

Test Bank for
Microeconomics
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Microeconomics

Ninth Edition

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Chapter 1 Economics: Foundations and Models

1.1 Three Key Economic Ideas

1) Apple assembles most iPhones in China and India because the lower wages earned by Chinese and Indian workers and their experience in electronics manufacturing reduce the costs of assembling iPhones. This is an example of Apple reacting to which of the three key economic ideas?

- A) People are rational.
- B) People respond to economic incentives.
- C) Optimal decisions are made at the margin.
- D) Firms attempt to maximize revenues.

Answer: B

Diff: 2

Topic: Scarcity

Learning Outcome: Micro-1: Identify the basic principles of economics and explain how to think like an economist

AACSB: Analytical thinking

Special Feature: Chapter Opener: Should Apple Manufacture the iPhone in the United States?

2) In economics, choices must be made because we live in a world of

- A) unemployment.
- B) scarcity.
- C) greed.
- D) unlimited resources.

Answer: B

Diff: 1

Topic: Scarcity

*: Recurring

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3) Which of the following statements about scarcity is *true*?

- A) Scarcity refers to the situation in which unlimited wants exceed limited resources.
- B) Scarcity is not a problem for the wealthy.
- C) Scarcity is only a problem when a country has too large a population.
- D) Scarcity only arises when there is a wide disparity in income distribution.

Answer: A

Diff: 1

Topic: Scarcity

*: Recurring

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4) The basic economic problem of _____ has always existed and will continue to exist.

- A) scarcity
- B) efficiency
- C) inflation
- D) recession

Answer: A

Diff: 1

Topic: Scarcity

*: Recurring

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- 5) By definition, economics is the study of
- A) how to make money in the stock market.
 - B) how to make money in a market economy.
 - C) the choices people make to attain their goals, given their scarce resources.
 - D) supply and demand.

Answer: C

Diff: 1

Topic: Scarcity

*: Recurring

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- 6) An economic _____ is a simplified version of some aspect of economic life used to analyze an economic issue.
- A) market
 - B) trade-off
 - C) variable
 - D) model

Answer: D

Diff: 1

Topic: Economic Models

*: Recurring

Learning Outcome: Micro-1: Identify the basic principles of economics and explain how to think like an economist

AACSB: Analytical thinking

- 7) Where do economic agents such as individuals, firms, and nations interact with each other?
- A) in public locations monitored by the government
 - B) in any arena that brings together buyers and sellers
 - C) in any physical location where people can physically get together for selling goods, such as shopping malls
 - D) in any location where transactions can be monitored by consumer groups and taxed by the government

Answer: B

Diff: 1

Topic: Markets

*: Recurring

Learning Outcome: Micro-1: Identify the basic principles of economics and explain how to think like an economist

AACSB: Analytical thinking

8) In economics, the term _____ refers to a group of buyers and sellers of a product and the arrangement by which they come together to trade.

- A) collective
- B) cooperative
- C) market
- D) trade-off

Answer: C

Diff: 1

Topic: Markets

*: Recurring

Learning Outcome: Micro-1: Identify the basic principles of economics and explain how to think like an economist

AACSB: Analytical thinking

9) Economists assume that individuals

- A) behave in unpredictable ways.
- B) will never take actions to help others.
- C) prefer to live in a society that values fairness above all else.
- D) are rational and respond to incentives.

Answer: D

Diff: 1

Topic: People Are Rational

*: Recurring

Learning Outcome: Micro-1: Identify the basic principles of economics and explain how to think like an economist

AACSB: Analytical thinking

10) Economists assume that rational behavior is useful in explaining choices people make

- A) because irrational people do not make economic choices.
- B) even though people may not behave rationally all the time.
- C) because individuals act rationally all the time in all circumstances.
- D) even though people rarely, if ever, behave in a rational manner.

Answer: B

Diff: 2

Topic: People Are Rational

*: Recurring

Learning Outcome: Micro-1: Identify the basic principles of economics and explain how to think like an economist

AACSB: Analytical thinking