Economics

Chapter 1 Questions

September 13, 2013

1. What are the three interrelated features of the economic perspective?
2. What is the economic meaning of the statement “there is no such thing as a free lunch”?
3. What are the differences and similarities among the terms *hypothesis, theory, principle, law,* and *model?*
4. Why do economists use the “other things equal” assumption?
5. Why are economic principles necessarily generalized and abstract?
6. Explain the difference between microeconomics and macroeconomics.
7. What are some current examples of positive economic statements and normative economic statements?
8. Explain what the term “economizing problem” means for an individual and for society.
9. What is a budget line for an individual? How can it be used to illustrate trade-offs and opportunity costs?
10. What are the four economic resources? How is each resource defined?
11. What four assumptions are made in drawing a production possibilities curve or schedule?
12. What is the law of increasing opportunity costs? Why do opportunity costs increase?
13. What determines the optimal product mix for society’s production possibilities?
14. How can unemployment be illustrated with the production possibilities curve?
15. What will be the effect of increasing resource supplies on production possibilities?
16. Describe how technological advances will affect the production possibilities curve.
17. Explain the trade-off between goods for the present and goods for the future and the effect of this trade-off on economic growth.
18. What qualification does international specialization and trade make for the interpretation of production possibilities?
19. Explain how the production possibilities curve can be used to explain the economics of war.
20. Explain each of the five pitfalls to sound economic reasoning.