High School Economics Fundamentals

Basic Economics · Practice Test · 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