Basic Economics Essentials

Basic Economics · Answer Key · 8 Questions

1. Which Scottish philosopher wrote 'The Wealth of Nations' in 1776, establishing key concepts of modern economics?

A) Adam Smith
B) David Ricardo
C) John Maynard Keynes
D) Thomas Malthus

2. What economic term describes the value of the next best alternative foregone when making a choice?

A) Marginal cost
B) Sunk cost
C) Opportunity cost
D) Fixed cost

3. Which economic indicator measures the average change over time in prices paid by urban consumers for a market basket of goods and services?

A) Producer Price Index
B) Consumer Price Index
C) Gross Domestic Product
D) Balance of Trade

4. What type of market structure is characterized by a small number of large firms dominating an industry?

A) Monopoly
B) Monopsony
C) Oligopoly
D) Perfect Competition

5. In classical economics, which four components comprise the traditional factors of production?

A) Land, Labor, Capital, and Entrepreneurship
B) Money, Goods, Services, and Trade
C) Stocks, Bonds, Real Estate, and Cash
D) Raw Materials, Transport, Machinery, and Credit

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6. If the quantity demanded of a good changes significantly in response to a minor price change, how is its demand described?

A) Inelastic
B) Elastic
C) Unitary
D) Perfectly Inelastic

7. What is the term for the policy through which a central bank controls the money supply and manages interest rates?

A) Fiscal policy
B) Monetary policy
C) Commercial policy
D) Trade policy

8. To prevent double counting when calculating Gross Domestic Product (GDP), which category of goods is excluded?

A) Exported goods
B) Intermediate goods
C) Consumer goods
D) Capital goods

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