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 |