



Faculty of Commerce- English Section

Department of Economics

Principles of Economics

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Tutorial on Chapter 1 (Economics, 10e (Parkin))

Question 1: Choose the best answer for the following questions:

- All economic questions are about
 - how to make money.
 - what to produce.
 - how to cope with scarcity.
 - how to satisfy all our wants.
- Economics is best defined as the study of how people, businesses, governments, and societies
 - choose abundance over scarcity.
 - make choices to cope with scarcity.
 - use their infinite resources.
 - attain wealth.
- In every economic system, choices must be made because resources are _____ and our wants are _____.
 - unlimited; limited
 - limited; unlimited
 - unlimited; unlimited
 - limited; limited
- An incentive
 - could be a reward but could not be a penalty.
 - could be a penalty but could not be a reward.
 - could be either a reward or a penalty.
 - is the opposite of a tradeoff.
- The study of the choices made by individuals is part of the definition of
 - microeconomics.
 - positive economics.
 - macroeconomics.
 - normative economics.
- The branch of economics that deals with the analysis of the whole economy is called
 - macroeconomics.
 - marginal analysis.
 - microeconomics.
 - microanalysis.
- Which of the following is a macroeconomic decision or concept?
 - the price of oil
 - how many television sets to produce
 - the unemployment rate for the entire economy
 - the unemployment rate for each firm

8. When an economy produces more houses and fewer typewriters, it is answering the _____ part of one of the big economic questions.
 A) "what" B) "how" C) "where" D) "for whom"
9. When a California farmer decides to harvest lettuce using machines instead of by migrant workers, the farmer is answering the _____ part of one of the big economic questions.
 A) "how" B) "for whom" C) "scarcity" D) "what"
10. An art museum decides to offer tours by having visitors listen to cassette tapes rather than have tour guides. The museum is answering the _____ part of one of the two big economic questions.
 A) "scarcity" B) "what" C) "why" D) "how"
11. The fact that people with higher incomes get to consume more goods and services addresses the _____ part of one of the two big economic questions.
 A) "for whom" B) "when" C) "where" D) "how"
12. Factors of production are grouped into four categories:
 A) land, labor, capital, entrepreneurship
 B) land, labor, capital, money
 C) land, capital, money, entrepreneurship
 D) labor, capital, money, entrepreneurship
13. Which factor of production earns profit?
 A) land B) human capital C) money D) entrepreneurship
14. Which of the following best defines capital as a factor of production?
 A) The gifts of nature that businesses use to produce goods and services.
 B) The knowledge and skills that people obtain from education and use in production of goods and services.
 C) Financial assets used by businesses.
 D) Instruments, machines, and buildings used in production.
15. In economics, the term "land" means
 A) only land that is used in agricultural production.
 B) land, mineral resources, and nature's other bounties.
 C) land that is devoted to economic pursuits.
 D) land used for agricultural and urban purposes.
16. Human capital is
 A) all capital owned by individuals, but not by corporations or governments.
 B) all capital owned by individuals or corporations, but not by governments.
 C) machinery that meets or exceeds federal safety standards for use by humans.
 D) the skill and knowledge of workers.

Question 2: Determine which of the following sentences are true and which are false. Then, correct the false ones.

1. Microeconomics is the study of topics such as national production and unemployment.
2. The tools, instruments, machines, and buildings that people use to produce goods and services are called human capital.
3. When I buy an \$8.00 movie ticket rather than two paperback books, the opportunity cost of going to the movie is the two paperback books I did not buy.
4. Macroeconomics is the study of choices that individuals and businesses make, the way those choices interact in markets, and the influence of governments.

Short answer questions:

1. If the government raises the tax on cigarettes, what is the effect on people's incentives and choices?
2. Explain how the following news headlines concern self-interest and the social interest
 - A. McDonald's Moves into Salads.
 - B. Food Must Be Labeled with Nutrition Information