

Introduction to Basic Economics

Economics · Answer Key · 12 Questions

1. What is the economic term for the situation where there are limited resources but unlimited human wants?

- A) Scarcity**
- B) Surplus
- C) Inflation
- D) Abundance

2. What is the value of the next best alternative that is given up when a choice is made?

- A) Tax
- B) Opportunity cost**
- C) Profit
- D) Interest

3. Which of these is considered a 'capital' resource in the factors of production?

- A) A forest
- B) A factory worker
- C) Machinery**
- D) An entrepreneur

4. According to the Law of Demand, what usually happens when the price of a product increases?

- A) Demand stays the same
- B) People buy more
- C) Supply disappears
- D) The quantity demanded decreases**

5. In which type of economic system are decisions mainly based on customs and beliefs passed down through generations?

- A) Traditional economy**
- B) Market economy
- C) Command economy
- D) Mixed economy

6. Which of the following is classified as an economic 'need' rather than a 'want'?

- A) A smartphone
- B) Basic clothing**
- C) A video game
- D) Movie tickets

7. What is the term for people or businesses that make and sell goods and services?

- A) Consumers
- B) Voters
- C) Producers**
- D) Borrowers

8. What is the term for the system of trading goods and services directly without using money?

- A) Barter**
- B) Credit
- C) Investment
- D) Tariff

9. In economics, what is the term for the human effort, both physical and mental, used to produce goods?

- A) Land
- B) Capital
- C) Entrepreneurship
- D) Labor**

10. What occurs in a market when the quantity supplied is greater than the quantity demanded?

- A) Shortage
- B) Surplus**
- C) Equilibrium
- D) Recession

11. What is the primary function of money when it is used to pay for a haircut?

- A) Store of value
- B) Unit of account
- C) Medium of exchange**
- D) Standard of deferred payment

12. What do we call a person who takes the risk of starting and managing a new business?

- A) Entrepreneur**
- B) Employee
- C) Consumer
- D) Stockholder