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Economics Today: The Micro View, 5Ce (Miller) Chapter 1 The Nature of Economics

Scarcity implies that
 A) people should limit their wants.
 B) firms must become more efficient when producing goods.
 C) people must make choices.
 D) non-renewable resources should never be used.
 Answer: C
 Diff: 1 Type: MC Page Ref: 2
 Skill: Recall
 Objective: L.O. 1.1
 Graph: No graph
 Numerical: Non-numerical

2) Scarcity exists because human wants ______
Answer: are greater than can all be satisfied with the resources available.
Diff: 2 Type: SA Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

3) The most basic concept in economics is
A) wealth.
B) income.
C) scarcity.
D) spending.
Answer: C
Diff: 1 Type: MC Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

4) Scarcity means
A) not being able to satisfy all of everyone's needs.
B) not being able to satisfy all of everyone's wants.
C) having too little of a product to serve all customers who wish to buy it.
D) the same thing as shortage.
Answer: B
Diff: 2 Type: MC Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

5) Which of the following statements about scarcity is TRUE?

A) Scarcity is no longer a problem for industrialized countries.

B) Scarcity is a problem only in countries that do not use markets to organize economic activity.

C) Scarcity exists in all societies.

D) Scarcity is a problem only in countries that use markets to organize economic activity. Answer: C

Diff: 1 Type: MC Page Ref: 2 Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical

6) Scarcity implies that people must
A) be selfish.
B) make choices.
C) be unhappy.
D) not be selfish.
Answer: B
Diff: 2 Type: MC Page Ref: 2
Skill: Applied
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

7) In economic analysis,resources are ______ while people's wants are ______.
A) unlimited, unlimited.
B) limited, limited.
C) limited, greater than can all be satisfied.
D) unlimited, limited.
Answer: C
Diff: 2 Type: MC Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

8) Economists sometimes say that wants are "unlimited" because

A) even if everyone could have all of the goods and services they wanted, they would not have enough time to enjoy them all.

B) studies have shown that they are unlimited.

C) no one ever has all they want of anything.

D) there are always going to be some people richer than others.

Answer: A Diff: 3 Type: MC Page Ref: 2 Skill: Applied Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical

9) Economists do NOT refer to individual resources (such as oil) as scarce because ______ Answer: scarcity refers to the inability to satisfy all wants , not to limits on the amount of any one resource.

Diff: 3 Type: SA Page Ref: 2 Skill: Applied Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical

10) Imagine (assume) you have just met someone who truly means it when they say they "have everything they could want." As a result,
A) scarcity would not be a problem.
B) scarcity would still be a problem unless every person in the world felt that way.
C) that person would not be rational.
D) that person's behaviour would not be self-interested.
Answer: B
Diff: 3 Type: MC Page Ref: 2
Skill: Applied
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

11) In producing goods and services, trade-offs exist between different items because
A) human wants and needs are limited at a particular point in time.
B) buyers and sellers often must negotiate prices.
C) not all production is efficient.
D) society has only a limited amount of productive resources.
Answer: D
Diff: 2 Type: MC Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

12) Economists speak of using resources to satisfy wants, not needs. They do so because A) needs are most usefully viewed as wants an individual would give up large amounts of other desirable things to satisfy.

B) only biologists and psychologists are qualified to talk about human needs.

C) there are not enough resources to satisfy all wants of everyone in the world but there are enough to satisfy their needs.

D) people never make choices between their different needs.

Answer: A Diff: 3 Type: MC Page Ref: 2 Skill: Applied Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical

13) In economics, the things that people would consume if they had unlimited income, or if goods and services were available to them for free, are known as

A) needs.
B) wants.
C) preferences.
D) outputs.
Answer: B
Diff: 3 Type: MC Page Ref: 2
Skill: Applied
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

14) In economic language, "wants"

A) is another term for needs.

B) refer to services while needs refer to goods.

C) is the term used by economists instead of needs because needs are not objectively definable. D) are used by economists and refer to the same thing as needs when used by psychologists. Answer: C

Diff: 3 Type: MC Page Ref: 2 Skill: Applied Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical 15) "Wants" are
A) another term for needs.
B) all the things people would consume if they had unlimited incomes.
C) the things people consume with their current incomes.
D) all the things people really need in order to live comfortably.
Answer: B
Diff: 3 Type: MC Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

16) Services can be thought of as
A) free goods.
B) intangible goods.
C) unvalued goods.
D) unwanted goods.
Answer: B
Diff: 2 Type: MC Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

17) Production refers to

A) physically producing material goods only.

B) any activity carried on by a firm, whether a corporation, partnership, or sole proprietorship.
C) any activity that results in the conversion of resources into goods and services that can be consumed.
D) any activity that causes the material conversion of an object.
Answer: C
Diff: 2 Type: MC Page Ref: 2
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

18) In economic language, when a resource is used to produce output it is referred to as a

Answer: factor of production. Diff: 1 Type: SA Page Ref: 3 Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical 19) Resources are also known as
A) minerals.
B) factories.
C) factors of production.
D) money.
Answer: C
Diff: 1 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

20) A person goes to college to become an engineer. This action is an example of an A) investment in physical capital.
B) investment in human capital.
C) increase in entrepreneurship.
D) increase in labour.
Answer: B
Diff: 2 Type: MC Page Ref: 3
Skill: Applied
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

21) Human resources that organize, manage, and assemble the other factors of production are called ______
Answer: entrepreneurship.
Diff: 1 Type: SA Page Ref: 3
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

22) In economic terminology, the accumulated experience, training and education of workers that increases their productivity is referred to as
A) labour.
B) human capital.
C) physical capital.
D) entrepreneurship.
Answer: B
Diff: 1 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

23) Which of the following is a factor of production?
A) Money
B) Human capital
C) Stocks
D) Bonds
Answer: B
Diff: 2 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

24) Physical capital includes
A) training programs for workers.
B) improvements to natural resources.
C) money.
D) natural resources.
Answer: B
Diff: 2 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

25) When an economist refers to land as a factor of production, land includes
A) all natural resources.
B) only land that has been cleared for farming.
C) only land that has buildings on it.
D) only land that has valuable timber on it.
Answer: A
Diff: 2 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

26) The income that is earned when land is used to produce goods and services is ______
Answer: rent
Diff: 2 Type: SA Page Ref: 3
Skill: Recall
Objective: L.O. 1.1
Graph: No graph
Numerical: Non-numerical

27) The income that is earned when capital is used to produce goods and services is ______ Answer: interest. Diff: 2 Type: SA Page Ref: 3 Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical 28) The income that is earned by entrepreneurs is _____ Answer: profit. Diff: 2 Type: SA Page Ref: 3 Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical 29) Human capital includes A) money held by people rather than banks. B) the skills of workers gained from experience, education, and training. C) computer-directed robots. D) labour. Answer: B Diff: 2 Type: MC Page Ref: 3 Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical 30) In economics, things that are used to produce goods and services are known as A) resources. B) money. C) stocks. D) aggregates. Answer: A Diff: 2 Type: MC Page Ref: 3 Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical

31) Economics can usefully be defined as
A) the process by which goods are sold in free markets.
B) the study of how government can most effectively raise funds through taxation.
C) the study of how people allocate limited resources to try and satisfy their many wants.
D) the study of individual self-interests.
Answer: C
Diff: 2 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.2
Graph: No graph

32) The primary goal of economics is to understand
A) how people make money.
B) how households purchase goods and services.
C) the choices people make.
D) how people earn a comfortable living.
Answer: C
Diff: 2 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

Numerical: Non-numerical

33) Economics is a social science that involves the study of how individuals
A) develop their tastes and preferences.
B) maximize their wealth.
C) achieve happiness.
D) respond to scarcity.
Answer: D
Diff: 1 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical
34) Which statement most accurately defines economics?

A) Economics is the study of how to eliminate scarcity.
B) Economics is the study of values a society should live by.
C) Economics is the study of how people make choices to satisfy their wants.
D) Economics is the study of how people make money.
Answer: C
Diff: 1 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

35) Economics is best described as the study of
A) how to be successful in the stock market.
B) how people allocate resources to try and satisfy their wants.
C) how people should spend their incomes.
D) why people choose certain goods and services rather than others.
Answer: B
Diff: 1 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

36) Economics is a part of the
A) social sciences.
B) natural sciences.
C) biological sciences.
D) organizational sciences.
Answer: A
Diff: 1 Type: MC Page Ref: 3
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

37) Microeconomics is the part of economic analysis that studies ______
Answer: the decision making of individuals, households and firms.
Diff: 2 Type: SA Page Ref: 4
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

38) One area of study within microeconomics would be
A) the effects of inflation.
B) the effects of government spending.
C) the effects on a producer of an increase in the price of labour.
D) aggregate demand for goods and services.
Answer: C
Diff: 2 Type: MC Page Ref: 4
Skill: Applied
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

39) Microeconomics concentrates on _____
Answer: the behaviour of individual decision-makers.
Diff: 2 Type: SA Page Ref: 4
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

40) Microeconomics is the study of
A) the behaviour of the economy as a whole.
B) how rising prices affect the level of employment in the economy.
C) the effect that money has in the economic system.
D) decisions made by individuals and firms.
Answer: D
Diff: 1 Type: MC Page Ref: 4
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

41) One topic of study for a microeconomist would be
A) the effects of an increase in the price of gasoline on sales of gasoline
B) the effects of an increase in government spending on unemployment levels
C) the causes of aggregate unemployment
D) the causes of inflation
Answer: A
Diff: 2 Type: MC Page Ref: 4
Skill: Applied
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

42) Macroeconomists study
A) changes in unemployment levels.
B) changes in the price of gasoline used by a trucking business.
C) the effects of a tax on beer.
D) the effects of energy price increases on steel makers.
Answer: A
Diff: 2 Type: MC Page Ref: 4
Skill: Applied
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

43) Another term for "aggregate" is
A) government.
B) partial.
C) public.
D) total.
Answer: D
Diff: 1 Type: MC Page Ref: 5
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

44) Macroeconomists study the behaviour of A) individual business firms.
B) industries.
C) consumers.
D) the overall economy.
Answer: D
Diff: 1 Type: MC Page Ref: 4
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

45) Macroeconomists study which of the following?
A) the impact of a change in consumer income on the sales of corn
B) the most efficient means for General Motors to produce an automobile
C) the impact of a snowstorm on the sales of snow shovels
D) the effect of a change in income taxes on the nation's rate of unemployment
Answer: D
Diff: 2 Type: MC Page Ref: 4
Skill: Applied
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

46) A macroeconomist would be most likely to study
A) the effects of changing apple prices on the market for oranges.
B) the effect of increased union wages on the cost of producing automobiles.
C) the effects of an increase in wage rates on a woman's decision to enter the labour force.
D) the effects of a reduction in income tax rates on the nation's output.
Answer: D
Diff: 2 Type: MC Page Ref: 4
Skill: Applied
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

47) Macroeconomics studies economics from the standpoint of A) a specific individual.
B) a typical household.
C) a typical firm.
D) the economy as a whole.
Answer: D
Diff: 1 Type: MC Page Ref: 4
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

48) Macroeconomics is best defined by which of the following statements?
A) Macroeconomics is the study of individual economic units.
B) Macroeconomics is the study of how the prices of individual goods are determined.
C) Macroeconomics is the study of how firms strive to maximize their profits.
D) Macroeconomics is the study of the economy as a whole.
Answer: D
Diff: 1 Type: MC Page Ref: 4
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical
49) Macroeconomics is concerned with
A) the effects on a comparation of a strike by the union merican

A) the effects on a corporation of a strike by the union workers.
B) government decision making concerning farm price supports.
C) economic aggregates.
D) individual consumers.
Answer: C
Diff: 1 Type: MC Page Ref: 4
Skill: Recall
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

50) Macroeconomics often relies on microeconomic analysis because

A) microeconomics is older than macroeconomics.

B) microeconomic theory can be tested and macroeconomic theory cannot.

C) the effects of macroeconomic subjects such as inflation and unemployment are independent of individual consumers and firms.

D) all aggregates are made up of individuals and firms.
Answer: D
Diff: 3 Type: MC Page Ref: 4
Skill: Applied
Objective: L.O. 1.2
Graph: No graph
Numerical: Non-numerical

51) In his book "An Inquiry into the Nature and Causes of the Wealth of Nations," economist Adam Smith argued that individuals
A) always consider the impact of their actions on the welfare of others.
B) act as if motivated by self-interest.
C) never consider the impact of their actions on the welfare of others.
D) are usually not concerned with economic questions.
Answer: B
Diff: 1 Type: MC Page Ref: 5
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

52) Economists typically assume people act as if they are motivated by ______ Answer: self-interest. Diff: 1 Type: SA Page Ref: 5 Skill: Recall Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

53) Economists typically assume people act as if they are motivated by
A) selfishness.
B) pride.
C) self-interest.
D) social justice.
Answer: C
Diff: 1 Type: MC Page Ref: 5
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

54) When studying individuals' economic behaviour, economists make the assumption that A) only educated people act as if they were rational.
B) individuals typically act as if they were rational.
C) individuals fully understand the rationale for all of their actions.
D) self-interest is of limited relevance in predicting an individual's actions.
Answer: B
Diff: 2 Type: MC Page Ref: 5
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

55) In economics, the idea that individuals respond predictably to opportunities to advance their self-interest is known as the ______ assumption.
Answer: rationality
Diff: 2 Type: SA Page Ref: 6
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

56) Economists assume people behave rationally. Rationality means that people A) always understand the consequences of their decisions.
B) always weigh their decisions carefully.
C) have the necessary information to always make correct decisions.
D) do not intentionally make choices that cause themselves to be worse off.
Answer: D
Diff: 3 Type: MC Page Ref: 6
Skill: Applied
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

57) In building economic models, economists assume people behave
A) instinctively.
B) rationally.
C) irrationally.
D) greedily.
Answer: B
Diff: 1 Type: MC Page Ref: 5
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

58) People behave rationally when they ______
Answer: make decisions they believe will make themselves better off.
Diff: 2 Type: SA Page Ref: 5
Skill: Applied
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

59) A decision made by a rational individual
A) never would make the person worse off than they would be following a different choice.
B) would always make the person wealthier than any other decision.
C) is identical to the decision that would be made by any other person facing the same choices.
D) is made with the intention of making the person better off.
Answer: D
Diff: 3 Type: MC Page Ref: 6
Skill: Applied
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

60) If people make their choices rationally, then
A) the behaviour of a typical individual will be predictable.
B) they will never have regrets over the decision they made.
C) everyone facing the same alternatives will make the same choice.
D) they do not behave in a self-interested manner.
Answer: A
Diff: 2 Type: MC Page Ref: 5
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

61) Canadians have been spending more time on line each year. One change we can be sure has resulted is
A) they have increased their incomes.
B) they have increased their satisfaction levels
C) they have purchased more pizza
D) they have had to give up time spent on other activities.
Answer: D
Diff: 3 Type: MC Page Ref: 6
Skill: Applied
Objective: L.O. 1.3
Graph: No graph

Numerical: Non-numerical

62) Fred and Ann both decide to see the same movie when they are given free tickets to it. We know that

A) both bear the same opportunity cost since they are doing the same thing.

B) the cost of going to the movie is greater for the one who had more choices to do other things. C) both bear an opportunity cost since they could have done other things instead of see the movie.

D) neither bear an opportunity cost because the tickets were free.

Answer: C Diff: 3 Type: MC Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

63) Suppose you have four choices □ go to a movie, read a book, watch television, or go to a concert. You choose to go to a movie. The opportunity cost of the movie is ______ Answer: the value of the activity you would have selected if you hadn't gone to the movie. Diff: 3 Type: SA Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

64) Sam Slapshot graduates from college with a choice of playing professional hockey at \$2 million a year or (his best alternative) coaching for \$50,000 a year. He decides to play hockey, but eight years later he quits as a player to make movies for \$3 million a year. His opportunity cost at graduation was ______ and eight years later was _____. A) \$2 million; \$2 million B) \$2 million; \$3 million C) \$50,000; \$2 million D) \$50,000; \$50,000 Answer: C Diff: 3 Type: MC Page Ref: 7 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Numerical 65) Opportunity costs are

A) subjective because each person determines the value of forgone alternatives.

B) objective because they can always be put in monetary terms.

C) subjective because it is impossible to put a monetary value on forgone alternatives.

D) objective because specific things are given up when making a choice.

Answer: A

Diff: 3 Type: MC Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

66) Which of the following sets of terms are closely connected in economic analysis?
A) Goods, economic goods, and needs
B) Labour, needs, and opportunity costs
C) Choices, opportunity costs, and trade-offs
D) Production, possibilities, and wants
Answer: C
Diff: 2 Type: MC Page Ref: 6
Skill: Applied
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

67) Steve and Karen decide to attend the same concert when each is given a free ticket to it. We know that

A) both bear the same opportunity cost because they are making the same choice.

B) both bear the same opportunity cost because the tickets have the same face value.

C) both bear an opportunity cost but the its value depends on what each person is giving up to attend the concert.

D) neither bears an opportunity cost since the tickets were given to them for free.

Answer: C Diff: 2 Type: MC Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical 68) When a particular choice is being considered, its opportunity cost is
A) the combined value of all the alternatives not selected.
B) the same thing as the money price of a good.
C) the value of the best alternative that was given up.
D) based on the intrinsic value of the good itself.
Answer: C
Diff: 1 Type: MC Page Ref: 6
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

69) The opportunity cost of going to college typically includes
A) paying for room, board, and other living expenses.
B) paying tuition.
C) purchasing textbooks.
D) giving up employment possibilities while in college.
Answer: D
Diff: 2 Type: MC Page Ref: 7
Skill: Applied
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

70) In economic language, the term cost always means
A) the value of the best foregone opportunity when a choice is made.
B) the money spent purchasing land, labour, and capital inputs into production.
C) the prices of factors of production.
D) the money spent purchasing consumer goods.
Answer: A
Diff: 2 Type: MC Page Ref: 6
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical
71) The opportunity cost of attending college can best be described as
A) the value of the best alternative use of the student's time.

A) the value of the best alternative use of the student's time.
B) the money that must be paid in order to attend college.
C) the value of the lowest-ranked alternative use of the student's time.
D) the value that the student attaches to not working.
Answer: A
Diff: 2 Type: MC Page Ref: 7
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

72) The opportunity cost of missing an economics class and going skiing for the day in fresh powder snow is

A) the amount by which your course grade falls as a result of missing the class.

B) the satisfaction you lose because your course grade will be lower as a result of missing the class.

C) the wages you could have earned that day at your part-time job had you not gone skiing. D) the value of whatever would have been the best use of your day other than going skiing. Answer: D

Diff: 3 Type: MC Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

73) on line matchmaking services specializing in people who share very specific characteristics typically charge higher prices than do general on line dating services. One likely reason might be that

A) they generally have more attractive web sites.

B) their operating costs are higher.

C) their owners are more interested in making a profit.

D) the opportunity costs of finding matches for very specific characteristics are higher.

Answer: D Diff: 2 Type: MC Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

74) Marginal benefit refers to
A) the additional benefit resulting from a particular choice
B) the extra benefit resulting from a particular choice minus the extra cost of that choice
C) a very small benefit.
D) a very large benefit.
Answer: A
Diff: 1 Type: MC Page Ref: 7
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

75) Marginal benefit refers to
A) a small change in benefit.
B) extra benefits received when a choice is made.
C) a large change in benefit.
D) potential rewards.
Answer: B
Diff: 1 Type: MC Page Ref: 7
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

76) The concept of marginal cost refers to _____
Answer: the extra cost resulting from a particular choice
Diff: 2 Type: SA Page Ref: 7
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

77) Marginal cost is defined as
A) the cost you incur no matter which choice you make.
B) a small change in cost.
C) the addition to total cost incurred as a result of a decision.
D) the total cost incurred as a result of a decision.
Answer: C
Diff: 1 Type: MC Page Ref: 7
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

78) Sunk costs are
A) costs incurred in the past and that won't change as a result of current decisions.
B) the same as the marginal costs of a decision.
C) the same as the marginal benefits resulting from a decision.
D) costs incurred in the past that will change as a result of a current decision.
Answer: A
Diff: 1 Type: MC Page Ref: 7
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

79) Incentives are
A) inducement to take a particular action.
B) ineffective as a device to get people to behave in a certain fashion.
C) inappropriate ways to obtain a certain kind of behaviour.
D) useless if people behave rationally.
Answer: A
Diff: 1 Type: MC Page Ref: 7
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

80) The potential rewards available to an individual because a particular activity is undertaken are known as
A) gifts.
B) incentives.
C) premiums.
D) intrinsic values.
Answer: B
Diff: 2 Type: MC Page Ref: 7
Skill: Recall
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

81) If a government wishes to make the best use of its resources in combatting smuggling, it must

A) lower taxes and customs duties.

B) hire more border guards and customs officers.

C) hire police officers to monitor the behaviour of border guards and customs officers D) balance resources used in reducing smuggling against the benefits from reducing it. Answer: D

Diff: 2 Type: MC Page Ref: 7 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical 82) Giving money to a charity is rational behaviour as long as

A) you receive an income tax deduction for your donation.

B) you are as wealthy as Bill Gates.

C) you gain more satisfaction from the donation than from spending it on yourself or giving it to a different charity or person.

D) the charity spends the money on a cause you support. Answer: C Diff: 3 Type: MC Page Ref: 9 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

83) It is NOT rational to give money to a charitable organization if
A) you do not get an income tax deduction for the donation.
B) your income is below the Canadian average.
C) you would get greater satisfaction from spending the money on your family.
D) you are a college student living on a very tight budget.
Answer: C
Diff: 3 Type: MC Page Ref: 9
Skill: Applied
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical
84) Another term for an "economic model" is an
A) economic theory.

B) economic design.
C) economic science.
D) economic assumption.
Answer: A
Diff: 1 Type: MC Page Ref: 9
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

85) A simplified representation of the real world that is used to help explain economic phenomena is
A) a conclusion.
B) an assumption.
C) an implication.
D) a model.
Answer: D
Diff: 1 Type: MC Page Ref: 9
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical
86) An economic theory is also known as an economic ______
Answer: model.

Diff: 2 Type: SA Page Ref: 9 Skill: Recall Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical

87) A map is an example of a geographic model because a map
A) is two-dimensional.
B) is a simplified representation of reality.
C) is always as complex as space will permit.
D) realistically describes an area.
Answer: B
Diff: 2 Type: MC Page Ref: 10
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

88) An economist who says "assume that the price of pizza rises" means
A) she expects the price of pizza to increase.
B) she wants to consider what would happen if the price of pizza were to increase.
C) she does not believe the price of pizza will fall.
D) she is not using the *ceteris paribus* assumption.
Answer: B
Diff: 3 Type: MC Page Ref: 10
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

89) Economists who assume that wants are "unlimited" are

A) describing the real world because they have studied individual preferences and found that no matter how much people have, they always want more.

B) making a simplifying assumption so they can consider what happens when wants are greater than can be satisfied with the resources and technology available.

C) wrong, because in the real world, people often have all they want of things.

D) making a normative statement about the world.

Answer: B

Diff: 3 Type: MC Page Ref: 11 Skill: Applied Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical

90) In an economic model, assumptions

A) must be applicable to many real-world situations.

B) must be eliminated before being used to make sure the model is realistic.

C) are not important in determining the usefulness of the model.

D) define the set of circumstances in which the model is likely to be applicable. Answer: D

Diff: 3 Type: MC Page Ref: 10 Skill: Recall Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical

91) Ceteris paribus means
A) making all the necessary changes.
B) let the buyer beware.
C) other things constant.
D) for certain parameters.
Answer: C
Diff: 2 Type: MC Page Ref: 10
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

92) The term *ceteris paribus* means
A) all other things remaining constant or equal.
B) value free and testable.
C) the greatest good for all.
D) the study of scarcity and choice.
Answer: A
Diff: 1 Type: MC Page Ref: 10
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

93) Which of the following is an application of the ceteris paribus condition?

A) An analysis of how worker productivity increases when a firm invests in new computers and new training programs for its employees.

B) An analysis of how people purchase more goods when prices decline and income increases. C) After reading an article on the dangers of high fat diets, an individual buys less red meat when prices increase.

D) An analysis of how price changes affect how much people will purchase when all other factors are held constant.

Answer: D Diff: 3 Type: MC Page Ref: 10 Skill: Applied Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical

94) Using the *ceteris paribus* condition involves
A) making all necessary adjustments to a model.
B) simplifying a model by removing unnecessary assumptions.
C) analyzing a cause-and-effect relationship.
D) holding all things constant.
Answer: C
Diff: 3 Type: MC Page Ref: 10
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

95) The assumption that "all other things remain constant" is also known as the A) rational self-interest assumption.
B) *ceteris paribus* assumption.
C) relationships assumption.
D) distinguishing characteristic of economics as a science.
Answer: B
Diff: 1 Type: MC Page Ref: 10
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

96) Holding all variables but one constant and assessing the impact of the one variable which has changed is an example of using
A) Keynesian economic analysis.
B) an untestable proposition.
C) the *ceteris paribus* assumption.
D) the assumption of self-interest.
Answer: C
Diff: 1 Type: MC Page Ref: 10
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

97) When an economist analyzes the effect of some change under the condition that all other influences remain the same

A) the results are meaningless because other things never remain the same.

B) the results are valuable because other things will not change.

C) the purpose is to find out what would happen if other influences did not change.

D) the economist expects other things to remain the same in the real word.

Answer: C

Diff: 3 Type: MC Page Ref: 10 Skill: Applied Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical 98) Which of the following statements is TRUE?

A) The usefulness of economic models depends on how well the models predict.

B) An economic model should capture more than the relationships that are sufficient to analyse the problem being studied.

C) Economists never empirically test their models.

D) Economic models focus on individual thought processes rather than on behaviour.
Answer: A
Diff: 3 Type: MC Page Ref: 11
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

99) Which of the following statements about economic models is TRUE?

A) Economic models are designed so that every detail of the real world can be analysed.

B) Economic models are not empirically testable.

C) Every economic model is based on a set of assumptions.

D) The predictive power of models is not particularly important.

Answer: C Diff: 2 Type: MC Page Ref: 10 & 11

Skill: Recall

Objective: L.O. 1.4

Graph: No graph

Numerical: Non-numerical

100) One reason why economists use models in carrying out economic analysis is that

A) a model accurately pictures every detail of the real world economy.

B) a model relates to individual thought processes rather than behaviour.

C) it is relatively easy to perfectly specify a model.

D) models help us to understand, explain, and predict economic phenomena in the real world. Answer: D

Diff: 2 Type: MC Page Ref: 11 Skill: Recall Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical 101) Good economic models
A) generate predictions that cannot be tested.
B) represent every detail of the real world.
C) yield usable predictions and implications for the real world.
D) utilize only two factors to analyse the problem under consideration.
Answer: C
Diff: 1 Type: MC Page Ref: 10
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

102) The usefulness of a model is determined by _____
Answer: whether it yields usable predictions about the real world.
Diff: 2 Type: SA Page Ref: 11
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

103) If competing models are offered to explain a certain economic phenomenon, the best model is the one A) with the fewest unrealistic assumptions. B) that is not subject to empirical verification. C) that consistently predicts the most accurately. D) that is the newest since newer models are better than older. Answer: C Diff: 2 Type: MC Page Ref: 11 Skill: Applied Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical 104) To be useful, an economic model must A) predict accurately all of the time. B) predict more accurately than other models developed to analyse the same phenomena. C) explain and predict the behaviour of every individual consumer or business. D) only include assumptions that have been verified by empirical testing. Answer: B Diff: 2 Type: MC Page Ref: 11 Skill: Recall Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical

105) Successful models in any science must
A) be able to yield useable predictions.
B) be totally realistic in every detail.
C) be complete reproductions of the real world.
D) include every relationship that exists.
Answer: A
Diff: 1 Type: MC Page Ref: 11
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

106) Economics is an empirical science, which means that economists A) prove their models are true by referring to logic. B) evaluate their models or theories by whether their assumptions are consistent with the real world. C) have to use laboratory experiments to test their models at least some of the time. D) look for evidence on whether their models are useful or not. Answer: D Diff: 2 Type: MC Page Ref: 11 Skill: Recall Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical 107) Economics is an empirical science because A) economic analysis is only useful in a capitalistic society. B) economic models have no predictive power. C) economists use real-world evidence to test their models.

D) economists use assumptions in their models.

Answer: C

Diff: 1 Type: MC Page Ref: 11 Skill: Recall Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical 108) Economic models deal with
A) people's behaviour in responding to scarcity.
B) how people think about making choices.
C) group opinions.
D) the reasons people give for donating to charity.
Answer: A
Diff: 2 Type: MC Page Ref: 12
Skill: Recall
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

109) An example of an economic model is
A) a predicted change in the price of a stock.
B) the rate of teenage unemployment.
C) an explanation of crime rates based on unemployment rates and prison sentences.
D) a forecast of next year's unemployment and inflation rates.
Answer: C
Diff: 2 Type: MC Page Ref: 12
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

110) The economic model of crime

A) is not scientific because it is so highly simplified.

B) is not scientific because it cannot be replicated in a laboratory.

C) cannot be used to predict real-world behaviour because it assumes criminals are rational
D) can have details added to it in order to predict behaviour not included in the simple model.
Answer: D
Diff: 1 Type: MC Page Ref: 12
Skill: Recall
Objective: L.O. 1.4

Graph: No graph Numerical: Non-numerical

111) "If A occurs then B will be the result" is a _______ statement.
Answer: positive
Diff: 2 Type: SA Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

112) Which of the following is a positive economic statement?

A) Economic considerations are less important than ethical issues in deciding national policy.

B) No individual should have to live in poverty.

C) The rate of unemployment of young people exceeds that of older workers.

D) Unemployment is a more serious problem than inflation.

Answer: C

Diff: 3 Type: MC Page Ref: 13 Skill: Applied Objective: L.O. 1.5 Graph: No graph Numerical: Non-numerical

113) Select the positive economic statement from the following list.
A) Government programs to help the poor are making problems worse.
B) One in every five children in Canada is living in poverty.
C) The number of families living in poverty in Canada is too high.
D) Increases in poverty rates signify a deterioration of the Canadian economy.
Answer: B
Diff: 3 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

114) Positive economic analysis is said to be
A) true.
B) value free.
C) false.
D) value laden.
Answer: B
Diff: 2 Type: MC Page Ref: 13
Skill: Recall
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

115) Which of the following statements is an example of a positive economic statement? A) The inflation rate is too high.

B) Since the elderly live on fixed incomes, the government has an obligation to keep inflation rates low.

C) If the government increases the rate of growth of the money supply, the inflation rate will increase.

D) Governments should worry less about inflation and more about unemployment.

Answer: C

Diff: 2 Type: MC Page Ref: 13 Skill: Applied Objective: L.O. 1.5 Graph: No graph Numerical: Non-numerical

116) Which of the following statements about differences between positive and normative economics is TRUE?

A) Positive statements are concerned with what people think while normative statements are concerned with what people do.

B) Positive statements are true while normative statements are false.

C) Positive statements are concerned with "what is" while normative statements are concerned with what someone thinks should "be.

D) Positive statements are concerned with "what is" while normative statements are concerned with what will be.

Answer: C Diff: 3 Type: MC Page Ref: 13 Skill: Recall Objective: L.O. 1.5 Graph: No graph Numerical: Non-numerical

117) Normative economic statements
A) always contain value judgments.
B) violate the law of *ceteris paribus*.
C) are easily testable.
D) are usually wrong.
Answer: A
Diff: 1 Type: MC Page Ref: 13
Skill: Recall
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

118) "No Canadian should have to live on less than \$30 000 annual income" is an example of A) a positive statement.

B) a normative statement.
B) a normative statement.
C) an illogical statement.
D) an incorrect statement.
Answer: B
Diff: 2 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

119) Which of the following is a normative statement?

A) *Ceteris paribus*, an increase in consumer income will lead to increased sales of beef.B) An increase in income tax will cause a greater reduction in savings than an increase in the sales tax.

C) A decrease in the rate of unemployment will lead to upward pressure on consumer prices. D) *Ceteris paribus*, an economy with high unemployment is worse than an economy with high inflation.

Answer: D Diff: 3 Type: MC Page Ref: 13 Skill: Applied Objective: L.O. 1.5 Graph: No graph Numerical: Non-numerical

120) In economics, normative statements
A) do not use the *ceteris paribus* assumption.
B) should always be tested before being included in a model.
C) should always be clearly distinguished from positive statements.
D) are statements of belief about the way the economy works.
Answer: C
Diff: 2 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

121) When a political candidate tells a campaign crowd that "High inflation rates are a more serious economic problem than high unemployment rates," that statement is
A) an empirically proven fact.
B) a normative statement.
C) a positive statement.
D) a testable proposition.
Answer: B
Diff: 2 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

122) Which of the following is an example of normative economic statement?
A) Labour unions should be allowed to organize in every industry.
B) When the price of gasoline goes up, people buy less.
C) Increases in consumer spending generate more jobs.
D) Government intervention in markets is common in many countries.
Answer: A
Diff: 2 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

123) Whenever statements expressing value judgments are made, we enter the realm of A) normative economics.
B) macroeconomics.
C) microeconomics.
D) positive economics.
Answer: A
Diff: 1 Type: MC Page Ref: 13
Skill: Recall
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

124) Normative economic analysis always involves
A) positive analysis.
B) objective descriptions of the way things are.
C) value judgments.
D) testable if-then statements.
Answer: C
Diff: 1 Type: MC Page Ref: 13
Skill: Recall
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

125) Which of the following is a normative economic statement?
A) The teenage unemployment rate is over 10 percent.
B) An increase in the corporate income tax will cause the unemployment rate to increase.
C) The costs of medical care are increasing faster than the incomes of Canadians.
D) The teenage unemployment rate is too high.
Answer: D
Diff: 2 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

126) Which of the following is a normative statement?

A) An increase in consumer income will lead to increased sales of beef.

B) An income tax increase will cause a greater reduction in savings than an increase in the sales tax.

C) A decrease in the rate of unemployment will lead to upward pressure on consumer prices.

D) An economy with high unemployment is worse than an economy with high inflation.

Answer: D Diff: 2 Type: MC Page Ref: 13 Skill: Applied Objective: L.O. 1.5 Graph: No graph Numerical: Non-numerical 127) Which of the following is a normative economic statement?
A) Lower income tax rates would yield a larger federal government deficit.
B) The federal budget deficit has increased every year for the last twenty years.
C) Lower income tax rates will generate greater income tax revenue to the government.
D) Income tax rates should be lower because that will increase government revenue.
Answer: D
Diff: 2 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

128) Normative economic analysis always involves
A) true statements.
B) testable hypotheses.
C) value judgments.
D) purely descriptive statements.
Answer: C
Diff: 1 Type: MC Page Ref: 13
Skill: Recall
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

129) Normative economic analysis
A) generates testable hypotheses.
B) includes statements about the way someone thinks things should be.
C) involves descriptive statements about the world.
D) leads to empirically testable statements.
Answer: B
Diff: 1 Type: MC Page Ref: 13
Skill: Recall
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical
130) A widely accepted socio-economic goal is

A) unemployment.
B) inefficiency.
C) economic growth.
D) inflation.
Answer: C
Diff: 1 Type: MC Page Ref: 14
Skill: Recall
Objective: L.O. 1.6
Graph: No graph
Numerical: Non-numerical

131) A widely accepted socio-economic goal is
A) inefficiency.
B) price stability.
C) inflation.
D) unemployment.
Answer: B
Diff: 1 Type: MC Page Ref: 14
Skill: Recall
Objective: L.O. 1.6
Graph: No graph
Numerical: Non-numerical

132) Economic models
A) are used only in normative economics.
B) are useful in determining how specific policies affect society's goals.
C) are only useful if their assumptions are realistic.
D) cannot be used for normative purposes.
Answer: B
Diff: 2 Type: MC Page Ref: 14
Skill: Applied
Objective: L.O. 1.6
Graph: No graph
Numerical: Non-numerical

133) The setting of penalties for drug possession at levels appropriate to the seriousness of the crime can be expressed in economic terms as attempting to ensure that

A) drug use is eliminated.
B) drug use is minimized.
C) drug dealers are punished more seriously than drug users.
D) marginal costs are equal to marginal benefits.
Answer: D
Diff: 3 Type: MC Page Ref: 12
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

134) Additional police officers should be hired to combat crime if and only if
A) their salaries can be paid for out of current budgets without raising taxes.
B) their salaries are paid for by taxes on business owners and not employees.
C) a city's crime rate is above the national average.
D) the opportunity costs of employing additional officers are less than the benefits from having them.
Answer: D
Diff: 3 Type: MC Page Ref: 12
Skill: Applied
Objective: L.O. 1.4
Graph: No graph
Numerical: Non-numerical

135) The goal of legislation aimed at lowering the use of marijuana in Canada is best described asA) positive.B) normative.

C) scientific.
D) legislative.
Answer: B
Diff: 1 Type: MC Page Ref: 13
Skill: Applied
Objective: L.O. 1.5
Graph: No graph
Numerical: Non-numerical

136) A dependent variable is
A) a variable whose value depends on the size of another variable.
B) a causal variable.
C) a variable whose value is independent of any other variable.
D) a variable that cannot be predicted with the information available.
Answer: A
Diff: 1 Type: MC Page Ref: 21
Skill: Recall
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

137) In a model, an independent variable represents
A) a cause.
B) an effect.
C) a variable not connected by cause and effect to the other variables in a graph.
D) a variable whose value cannot be accurately predicted.
Answer: A
Diff: 2 Type: MC Page Ref: 21
Skill: Recall
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

138) A direct relationship is
A) one in which an increase in one variable causes an increase in another.
B) one in which a decrease in one variable cases an increase in another.
C) one in which there is no connection between two variables.
D) one in which a small change in one variable causes a larger change in another.
Answer: A
Diff: 1 Type: MC Page Ref: 21
Skill: Recall
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

139) An inverse relationship between two variables is

A) one in which a decrease in one variable causes an increase in the value of another. B) one in which an increase in one variable causes an increase in the value of another. C) one in which there is no connection between two variables. D) one in which a small change in one variable causes a larger change in another. Answer: A Diff: 2 Type: MC Page Ref: 22 Skill: Recall Objective: Appendix A Graph: No graph Numerical: Non-numerical 140) The x axis on a graph is A) the horizontal axis. B) the vertical axis. C) a line showing the relationship between an independent and a dependent variable. D) the axis on which values of a dependent variable normally are recorded. Answer: A Diff: 2 Type: MC Page Ref: 22 Skill: Recall Objective: Appendix A Graph: No graph Numerical: Non-numerical

141) The horizontal axis on a graph is known as
A) the x axis
B) the y axis
C) *ceteris paribus*D) normative
Answer: A
Diff: 2 Type: MC Page Ref: 22
Skill: Recall
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

142) The y axis on a graph is
A) the vertical axis.
B) the horizontal axis.
C) the axis on which values of the independent variable normally are recorded.
D) shows relationship between an independent and a dependent variable.
Answer: A
Diff: 2 Type: MC Page Ref: 22
Skill: Recall
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

143) A line with a negative slope shows a relationship in which
A) the larger is the value of variable x, the smaller is the value of y.
B) the smaller is the value of variable x, the smaller is the value of y.
C) the larger is the value of variable x, the larger is the value of y.
D) the two variables y and x are independent of one another.
Answer: A
Diff: 3 Type: MC Page Ref: 24
Skill: Recall
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

144) A line with a positive slope shows a relationship in which
A) the larger is the value of variable x, the larger is the value of y.
B) the larger is the value of variable x, the smaller is the value of y.
C) the smaller is the value of variable y, the larger is the value of x.
D) variables y and x are independent of one another.
Answer: A
Diff: 3 Type: MC Page Ref: 24
Skill: Recall
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

145) When a graph is used to show a cause-and-effect relationship, the combinations of y and x values plotted on the curve must satisfy the ______ condition.
A) sui generis
B) ceteris paribus
C) opportunity cost
D) non-linearity
Answer: B
Diff: 2 Type: MC Page Ref: 10
Skill: Applied
Objective: Appendix A
Graph: No graph
Numerical: Non-numerical

146) If a one unit increase in variable P results in a 10 unit increase in the value of variable Q, the slope of the line graphing their cause-and-effect relationship is
A) minus 10
B) plus 1/10
C) plus 10
D) minus 1/10
Answer: C
Diff: 2 Type: MC Page Ref: 24
Skill: Applied
Objective: Appendix A
Graph: No graph
Numerical: Numerical

Figure 1A-1 Slopes



147) In Figure 1A-1, the lines passing through points A and B both have A) positive slopes.
B) negative slopes.
C) indeterminate slopes.
D) zero slopes.
Answer: B
Diff: 2 Type: MC Page Ref: 25
Skill: Applied
Objective: Appendix A
Graph: With graph
Numerical: Non-numerical

148) In Figure 1A-1, the slope of the line passing through point B is
A) 1/4
B) 4
C) -1/4
D) - 4
Answer: D
Diff: 3 Type: MC Page Ref: 25
Skill: Applied
Objective: Appendix A
Graph: With graph
Numerical: Numerical

149) In Figure 1A-1, the slope of the line passing through point A is
A) 2
B) 1/2
C) - 2
D) -1/2
Answer: C
Diff: 3 Type: MC Page Ref: 25
Skill: Applied
Objective: Appendix A
Graph: With graph
Numerical: Numerical

Figure 1A-2 Slope



150) In Figure 1A-2, the slope of the solid line passing through point A is
A) 3 1/3
B) 1/2
C) - 2
D) 2
Answer: D
Diff: 3 Type: MC Page Ref: 25
Skill: Applied
Objective: Appendix A
Graph: With graph
Numerical: Numerical
151) In Figure 1A-2, the slope of the solid line passing through point B is
A) 1
B) 1 2/3

C) - 1 D) 0.6 Answer: A Diff: 3 Type: MC Page Ref: 25 Skill: Applied Objective: Appendix A Graph: With graph Numerical: Numerical 152) In Figure 1A-2, the slope of the dotted line joining points A and B is
A) zero
B) 2.0
C) 0.5
D) infinite
Answer: A
Diff: 2 Type: MC Page Ref: 26
Skill: Applied
Objective: Appendix A
Graph: With graph
Numerical: Non-numerical

153) What is Economics and what does it try to do?

Answer: Economics is the study of how people allocate limited resources in attempting to satisfy their wants. Wants may or may not be unlimited, but they certainly are greater than can be satisfied with the resources available. Therefore, economics is the study of the choices people must make. Economics tries to explain real-world outcomes as they relate to interactions of people confronting scarcity.

Diff: 2 Type: ES Page Ref: 2 Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical

154) Distinguish between scarcity and poverty.

Answer: Scarcity exists because resources are limited while the wants of human beings are effectively unlimited. Scarcity affects the poor but also the rich; scarcity is a fact of life that affects everyone. Poverty exists when people do not have enough income to achieve a certain standard of living, so that poverty is a normative concept. Diff: 2 Type: ES Page Ref: 2

Skill: Recall Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical

155) Explain the similarities and differences between macroeconomics and microeconomics. Answer: Both study the implications of scarcity. Macroeconomics studies the behaviour of the economy as a whole. Microeconomics is concerned with the decisions of individual decision-makers, such as households and firms. Macroeconomics deals with aggregates such as the total output of the economy and the overall level of employment. Microeconomics deals with matters such as the hiring decisions of one firm or one industry.

Diff: 2 Type: ES Page Ref: 4 Skill: Recall Objective: L.O. 1.2 Graph: No graph Numerical: Non-numerical 156) What assumption do economists typically make about human motivation? Explain. Answer: Economists assume that people act as if motivated by self interest and that they respond predictably to opportunities for gain. That is, people are assumed to look out for their own selfinterests and make choices consistent with those interests. Economists don't try to describe what motivates any one individual but do make use of regularities they observe in the choices made by groups.

Diff: 2 Type: ES Page Ref: 5 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

157) What does it mean when economists assume that people act "as if" they are rational. Answer: In economics, rational behaviour involves making choices that are expected to advance an individual's self-interest. Economics does not try to determine where people's wants come from or to describe how people actually make their choices between alternatives. If the choices people make are consistent with their self-interest, they are predictable and thus behaving rationally.

Diff: 3 Type: ES Page Ref: 5 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

158) Explain the difference in economics between self-interest and selfish behaviour.
Answer: Self-interest behaviour can include unselfish activities such as donating time or money to charity, to family or to friends, because the person feels good about helping others. Selfish behaviour presumably would involve making choices without care or concern for effects on the well-being of others, but "selfishness" is not an economic concept at all.
Diff: 3 Type: ES Page Ref: 9
Skill: Applied
Objective: L.O. 1.3
Graph: No graph
Numerical: Non-numerical

159) Define "incentives" and explain how they are important in economics.

Answer: Incentives are rewards for engaging in particular activities. Much of human behaviour can be predicted or explained in terms of responses to incentives. Grades in school are an incentive, as are paychecks for work. Incentives are important because rational human beings seeking to advance their own welfare will respond to incentives in predictable ways. Diff: 2 Type: ES Page Ref: 7 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical 160) Economists insist on referring to individuals as self-interested rather than selfish. Does that mean they assume people never behave selfishly?

Answer: Self-interested behaviour refers to making choices that are intended to make the decision-maker better off, given his or her personal tastes and preferences. In economic models, as in the real world, people could be selfish or unselfish or anything in between. If it is known that the people whose behaviour we are attempting to predict are selfish, we can use that condition in our modelling of their choices.

Diff: 3 Type: ES Page Ref: 9 Skill: Applied Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical

161) Why do economists always mean "opportunity cost" even when they just refer to "cost"? Answer: In analysing choice, the only cost that matters is opportunity cost. It is the value of the best alternative given up when one option is selected and others rejected that is relevant in directing self-interested behaviour. Money given up in exchange for something often is a useful indicator of cost, but the true cost always is the value of the best other thing the money could have bought.

Diff: 3 Type: ES Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

162) According to a survey of consumer opinion, people strongly desire safer cars and say they are willing to pay substantially more for safer cars. Using this information, one auto firm adds numerous safety features to its cars, raising the price by several thousand dollars. Sales drop sharply and the firm loses money. What likely went wrong?

Answer: The automaker's model of consumer behaviour was not a useful one because it gave poor predictions. Economists sometimes use surveys to identify consumer preferences but usually prefer to base predictions on evidence from past behaviour rather than what people say. An economist's model might have tried to predict whether the expected gains from driving safer cars would be great enough for consumers to find it worth paying the higher price.

Diff: 3 Type: ES Page Ref: 11 Skill: Applied Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical 163) Explain how economic models can be useful even if some of their assumptions seem to be unrealistic.

Answer: Models are judged by whether they successfully predict outcomes. When someone calls an assumption "unrealistic" they mean it does not fit what they think they see in the real world. However, economic models are similar to road maps. Their purpose is to simplify and make understandable the complexities of the real world. They deliberately unrealistic in the same way different maps leave out or include information when they are to be used for different purposes. If they leave out too much, they predict badly, but if they are too cluttered, they also are not useful.

Diff: 3 Type: ES Page Ref: 10 Skill: Applied Objective: L.O. 1.4 Graph: No graph Numerical: Non-numerical

164) Explain why economists never include "money" as a resource.

Answer: Resources include land, labour, capital (including human capital) and entrepreneurship. Each serves as an input contributing to the production of goods and services that people want. Money can be used to buy goods and services that have already been produced, and it can be used to buy resources that will be used to produce goods and services, but money itself does not produce anything -- unless perhaps we burn it to keep warm on a cold winter day. Money is useful because it helps direct resources to their most valuable uses, not because it is itself a productive resource.

Diff: 3 Type: ES Page Ref: 3 Skill: Applied Objective: L.O. 1.1 Graph: No graph Numerical: Non-numerical 165) Resources, including labour, are scarce. Discuss what that means for the common goal of politicians and others to "create jobs" in their communities by attracting new business or to "save jobs" by keeping existing businesses from closing or downsizing. (Make sure your answer discusses the importance of opportunity costs.)

Answer: Creating jobs means using up labour, a scarce resource. Only if the value of the output produced by workers in the new jobs is greater than the output sacrificed by diverting them from their best alternative uses (their opportunity costs) is there value in creating or protecting jobs. Jobs in one location mean valuable output sacrificed somewhere else, so it is important to be sure that job creation doesn't just make some communities or people richer at the expense of others. It is even more important to make sure that the value of the goods and services produced does not fall when workers are moved from one activity to another. Only if no output at all is sacrificed -- such as when resources that would just go to waste are put to work -- are new jobs automatically valuable. Even then, if communities use up resources in creating jobs, the result may be to move the economy farther away from the best use of scarce resources. Diff: 3 Type: ES Page Ref: 14

Skill: Applied Objective: L.O. 1.6 Graph: No graph Numerical: Non-numerical

166) One of the benefits claimed for projects such as the Olympic Games is their "economic impact" or the dollar value of direct spending on the games plus indirect spending by people whose incomes result from the original expenditures, the incomes generated by that second round of spending, and so on. Focusing on opportunity cost concepts, explain why these expenditures should be viewed as costs rather than benefits.

Answer: Since resources are scarce, using them to produce one set of goods or services means giving up others. Spending on one item means diverting resources to produce that item away from other goods or services that could have been produced instead. "Spending" therefore is always an indicator of cost, not a benefit. The important question is whether the output produced is more valuable that the alternative outputs that must be foregone as a result of staging the Olympic Games or any other event.

Diff: 3 Type: ES Page Ref: 3 & 7 Skill: Applied Objective: L.O. 1.1 & L.O. 1.3 Graph: No graph Numerical: Non-numerical 167) Suppose you are the product manager for a prominent computer manufacturer. Your research indicates that equipping all new laptop computers with wireless communications will improve sales by \$10 million but increase costs by \$12 million. Should you go ahead and implement the wireless plan? Explain fully.

Answer: Although sales would rise, the increase in costs would be greater than the increase in revenues. The marginal benefit is less than the marginal cost, resulting in an incremental loss of \$2 million. That is, the firm would be \$2 million worse off if it implemented the wireless plan. Diff: 2 Type: ES Page Ref: 7

Skill: Recall Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

168) Define the concept of opportunity cost and show your understanding of how it applies to real world choices by using an example in which a choice must be made from several alternatives rather than just two

Answer: Opportunity cost is the value of best alternative that must be sacrificed when one alternative is chosen and, as a result, one or more others will be rejected. Consider a choice between spending an evening partying, studying for an upcoming economics exam, or working at a part-time job. If you go to the party, it might seem you give up both of the other options -- but even if you don't go to the party, you could only do one of them. The opportunity cost of partying is the value of whichever of the two you would choose. In the same way, the opportunity cost of spending the evening studying would be the value to you of either the partying or the lost wages, whichever you valued more.

Diff: 3 Type: ES Page Ref: 6 Skill: Applied Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical

169) Jonathan is currently working for a clothing company and earning \$20 000 per year. In hopes of raising his future income he is considering quitting his job and returning to school to get his degree. He estimates that tuition and textbooks would cost \$4 000/year while all other living expenses would be \$8 000/year. Jonathan thus calculates his costs for the first year of college to be \$12 000. Was he correct?

Answer: No. Since his living expenses would likely be the much the same whether he attends college or not, they are not caused by a decision to do so. Only the additional costs of going to school should be considered. Those costs include the earnings he would be giving up by quitting his job. So, his actual cost of returning to school would be about \$24 000.

Diff: 3 Type: ES Page Ref: 7 Skill: Recall Objective: L.O. 1.3 Graph: No graph Numerical: Non-numerical Full Download: https://alibabadownload.com/product/economics-today-the-micro-view-canadian-5th-edition-miller-test-bank/

170) Economists rarely refer to "needs" even though non-economists routinely use that term. Explain why economists prefer not to do so..

Answer: When people use the word "need" they usually are talking about goods or services they feel are very important to themselves or to others. Often they are trying to persuade someone to share or understand their values, and thus are making normative statements. Positive economics attempts to predict choices, not explain why people feel the way they do or why they make the choices they do. In positive economics, needs are simply wants that people are willing to sacrifice large amounts of other goods or services to satisfy.

Diff: 3 Type: ES Page Ref: 13 Skill: Applied Objective: L.O. 1.5 & L.O. 1.6 Graph: No graph Numerical: Non-numerical

171) Explain the roles of positive and normative economics in choosing between alternative policies that might be adopted in regulating public utilities.

Answer: Positive economics is the study of "what is." That means it attempts to model how the world works and therefore to tell us what "would happen if" different policies were adopted. Normative statements are statements about what we want to bring about as a result of a policy choice. Positive economic analysis thus is the way we determine how a desired outcome might be achieved or whether a particular policy choice would achieve the end we desire.

Diff: 3 Type: ES Page Ref: 13 Skill: Applied Objective: L.O. 1.5 & L.O. 1.6 Graph: No graph Numerical: Non-numerical