

# Chapter 1

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## Put into practice questions

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**Which of the following is not a resource in the economy?**

- a. The Labour force
- b. Machinery
- c. Natural resources
- d. Finished Products

Answer is D. Finished products. This is an output but not a resource

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**Which of the following statements are true and which are false? Explain your answers**

- a. The free market relies on government intervention. FALSE ; no intervention
- b. The basic economic questions are: What to produce? When to produce? Why produce? TRUE
- c. The free market may lead to income inequality; TRUE

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**Are the following micro or macroeconomic issues? Explain your answers.**

- a. The share price of Facebook. Micro
- b. The growth of the UK economy. Macro (whole economy)
- c. The supply of housing in Oxford. Micro- one market)
- d. A rise in unemployment. Macro- all labour markets)

**Are the following normative or positive economics? Explain your answers.**

- a. Lower interest rates lead to more spending in the economy Positive.
- b. Higher taxes on alcohol will reduce consumption. Positive.
- c. The government should focus more on reducing inflation than growth. Normative
- d. The government needs to spend more on healthcare. Normative

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**Which of the following statements are true and which are false? Explain your answers.**

- a. A government-run organization is part of the public sector. True

- b. Real wages have taken account of inflation. True
- c. If the marginal cost of an activity equals the marginal benefit there is no value in undertaking this activity at all. False
- d. Capital goods are an investment for the future. True

## End of chapter put into practice questions

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**Which of the following is not a resource in the economy?**

- a. Land
- b. Labour
- c. Finished goods
- d. Enterprise.

Answer is C. This is an output not a resource.

**Which activities in your country are undertaken by the public sector? Compare this with one other economy of your choice. If there are differences in what the government provides in these countries, why do you think this might be?**

Will depend on your country but consider areas such as energy, health, education and transport.

**Identify one policy your government has introduced recently to affect the economy. Explain what the policy is and why this policy has been introduced.**

Will depend on your government

**Has the government transferred any organisation to the private sector in your country? If so why? OR has the government taken control of any organisation? If so why?**

Will depend on what has happened in your economy

**Which one of the following is true? Explain your answer?**

- a. A normative statement is one which never contain words such as 'is' or 'will' or 'always'. TRUE
- b. A normative statement is one which can be scientifically proven to be true or false. FALSE
- c. A positive economic statement can be tested against the facts. TRUE
- d. A positive economic statement can never contain words such as 'could' or 'should'. TRUE

**Which of the following is a positive economics statement?**

- a. There are too many poor people in the UK.

- b. The distribution of income in the UK is unequal. POSITIVE
- c. The high income earners should be taxed more.
- d. The unemployed should receive more benefits.

**What is the opportunity cost of university? Explain your answer.**

It is the sacrifice foregone e.g the earnings you could have had if you had started work immediately

**If inflation is 5 per cent and nominal wages are rising by 3 per cent what is happening to real wages? Why?**

Real wages are falling because nominal wages are not increasing as much as prices.

**Satisfaction is maximized when there is the biggest positive difference between the marginal benefit of an activity and the marginal cost. True or false? Explain your answer.**

FALSE. Satisfaction would be maximized where there is no extra satisfaction from consuming a unit.