

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The most fundamental economic problem is 1) _____
A) security.
B) scarcity.
C) the fact the United States buys more goods from foreigners than we sell to foreigners.
D) health.
- 2) Economics is best defined as the study of how people, businesses, governments, and societies 2) _____
A) choose abundance over scarcity. B) attain wealth.
C) make choices to cope with scarcity. D) use their infinite resources.
- 3) Economists point out that scarcity confronts 3) _____
A) the rich but not the poor. B) both the poor and the rich.
C) the poor but not the rich. D) neither the poor nor the rich.
- 4) As an economic concept, scarcity applies to 4) _____
A) both money and time. B) time but not money.
C) money but not time. D) neither time nor money.
- 5) Because we face scarcity, every choice involves 5) _____
A) the question "what." B) an opportunity cost
C) giving up something for nothing. D) money
- 6) The term used to emphasize that making choices in the face of scarcity involves a cost is 6) _____
A) utility cost. B) accounting cost.
C) substitution cost. D) opportunity cost.
- 7) The opportunity cost of any action is 7) _____
A) the highest-valued alternative forgone.
B) all the possible alternatives forgone.
C) the monetary cost but not the time required.
D) the time required but not the monetary cost.
- 8) The opportunity cost of something you decide to get is 8) _____
A) the highest valued alternative you give up to get it.
B) all possible alternatives that you give up to get it.
C) the lowest valued alternative you give up to get it.
D) the amount of money you pay to get it.
- 9) On Saturday morning, you rank your choices for activities in the following order: go to the library, 9) _____
work out at the gym, have breakfast with friends, and sleep late. Suppose you decide to go to the library. Your opportunity cost is
A) working out at the gym, having breakfast with friends, and sleeping late.
B) zero because you do not have to pay money to use the library.
C) working out at the gym.
D) not clear because not enough information is given.

- 10) You decide to take a vacation and the trip costs you \$2,000. While you are on vacation, you do not report to work where you could have earned \$750. The opportunity cost of the vacation is 10) _____
 A) \$2,750. B) \$750. C) \$1,250 D) \$2,000.
- 11) The term "opportunity cost" points out that 11) _____
 A) executives do not always recognize opportunities for profit as quickly as they should.
 B) any decision regarding the use of a resource involves a costly choice.
 C) not all individuals will make the most of life's opportunities because some will fail to achieve their goals.
 D) there may be such a thing as a free lunch.
- 12) When the government chooses to use resources to build a dam, these sources are no longer available to build a highway. This choice illustrates the concept of 12) _____
 A) opportunity cost. B) a fallacy of composition.
 C) a market mechanism. D) macroeconomics.
- 13) The benefit that arises from an increase in an activity is called 13) _____
 A) an incentive. B) opportunity cost.
 C) the marginal benefit. D) the marginal cost.
- 14) Marginal cost is the cost 14) _____
 A) that your activity imposes on someone else.
 B) of an activity that exceeds its benefit.
 C) that arises from an increase in an activity.
 D) that arises from the secondary effects of an activity.
- 15) Scarcity is a situation in which _____. 15) _____
 A) long lines form at gas stations B) some people are poor and others are rich
 C) we are unable to satisfy all our wants D) something is being wasted
- 16) Making a choice at the margin means _____. 16) _____
 A) deciding to do a little bit more or a little bit less of an activity
 B) letting someone else choose for you
 C) making a choice by comparing the total benefit and the total cost
 D) waiting until the last minute to make a choice
- 17) If the cost of a computer falls by a large amount, you have an incentive to _____. 17) _____
 A) take a shorter vacation
 B) avoid buying anew computer because it is now less valuable
 C) use your friend's computer rather than buy one yourself
 D) buy a new computer

Answer Key

Testname: INTROSPRING18

- 1) B
- 2) C
- 3) B
- 4) A
- 5) B
- 6) D
- 7) A
- 8) A
- 9) C
- 10) A
- 11) B
- 12) A
- 13) C
- 14) C
- 15) C
- 16) A
- 17) D