

**Principles of Macroeconomics
Homework Assignment 1
Answer Sheet**

Name _____ Class Day/Time _____

Questions of this homework are in the next few pages. Please find the answer of the questions and fill in the blanks below. Turn in this answer sheet on the due date in class. Keep the remaining pages to study.

1. _____

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Principles of Macroeconomics Homework Assignment 1

Name _____

Multiple Choice

- _____ 1. Economics is the study of
- how to increase production.
 - the government's role in society.
 - how a market system functions.
 - how society makes choices when there is scarcity.
- _____ 2. Resources are
- things that can be used to make goods and services including land, labor and capital.
 - things that can be used to satisfy people's needs such as food, clothing and houses.
 - things that can be used to buy goods and services including money, checks and credit cards.
 - All of the above.
- _____ 3. Which of the following questions is *not* answered by the decisions that every society must make?
- How will the goods be produced?
 - What goods will be produced?
 - What determines consumer preferences?
 - Who will consume the goods?
- _____ 4. The overriding reason as to why households and societies face many decisions is that
- people, by nature, tend to disagree.
 - goods and services are not scarce.
 - incomes fluctuate with business cycles.
 - resources are scarce.
- _____ 5. The phenomenon of *scarcity* stems from the fact that
- most economies' production methods are not very good.
 - resources are limited.
 - governments restricts production of too many goods and services.
 - in most economies, wealthy people consume disproportionate quantities of goods and services.
- _____ 6. Approximately what percentage of the world's economies experience scarcity?
- 25%
 - 50%
 - 75%
 - 100%
- _____ 7. What you give up to obtain an item is called your
- true cost.
 - explicit cost.
 - opportunity cost.
 - direct cost.
- _____ 8. Mallory decides to spend three hours working overtime rather than watching a video with her friends. She earns \$8 an hour. Her opportunity cost of working is
- the \$24 she earns working.
 - the \$24 minus the enjoyment she would have received from watching the video.
 - the enjoyment she would have received had she watched the video.
 - nothing, since she would have received less than \$24 of enjoyment from the video.

- ___ 9. Which of the following statements does *not* apply to a market economy?
- Government policies are the primary forces that guide the decisions of firms and households.
 - Prices offer signals about the relative scarcity of a good and help the buyers and sellers to respond to it.
 - Households decide which firms to work for and what to buy with their incomes.
 - Firms decide whom to hire and what to produce.
- ___ 10. In a market economy, who makes the decisions that guide most economic activity?
- firms only
 - households only
 - government
 - firms and households
- ___ 11. The economy that the government makes decisions on the three basic economic questions is best described as a
- command economy.
 - primitive economy.
 - hybrid economy.
 - market economy.
- ___ 12. Which of the following statement should not be included in microeconomics?
- Old Navy (the clothing stores) decided to close some stores in May.
 - Green Tag Inc. decided to hire 450 workers.
 - Mark found a new job in Atlanta.
 - Mario decided to vote for one of the presidential candidates.
- ___ 13. Macroeconomics is the study of
- The performance of an economy as a whole.
 - international trade.
 - individual decision makers.
 - markets for large products.
- ___ 14. *Microeconomics* is best described as the study of
- economy-wide phenomena.
 - how households and firms make decisions and how they interact in specific markets.
 - the flows of dollars between households and firms.
 - Unemployment, inflation, and GDP.
- ___ 15. In economics, which of the following is included in land?
- A fish swimming in an ocean.
 - A fish sold to a woman who will cook the fish for dinner.
 - A fish dish served in a restaurant.
 - All of the above.
- ___ 16. In economics, which of the following is considered as capital?
- Currency.
 - The parking lot of a shopping mall.
 - Ocean and forests.
 - None of the above.
- ___ 17. Which of the following countries' economy are considered as transition economy?
- China.
 - Russia.
 - Poland.
 - All of the above.

- _____ 18. Which of these statements is a normative statement?
- a. Gasoline prices ought to be lower than they are now.
 - b. The federal government should raise taxes on wealthy people.
 - c. The social security system is a good system and it deserves to be preserved as it is.
 - d. All of the above are normative statements.
- _____ 19. A normative statement describes how the world
- a. was in the past.
 - b. is in the present.
 - c. will be in the future.
 - d. should be.
- _____ 20. “During an economic downturn, consumers spend considerably less on goods and services” is an example of
- a. negative economic statement.
 - b. normative economic statement.
 - c. positive economic statement.
 - d. statement that contradicts one of the basic principles of economics.