QUIZ: REVISING ECONOMICS

1) Scarcity is the result of:

   a) government decision making.

   b) inappropriate normative judgements.

   c) positive economics.

   d) wants that exceed the resources necessary to provide them.

2) The term "*ceteris paribus*" means that:

   a) everything is variable.

   b) all variables except those specified are constant.

   c) no one knows which variables will change and which will remain constant.

   d) what is true for the individual is not necessarily true for the whole.

   e) all variables are held constant.

3) The opportunity cost of an item is:

   a) greater during periods of inflation and lower during periods of deflation.

   b) the highest valued alternative you give up to get that item.

   c) the value of all available alternatives you sacrifice to get that item.

   d) always equal to the dollar value of the item.

   e) always less than the dollar value of the item.

4) When the Blue Ocean Surfboard Company lowered the price of surfboards by 20%, it sold 10% more surfboards. The price elasticity coefficient for surfboards is:

   a) 2.

   b) 1/2.

   c) 1.

   d) 20.

   e) indeterminate.

5) Socially inefficient outcomes may occur in markets where there are:

a) free riders.

b) negative externalities present.

c) asymmetric information problems.

d) positive externalities present.

e) any of the above