

Basics of Economics Unit One Test

1. The study of how individuals and nations make choices about how to use scarce resources to fulfill their needs and wants describes
 - a. An opportunity cost
 - b. economics
 - c. entrepreneurship
 - d. scarcity
2. The most basic economic problem and the reason people have to make choices is
 - a. Scarcity
 - b. lack of useful models
 - c. Conflicting values
 - d. Low productivity
3. The need to make choices about the use of resources arises because
 - a. Some things that exist are not limited
 - b. Shortages are a constant situation
 - c. People need to share their resources
 - d. The factors of production are limited
4. Which of the statements best represents macroeconomics?
 - a. Locally, family incomes are on the rise.
 - b. Nationally, unemployment is on the decrease
 - c. Half of all businesses opened in west Michigan will shut down with in a year.
 - d. A higher property tax has caused many Holland residents to stop saving money.
5. Which of the following refers to the resource of labor?
 - a. Bus drivers
 - b. Money
 - c. Iron ore
 - d. Machinery
6. Activities done for others for a fee are called
 - a. Services
 - b. Goods
 - c. Capital
 - d. Entrepreneurship
7. Which of the following is a durable good?
 - a. T-shirt
 - b. Tailor
 - c. Car
 - d. Tootsie Roll Sucker
8. Lisa is looking forward to a ski trip this weekend. Then, her economics teacher schedules a big test for the following Monday. Lisa knows she must study if she wants to do well on the test. This event:
 - a. Shows that Lisa can have all of everything she needs
 - b. Shows that opportunity cost does not apply to Lisa's time
 - c. Shows that Lisa's time is scarce
 - d. Has nothing to do with economics

9. After school Tom could go to a movie or attend a band concert. Tom decides to go the band concert. Tom's opportunity cost is:
- Not eating dinner
 - Attending a movie.
 - Sleeping.
 - He doesn't have an opportunity cost.
10. Eric has \$50 he is thinking of spending on a new pair of shoes. He could also use the money to replace a bad tire on his car or to take his parents to dinner for their anniversary. If Eric buys the new shoes:
- He does not bear an opportunity cost
 - His opportunity cost is whichever of the other two alternatives he ranked highest
 - His opportunity cost is whichever of the other two alternatives he ranked lowest
 - His opportunity cost is both of the other alternatives
11. What is the incentive in the following scenario? Billy walks into a coffee shop that is offering a free cookie with the purchase of a drink.
- Coffee shop
 - Free Cookie
 - Buy a Drink
 - Billy
12. What is the predicted action for following scenario? Billy walks into a coffee shop that is offering a free cookie with the purchase of a drink.
- Coffee shop
 - Free Cookie
 - Buy a Drink
 - Billy
13. Which of the following is an example of a land resource?
- Assembly line worker
 - Hammer
 - Mineral Deposits
 - Manager
14. Resources such as machines, tools and money are known as
- land
 - labor
 - capital
 - entrepreneurship
15. What is the best way to reduce the effects of scarcity? Select the best answer!
- increase productivity
 - make different choices
 - analyze opportunity costs
 - there is no way to curve the effects of scarcity
16. What is an entrepreneur?
- Someone who start a new business
 - Someone goes skydiving
 - Someone who work in a factory
 - Someone who is elected to serve in the senate

17. How do people respond to incentives?
- a. cautiously
 - b. predictably
 - c. spontaneously
 - d. surprisingly

Recently Orangeland received a lot of advice on how to increase their productivity. For questions 18-21, match the statements to the ways to increase productivity.

- a. Investments in capital tools
 - b. Investments in labor
 - c. Improvements in technology
 - d. Specialization and exchange.
18. Orangeland has decided to focus on being the world's top tropical fruit producer and then they will trade with other countries for tools and clothing.
19. Orangeland created a public schools program for all citizens between the ages of 6 to 21.
20. In order to be the top tropical fruit producer, Orangeland needed to buy additional tools
21. Orangeland purchased a new computer operated fruit sorter and packaging machine to replace their old tools.
22. A market economy would NOT have
- a. Government control
 - b. Entrepreneurs
 - c. Competition
 - d. Private property
23. It is easier to start your own business in a
- a. Command system
 - b. Market system
 - c. Controlled economy
 - d. Traditional system
24. Which of the following is **not** one of the three basic economic questions?
- a. How to produce?
 - b. For whom?
 - c. Why to produce?
 - d. What to produce?
25. What is a comparative advantage?
- A. an approach to monetary policy
 - B. a theory for fiscal policy
 - C. the ability to produce a good at a lower opportunity cost than other countries
 - D. something that restricts free trade with the hope of improving prices for consumers.
26. When countries engage in free trade
- a. Tariffs would be increased
 - b. The government would grant more subsidies
 - c. Trade barriers would be eliminated
 - d. Countries would trade based on their absolute advantage.
27. Who do trade barriers normally help?
- A. domestic consumers

- B. foreign consumers
- C. domestic producers
- D. foreign producers

Trade barriers use the following terms to help you answer 28-32

- A. Tariff
- B. Embargo
- C. Standards
- D. Quota
- E. Subsidy

- 28. The U.S. taxes all steel coming into the U.S. from India.
- 29. Great Britain. refuses to import pork from China because their farmers do not follow the procedures set up by Great Britain on how properly inspect an animal that will be used for consumption.
- 30. The German government gives aid to all farmers who produce and export wheat.
- 31. During the Cold War the U.S. prohibited trade with any communist country.
- 32. U.S. placed a limit on how many foreign made cars were allowed into the U.S.
- 33. A command economy does NOT have
 - a. government planning
 - b. public property
 - c. strong government
 - d. job freedom
- 34. A mixed economy has features of two economic systems: command and
 - a. Traditional
 - b. Market
 - c. Circular flow
 - d. Demand
- 35. "In my country, the government assigns jobs and decides wages." This is an example of a
 - a. Traditional system
 - b. Command system
 - c. Capitalist system
 - d. Market system
- 36. "In my country, customs dictate what we produce and who holds each job." This is an example of a
 - a. Traditional system
 - b. Command system
 - c. Capitalist system
 - d. Market system
- 37. A major characteristic of a market economic system is
 - a. System of Markets and Prices
 - b. Strong government planning
 - c. An oversupply of labor

d. Regulated prices

38. How are the basic economic questions answered in the U.S. economy?
- a. individuals and the government always work together to plan the economy
 - b. the government, with the advice from the individuals make the decisions
 - c. individuals are free to make any and all decisions without interference from the government
 - d. individuals make the decisions within the limits of the law
39. The money that is left after all the costs of production have been paid is
- a. private property
 - b. profit
 - c. competition
 - d. free enterprise
40. People generally invest in a business with the idea of
- a. making a profit
 - b. eliminating the competition
 - c. simply covering their costs
 - d. not having to work
41. Which of the following best describes freedom of enterprise?
- a. consumers decide what to buy
 - b. producers decide what to buy
 - c. consumers own the factors of production and decide what to make
 - d. producers own the factors of production and decide what to make
42. A market is created through any _____.
- a. relationship between the government and businesses
 - b. contact between tax payers and the government
 - c. interaction between buyers and sellers
 - d. Communication between sellers and distributors
43. Your house, your car, your clothes, your phone, your iPod, your computer are all examples of
- a. public property
 - b. private property
 - c. government issued property
 - d. none of the above
44. Which of the following is the best explanation of why command economies tend to fail?
- a. public property
 - b. government planning
 - c. workers are motivated
 - d. Human nature tends to be selfish

Name: _____

Hour _____

Short Answer Unit One

1. List the factors of production.

2. Entrepreneurs are important in the United States Economy. List and explain 3 characteristics a person should have in order to be a successful entrepreneur.

3. Why do most nations have a mixed economic system? (You should discuss the disadvantages of other systems in your answer).

4. Explain two benefits of international trade.

5. Why are we a nation of couch potatoes? In class you completed a reading that helped you answer this question based on the six core economic principles. Please demonstrate your understanding of three of the six core economic principles by explaining how they are related to why we are a nation of couch potatoes.

(please state a core economic principle) a. _____

(In this space please explain how the principle relates to why we are a nation of couch potatoes)

(please state a core economic principle) b. _____

(In this space please explain how the principle relates to why we are a nation of couch potatoes)

(please state a core economic principle) c. _____

(In this space please explain how the principle relates to why we are a nation of couch potatoes)