Question Excerpt From Principles of Economics QUIZ #1

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| **Q.1)**  | The word “economy” comes from the Greek word oikonomos, which means  |
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| **A.**  | environment  |

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| **B.**  | production  |

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| **C.**  | one who manages a household  |

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| **D.**  | one who makes decisions  |

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| **E.**  | none of the above  |
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| **Q.2)**  | The phenomenon of scarcity stems from the fact that  |
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| **A.**  | most economies’ production methods are not very good.  |

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| **B.**  | in most economies, wealthy people consume disproportionate quantities of goods and services.  |

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| **C.**  | governments restricts production of too many goods and services.  |

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| **D.**  | resources are limited.  |

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| **E.**  | people are greedy  |
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| **Q.3)**  | The opportunity cost of going to [college](http://www.proprofs.com/quiz-school/story.php?title=Principles-Economics-QUIZ-1) is  |
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| **A.**  | the total spent on food, clothing, books, transportation, tuition, lodging, and other expenses.  |

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| **B.**  | the value of the best opportunity a student gives up to attend college.  |

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| **C.**  | zero for students who are fortunate enough to have all of their college expenses paid by someone else.  |

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| **D.**  | zero, since a college education will allow a student to earn a larger income after graduation.  |

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| **E.**  | none of the above  |
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| **Q.4)**  | The opportunity cost of an item is  |
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| **A.**  | what you give up to get that item.  |

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| **B.**  | the dollar value of the item.  |

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| **C.**  | usually less than the dollar value of the item.  |

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| **D.**  | the number of hours needed to earn money to buy the item.  |

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| **E.**  | none of the above  |
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| **Q.5)**  | In a market economy, economic activity is guided by  |
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| **A.**  | the government.  |

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| **B.**  | corporations.  |

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| **C.**  | central planners.  |

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| **D.**  | the president  |

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| **E.**  | self-interest and prices.  |
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| **Q.6)**  | Which of the following observations was made famous by Adam Smith in his book The Wealth of Nations?  |
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| **A.**  | There is no such thing as a free lunch.  |

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| **B.**  | People buy more when prices are low than when prices are high.  |

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| **C.**  | No matter how much people earn, they tend to spend more than they earn.  |

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| **D.**  | Households and firms interacting in markets are guided by an "invisible hand" that leads them to desirable market outcomes.  |

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| **E.**  | none of the above  |

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| **Q.7)**  | Which of the following is not among the reasons why we need the government?  |
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| **A.**  | the government provides social welfare services for the poor and the needy  |

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| **B.**  | the government provides public goods and services  |

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| **C.**  | the government regulates markets when there is a market failure  |

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| **D.**  | the government provides free food for everyone  |

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| **E.**  | the government imposes laws and controls to protect competitiveness of the industry  |
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| **Q.8)**  | An outward shift of the PPF means:  |
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| **A.**  | increased size of the government  |

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| **B.**  | economic growth  |

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| **C.**  | more consumption  |

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| **D.**  | more equality among citizens  |

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| **E.**  | none of the above  |
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| **Q.9)**  | The PPF of a nation shows:  |
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| **A.**  | how much people consume  |

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| **B.**  | how much production takes place with the existing resources  |

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| **C.**  | the prices of products  |

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| **D.**  | the population  |

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| **E.**  | all of the above  |
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| **Q.10)**  | Suppose a gardener produces both green beans and corn in her garden. If she must give up 14 bushels of corn to get 5 bushels of green beans, then her opportunity cost of 1 bushel of green beans is  |
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| **A.**  | 0.36 bushel of corn.  |

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| **B.**  | 2.4 bushels of corn.  |

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| **C.**  | 2.8 bushels of corn.  |

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| **D.**  | 70 bushels of corn.  |

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| **E.**  | 1 bushel of corn  |