

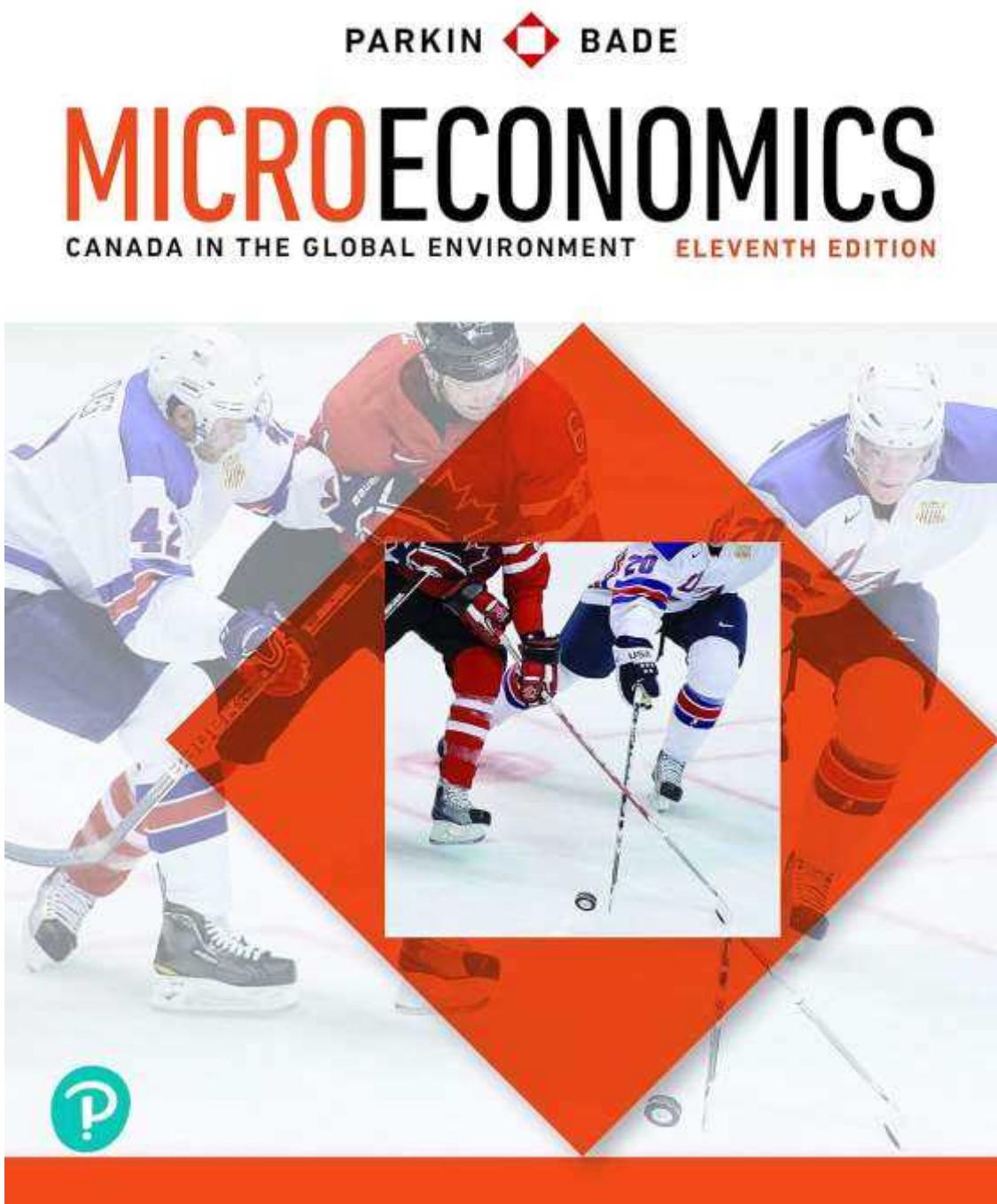
TEST BANK

Macroeconomics

Canada in the Global Environment

Michael Parkin, Robin Bade

11th Edition



Chapter 1 What Is Economics?

1.1 Definition of Economics

1) In a world characterized by scarcity

- A) all goods are free.
- B) opportunity cost is zero.
- C) we are not limited by time.
- D) individuals need not work to obtain goods.
- E) people must make choices among alternatives.

Answer: E

Diff: 1 Type: MC

Topic: Definition of Economics

2) Which of the following is the best definition of economics?

- A) the study of how a provincial government allocates tax dollars
- B) the study of how consumers spend their income
- C) the study of how producers decide what inputs to hire and what outputs to produce
- D) the study of how individuals, businesses, governments, and entire societies make choices as they cope with scarcity and the incentives that influence and reconcile those choices
- E) the study of how consumers and producers meet each other at the market

Answer: D

Diff: 1 Type: MC

Topic: Definition of Economics

3) Which of the following is a microeconomic topic?

- A) the reasons why a consumer buys less honey
- B) the reasons why the average price level in a country falls
- C) the cause of increasing unemployment
- D) the effect of the government budget deficit on inflation
- E) the reasons why the labour force in a country decreases

Answer: A

Diff: 1 Type: MC

Topic: Definition of Economics

4) The study of how wages are set for New Brunswick teachers is classified as

- A) a macroeconomic topic.
- B) a microeconomic topic.
- C) economics of social interest.
- D) economics of private interest.
- E) normative economics.

Answer: B

Diff: 1 Type: MC

Topic: Definition of Economics

5) Which of the following newspaper headlines concerns a macroeconomic issue?

- A) Why are people buying more SUVs and fewer minivans?
- B) How would a tax on e-commerce affect chapters.indigo.ca?
- C) How would an unexpected freeze in Oxford, Nova Scotia change the price of blueberries in the Maritimes?
- D) Why is Japan's economy stagnant?
- E) Why do grain producers purchase less pesticides?

Answer: D

Diff: 1 Type: MC

Topic: Definition of Economics

6) The branch of economics that studies the choices of individuals and businesses is

- A) macroeconomics.
- B) microeconomics.
- C) positive economics.
- D) normative economics.
- E) social economics.

Answer: B

Diff: 1 Type: MC

Topic: Definition of Economics

Source: Study Guide

7) Each of the following would be considered a macroeconomic topic *except*

- A) the reasons for a decrease in the unemployment rate.
- B) the cause of recessions.
- C) the effect of the government budget deficit on inflation.
- D) the determination of aggregate income.
- E) the selection of production techniques.

Answer: E

Diff: 2 Type: MC

Topic: Definition of Economics

8) Complete the following sentence. Macroeconomics

- A) is primarily concerned with the operation of individual markets in the economy.
- B) deals mainly with the economic behaviour of households.
- C) is the only part of economics to deal with government decisions.
- D) is primarily concerned with the behaviour of the stock market.
- E) is the study of the national economy and the global economy.

Answer: E

Diff: 2 Type: MC

Topic: Definition of Economics

9) The determination of prices in individual markets is primarily a concern of

- A) positive economics.
- B) negative economics.
- C) macroeconomics.
- D) microeconomics.
- E) descriptive economics.

Answer: D

Diff: 2 Type: MC

Topic: Definition of Economics

10) Which one of the following topics does macroeconomics study?

- A) decisions of individual firms
- B) effects of government safety regulations on the price of cars
- C) the performance of the global economy
- D) prices of individual goods and services
- E) effects of taxes on the price of gasoline

Answer: C

Diff: 2 Type: MC

Topic: Definition of Economics

11) Which one of the following topics does microeconomics study?

- A) reasons for a fall in the price of orange juice
- B) the effect of a rise in the Canadian dollar on Canada's exports
- C) effect of interest rates on national economic growth
- D) effect of the government budget deficit on employment
- E) determination of total production in a country

Answer: A

Diff: 2 Type: MC

Topic: Definition of Economics

12) Complete the following sentence. Microeconomics is

- A) not concerned with factors of production.
- B) concerned with normative issues only.
- C) concerned with the size of the total amount of income earned by all households in an economy.
- D) the branch of economics that studies the choices of individuals and businesses.
- E) concerned exclusively with the role of the government in the economy.

Answer: D

Diff: 2 Type: MC

Topic: Definition of Economics

13) Which of the following would be considered a microeconomic topic?

- A) the severity of a recession
- B) the cause of unemployment in the economy
- C) the effect of the government budget deficit on inflation
- D) the determination of aggregate income
- E) the study of how wages are set for mine workers

Answer: E

Diff: 2 Type: MC

Topic: Definition of Economics

14) The branch of economics that studies the national economy and the global economy is

- A) macroeconomics.
- B) microeconomics.
- C) Keynesian economics.
- D) positive economics.
- E) normative economics.

Answer: A

Diff: 1 Type: MC

Topic: Definition of Economics

15) The fact that human wants cannot be fully satisfied with available resources is called the problem of

- A) opportunity cost.
- B) scarcity.
- C) normative economics.
- D) marginal cost.
- E) the big tradeoff.

Answer: B

Diff: 1 Type: MC

Topic: Definition of Economics

16) The problem of scarcity exists

- A) only in economies that lack incentives.
- B) only in economies that have incentives.
- C) in all economies.
- D) only when people are unemployed.
- E) now but will be eliminated with economic growth.

Answer: C

Diff: 2 Type: MC

Topic: Definition of Economics

17) The inescapable economic fact is that

- A) there are unlimited wants and limited resources.
- B) there are unlimited resources, and we just have to figure out how to allocate them.
- C) capitalists are always exploiting the workers.
- D) unions are always exploiting firms.
- E) capitalists and unions cannot work together.

Answer: A

Diff: 2 Type: MC

Topic: Definition of Economics

18) An incentive _____.

- A) could be a reward but could not be a penalty
- B) could be a penalty but could not be a reward
- C) could be either a reward or a penalty
- D) is the opposite of a tradeoff
- E) occurs in the macroeconomy but not in the microeconomy

Answer: C

Type: MC

19) Scarcity confronts _____.

- A) neither the poor nor the rich
- B) the rich but not the poor
- C) the poor but not the rich
- D) the rich and the poor
- E) families with incomes less than \$25,000 a year

Answer: D

Type: MC

1.2 Two Big Economic Questions

1) The two big economic questions

- A) involve self-interest only.
- B) involve only social interest.
- C) involve neither self-interest nor social interest.
- D) do not arise from scarcity.
- E) involve both self-interest and social interest.

Answer: E

Diff: 1 Type: MC

Topic: Two Big Economic Questions

2) The two big economic questions

- A) summarize the scope of economics.
- B) are "what goods and services are produced?" and "how are goods and services produced?"
- C) have nothing to do with goods and services.
- D) do not consider for whom goods and services are produced.
- E) have nothing to do with the way goods and services are produced.

Answer: A

Diff: 1 Type: MC

Topic: Two Big Economic Questions

3) The two big economic questions include all of the following *except*

- A) *what* to produce.
- B) *why* to produce.
- C) *how* to produce.
- D) *for whom* to produce.
- E) can choices made in the pursuit of self-interest also promote the social interest.

Answer: B

Diff: 2 Type: MC

Topic: Two Big Economic Questions

4) When a firm decides to produce more hybrid cars and fewer gas guzzlers, it is answering the _____ question.

- A) "how"
- B) "what"
- C) "who"
- D) "where"
- E) "when"

Answer: B

Diff: 2 Type: MC

Topic: Two Big Economic Questions

5) When a textile firm decides to produce more silk fabric and less cotton fabric, it is answering the _____ question.

- A) "who"
- B) "how"
- C) "what"
- D) "where"
- E) "when"

Answer: C

Diff: 2 Type: MC

Topic: Two Big Economic Questions

6) When a farmer decides to harvest tomatoes using machines instead of migrant workers, the farmer is answering the _____ question.

- A) "what"
- B) "how"
- C) "who"
- D) "where"
- E) "when"

Answer: B

Diff: 2 Type: MC

Topic: Two Big Economic Questions

7) Complete the following sentence. Capital is

- A) money in the bank.
- B) "gifts of nature."
- C) tools, instruments, machines, buildings, and other constructions that businesses use to produce goods and services.
- D) land.
- E) stocks and bonds.

Answer: C

Diff: 1 Type: MC

Topic: Two Big Economic Questions

8) When a firm decides to produce computers using robots instead of people, it is answering the _____ question.

- A) "what"
- B) "where"
- C) "how"
- D) "who"
- E) "when"

Answer: C

Diff: 2 Type: MC

Topic: Two Big Economic Questions

9) To meet increased demand for its good, a firm decides to hire a few high-skilled workers, rather than hire many low-skilled workers. The firm is answering the _____ question.

- A) "when"
- B) "what"
- C) "who"
- D) "where"
- E) "how"

Answer: E

Diff: 2 Type: MC

Topic: Two Big Economic Questions

10) An art museum decides to offer tours by having visitors listen to CDs rather than have tour guides. The museum is answering the _____ question.

- A) "what"
- B) "who"
- C) "how"
- D) "where"
- E) "when"

Answer: C

Diff: 2 Type: MC

Topic: Two Big Economic Questions

11) To earn income, people sell the services of the factors of production they own. Land earns _____; labour earns _____; capital earns _____ and entrepreneurship earns _____.

- A) profit; wages; rent; interest
- B) wages; interest; profit; rent
- C) rent; wages; interest; profit
- D) profit; interest; wages; rent
- E) interest; profit; rent; wages

Answer: C

Diff: 2 Type: MC

Topic: Two Big Economic Questions

12) The fact that some people can afford to live in beautiful homes while others are homeless is an example of an economy facing the _____ question.

- A) "what"
- B) "how"
- C) "for whom"
- D) "where"
- E) "when"

Answer: C

Diff: 2 Type: MC

Topic: Two Big Economic Questions

13) The fact that a hockey star earns \$3 million a year while a teacher earns \$50,000 annually is an example of an economy facing the _____ question.

- A) "what"
- B) "how"
- C) "where"
- D) "for whom"
- E) "when"

Answer: D

Diff: 2 Type: MC

Topic: Two Big Economic Questions

14) Complete the following sentence. Entrepreneurship is

- A) defined as money.
- B) traded on the stock market.
- C) categorized as capital.
- D) the human resource that organizes labour, land and capital.
- E) categorized as the factor of production labour.

Answer: D

Diff: 2 Type: MC

Topic: Two Big Economic Questions

15) Sue, who has a law degree, earns \$200,000 a year, while Chris, a high-school dropout, earns \$5.00 an hour. This is an example of an economy facing the _____ question.

- A) "what"
- B) "how"
- C) "for whom"
- D) "where"
- E) "when"

Answer: C

Diff: 2 Type: MC

Topic: Two Big Economic Questions

16) A star athlete can afford a garage full of exotic cars while other people can only afford to take a city bus for transportation. This is an example of an economy facing the _____ question.

- A) "what"
- B) "how"
- C) "for whom"
- D) "where"
- E) "when"

Answer: C

Diff: 2 Type: MC

Topic: Two Big Economic Questions