Test Bank For

Economics 12th Edition 2024 By David Colander

Chapter 1-38 Answers are at the End of Each Chapter

Chapter 1

Student name:__________

1) The answers to an economy's three central economic problems are determined by the interaction of three forces: economic forces, political forces, and social forces.
   - ⊙ true
   - ⊙ false

2) Scarcity exists because economies cannot produce enough to meet the perceived desires of all individuals.
   - ⊙ true
   - ⊙ false

3) Only marginal costs, not sunk costs, affect economic decisions if individuals are rational.
   - ⊙ true
   - ⊙ false

4) The economic decision rule is to undertake an action only when the marginal benefits of that action are greater than its total costs.
   - ⊙ true
   - ⊙ false

5) The opportunity cost of undertaking an activity includes any sunk cost.
   - ⊙ true
   - ⊙ false

6) The "invisible hand" is the price mechanism that guides people’s actions in the market.
- ⊙ true
- ⊙ false

7) Social and political forces affect the way in which the invisible hand works.
- ⊙ true
- ⊙ false

8) Macroeconomics is the study of how individual choices are affected by economic forces.
- ⊙ true
- ⊙ false

9) Deciding what the distribution of income should be is an example of normative economics.
- ⊙ true
- ⊙ false

10) Say a pill existed that made people selfless. After taking it they were only interested in others, not themselves. Under the coordination definition of economics:
- A) no economic problem would exist.
- B) there still would be an economic problem.
- C) there would be a political problem but not an economic problem.
- D) there would be a social problem but not an economic problem.

11) According to the text, economics is the study of how:
- A) governments allocate resources in the face of constraints.
- B) government policies can be used to meet individuals' wants and desires.
- C) human beings coordinate their wants and desires.
- D) scarce resources are allocated between capitalists and workers.

12) Dorm rooms usually are not allocated by markets. Allocating dorm rooms is:

A) not an economic problem.
B) an economic problem.
C) not affected by economic forces.
D) determined by prices.

13) If allocating dorm rooms changes from allocation by lottery to allocation by the market:

A) it becomes an economic problem.
B) it becomes a political problem but not an economic problem.
C) it becomes a social problem but not an economic problem.
D) the allocation problem is still an economic problem.

14) Which of the following is *not* one of the three central coordination problems of the economy given in the book?

A) What
B) Whether
C) For whom
D) How

15) The quantity of goods and services available to society:

A) is fixed.
B) depends on human action.
C) is not of economic importance.
D) will always grow to meet individuals' wants and desires.

16) Economic systems:

A) can eliminate scarcity.
B) address the questions what is produced, how it is produced, and for whom it is produced.
C) provide all the goods people want and desire.
D) provide equal distribution of well-being among its participants.

17) Scarcity exists because:

A) individuals cannot solve the three central coordination problems.
B) governments cannot solve the three central coordination problems.
C) the supply of goods is always less than the demand.
D) new wants continue to develop and willingness to meet them is limited.

18) People can reasonably expect that an economic system will decide all of the following *except:*

A) what goods to produce.
B) how to produce the goods.
C) how to assign initial property rights.
D) for whom to produce the goods.

19) To engage in economic reasoning, one must compare:

A) total cost and total benefit.
B) marginal cost, sunk cost, and total benefit.
C) sunk cost and marginal cost.
D) marginal cost and marginal benefit.

20) Alexandra has determined that studying an hour for her economics quiz will improve her grade on the quiz from a 75 to a 100. She also determines that this improvement is worth $20. To study for an hour for her economics quiz, however, she will have to work one fewer hour at her part-time job. Alexandra should:

A) study for the quiz as long as her hourly wage rate is less than $20.
B) study for the quiz as long as her hourly wage rate is more than $20.
C) study for the quiz only if her hourly wage rate is exactly $20.
D) not study for the quiz because earning a higher grade cannot have a dollar value.