Exam #1 - Multiple Choice - Preview

Introduction and Macroeconomic Questions

Question 1
Economics is the study of the allocation of __________ resources to satisfy unlimited wants.

- a) plentiful
- b) scarce
- c) all
- d) certain

Question 2
Which of the following can be considered economic questions?

- a) Should I go to college or start working?
- b) How much time should I spend learning a new skill?
- c) Should the government expand welfare programs to alleviate poverty?
- d) All of the above.

Question 3
What is defined as any group of people interacting with one another as they go about their daily lives?

- a) A firm
- b) A country
- c) An economy
d) A republic

Question 4 0 / 1 point
Which of the following is an observation one could make about the global economy?

a) Free market economies are morally superior to organized economies.

b) Some countries have enjoyed steady economic growth over the last hundred years, but others have not.

c) Deregulation of the financial markets has been bad for the global economy.

d) The average Chinese citizen enjoys a similar income as the average American citizen.

Question 5 0 / 1 point
Which of the following is an example of a theory to explain an economic observation?

a) African countries, on average, experience the lowest standard of living across the globe.

b) Argentina experienced rapid economic expansion two decades ago, but has since experienced economic contraction.

c) Technological innovation and free trade have driven economic growth over the last three decades.

d) India has a lower income per person than China.

Question 6 0 / 1 point
In order to test theories in macroeconomics, economists have to utilize

large datasets.

none of the above.

personal stories.

mathematical proofs.

Question 7 0 / 1 point
Correlation ______ causation.

a) is the opposite of

b) is

c) is not

d) is the same thing as
Question 8  
It is almost impossible to prove a causal relationship. Economists often utilize data and statistics to 

- a) create laws governing the economy.  
- b) generate causal relationships.  
- c) offer evidence in support of or against a hypothesized causal relationship.  
- d) All of the above.

Question 9  
*Post Hoc, Ergo Propter Hoc* is a logical fallacy where an individual 

- a) believes that the global economy is simple to understand and analyze.  
- b) believes that correlation is not causation.  
- c) erroneously believes that event X caused event Y simply because event Y followed event X.  
- d) believes that economists should be more concerned with equality rather than efficiency.

Question 10  
In a competitive market, the price of a product 

- is determined by buyers, and the quantity of the product produced is determined by sellers.  
- is determined by sellers, and the quantity of the product produced is determined by buyers.  
- and the quantity of the product produced are both determined by sellers.  
- None of the above is correct.

Question 11  
In competitive markets, 

- firms produce identical products.  
- no individual buyer can influence the market price.  
- no individual seller can influence the market price.  
- All of the above are correct.

Question 12  
The quantity demanded of a good is the amount that buyers are 

- willing to purchase.  
- willing and able to purchase.  
- willing, able, and need to purchase.  
- able to purchase.
Question 13

A decrease in the price of a good will

- increase demand.
- decrease demand.

⇒ increase quantity demanded.
- decrease quantity demanded.

Question 14

Refer to Figure 4-1. The movement from point A to point B on the graph shows

- a decrease in demand.
- an increase in demand.
- a decrease in quantity demanded.

⇒ an increase in quantity demanded.

Question 15

Refer to Figure 4-1. The movement from point A to point B on the graph is caused by

- an increase in price.

⇒ a decrease in price.
- a decrease in the price of a substitute good.
Question 16

Refer to Figure 4-1. It is apparent from the figure that the

- good is inferior.
- demand for the good decreases as income increases.
- demand for the good conforms to the law of demand.
- All of the above are correct.

Question 17

The law of demand states that, other things equal, when the price of a good

- falls, the demand for the good rises.
- rises, the quantity demanded of the good rises.
- rises, the demand for the good falls.
- falls, the quantity demanded of the good rises.

Question 18

The following table contains a demand schedule for a good.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity Demanded</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>100</td>
</tr>
<tr>
<td>$20</td>
<td>Q1</td>
</tr>
</tbody>
</table>

If the law of demand applies to this good, then Q1 could be

- 0.
- 100.
- 200.
- 400.

Question 19

A market demand curve shows how the total quantity demanded of a good varies as

- income varies.
- price varies.
- price of the nearest substitute good varies.
Question 20
The quantity supplied of a good is the amount that
- buyers are willing and able to purchase.
- sellers are able to produce.
- buyers and sellers agree will be brought to market.
- sellers are willing and able to sell.

Question 21
Refer to Figure 4-10. Which of the following would cause the supply curve to shift from Supply A to Supply C in the market for tennis racquets?
- an increase in the price of tennis balls
- an expectation by firms that the price of tennis racquets will increase in the very near future
- a decrease in the price of tennis racquet strings
- a decrease in the number of firms selling tennis racquets

Question 22
Refer to Figure 4-10. Which of the following would cause the supply curve to shift from Supply B to Supply A in the market for tennis racquets?
- a decrease in the price of tennis balls
an expectation by firms that the price of tennis racquets will increase in the very near future
a decrease in the price of tennis racquet strings
an improvement in technology that allows firms to use less labor in the production of tennis racquets

Question 23
The unique point at which the supply and demand curves intersect is called

- market harmony.
- coincidence.
- equivalence.
- equilibrium.

Question 24
In markets, prices move toward equilibrium because of

- the actions of buyers and sellers.
- government regulations placed on market participants.
- increased competition among sellers.
- buyers' ability to affect market outcomes.

Question 25
If the demand for a product increases, then we would expect equilibrium price

- to increase and equilibrium quantity to decrease.
- to decrease and equilibrium quantity to increase.

- and equilibrium quantity both to increase.
- and equilibrium quantity both to decrease.

Question 26
Suppose that demand for a good decreases and, at the same time, supply of the good decreases. What would happen in the market for the good?

- Equilibrium price would decrease, but the impact on equilibrium quantity would be ambiguous.
- Equilibrium price would increase, but the impact on equilibrium quantity would be ambiguous.

- Equilibrium quantity would decrease, but the impact on equilibrium price would be ambiguous.
- Equilibrium quantity would increase, but the impact on equilibrium price would be ambiguous.

Question 27
A surplus exists in a market if

- there is an excess demand for the good.
- quantity demanded exceeds quantity supplied.

- the current price is above its equilibrium price.
- All of the above are correct.

Question 28
If there is a shortage of farm laborers, we would expect
Question 29

Refer to Figure 4-15. Equilibrium price and quantity are, respectively,

- $15 and 200 units.
- $25 and 600 units.
- $25 and 400 units.
- $35 and 200 units.

Question 30

Refer to Figure 4-15. At a price of $35, there would be a

- shortage of 400 units.
- surplus of 200 units.
- surplus of 400 units.
- surplus of 600 units.
Question 31
Refer to Figure 4-15. At a price of $15, there would be a
- surplus of 400 units.
- shortage of 200 units.
- shortage of 400 units.
- shortage of 600 units.

Question 32
A legal maximum on the price at which a good can be sold is called a price
- floor.
- subsidy.
- support.
- ceiling.

Question 33
Refer to Figure 6-1. A binding price ceiling is shown in
- panel (a) only.
- panel (b) only.
Question 34  
If a price floor is a binding constraint on a market, then
- the equilibrium price must be above the price floor.
- the quantity demanded must exceed the quantity supplied.
- sellers cannot sell all they want to sell at the price floor.
- buyers cannot buy all they want to buy at the price floor.

Question 35  
Refer to Figure 6-3. A binding price floor is shown in
- both panel (a) and panel (b).
- panel (a) only.
- panel (b) only.
- neither panel (a) nor panel (b).

Question 36  

Refer to Figure 6-9. A price ceiling set at
- $4 will be binding and will result in a shortage of 3 units.
- $4 will be binding and will result in a shortage of 6 units.
- $7 will be binding and will result in a surplus of 6 units.
- $7 will be binding and will result in a surplus of 12 units.

Question 37
Minimum-wage laws dictate the
- average price employers must pay for labor.
- highest price employers may pay for labor.
- lowest price employers may pay for labor.
- the highest and lowest prices employers may pay for labor.

Question 38
Refer to Figure 6-13.
In this market, a minimum wage of $7.25 is
- binding and creates a labor shortage.
- binding and creates unemployment.
- nonbinding and creates a labor shortage.
- nonbinding and creates neither a labor shortage nor unemployment.

Question 39
Refer to Figure 6-13.
- binding and creates a labor shortage.
- binding and creates unemployment.
- nonbinding and creates a labor shortage.
- nonbinding and creates neither a labor shortage nor unemployment.
Refer to Figure 6-13. In this market, a minimum wage of $2.75 is

- binding and creates a labor shortage.
- binding and creates unemployment.
- nonbinding and creates a labor shortage.
- nonbinding and creates neither a labor shortage nor unemployment.

**Question 40**

In any economic system, scarce resources have to be allocated among competing uses. Market economies harness the forces of

- government to allocate scarce resources.
- supply and demand to allocate scarce resources.
- credit cards to allocate scarce resources.
- nature to allocate scarce resources.

**Question 41**

On a graph, the area below a demand curve and above the price measures

- producer surplus.
- consumer surplus.
- deadweight loss.
- willingness to pay.

**Question 42**

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Willingness To Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>David</td>
<td>$8.50</td>
</tr>
<tr>
<td>Laura</td>
<td>$7.00</td>
</tr>
<tr>
<td>Megan</td>
<td>$5.50</td>
</tr>
<tr>
<td>Mallory</td>
<td>$4.00</td>
</tr>
<tr>
<td>Audrey</td>
<td>$3.50</td>
</tr>
</tbody>
</table>

Refer to Table 7-2. If the price of Vanilla Coke is $6.90, who will purchase the good?

- all five individuals
- Megan, Mallory and Audrey
- David, Laura and Megan
- David and Laura

**Question 43**

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Willingness To Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>David</td>
<td>$8.50</td>
</tr>
<tr>
<td>Laura</td>
<td>$7.00</td>
</tr>
<tr>
<td>Megan</td>
<td>$5.50</td>
</tr>
</tbody>
</table>
Refer to Table 7-2. If the market price is $5.50, the consumer surplus in the market will be

- $3.00.
- $4.50.
- $15.50.
- $21.00.

Question 44

Refer to Figure 7-2. When the price is $P_1$, consumer surplus is

- A.
- A+B.
- A+B+C.
- A+B+D.

Question 45

Refer to Figure 7-2. When the price is $P_2$, consumer surplus is

- A.
Question 46

Refer to Figure 7-2. When the price rises from $P_1$ to $P_2$, consumer surplus

- increases by an amount equal to $A$.
- decreases by an amount equal to $B+C$.
- increases by an amount equal to $B+C$.
- decreases by an amount equal to $C$.

Question 47

Producer surplus is

- measured using the demand curve for a good.
- always a negative number for sellers in a competitive market.
- the amount a seller is paid minus the cost of production.
- the opportunity cost of production minus the cost of producing goods that go unsold.

Question 48

Refer to Figure 7-8.
Refer to Figure 7-8. Which area represents producer surplus when the price is \( P_2 \)?

- BCG
- ACH
- ABGD
- AHGB

**Question 49**

Refer to Figure 7-8. Which area represents the increase in producer surplus when the price rises from \( P_1 \) to \( P_2 \)?

- BCG
- ACH
- ABGD
- AHGB

**Question 50**

Refer to Figure 7-8. When the price rises from \( P_1 \) to \( P_2 \), which area represents the increase in producer surplus to existing producers?

- BC
Question 51
Total surplus
- can be used to measure a market's efficiency.
- is the sum of consumer and producer surplus.
- is the to value to buyers minus the cost to sellers.
- All of the above are correct.

Question 52
Refer to Figure 7-17. When the price is P1, area A represents
- total benefit.
- producer surplus.
- consumer surplus.
- None of the above is correct.

Question 53
Refer to Figure 7-17.
Refer to Figure 7-17. When the price is P1, area B+C represents

- total surplus.
- producer surplus.
- consumer surplus.
- None of the above is correct.

Question 54

When a good is taxed,

- both buyers and sellers of the good are made worse off.
- only buyers are made worse off, because they ultimately bear the burden of the tax.
- only sellers are made worse off, because they ultimately bear the burden of the tax.
- neither buyers nor sellers are made worse off, since tax revenue is used to provide goods and services that would otherwise not be provided in a market economy.

Question 55

Deadweight loss is the

- decline in total surplus that results from a tax.
- decline in government revenue when taxes are reduced in a market.
- decline in consumer surplus when a tax is placed on buyers.
- loss of profits to business firms when a tax is imposed.

Question 56

Refer to Figure 8-1. Suppose the government imposes a tax of P' - P'''. Total surplus before the tax is measured by the area

- I+Y.
- J+K+L+M.
Question 57

Refer to Figure 8-1. Suppose the government imposes a tax of $P' - P''$. Total surplus after the tax is measured by the area

- I+Y.
- J+K+L+M.
- I+Y+B.
- I+J+K+L+M+Y.

Question 58

Refer to Figure 8-1. Suppose the government imposes a tax of $P' - P''$. The tax revenue is measured by the area

- K+L.
- I+Y.
- J+K+L+M.
- I+J+K+L+M+Y.
Refer to Figure 8-1. Suppose the government imposes a tax of $P' - P''$. The deadweight loss due to the tax is measured by the area

- J+K+L+M.
- J+K+L+M+N.
- I+Y.
- I+Y+B.

Question 60
When can two countries gain from trading two goods?

- when the first country can only produce the first good and the second country can only produce the second good
- when the first country can produce both goods, but can only produce the second good at great cost, and the second country can produce both goods, but can only produce the first good at great cost
- when the first country is better at producing both goods and the second country is worse at producing both goods
- Two countries could gain from trading two goods under all of the above conditions.

Question 61
The production possibilities frontier illustrates

- the combinations of output that an economy should produce.
- the combinations of output that an economy should consume.
- the combinations of output that an economy can produce.
- All of the above are correct.

Question 62
Table 3-3
Assume that Zimbabwe and Portugal can switch between producing toothbrushes and producing hairbrushes at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Machine Minutes Needed to Make 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Toothbrush</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>3</td>
</tr>
<tr>
<td>Portugal</td>
<td>5</td>
</tr>
</tbody>
</table>
Refer to Table 3-3. Which of the following represents Zimbabwe’s and Portugal’s production possibilities frontiers when each country has 60 minutes of machine time available?

Refer to Table 3-3. Assume that Zimbabwe and Portugal each has 180 machine minutes available. If each country divides its time equally between the production of toothbrushes and hairbrushes, then total production is
Question 64
What must be given up to obtain an item is called
- out-of-pocket cost.
- comparative worth.
- opportunity cost.
- absolute value.

Question 65
Mike and Sandy are two woodworkers who both make tables and chairs. In one month, Mike can make 4 tables or 20 chairs, while Sandy can make 6 tables or 18 chairs. Given this, we know that
- Mike has an absolute advantage in chairs.
- Mike has a comparative advantage in tables.
- Sandy has an absolute advantage in chairs.
- Sandy has a comparative advantage in chairs.

Question 66
If Iowa’s opportunity cost of corn is lower than Oklahoma’s opportunity cost of corn, then
- Iowa has a comparative advantage in the production of corn.
- Iowa has an absolute advantage in the production of corn.
- Iowa should import corn from Oklahoma.
- Oklahoma should produce just enough corn to satisfy its own residents’ demands.

Question 67
Table 3-5
Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1 Unit of Cheese</th>
<th>Number of Units Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bread</td>
<td>Cheese</td>
</tr>
<tr>
<td>England</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
<td>8</td>
</tr>
</tbody>
</table>

Refer to Table 3-5. The opportunity cost of 1 unit of cheese for England is
- 1/4 unit of bread.
- 1 hour of labor.
- 4 units of bread.
- 4 hours of labor.

Question 68
Table 3-5
Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

<table>
<thead>
<tr>
<th>Labor Hours Needed to Make 1 Unit of</th>
<th>Number of Units Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>Bread</td>
</tr>
<tr>
<td>England</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
</tr>
</tbody>
</table>

Refer to Table 3-5. The opportunity cost of 1 unit of bread for Spain is

- 1/2 unit of cheese.
- 1/2 hour of labor.
- 2 units of cheese.
- 8 hours of labor.

Question 69 0 / 1 point

**Table 3-5**

Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

<table>
<thead>
<tr>
<th>Labor Hours Needed to Make 1 Unit of</th>
<th>Number of Units Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>Bread</td>
</tr>
<tr>
<td>England</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
</tr>
</tbody>
</table>

Refer to Table 3-5. England should specialize in the production of

- cheese and Spain should specialize in the production of bread.
- bread and Spain should specialize in the production of cheese.
- both goods and Spain should specialize in the production of neither good.
- neither good and Spain should specialize in the production of both goods.

Question 70 0 / 1 point

**Table 3-5**

Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

<table>
<thead>
<tr>
<th>Labor Hours Needed to Make 1 Unit of</th>
<th>Number of Units Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>Bread</td>
</tr>
<tr>
<td>England</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
</tr>
</tbody>
</table>

Refer to Table 3-5. Without trade, England produced and consumed 32 units of cheese and 2 units of bread and Spain produced and consumed 6 units of cheese and 2 units of bread. Then, each country agreed to specialize in the production of the good in which it has a comparative advantage and trade 7 units of cheese for 2.5 units of bread. As a result, England gained

- 0 units of cheese and 0.5 unit of bread and Spain gained 1 unit of cheese and 0.5 unit of bread.
- 1 unit of cheese and 0.5 unit of bread and Spain gained 1 unit of cheese and 0.5 unit of bread.
- 7 units of cheese and 2.5 units of bread and Spain gained 7 units of cheese and 2.5 units of bread.
- 33 units of cheese and 2.5 units of bread and Spain gained 7 units of cheese and 2.5 units of bread.
Question 71
Which famous economist developed the principle of comparative advantage as we know it today?
- Adam Smith
- David Ricardo
- John Maynard Keynes
- Milton Friedman

Question 72
By definition, imports are
- people who work in foreign countries.
- goods in which a country has an absolute advantage.
- limits placed on the quantity of goods leaving a country.
- goods produced abroad and sold domestically.

Question 73
By definition, exports are
- limits placed on the quantity of goods brought into a country.
- goods in which a country has an absolute advantage.
- people who work in foreign countries.
- goods produced domestically and sold abroad.

Question 74
Refer to Figure 3-8. Chile should specialize in the production of
- coffee and import soybeans.
- soybeans and import coffee.
- both goods and import neither good.
- neither good and import both goods.

Question 75
Refer to Figure 3-8. Colombia should specialize in the production of

- coffee and import soybeans.
- soybeans and import coffee.
- both goods and import neither good.
- neither good and import both goods.

Attempt Score: 0 / 75 (0.00 %)