

## Chapter 1—The Nature and Scope of Economics

---

### MULTIPLE CHOICE

1. Generally, in economics we study how people
- react to changes in government policy.
  - make choices when resources are scarce.
  - react to rising prices.
  - get increases in income.

ANS: B                      PTS: 1                      DIF: Moderate              NAT: BUSPROG: Analytic  
TOP: A-Head: Economics Defined              KEY: Bloom's: Comprehension

2. Economics can be classified best as a(n)
- exact science.
  - physical science.
  - social science.
  - natural science.

ANS: C                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: A-Head: Economics Defined              KEY: Bloom's: Knowledge

3. Which of the following areas of study is included in the field of macroeconomics?
- electricians' wage rates
  - monopolistic pricing
  - price of automobiles
  - general price level

ANS: D                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: A-Head: Microeconomics and Macroeconomics              KEY: Bloom's: Comprehension

4. An example of a macroeconomic model is one that considers
- how the price of chicken influences the quantity of chicken bought.
  - why the size of the total national output depends on the size of total spending.
  - how the output of a product is influenced by the cost of production for the product.
  - All of these.

ANS: B                      PTS: 1                      DIF: Moderate              NAT: BUSPROG: Analytic  
TOP: A-Head: Microeconomics and Macroeconomics              KEY: Bloom's: Application

5. The interactions of producers and consumers in individual markets are part of the study of
- macroeconomics.
  - monetary economics.
  - normative economics.
  - microeconomics.

ANS: D                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Analytic  
TOP: A-Head: Microeconomics and Macroeconomics              KEY: Bloom's: Comprehension

6. The process of allocating the total product among the resources involved is referred to as
- geographic distribution.
  - functional distribution.
  - marketing distribution.
  - frictional distribution.

ANS: B                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Analysis

7. A person who organizes and assumes the risks of a business venture is called a(n)
- capitalist.
  - manager.
  - labor leader.
  - entrepreneur.

ANS: D                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

8. As economists use the term, capital means
- such things as machinery and equipment.
  - such things as money and credit.
  - the profits that come from hiring and using labor and natural resources.
  - All of these.

ANS: A                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

9. Payment to the owners of natural resources used in the production process is in the form of
- interest.
  - rent.
  - wages.
  - profits.

ANS: B                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

10. For the use of their capital in production, owners receive
- wages.
  - rent.
  - interest.
  - profit.

ANS: C                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

11. For the use of the employee's participation in production, an employee receives
- wages.
  - rent.
  - interest.
  - profit.

ANS: A                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

12. If an economist is trying to figure out, in a certain situation, "What would happen if?", then that economist is working in the area of
- normative economics.
  - positive economics.
  - the theory of the firm.
  - welfare economics.

ANS: B                    PTS: 1                    DIF: Moderate                    NAT: BUSPROG: Communication  
TOP: B-Head: Economic Theory and Policy                    KEY: Bloom's: Comprehension

13. Which of the following is the study of “what is” rather than “what ought to be”?
- normative economics
  - subjective economics
  - positive economics
  - the theory of the origin of humanity

ANS: C                    PTS: 1                    DIF: Moderate                    NAT: BUSPROG: Communication  
TOP: B-Head: Economic Theory and Policy                    KEY: Bloom's: Comprehension

14. Determining “what ought to be” in the economy is considered
- positive economics.
  - normative economics.
  - distributive economics.
  - mesoeconomics.

ANS: B                    PTS: 1                    DIF: Easy                    NAT: BUSPROG: Communication  
TOP: B-Head: Economic Theory and Policy                    KEY: Bloom's: Knowledge

15. An editorial in a newspaper calling for the government to abolish the minimum wage because it takes advantage of consumers is an example of a(n)
- positive economic statement.
  - pure economic statement.
  - normative economic statement.
  - abstract economic statement.

ANS: C                    PTS: 1                    DIF: Moderate  
NAT: BUSPROG: Reflective Thinking                    TOP: B-Head: Economic Theory and Policy  
KEY: Bloom's: Analysis

16. If you heard someone say that coal miners should be paid more wages to enable them to adequately support their families, that would be a statement of
- positive economics.
  - normative economics.
  - radical economics.
  - None of these.

ANS: B                    PTS: 1                    DIF: Moderate  
NAT: BUSPROG: Reflective Thinking                    TOP: B-Head: Economic Theory and Policy  
KEY: Bloom's: Analysis

17. Utility as an economic term refers to
- the amount of electricity generated.
  - the ability of a good to satisfy a want.
  - tangible goods only.
  - services only.

ANS: B                    PTS: 1                    DIF: Easy                    NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Production                    KEY: Bloom's: Knowledge

18. An economic service need not be
- useful.
  - scarce.

- c. transferable.
- d. tangible.

ANS: D                      PTS: 1                      DIF: Challenging  
NAT: BUSPROG: Reflective Thinking      TOP: B-Head: Goods and Services  
KEY: Bloom's: Knowledge

19. An example of a free good is
- a. public education.
  - b. CARE packages provided free to poor people overseas.
  - c. the water bubbling up from the natural spring in your backyard.
  - d. the ride you give a hitchhiker.

ANS: C                      PTS: 1                      DIF: Challenging      NAT: BUSPROG: Analytic  
TOP: B-Head: Goods and Services      KEY: Bloom's: Evaluation

20. A free good lacks the element of
- a. usefulness.
  - b. scarcity.
  - c. transferability.
  - d. tangibility.

ANS: B                      PTS: 1                      DIF: Challenging      NAT: BUSPROG: Communication  
TOP: B--Head: Goods and Services      KEY: Bloom's: Knowledge

21. For a good to be scarce, it must be something that
- a. has economic value.
  - b. people find useful.
  - c. is available only in limited quantities.
  - d. All of these.

ANS: D                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B--Head: Goods and Services      KEY: Bloom's: Knowledge

22. The total value of the goods and services produced over a period of time represents an economy's
- a. planned savings.
  - b. total income.
  - c. total wealth.
  - d. capital.

ANS: B                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Wealth and Income      KEY: Bloom's: Knowledge

23. Macroeconomic policymakers do not include
- a. the president of the United States.
  - b. the U.S. Congress.
  - c. the president of General Motors.
  - d. the secretary of the U.S. Treasury.

ANS: C                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic  
TOP: A-Head: Microeconomics and Macroeconomics      KEY: Bloom's: Synthesis

24. Profits can be thought of as
- a. the return to enterprise.
  - b. the reward for taking a risk and winning.
  - c. what is left over after all wages, rent, and interest have been paid.

d. All of these.

ANS: D                      PTS: 1                      DIF: Challenging                      NAT: BUSPROG: Analytic  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Application

25. The resource most directly associated with profits is

- a. land.
- b. labor.
- c. capital.
- d. enterprise.

ANS: D                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

26. In economics, the entrepreneur is the person who

- a. acts as the go-between among different manufacturers.
- b. puts together land, labor, and capital and tries to make a profit.
- c. is a shrewd business executive who works as a consultant to other businesses to show them more profitable methods of operation.
- d. is a visiting diplomat from France.

ANS: B                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

27. The difference between a capital good and a consumer good depends on

- a. the purpose for which it is used.
- b. how it was produced.
- c. when it was produced.
- d. how quickly it is used up.

ANS: A                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
TOP: B-Head: Goods and Services                      KEY: Bloom's: Synthesis

28. A bulldozer used by a construction firm is known as a

- a. capital good.
- b. consumer good.
- c. free good.
- d. public good.

ANS: A                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Goods and Services                      KEY: Bloom's: Application

29. The ability of a good or service to satisfy a want is known as

- a. tangibility.
- b. desirability.
- c. utility.
- d. satisfying.

ANS: C                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Production                      KEY: Bloom's: Knowledge

30. Economists divide productive resources into which of the following four broad categories?

- a. land, labor, money, enterprise.
- b. land, labor, capital, enterprise.
- c. minerals, unskilled labor, semi-skilled labor, skilled labor.
- d. land, buildings, machinery, money.

ANS: B                    PTS: 1  
TOP: B-Head: Economics and Production

DIF: Easy

NAT: BUSPROG: Communication  
KEY: Bloom's: Knowledge

31. An economic good must be
- useful.
  - scarce.
  - transferable.
  - All of these.

ANS: D                    PTS: 1  
TOP: B-Head: Goods and Services

DIF: Moderate        NAT: BUSPROG: Communication  
KEY: Bloom's: Knowledge

32. Public parks and libraries are examples of
- economic goods.
  - free goods.
  - intangible goods.
  - public goods.

ANS: D                    PTS: 1  
TOP: B-Head: Economic Theory and Policy

DIF: Easy

NAT: BUSPROG: Communication  
KEY: Bloom's: Application

33. The rules and principles of economics that serve as a guide for action are known as
- economic policy.
  - economic theory.
  - macroeconomics.
  - microeconomics.

ANS: B                    PTS: 1  
TOP: B-Head: Economic Theory and Policy

DIF: Easy

NAT: BUSPROG: Communication  
KEY: Bloom's: Knowledge

34. If a useful good or service exists in such abundance that anyone can readily obtain it without much effort,
- it is not scarce, but it is an economic good.
  - it is scarce, but it is not an economic good.
  - it is scarce, and it is an economic good.
  - it is neither scarce nor is it an economic good.

ANS: D                    PTS: 1  
TOP: B-Head: Goods and Services

DIF: Challenging    NAT: BUSPROG: Analytic  
KEY: Bloom's: Evaluation

35. The stock of labor talents and skills is known as
- a public good.
  - the functional distribution.
  - human capital.
  - enterprise.

ANS: C                    PTS: 1  
TOP: B-Head: Wealth and Income

DIF: Easy                    NAT: BUSPROG: Communication  
KEY: Bloom's: Knowledge

36. Total wealth is a \_\_\_\_ concept; total income is a \_\_\_\_ concept.
- stock; flow.
  - stock; stock.
  - flow; stock.
  - flow; flow.

ANS: A                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Wealth and Income                      KEY: Bloom's: Synthesis

37. A science that studies the behavior and interactions of human beings, individually and in groups, is known as a(n)
- social science.
  - physical science.
  - interactive science.
  - dynamic science.

ANS: A                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics in Relation to Other Sciences                      KEY: Bloom's: Knowledge

38. The sum of all the goods and services produced by an economy over a given time period is known as its
- total wealth.
  - functional distribution.
  - total capital.
  - total product.

ANS: D                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Production                      KEY: Bloom's: Knowledge

39. Economics can best be defined as the study of how
- society decides to use its scarce resources in an attempt to satisfy unlimited wants.
  - the government should deal with the problems of unemployment and inflation.
  - to make money in the stock market.
  - the government should eliminate the problem of scarce resources.

ANS: A                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic  
TOP: A-Head: Economics Defined                      KEY: Bloom's: Synthesis

40. Normative economic statements
- can't be verified.
  - deal with "what is".
  - consider the effect one variable has on another variable .
  - None of these.

ANS: A                      PTS: 1                      DIF: Challenging                      NAT: BUSPROG: Communication  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Comprehension

41. Economic policy
- always follows economic theory.
  - develops rules and principles of economics.
  - is often modified by political and social considerations.
  - All of these.

ANS: C                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Ethics  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Comprehension

42. Which of the following is an example of marginal analysis?
- a fast food restaurant that only serves lunch and dinner trying to determine if it should open for breakfast.
  - a company looking at its total costs of production.

- c. a worker calculating his total income.
- d. an economist analyzing total output for the U.S. economy.

ANS: A                      PTS: 1                      DIF: Challenging      NAT: BUSPROG: Analytic  
TOP: B-Head: Economic Terms and Concepts      KEY: Bloom's: Synthesis

43. An example of rational behavior in economics is
- a. a firm seeking to minimize its losses in an economic downturn.
  - b. a consumer wanting to maximize satisfaction.
  - c. a country looking to maximize its output.
  - d. All of these.

ANS: D                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Analytic  
TOP: B-Head: Economic Terms and Concepts      KEY: Bloom's: Comprehension

44. The idea that what's good for one person may not be good for all people is known as the
- a. cause-effect fallacy.
  - b. fallacy of composition.
  - c. moral hazard problem.
  - d. disequilibrium position.

ANS: B                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economic Terms and Concepts      KEY: Bloom's: Knowledge

45. When the federal government insures large financial institutions against losses, the problem of \_\_\_\_\_ arises.
- a. paradox of thrift.
  - b. fallacy of composition.
  - c. moral hazard.
  - d. distribution.

ANS: C                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic  
TOP: B-Head: Economic Terms and Concepts      KEY: Bloom's: Comprehension

46. Economics is the study of
- a. how to make money.
  - b. choices in a world of scarcity.
  - c. how to distribute unlimited production among limited wants.
  - d. All of the above.

ANS: B                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
TOP: A-Head: Economics Is a Science of Choices      KEY: Bloom's: Synthesis

47. Economics teaches us that
- a. every choice has costs associated with it because resources are scarce.
  - b. if all resources were abundant there would be no need to economize or to agonize over decisions.
  - c. judgements have to be made as to the best means to obtain a desired objective.
  - d. All of the above.

ANS: D                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
TOP: A-Head: Economics Is a Science of Choices      KEY: Bloom's: Synthesis

48. When a large number of people in society save more and it results in a decline in national income and an increase in unemployment this is known as
- a. the fallacy of composition.

- b. moral hazard.
- c. the paradox of thrift.
- d. marginal analysis.

ANS: C                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
 TOP: B-Head: Economic Terms and Concepts                      KEY: Bloom's: Knowledge

**TRUE/FALSE**

1. The study of economics is primarily theoretical and has very little practical application.

ANS: F                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
 TOP: A-Head: Economics Is a Science of Choices                      KEY: Bloom's: Evaluation

2. Economics is considered a physical science.

ANS: F                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
 TOP: B-Head: Economics in Relation to Other Sciences                      KEY: Bloom's: Comprehension

3. Economies must make choices because resources are limited while wants are unlimited.

ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Analytic  
 TOP: A-Head: Economics Defined                      KEY: Bloom's: Comprehension

4. Production is the creation or addition of utility.

ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
 TOP: B-Head: Economics and Production                      KEY: Bloom's: Knowledge

5. Labor includes the physical efforts of individuals and groups, but not their mental efforts.

ANS: F                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
 TOP: B-Head: Economics and Distribution  
 KEY: Bloom's: Comprehension

6. Functional distribution has to do with the allocation of total production among the resources.

ANS: T                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
 TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

7. Goods used to produce other goods and services are known as capital.

ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
 TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

8. All economies in the world have identical methods of functional distribution.

ANS: F                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
 TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Application

9. A positive economic statement is always true.

ANS: F                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic

TOP: B-Head: Economics and Distribution  
KEY: Bloom's: Comprehension

10. Positive economics deals with “what is” as opposed to “what ought to be.”

ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Knowledge

11. The largest part of U.S. national income takes the form of profits.

ANS: F                      PTS: 1                      DIF: Challenging                      NAT: BUSPROG: Analytic  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Comprehension

12. Consumption is the ultimate end of economic activity.

ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics and Consumption                      KEY: Bloom's: Knowledge

13. A free good may eventually become an economic good.

ANS: T                      PTS: 1                      DIF: Challenging                      NAT: BUSPROG: Analytic  
TOP: B-Head: Goods and Services                      KEY: Bloom's: Evaluation

14. Payment for the use of capital is made in the form of rent.

ANS: F                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Analytic  
TOP: B-Head: Economics and Distribution                      KEY: Bloom's: Knowledge

15. The study of economics would be less complicated if differences in subjective judgments did not exist.

ANS: T                      PTS: 1                      DIF: Challenging                      NAT: BUSPROG: Ethics  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Synthesis

16. Equilibrium is a position of stability or rest.

ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economic Terms and Concepts                      KEY: Bloom's: Knowledge

17. All goods and services produced during the year are added to the total wealth of the nation.

ANS: F                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
TOP: B-Head: Wealth and Income                      KEY: Bloom's: Comprehension

18. Stocks and bonds are counted as part of total wealth.

ANS: F                      PTS: 1                      DIF: Challenging                      NAT: BUSPROG: Analytic  
TOP: B-Head: Wealth and Income                      KEY: Bloom's: Synthesis

19. To understand the purpose of a given economic policy, it is necessary to understand the influence of political and social policies.

ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Application

20. Economics is an isolated science since it has no relation to other sciences.
- ANS: F                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics in Relation to Other Sciences                      KEY: Bloom's: Evaluation
21. Concern with the level of employment in the economy is a macroeconomic issue.
- ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: A-Head: Microeconomics and Macroeconomics                      KEY: Bloom's: Knowledge
22. Microeconomics is a study of aggregates in the economy.
- ANS: F                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: A-Head: Microeconomics and Macroeconomics                      KEY: Bloom's: Knowledge
23. An economy's wealth consists of a multitude of consumer and capital goods.
- ANS: T                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic  
TOP: B-Head: Wealth and Income                      KEY: Bloom's: Synthesis
24. Economic services lack the characteristic of transferability found in economic goods.
- ANS: F                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic  
TOP: B-Head: Goods and Services                      KEY: Bloom's: Comprehension
25. Economic theory and economic policy are synonymous.
- ANS: F                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Evaluation
26. Your decision to attend college was a microeconomic choice.
- ANS: T                      PTS: 1                      DIF: Easy  
NAT: BUSPROG: Reflective Thinking                      TOP: A-Head: Microeconomics and Macroeconomics  
KEY: Bloom's: Evaluation
27. Goods directly used by individuals and households are known as capital goods.
- ANS: F                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: B-Head: Goods and Services                      KEY: Bloom's: Knowledge
28. The relationship between the price of a book and the number of volumes purchased would be an example of microeconomics.
- ANS: T                      PTS: 1                      DIF: Easy                      NAT: BUSPROG: Communication  
TOP: A-Head: Microeconomics and Macroeconomics                      KEY: Bloom's: Knowledge
29. Some economic principles are based on physical phenomena.
- ANS: T                      PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Communication  
TOP: B-Head: Economics in Relation to Other Sciences                      KEY: Bloom's: Analysis
30. If I stand up at a football game, I can see better. But if we all stand up, we block each other's view. This is an example of the fallacy of composition.

ANS: T                      PTS: 1                      DIF: Easy  
TOP: B-Head: Economic Terms and Concepts

NAT: BUSPROG: Communication  
KEY: Bloom's: Application

## ESSAY

1. Producing goods can add to net wealth, but rendering services cannot. Explain.

ANS:

A good can be of greater value when produced than the resources used to produce it. Therefore it adds to our wealth. Since a service is consumed as it is produced, it does not add wealth. It is counted as income, however.

PTS: 1                      DIF: Challenging                      NAT: BUSPROG: Analytic  
TOP: B-Head: Wealth and Income                      KEY: Bloom's: Evaluation

2. Identify some problems or issues that are both economic and political.

ANS:

Here the student might point to such problems as poverty, unemployment, taxes, low-income housing, and air pollution.

PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic  
TOP: B-Head: Economic Theory and Policy                      KEY: Bloom's: Application

3. Explain why economics is a science and how it differs from a physical science.

ANS:

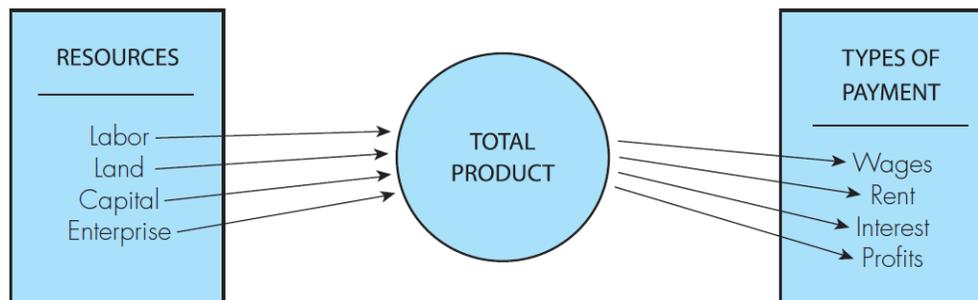
Economics is a science because it is an organized body of knowledge with certain rules, laws, and principles. It differs from many of the physical sciences, such as chemistry, physics, and biology, in having fewer universal or ironclad laws. Moreover, it deals more with the actions of people rather than things.

PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Reflective Thinking  
TOP: B-Head: Economics in Relation to Other Sciences                      KEY: Bloom's: Analysis

4. Draw a graph showing the concept of functional distribution.

ANS:

Here the student should draw a graph or figure similar to **Figure 1-1** in the text.



PTS: 1                      DIF: Moderate                      NAT: BUSPROG: Analytic

TOP: B-Head: Economics and Distribution

KEY: Bloom's: Comprehension