IDENTIFYING MAIN IDEAS

Write the letter of the correct answer in the blank provided. (10 points each)

___ 1. Economics is the study of how people
   A. calculate their income tax.
   B. choose from limited resources to meet their needs.
   C. respond to war and drought.
   D. gain knowledge and skills from study and experience.

___ 2. Shortages occur when
   A. many people are unemployed.
   B. interest rates go up.
   C. people have trouble supplying goods and services at current prices.
   D. the United States imports more than it exports.

___ 3. The resources used to make goods and services are called
   A. factors of production.
   B. gross national product.
   C. production possibilities frontier.
   D. opportunity cost.

___ 4. Entrepreneurs are people who
   A. help settle labor disputes.
   B. work on the floor of the stock exchange.
   C. put together land, labor, and capital to create new businesses.
   D. produce all of a country’s guns and butter.

___ 5. Giving up one alternative for another is called
   A. underutilization.
   B. a trade-off.
   C. human capital.
   D. efficiency.

___ 6. Countries often have to choose between producing military or consumer goods, a trade-off economists call
   A. export or import.
   B. a free market economy.
   C. farm goods or factory goods.
   D. guns or butter.

___ 7. Thinking at the margins means deciding about
   A. maximizing goods and services.
   B. investing with borrowed money.
   C. adding or subtracting one additional unit of some resource.
   D. increasing or decreasing technological know-how.

___ 8. The purpose of a production possibilities graph is to
   A. show alternative ways to use an economy’s resources.
   B. show how a factory can use its workers in different ways.
   C. give engineers a new way of deciding how to build manufacturing plants.
   D. tell farmers how many watermelons to plant.

___ 9. Using resources in such a way as to maximize the production of goods and services is called
   A. efficiency.
   B. underutilization.
   C. thinking at the margins.
   D. growth.

___ 10. A country’s production possibilities will grow if it
    A. produces more guns than butter.
    B. lowers its opportunity costs.
    C. makes more trade-offs.
    D. increases its resources.