions by using the model.
C. this is (almost) exactly how people actually choose between alternatives.
D. the model helps predict or explain what people do.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #38
Learning Objective: 01-02 Identify the methodology of economics

39. Economic models:
(p. 7) A. are relatively recent by-products of laboratory experiments of people making choices under controlled conditions.
B. would not be needed if controlled experiments were used more often.
C. are complicated since human behaviour is complicated.
D. are different from the phenomena they attempt to explain.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #39
Learning Objective: 01-02 Identify the methodology of economics

40. The basic economic problem is:
(p. 14) A. inefficiency.
B. unemployment.
C. scarcity.
D. poverty.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #40
Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

41. Which of the following statements is true?
(p. 14) A. All economic systems must determine methods to deal with competing claims to scarce resources.
B. If resources are allocated efficiently, they are allocated to their most valuable use.
C. All economic systems must determine methods to deal with competing claims to scarce resources and if resources are allocated efficiently, they are allocated to their most valuable use.
D. If resources are allocated efficiently, all wants are satisfied.

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #41
Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

42. A resource is not scarce if:
(p. 14) A. people can afford to buy it.
B. it has many suppliers.
C. it has a low opportunity cost.
D. scarcity.

AACSB: Communication
Difficulty: Easy
EQUIS: Communicate
Est Time: 2 mins
Graduate Attributes: Communication
Jackson - Chapter 01 #42
Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

43. The fact that economic generalisations are abstract renders them impractical and useless.
(p. 7) **FALSE**

AACSB: Analytic
Difficulty: Easy
EQUIS: Analyse
Est Time: 2 mins
Graduate Attributes: Problem solving
Jackson - Chapter 01 #43
Learning Objective: 01-02 Identify the methodology of economics

44. If economic theories are solidly based upon relevant facts, then there can be no question as to the character of appropriate economic policy.

(p. 6)

FALSE

AACSB: Analytic

Difficulty: Medium

EQUIS: Analyse

Est Time: 3 mins

Graduate Attributes: Problem solving

Jackson - Chapter 01 #44

Learning Objective: 01-02 Identify the methodology of economics

45. Positive statements are expressions of value judgments.

(p. 9)

FALSE

AACSB: Communication

Difficulty: Easy

EQUIS: Communicate

Est Time: 2 mins

Graduate Attributes: Communication

Jackson - Chapter 01 #45

Learning Objective: 01-02 Identify the methodology of economics

46. The primary objective of economic science is to help businesspeople operate their firms profitably.

(p. 4)

FALSE

AACSB: Communication

Difficulty: Easy

EQUIS: Communicate

Est Time: 2 mins

Graduate Attributes: Communication

Jackson - Chapter 01 #46

Learning Objective: 01-01 Assess whether the study of economics is of consequence or importance

47. The basic goals of Australian capitalism are always complementary, in that the achievement of any one goal simultaneously furthers the attainment of other basic goals.

(p. 10)

FALSE

AACSB: Communication

Difficulty: Easy

EQUIS: Communicate

Est Time: 2 mins

Graduate Attributes: Communication

Jackson - Chapter 01 #47

Learning Objective: 01-02 Identify the methodology of economics

48. A rational decision maker takes an action if and only if the marginal cost exceeds the marginal benefit.

(p. 15)

FALSE

AACSB: Analytic

Difficulty: Easy

EQUIS: Analyse

Est Time: 2 mins

Graduate Attributes: Problem solving

Jackson - Chapter 01 #48

Learning Objective: 01-02 Identify the methodology of economics

49. Economics is the study of how fairly goods and services are distributed within society.

(p. 5)

FALSE

AACSB: Analytic

Difficulty: Easy

EQUIS: Analyse

Est Time: 2 mins

Graduate Attributes: Problem solving

Jackson - Chapter 01 #49

Learning Objective: 01-02 Identify the methodology of economics

50. Scarcity means that there is less of a good or resource available than people wish to have.

(p. 14)

TRUE

AACSB: Analytic

Difficulty: Easy

EQUIS: Analyse

Est Time: 2 mins

Graduate Attributes: Problem solving

Jackson - Chapter 01 #50

Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

51. Economic choice removes the problem of scarcity.

(p. 14)

FALSE

AACSB: Analytic

Difficulty: Easy

EQUIS: Analyse

Est Time: 2 mins

Graduate Attributes: Problem solving

Jackson - Chapter 01 #51

Learning Objective: 01-04 Identify what characterises or identifies an economic perspective

52. It is desirable to make economic models as realistic as possible.

(p. 7)

FALSE

AACSB: Analytic

Difficulty: Easy

EQUIS: Analyse

Est Time: 2 mins

Graduate Attributes: Problem solving

Jackson - Chapter 01 #52

Learning Objective: 01-02 Identify the methodology of economics

1 Summary

<u>Category</u>	<u># of Questions</u>
AACSB: Analyse	3
AACSB: Analytic	23
AACSB: Communication	26
Difficulty: Easy	40
Difficulty: Medium	13
EQUIS: Analyse	21
EQUIS: Analysis	2
EQUIS: Analytic	3
EQUIS: Communicate	26
Est Time: 2 mins	40
Est Time: 3 mins	12
Graduate Attributes: Analyse	2
Graduate Attributes: Communication	27
Graduate Attributes: Problem solving	23
Jackson - Chapter 01	52
Learning Objective: 01-01 Assess whether the study of economics is of consequence or importance	4
Learning Objective: 01-02 Identify the methodology of economics	29
Learning Objective: 01-03 Identify specific problems limitations and hazards that we encounter in studying economics	7
Learning Objective: 01-04 Identify what characterises or identifies an economic perspective	12