

Chapter 1 The Scope and Method of Economics

1.1 Why Study Economics?

1 Multiple Choice

1) The reasons to study economics include which of the following?

- A) to be an informed voter
- B) to understand society and global affairs
- C) to learn a way of thinking
- D) all of the above

Answer: D

Diff: 1

Topic: *Why Study Economics?*

Skill: *Fact*

2) Marginalism is

- A) the best alternative that we forego when making a decision.
- B) the study of how societies choose to use scarce resources.
- C) a market situation in which profit opportunities are eliminated almost instantaneously.
- D) the process of analyzing the additional costs or benefits arising from a decision.

Answer: D

Diff: 1

Topic: *Why Study Economics?*

Skill: *Definition*

3) Economics is best defined as the study of

- A) financial decision-making.
- B) how consumers make purchasing decisions.
- C) choices made by people faced with scarcity.
- D) inflation, unemployment, and economic growth.

Answer: C

Diff: 2

Topic: *Why Study Economics?*

Skill: *Definition*

4) The Industrial Revolution refers to the rise of the modern factory system in _____ during the late eighteenth and early nineteenth centuries.

- A) the United States
- B) England
- C) France
- D) Germany

Answer: B

Diff: 1

Topic: *Why Study Economics?*

Skill: *Fact*

- 5) Which of the following statements is correct?
- A) Economics is a natural science.
 - B) In large measure, economics is the study of how people make choices.
 - C) If poverty was eliminated there would be no reason to study economics.
 - D) Economic analysis can be used to explain how societies, but not individuals, make decisions.

Answer: B

Diff: 1

Topic: *Why Study Economics?*

Skill: *Fact*

- 6) Economics is the study of
- A) how to invest in the stock market.
 - B) how society uses limited resources.
 - C) the role of money in markets.
 - D) how government officials decide which goods and services are produced.

Answer: B

Diff: 2

Topic: *Why Study Economics?*

Skill: *Definition*

- 7) Costs that cannot be avoided, because they have already been incurred are known as
- A) differential costs.
 - B) marginal costs.
 - C) opportunity costs.
 - D) sunk costs.

Answer: D

Diff: 2

Topic: *Why Study Economics?*

Skill: *Definition*

- 8) Suppose that two weeks ago you purchased a ticket to the symphony for \$40. Last week someone invited you to go camping on the same night as the symphony concert. You would much rather go camping than go to the symphony. You have tried unsuccessfully to sell the symphony concert ticket. Which of the following statements regarding this situation is correct?
- A) The \$40 symphony ticket should be irrelevant in your decision making, because it represents the marginal cost of going camping.
 - B) The \$40 you paid for the symphony ticket should be irrelevant in your decision making, because it is a sunk cost.
 - C) The \$40 you paid for the symphony ticket is relevant to the decision, as this represents the opportunity cost of going camping.
 - D) You should base your decision on whether or not going camping will provide you with more than \$40 in satisfaction.

Answer: B

Diff: 2

Topic: *Why Study Economics?*

Skill: *Conceptual*

AACSB: *Reflective Thinking*

9) You have decided that you want to attend a renaissance fair as King Henry VIII. You estimate that it will cost \$80 to assemble your costume. After spending \$80 on the costume, you realize that the additional pieces you need will cost you \$20 more. The marginal cost of completing the costume is

- A) \$20. B) \$60. C) \$80. D) \$100.

Answer: A

Diff: 2

Topic: *Why Study Economics?*

Skill: *Analytic*

AACSB: *Analytic Skills*

10) The concept of opportunity cost can be applied to the analysis of _____ decision-making processes.

- A) only economy-wide B) only global
C) only-small-scale D) any

Answer: D

Diff: 2

Topic: *Why Study Economics?*

Skill: *Conceptual*

AACSB: *Reflective Thinking*

11) That which we forgo, or give up, when we make a choice or a decision is known as

- A) equity. B) causation.
C) correlation. D) opportunity cost.

Answer: D

Diff: 2

Topic: *Why Study Economics?*

Skill: *Definition*

12) Scarce resources give rise to the concept of

- A) efficient markets. B) opportunity costs.
C) laissez-faire. D) positive economics.

Answer: B

Diff: 1

Topic: *Why Study Economics?*

Skill: *Fact*

13) Which of the following is an opportunity cost of attending college?

- A) the cost of your apartment or dorm
B) the income you could have earned if you didn't attend college
C) the cost of the food that you consume while you are attending college
D) the education you gain from attending college.

Answer: B

Diff: 2

Topic: *Why Study Economics?*

Skill: *Conceptual*

AACSB: *Reflective Thinking*