

High School Economics Fundamentals

Basic Economics · Answer Key · 12 Questions

1. Which economic concept describes the situation where unlimited wants clash with limited resources?

- A) Inflation
- B) Scarcity**
- C) Deflation
- D) Opportunity Cost

2. What is the primary function of a price ceiling in a market economy?

- A) To increase the price of goods and services
- B) To set a minimum price for a good or service
- C) To prevent prices from rising above a certain level**
- D) To encourage competition among producers

3. In a market economy, what typically determines the equilibrium price of a good or service?

- A) Government regulation
- B) The preferences of producers
- C) The interaction of supply and demand**
- D) The cost of production plus a fixed profit margin

4. Which of the following best defines Gross Domestic Product (GDP)?

- A) The total value of goods and services produced by a nation's citizens, regardless of location
- B) The total value of all final goods and services produced within a country in a specific period**
- C) The sum of all wages and salaries earned by workers in an economy
- D) The measure of inflation in an economy over a year

5. What is the main role of a central bank in an economy?

- A) To directly manage individual businesses
- B) To regulate international trade agreements
- C) To control the money supply and influence interest rates**
- D) To set minimum wage laws for all workers

6. When the demand for a product significantly increases while the supply remains constant, what is the most likely immediate effect on the price?

- A) The price will decrease
- B) The price will remain unchanged
- C) The price will increase**
- D) The price will fluctuate unpredictably

7. Which type of market structure is characterized by a single seller dominating the entire market for a product with no close substitutes?

- A) Oligopoly
- B) Monopolistic Competition
- C) Perfect Competition
- D) Monopoly**

8. What does the term 'opportunity cost' refer to in economics?

- A) The total cost of all available options
- B) The value of the next best alternative forgone when a choice is made**
- C) The financial expenses incurred in producing a good
- D) The loss of profit due to unforeseen circumstances

9. Inflation is generally understood as:

- A) A decrease in the general price level of goods and services
- B) A sustained increase in the general price level of goods and services**
- C) A period of economic stagnation and high unemployment
- D) A rise in the value of a nation's currency

10. What is the primary driver of economic growth in most modern economies?

- A) Increased government spending
- B) Technological advancements and increased productivity**
- C) Reduction in international trade
- D) A decrease in the labor force

11. Which economic principle states that as more of a variable input is added to a fixed amount of other resources, the marginal output will eventually decrease?

- A) The Law of Demand
- B) The Law of Supply
- C) The Law of Diminishing Marginal Returns**
- D) The Principle of Comparative Advantage

12. What is a key characteristic of a pure public good?

- A) It is rivalrous and excludable
- B) It is non-rivalrous and excludable
- C) It is rivalrous and non-excludable
- D) It is non-rivalrous and non-excludable**