Exam

Name___________________________________

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) The four elements of the economic way of thinking includes all of the following except: 1) ________
A) economic analysis uses the key assumption that people act irrationally and that they are not motivated by self-interest.
B) economists use assumptions to make things simpler and focus attention on what really matters.
C) economic analysis often involves variables and how they affect one another.
D) economists often consider how a small change in one variable affects another variable.

Answer: A
Explanation: A)
B)
C)
D)

2) In a modern market economy, most of the answers to the questions of what to produce, how to produce it, and who should get the production are made by: 2) ________
A) governments. B) individuals. C) firms. D) both B and C

Answer: D
Explanation: A)
B)
C)
D)

3) Who is associated with the following summary of the economic way of thinking: "The theory of economics does not furnish a body of settled conclusions immediately acceptable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking which helps its processor draw correct conclusions." 3) ________
A) President Harry Truman
B) Alfred Marshall
C) Adam Smith
D) John Maynard Keynes

Answer: D
Explanation: A)
B)
C)
D)

4) Resources are all of the following except: 4) ________
A) the things we use to produce goods and services.
B) scarce and therefore requiring choices to be made.
C) unlimited and in abundance.
D) limited in quantity and can be used in different ways.

Answer: C
Explanation: A)
B)
C)
D)

5) Which of the following is not a factor of production? 5) ________

A) money B) labor C) human capital D) physical capital

Answer: A

Explanation: A)
B)
C)
D)

Recall Application 2,"Economic Solution to Spam," to answer the following questions:

6) The reason why spammers find it profitable to spam is because: 6) ________

A) it does not cost nor benefit the spammer anything to send a million emails.
B) it does not benefit the spammer anything to send a million emails.
C) it does not cost the spammer anything to send a million emails.
D) it does not cost the spammer anything to receive a million emails.

Answer: C

Explanation: A)
B)
C)
D)

7) Imagine that an upward sloping line is depicted in a graph with income per week on the y-axis and hours worked per week on the x-axis. The slope of the line in the graph depicts the: 7) ________

A) the total monthly income of the worker.
B) hourly wage of the worker.
C) minimum wage of the worker.
D) increase in income earned by the worker per every year of service.

Answer: B

Explanation: A)
B)
C)
D)

8) If each extra driver on the road makes every other drivers commute last one minute longer and there are 600 drivers on the road, then one extra driver costs society 8) ________

A) 10 hours extra in commuting time. B) 10 extra minutes in commuting time.
C) 100 hours extra in commuting time. D) 1 hour extra in commuting time.

Answer: A

Explanation: A)
B)
C)
D)

9) Which of the following is a microeconomic question? 9) _______

A) Should the government prevent the merger of two large firms?
B) Why do some countries grow faster than others?
C) Should we have a constitutional amendment to balance the federal budget?
D) All of the above are microeconomic questions.

Answer: A

Explanation: A)
B)
C)
D)

10) A student has a D grade average in her accounting course and a B grade average in her economics course. She decides to study an extra hour for her accounting exam and one less hour for her economics exam hoping to improve her accounting grade while not hurting her economics grade. This is an example of: 10) _______

A) using assumptions to simplify.
B) thinking at the margin.
C) *ceteris paribus.*
D) *caveat emptor.*

Answer: B

Explanation: A)
B)
C)
D)

11) Economists employ economic models: 11) _______

A) to make reality more complex.
B) because economic theory is too easy without them.
C) because reality is complex.
D) to make the field more scientific.

Answer: C

Explanation: A)
B)
C)
D)

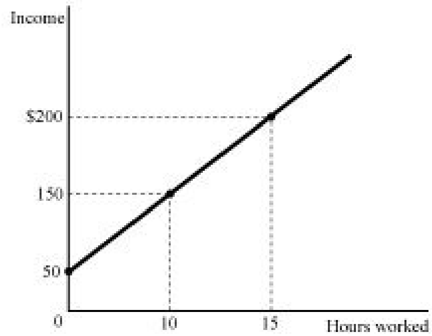

Figure 1.1

12) Refer to Figure 1.1. The relationship between hours worked and income, as shown by the graph in Figure 1.1 is: 12) _______

A) exponential. B) nonlinear. C) negative. D) positive.

Answer: D

Explanation: A)
B)
C)
D)

13) If a variable is 100 and then decreases to 60, then using the initial value approach its percentage decline is: 13) _______

A) 160 percent. B) -40 percent. C) 40 percent. D) 50 percent.

Answer: C

Explanation: A)
B)
C)
D)

14) ________ is a situation in which resources are limited in quantity and can be used in different ways. 14) _______

A) Scarcity
B) Choice
C) Economics
D) Supply and demand

Answer: A

Explanation: A)
B)
C)
D)

15) Normative economic analysis: 15) _______

A) answers the question "What ought to be?"
B) is the focus of most modern economic reasoning.
C) predicts the consequences of alternative actions.
D) All of the above are correct.

Answer: A

Explanation: A)
B)
C)
D)

16) Deciding how products of a society are distributed among the citizens in an economy answers the economic question of: 16) ______

A) Who consumes the products produced?
B) Where will the products produced be consumed?
C) What will be produced?
D) How will we produce it?

Answer: A
Explanation:
A)
B)
C)
D)

17) Because resources are limited: 17) ______

A) people must make choices.
B) only the very wealthy can get everything they want.
C) firms will be forced out of business.
D) the availability of goods will be limited but the availability of services will not.

Answer: A
Explanation:
A)
B)
C)
D)

18) Economists use assumptions to: 18) ______

A) focus on what really matters.
B) simplify decision-making.
C) make things simpler.
D) all of the above

Answer: D
Explanation:
A)
B)
C)
D)

19) There is a negative relationship between two variables if the two variables : 19) ______

A) are negative.
B) are positive.
C) move in the same direction.
D) move in opposite directions.

Answer: D
Explanation:
A)
B)
C)
D)

20) Which of the following is an example of a marginal question? 20) _______

A) What is the average cost of a college education?
B) What is the average income of a college graduate?
C) How much will my chances of a job improve if I raise my GPA from a C to a C+ grade average?
D) How many students borrow money in order to attend college?

Answer: C
Explanation: A)
B)
C)
D)

21) In which of the following markets is a person's time and effort exchanged for money? 21) _______

A) labor market
B) consumer market
C) capital market
D) goods market

Answer: A
Explanation: A)
B)
C)
D)

22) The example about London's congestion problem illustrates which of the following economic ways of thinking? 22) _______

A) Thinking at the Margin
B) Use of Assumptions to Simplify
C) Isolate Variables—Ceteris Paribus
D) all of the above

Answer: D
Explanation: A)
B)
C)
D)

23) Microeconomic analysis can be used to: 23) _______

A) make personal or managerial decisions.
B) evaluate the merits of public policies.
C) better understand how markets work.
D) All of the above are correct.

Answer: D
Explanation: A)
B)
C)
D)

24) An arrangement that allows buyers and sellers to exchange things is called: 24) _______

A) a contract.
B) a market.
C) efficient.
D) money.

Answer: B
Explanation: A)
B)
C)
D)

25) *Ceteris paribus* is the Latin expression meaning: 25) ______

A) let buyer beware.
B) for every action there is an equal and opposite reaction.
C) think at the margin.
D) other variables are held fixed.

Answer: D

Explanation: A)
B)
C)
D)

26) The effort used to coordinate the factors of production and produce goods and services is called: 26) ______

A) capital accumulation.
B) land.
C) entrepreneurship.
D) land ownership.

Answer: C

Explanation: A)
B)
C)
D)

27) The study of the choices made by individual households, firms, and government is called: 27) ______

A) microeconomics.
B) macroeconomics.
C) market economics.
D) managerial economics.

Answer: A

Explanation: A)
B)
C)
D)

28) There is a positive relationship between two variables if the two variables: 28) ______

A) have positive values.
B) have negative values.
C) move in the same direction.
D) move in opposite directions.

Answer: C

Explanation: A)
B)
C)
D)

29) Which of the following is a question answered with positive economic analysis? 29) ______

A) If we had more money, should the college offer free parking for students?
B) If the college increased tuition, by how much will class sizes decline?
C) As a result of the recession, should the college cut tuition to stimulate enrollments?
D) If we can afford it, should the college provide more financial aid assistance?

Answer: B

Explanation: A)
B)
C)
D)

30) A variable is: 30) ______
A) something that cannot be measured.
B) something that always has the same value.
C) something that varies over time.
D) something that can take on different values.

Answer: D
Explanation: A)
B)
C)
D)

31) A straight line graph shows 31) ______
A) the relationships among any number of variables.
B) the constant relationship between two variable.
C) one variable.
D) none of the above.

Answer: B
Explanation: A)
B)
C)
D)

32) Economics is the study of: 32) ______
A) the role of money in markets.
B) how government officials decide which goods and services are produced.
C) how to invest in the stock market.
D) how society uses limited resources.

Answer: D
Explanation: A)
B)
C)
D)

33) Economists have found that as a nation's economy grows 33) ______
A) the poorest families are left behind.
B) the poorest families share in the prosperity.
C) the poorest families have a decline in income.
D) the poorest families are unaffected.

Answer: B
Explanation: A)
B)
C)
D)

34) Which of the following is an example of how a business owner uses macroeconomics to make informed business decisions? 34) ______

A) A business owner can use macroeconomics to predict whether the Fed will increase or decrease the interest rates in the future in order to determine whether to borrow money now or later.
B) A business owner can use macroeconomics to predict it should sell more red t-shirts as opposed to white t-shirts.
C) A business owner can use macroeconomics to determine whether college graduates are better employees than non-college graduates.
D) A business owner can use macroeconomics to predict whether television prices will be higher today or in the future.

Answer: A
Explanation: A)
B)
C)
D)

35) One efficient solution to congestion is to: 35) ______

A) give subsidies to drivers who use the road during the rush hour.
B) lower gasoline taxes.
C) prevent cars from using the roads during the rush hour.
D) impose a congestion tax on drivers who use the road during the rush hour.

Answer: D
Explanation: A)
B)
C)
D)

36) A small change in a relevant variable is: 36) ______

A) an average change.
B) an efficient change.
C) a marginal change.
D) a ceteris paribus change.

Answer: C
Explanation: A)
B)
C)
D)

37) Adam Smith is: 37) ______

A) responsible for a branch of economics bearing his name.
B) the author of this text.
C) responsible for refining the model of supply and demand.
D) considered the founder of economics.

Answer: D
Explanation: A)
B)
C)
D)

38) An economic model is 38) _______

A) a small but completely working economy.
B) any graph.
C) a simplified representation of an economic environment.
D) all of the above.

Answer: C
Explanation: A)
B)
C)
D)

39) London reduced its road congestion by 39) _______

A) imposing a daytime driving tax.
B) making city buses free.
C) raising the fare for the London subway system, the Underground.
D) banning cars in the inner city during the daytime.

Answer: A
Explanation: A)
B)
C)
D)

40) Studies that look into the effects of state education spending cuts on the poverty rates of minorities use: 40) _______

A) microeconomics to make managerial and personal decisions.
B) microeconomics to evaluate the merits of public policies.
C) microeconomics to understand marginal changes in the macroeconomy.
D) microeconomics to understand markets and predict changes.

Answer: B
Explanation: A)
B)
C)
D)

41) When economists construct economic models,: 41) _______

A) every detail found in reality must be included.
B) only mathematical equations are used.
C) all the essential features of the environment are eliminated.
D) all but the essential features of the environment are eliminated.

Answer: D
Explanation: A)
B)
C)
D)

42) Which of the following is a microeconomic question? 42) ______

A) Should Congress and the president take action to reduce the unemployment rate?
B) Is it sensible for the government to subsidize college education?
C) Why do some countries grow faster than others?
D) All of the above are microeconomic questions.

Answer: B
Explanation: A)
B)
C)
D)

Recall Application 1, "Responding to Production Rewards," to answer the following questions:

43) Based on the application, do incentives increase the average worker productivity? 43) ______

A) Yes, but the increase in productivity was observed only in the "reward" group.
B) Yes, but the increase in productivity was observed only in the "punishment" group.
C) No. The control group produced 7% more than either "treatment" group.
D) Yes, workers in the treatment groups (those with bonuses or punishment stated in their contracts) produced 7% more than the control group.

Answer: D
Explanation: A)
B)
C)
D)

44) Which of the following is <u>not</u> a macroeconomic question? 44) ______

A) Do employers discriminate against women by paying them lower wages?
B) How does a political candidate's economic reform package affect the inflation rate?
C) Should we have a constitutional amendment to balance the federal budget?
D) All of the above are macroeconomic questions.

Answer: A
Explanation: A)
B)
C)
D)

45) In making stock buy or sell recommendations, most stock analysts use microeconomics: 45) ______

A) to understand markets and predict changes.
B) to evaluate the merits of public policies.
C) to make managerial and personal decisions.
D) to understand marginal changes in the macroeconomy.

Answer: A
Explanation: A)
B)
C)
D)

46) Which of the following is not an example of a question answered by positive analysis? 46) _______

A) Should the government increase the minimum wage?
B) What fraction of an income-tax cut will be spent on consumer goods?
C) How will an increase in interest rates affect investment in factories?
D) How will an increase in the price of gasoline affect taxi drivers?

Answer: A
Explanation: A)
B)
C)
D)

47) Which of the following is a macroeconomic question? 47) _______

A) Should the government prevent the merger of two large firms?
B) Will a constitutional amendment to balance the federal budget lead to good economic policy?
C) Should a firm decide to enter a particular market?
D) All of the above are macroeconomic questions.

Answer: B
Explanation: A)
B)
C)
D)

48) Which of the following is a question that needs to be answered with normative economic reasoning? 48) _______

A) Should the college reduce tuition to stimulate enrollment?
B) If the college increases tuition, would class size decline?
C) If the college offers free parking for students, will more students drive to campus?
D) If the college provided more financial aid assistance, would more students benefit?

Answer: A
Explanation: A)
B)
C)
D)

49) The slope of a straight line is: 49) _______

A) constant.
B) increasing if the line is upward sloping.
C) increasing if the line is downward sloping.
D) increasing.

Answer: A
Explanation: A)
B)
C)
D)

50) ________ is a simplified representation of an economic environment. 50) ______

A) Scarcity
B) Normative Analysis.
C) An economic model
D) Microeconomics

Answer: C
Explanation: A)
B)
C)
D)

51) When Bob, a recent college grad, took an internship at an accounting firm, he is accumulating which factor of production? 51) ______

A) natural resources
B) human capital
C) physical capital
D) entrepreneurship

Answer: B
Explanation: A)
B)
C)
D)

52) Macroeconomics is best described as the study of: 52) ______

A) the relationship between inflation and wage inequality.
B) the nation's economy as a whole.
C) the choices made by individual households, firms, and governments.
D) very large issues.

Answer: B
Explanation: A)
B)
C)
D)

Recall Application 2,"Economic Solution to Spam," to answer the following questions:

53) According to the application, one economic solution to spam is to: 53) ______

A) outlaw the use of the internet.
B) charge a $0.01 electronic stamp for each commercial email message.
C) require internet service providers to sue spammers.
D) subsidize spammers.

Answer: B
Explanation: A)
B)
C)
D)

54) An example of people acting in their own self-interest would include: 54) ______

A) a teenager earns an A grade average in school in order to use his or her parent's car.
B) individuals joining a car pool to work when tolls are imposed on congested highways.
C) an adult, returning to college to pursue a degree to qualify for a promotion at work.
D) All of the above are examples of people acting in their own self-interest.

Answer: D
Explanation: A)
B)
C)
D)

55) Printing presses, forklifts and assembly plants are examples of which factor of production? 55) ______

A) human capital
B) labor
C) entrepreneurship
D) physical capital

Answer: D
Explanation: A)
B)
C)
D)

56) Which of the following did not directly cause the worldwide recession in 2007-2008? 56) ______

A) the decision by the government to bailout banks in 2008
B) easy access to credit in the U.S.
C) booming housing prices that ultimately dropped
D) a large number of home purchasers who were unable to afford the homes

Answer: A
Explanation: A)
B)
C)
D)

57) Deciding if a college uses more PhDs to teach introductory classes answers the economic question of: 57) ______

A) What will be produced?
B) Who consumes the products produced?
C) Where will the products produced be consumed?
D) How will we produce it?

Answer: D
Explanation: A)
B)
C)
D)

58) Which of the following is <u>not</u> an example of a marginal question? 58) _______

A) How many more dollars will I earn in my lifetime if I get my Master's degree?
B) How many more points will I expect to have if I study an hour longer?
C) How many more years of education must I take if I want to get a Ph.D. in economics?
D) How many students borrow money in order to attend college?

Answer: D
Explanation: A)
B)
C)
D)

59) Which of the following is a country whose economy shrank between the 1960s and 2001? 59) _______

A) Canada
B) Sierra Leone
C) Mexico
D) the United States

Answer: B
Explanation: A)
B)
C)
D)

60) When after seeing the current mortgage interest rates and immediately deciding to start the search for a new house, you are using: 60) _______

A) microeconomics to understand marginal changes in the macroeconomy.
B) microeconomics to understand markets and predict changes.
C) microeconomics to make managerial and personal decisions.
D) microeconomics to evaluate the merits of public policies.

Answer: C
Explanation: A)
B)
C)
D)

61) Which of the following is <u>not</u> a question answered with normative economic reasoning? 61) _______

A) If we had more money, should the college offer free parking for students?
B) Given the additional funding that we received, should the college cut tuition to stimulate enrollments?
C) If the college increased tuition, what is the estimated decline in enrollments?
D) As a result of the recent recession, should the college offer more financial aid assistance?

Answer: C
Explanation: A)
B)
C)
D)

62) Which of the following is not an economic decision in a modern economy? 62) ______

A) Where will the products produced be consumed?
B) How will we produce it?
C) Who consumes the products produced?
D) What will be produced?

Answer: A

Explanation: A)
B)
C)
D)

63) The economic view of traffic congestion considers 63) ______

A) that most drivers are not good defensive drivers.
B) that driving is a right.
C) that drivers ignore the costs they impose on other drivers by slowing other drivers' commute time.
D) that the amount of driving should be reduced.

Answer: C

Explanation: A)
B)
C)
D)

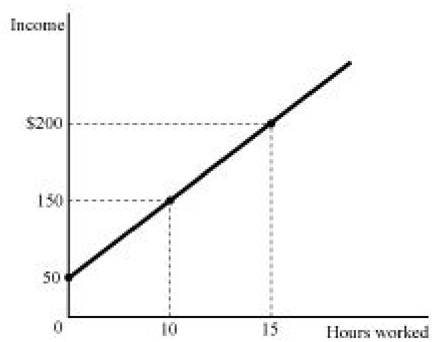

Figure 1.1

64) Refer to Figure 1.1. Slope of the relationship or the wage rate shown in Figure 1.1 is 64) ______

A) $15 per hour.
B) $10 per hour.
C) $13.33 per hour.
D) $5.15 per hour.

Answer: B

Explanation: A)
B)
C)
D)

65) If a variable is 100 and then increases to 150, then using the initial value approach its percentage growth is: 65) ______

A) 50 percent. B) 15 percent. C) -50 percent. D) 40 percent.

Answer: A

Explanation: A)
B)
C)
D)

66) We can use microeconomic analysis to: 66) ______

A) evaluate the merits of public policies.
B) understand marginal changes in the macroeconomy.
C) learn how to balance a checkbook.
D) All of the above are correct.

Answer: A

Explanation: A)
B)
C)
D)

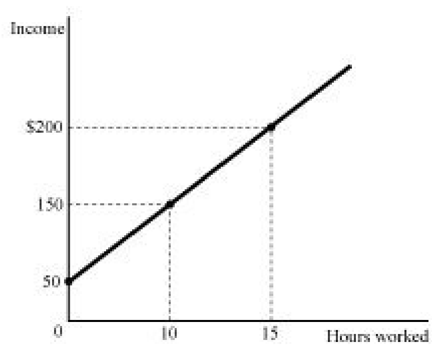

Figure 1.1

67) Refer to Figure 1.1. If hours worked are zero in Figure 1.1, then income is 67) ______

A) $100. B) zero. C) $200. D) $50.

Answer: D

Explanation: A)
B)
C)
D)

68) Scarcity can best be defined as a situation in which: 68) ______

A) there are not enough goods to satisfy all of the buyers demands.
B) there is more than enough money to satisfy consumers wants.
C) there are no buyers willing to purchase what sellers have produced.
D) resources are limited in quantity and can be used in different ways.

Answer: D

Explanation: A)
B)
C)
D)

69) Positive economics: 69) ______

A) predicts the consequences of alternative actions.
B) concerns the forces that affect economic activity.
C) is the focus of most modern economic reasoning.
D) All of the above are correct.

Answer: D
Explanation: A)
B)
C)
D)

70) Imagine that an upward sloping line is depicted in a graph with income per week on the y-axis and hours worked per week on the x-axis. From the graph, we can conclude that: 70) ______

A) hours worked are not related.
B) income and hours worked are negatively related.
C) income and hours worked per week are positively related.
D) income and hours worked are equal.

Answer: C
Explanation: A)
B)
C)
D)

71) Economics is best defined as the study of: 71) ______

A) how consumers make purchasing decisions.
B) choices made by people faced with scarcity.
C) inflation, unemployment, and economic growth.
D) financial decision-making.

Answer: B
Explanation: A)
B)
C)
D)

72) What assumption was used by the authors of the book when analyzing the traffic congestion problem in London? 72) ______

A) They assumed that traffic congestion is the same during daytime and during nighttime.
B) They assumed that every car has the same effect on the travel time of other cars.
C) They assumed that all cars are of the same make and model.
D) They assumed that travel via public transportation is less costly that travel by car.

Answer: B
Explanation: A)
B)
C)
D)

73) Which of the following is an example of scarcity? 73) ______

A) If I decide to buy a new car I may not have enough money to go away on vacation this year.
B) If a city uses an acre of land to build a park there will be less land for houses.
C) If you choose to play video games you will not have as much time for exercise.
D) All of the above are examples of scarcity.

Answer: D
Explanation: A)
B)
C)
D)

74) The factors of production include 74) ______

A) labor.
B) entrepreneurship.
C) natural resources.
D) all of the above.

Answer: D
Explanation: A)
B)
C)
D)

75) When we study the effect of how a beer tax may decrease the number of highway deaths, we use microeconomics to: 75) ______

A) better understand how markets work.
B) make personal or managerial decisions.
C) evaluate the merits of public officials.
D) A and C are correct.

Answer: D
Explanation: A)
B)
C)
D)

76) Which of the following is not a microeconomic question? 76) ______

A) What would happen to gasoline consumption if the gasoline tax were increased?
B) How does a particular health care reform program affect physicians' incomes?
C) How should Judy decide how many hours to study for her economics exam?
D) All of the above are microeconomic questions.

Answer: D
Explanation: A)
B)
C)
D)

77) A single variable can be illustrated as 77) ______

A) a bar graph.
B) a time-series graph.
C) a pie chart.
D) all of the above.

Answer: D
Explanation: A)
B)
C)
D)

78) The Latin phrase *ceteris paribus* means that when a relationship between two variables is being studied: 78) ______

A) all other variables are held fixed.
B) both are treated as unpredictable.
C) we recognize that some factors are unknown.
D) neither of those two variables is allowed to change.

Answer: A
Explanation: A)
B)
C)
D)

79) Which of the following is <u>not</u> a market? 79) ______

A) a cattle auction
B) a group of children trading Pokemon cards
C) your college bookstore
D) All of the above are markets.

Answer: D
Explanation: A)
B)
C)
D)

80) Microeconomics is best described as the study of: 80) ______

A) inflation, unemployment, gross national product, and the nation's economy as a whole.
B) how markets interact in the aggregate economy.
C) the choices made by individual households, firms, and governments.
D) marginal changes in the economy.

Answer: C
Explanation: A)
B)
C)
D)

81) Which of the following is an example of a normative question? 81) ______

A) How will an increase in the minimum wage affect teenaged workers?
B) How will an increase in the price of gasoline affect taxi drivers?
C) Should the government provide free prescription drugs to senior citizens?
D) What fraction of an income-tax cut will be spent on consumer goods?

Answer: C
Explanation: A)
B)
C)
D)

82) Allocating more hours toward studying for your economics exam gives you a higher grade. Based on this observation, hours and your economics grade exhibit: 82) ______

A) a positive relationship.
B) a negative relationship.
C) an unpredictable relationship.
D) no relationship.

Answer: A

Explanation: A)
B)
C)
D)

83) Markets perform all of the following functions except: 83) ______

A) helping firms decide how to produce.
B) helping firms decide what to produce.
C) determining the prices of goods and services.
D) determining why a firm chooses to produce cars.

Answer: D

Explanation: A)
B)
C)
D)

84) Which of the following is a macroeconomic question? 84) ______

A) Why do prices tend to increase over time?
B) Should a country adopt policies to encourage personal savings?
C) Why do some countries grow faster than others?
D) All of the above are macroeconomic questions.

Answer: D

Explanation: A)
B)
C)
D)

85) The worldwide recession in 2007 started from: 85) ______

A) booming housing prices that ultimately dropped.
B) a large number of home purchasers who were unable to afford the homes.
C) easy access to credit in the U.S.
D) All of the above are correct.

Answer: D

Explanation: A)
B)
C)
D)

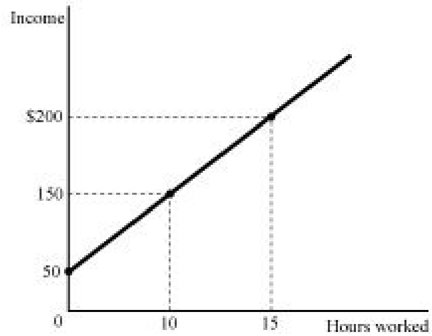

Figure 1.1

86) Refer to Figure 1.1. If income at zero hours worked increases in Figure 1.1, then the relationship 86) ______
A) shifts down and to the right. B) becomes flatter.
C) becomes steeper. D) shifts upward and to the left.

Answer: D
Explanation: A)
B)
C)
D)

Recall Application 1, "Responding to Production Rewards," to answer the following questions:

87) Based on the application, does a reward provide more incentive to produce compared to punishment? 87) ______
A) No. The increase in the production by both the "reward" and the "punishment" groups were exactly the same.
B) No. The production of the "punishment" group was higher by 1 percent.
C) Yes. The production of the "reward" group was higher by 1 percent.
D) No. There was no increase in the production by the "punishment" group or the "reward" group.

Answer: B
Explanation: A)
B)
C)
D)

88) If a variable is 100 and then increases to 150, then using the average value approach its percentage growth is: 88) ______
A) 40 percent. B) -50 percent. C) 15 percent. D) 50 percent.

Answer: A
Explanation: A)
B)
C)
D)

89) The slope of a straight line is calculated as 89) ______
A) the variable on the vertical axis divided by the variable on the horizontal axis.
B) the rise over the run.
C) the run over the rise.
D) the variable on the horizontal axis divided by the variable on the vertical axis.

Answer: B
Explanation: A)
B)
C)
D)

90) Which of the following is not a market? 90) ______
A) a group of paving contractors bidding for a road construction contract
B) an online electronic auction
C) ticket scalpers selling tickets outside a sold-out sports event
D) All of the above are markets.

Answer: D
Explanation: A)
B)
C)
D)

91) To think at the margin means to consider: 91) ______
A) how nothing remains constant over time.
B) how people behave in their own self-interest.
C) how a small change in one variable affects another variable.
D) how people will decide what to purchase.

Answer: C
Explanation: A)
B)
C)
D)

92) Which of the following is not a key economic question? 92) ______
A) Who gets the produced products?
B) How to produce the products?
C) What products to produce?
D) Who produces the products?

Answer: D
Explanation: A)
B)
C)
D)

93) When economists assume that people are rational and respond to incentives, they mean: 93) ______
A) people act in their own self-interest.
B) people act with kindness.
C) people are altruistic.
D) none of the above

Answer: A
Explanation: A)
B)
C)
D)

94) We do not use microeconomic analysis: 94) ______

A) to understand markets and predict changes.
B) to explain why the US is in a recession.
C) to make personal and managerial decisions.
D) to evaluate the merits of public policies.

Answer: B
Explanation: A)
B)
C)
D)

95) Deciding if a company will produce automobiles by manual labor or with the use of robots answers the economic question of: 95) ______

A) Who consumes the products produced?
B) How will we produce it?
C) Where will the products produced be consumed?
D) What will be produced?

Answer: B
Explanation: A)
B)
C)
D)

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

96) According to the book, what are the four elements of economic thinking? 96) ______

Answer: To economists, the four elements of economic thinking are: simplify with assumptions, isolate variables, think at the margin and model rational people responding to incentives.
Explanation:

97) Richard runs a pizza delivery restaurant. List the three basic types of decisions economics studies and give an example from Richard's restaurant. 97) ______

Answer: How much to produce? How many pizzas will be sold each day? What to produce? What sorts of pizza do people order? Who consumes the products? Which people decided to come to the restaurant on a given day?
Explanation:

98) What did Adam Smith mean when he wrote that individuals rationally act in their own self-interest? 98) ______

Answer: Adam Smith meant that when individuals make decisions, their decisions are based more on self-interest than kindness or altruism. The statement was not meant to imply that people are motivated exclusively by self-interest.
Explanation:

99) Is money a scarce factor of production? Explain. 99) ______

Answer: No. Money is not used to produce goods and services. Money only facilitates the procurement of the scarce resources used to produce the goods and the services.
Explanation:

100) Give an example of something that is scarce in your life and explain the choices you've made because of scarcity. 100) ____________

Answer: Responses too numerous; varies by students.
Explanation:

101) How are percentage changes calculated? 101) ____________

Answer: Percentage change is (New Value - Initial Value)/(Initial Value) using the initial value approach or Percentage change is (New Value - Initial Value)/(Average Value) where Average Value is (New Value + Initial Value)/2 using the average value approach.
Explanation:

102) What is an economic view of traffic congestion? 102) ____________

Answer: The economic view of traffic congestion attempts to incorporate all the costs of driving into the analysis including the cost of gasoline, the depreciation of vehicles used to commute, the wasted time commuting and the impact of new commuters impose on those already commuting in a particular area.
Explanation:

103) Distinguish between movement along a curve and shifting a curve. 103) ____________

Answer: When depicted in a line graph with variable A in the x-axis and variable B on the Y-axis, a movement along a curve is occurs when variable A or variable B changes. A movement of a curve occurs when something else other than variable A or variable B changes.
Explanation:

104) Explain three ways we can use macroeconomic analysis. 104) ____________

Answer: Macroeconomics explains why some resources increase over time and how an increase in these resources translates into a higher standard of living. In the fastest-growing countries, citizens save a large fraction of the money they earn. Firms can then borrow the funds saved to purchase machinery and equipment that make their workers more productive. The fastest growing countries also have well-educated workforces, allowing firms to quickly adopt new technologies that increase worker productivity. All economies, including ones that experience a general trend of growth, are subject to economic fluctuations including periods when the economy shrinks. During an economic downturn, some of the economy's resources are idle. Many workers are unemployed, and many factories and stores are closed. By contrast, sometimes the economy grows too rapidly, causing inflation. Macroeconomics helps us understand why these fluctuations occur—why the economy sometimes cools and sometimes overheats- and what we can do to moderate the fluctuations. A third reason for studying macroeconomics is to make informed business decisions. A manager who intends to borrow money for a new factory or store could use her knowledge of macroeconomics to predict the effects of current public policies on interest rates and then decide whether to borrow the money now or later.
Explanation:

105) Would an economist consider clean air a scarce resource? Explain. 105) ______________

Answer: Yes, because the air has alternative uses. We can choose to use it to either breathe or to undertake activities that pollute it. The more we want to breathe clean air the more we must limit the production of pollutants. The more we pollute the air the less we can breathe clean air.

Explanation:

106) Explain three ways we can use microeconomics analysis. 106) ______________

Answer: One reason for studying microeconomics is to better understand how markets work. Once you know how markets operate, you can use economic analysis to predict how various events affect product prices and quantities. On the personal level, we use economic analysis to decide how to spend our time, what career to pursue, and how to spend and save the money we earn. As workers, we use economic analysis to decide how to produce goods and services, how much to produce, and how much to charge for them. Although societies use markets to make most of the decisions concerning production and consumption, the government has several important roles in a market-based society. We can use economic analysis to determine how well the government performs its roles in the market economy. We can also explore the trade-offs associated with various public policies.

Explanation:

107) Why are fast growing economies predicted to grow even faster in the future? 107) ______________

Answer: In the fastest growing countries, citizens save a large fraction of the money they earn. Firms can then borrow the funds saved to purchase machinery and equipment that make their workers more productive. The fastest-growing countries also have well-educated workforces, allowing firms to quickly adopt new technologies that increase worker productivity.

Explanation:

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

108) If one variable A falls the other variable B falls, then a line generated by putting variable A on the x-axis and variable B on the y-axis should be upward sloping. 108) ______

Answer: ✔ True False

Explanation:

109) Microeconomics is the study of aggregate behavior in the economy. 109) ______

Answer: True ✔ False

Explanation:

110) Unrealistic simplifying assumptions should be avoided because they cause the analysis that is based on the assumption to be incorrect. 110) ______

Answer: True ✔ False

Explanation:

111) An example of analysis that involves variables and how they affect one another would include the relationship of the price of CDs to the quantity of CDs purchased. 111) ______

Answer: ✔ True False

Explanation:

112) Economic analysis includes commuting time as part of the cost of traffic congestion. 112) ______

Answer: True False
Explanation:

113) All economic models employ a graph. 113) ______

Answer: True False
Explanation:

114) A pie chart show the relationship between two variables. 114) ______

Answer: True False
Explanation:

115) A key assumption of most economic analysis is that people act rationally and in their own self-interest. 115) ______

Answer: True False
Explanation:

116) The recent experience of sub-Saharan Africa has taught economists that institutions such as the legal system and the regulatory environment play a key role in economic growth. 116) ______

Answer: True False
Explanation:

117) Microeconomics is the branch of economics that helps explain economic fluctuations, why the economy shrinks and expands and why some of the economy's resources are idle. 117) ______

Answer: True False
Explanation:

118) Economists assume that individuals make informed decisions and act in their own self-interest. 118) ______

Answer: True False
Explanation:

119) Markets do not determine the quantity of goods sold, only the price. 119) ______

Answer: True False
Explanation:

120) *Ceteris paribus* means "Let the buyer beware." 120) ______

Answer: True False
Explanation:

121) Normative economics questions, "What *ought* to be?" Positive economics predicts the consequences of alternative actions, answering the questions, "What *is*?" or "What *will be*?" 121) ______

Answer: True False
Explanation:

122) One example of a microeconomic question is, "How will prices in the satellite TV industry change if a new firm enters the market?" 122) ______

Answer: True False
Explanation:

123) Scarcity is a situation in which resources are limited in quantity and can be used in different ways. 123) ______

Answer: ✓ True False
Explanation:

124) If one variable declines the other variable declines, the two variables are negatively related. 124) ______

Answer: True ✓ False
Explanation:

125) Bill Gates, with his $53 billion fortune, does not experience scarcity. 125) ______

Answer: True ✓ False
Explanation:

126) The slope of a nonlinear relationship changes as the variables change. 126) ______

Answer: ✓ True False
Explanation:

127) Economists will never reach the same conclusions in their positive analyses. 127) ______

Answer: True ✓ False
Explanation:

128) If one variable falls the other variable falls, the two variables are positively related. 128) ______

Answer: ✓ True False
Explanation:

129) Economics tells us what to choose given the tradeoffs. 129) ______

Answer: True ✓ False
Explanation:

130) Macroeconomics involves the study of the decision-making of individuals or individual firms. 130) ______

Answer: True ✓ False
Explanation:

131) Talking about alternatives is the first step in a process that helps us make better choices about how we use our resources. 131) ______

Answer: ✓ True False
Explanation:

132) Using assumptions to make things simpler and focus attention on what really matters is like using a road map to plan a trip. 132) ______

Answer: ✓ True False
Explanation:

133) It takes longer to set up a business in Canada than in Mozambique. 133) ______

Answer: True ✓ False
Explanation:

134) Macroeconomics helps explain economic fluctuations, why the economy shrinks and expands and why some of the economy's resources are idle. 134) ______

Answer: ✓ True False
Explanation:

135) Economists will always reach the same conclusion in their positive analyses. 135) ______

Answer: True ✓ False
Explanation:

136) Public policies such as the government subsidies for corn are topics of concern in microeconomics. 136) ______

Answer: ✓ True False
Explanation:

137) Positive economics question, "What *ought* to be?" Normative economics predicts the consequences of alternative actions, answering the questions, "What *is*?" or "What *will be*?" 137) ______

Answer: True ✓ False
Explanation:

138) In the final two decades of the 20th century, sub-Saharan African economies grew rapidly. 138) ______

Answer: True ✓ False
Explanation:

139) One example of a microeconomic question is, "Should the inflation rate be lowered?" 139) ______

Answer: True ✓ False
Explanation:

140) Money is an example of a scarce factor of production. 140) ______

Answer: True ✓ False
Explanation:

141) A variable is a measure that can take on different values. 141) ______

Answer: ✓ True False
Explanation:

142) When a student is thinking at the margin, he analyzes how many more points he would get on his economics final exam if he devotes one more hour for studying. 142) ______

Answer: ✓ True False
Explanation:

143) Most modern economic analysis is positive in nature, but many issues also involve questions with normative economics. 143) ______

Answer: ✓ True False
Explanation:

144) Government policies concerning the money supply and the control of inflation are topic of concern in microeconomics. 144) ______

Answer: True ✓ False
Explanation:

Answer Key
Testname: C1

1) A
2) D
3) D
4) C
5) A
6) C
7) B
8) A
9) A
10) B
11) C
12) D
13) C
14) A
15) A
16) A
17) A
18) D
19) D
20) C
21) A
22) D
23) D
24) B
25) D
26) C
27) A
28) C
29) B
30) D
31) B
32) D
33) B
34) A
35) D
36) C
37) D
38) C
39) A
40) B
41) D
42) B
43) D
44) A
45) A
46) A
47) B
48) A
49) A
50) C

51) B
52) B
53) B
54) D
55) D
56) A
57) D
58) D
59) B
60) C
61) C
62) A
63) C
64) B
65) A
66) A
67) D
68) D
69) D
70) C
71) B
72) B
73) D
74) D
75) D
76) D
77) D
78) A
79) D
80) C
81) C
82) A
83) D
84) D
85) D
86) D
87) B
88) A
89) B
90) D
91) C
92) D
93) A
94) B
95) B
96) To economists, the four elements of economic thinking are: simplify with assumptions, isolate variables, think at the margin and model rational people responding to incentives.
97) How much to produce? How many pizzas will be sold each day? What to produce? What sorts of pizza do people order? Who consumes the products? Which people decided to come to the restaurant on a given day?

98) Adam Smith meant that when individuals make decisions, their decisions are based more on self-interest than kindness or altruism. The statement was not meant to imply that people are motivated exclusively by self-interest.
99) No. Money is not used to produce goods and services. Money only facilitates the procurement of the scarce resources used to produce the goods and the services.
100) Responses too numerous; varies by students.
101) Percentage change is (New Value - Initial Value)/(Initial Value) using the initial value approach or Percentage change is (New Value - Initial Value)/(Average Value) where Average Value is (New Value + Initial Value)/2 using the average value approach.
102) The economic view of traffic congestion attempts to incorporate all the costs of driving into the analysis including the cost of gasoline, the depreciation of vehicles used to commute, the wasted time commuting and the impact of new commuters impose on those already commuting in a particular area.
103) When depicted in a line graph with variable A in the x-axis and variable B on the Y-axis, a movement along a curve is occurs when variable A or variable B changes. A movement of a curve occurs when something else other than variable A or variable B changes.
104) Macroeconomics explains why some resources increase over time and how an increase in these resources translates into a higher standard of living. In the fastest-growing countries, citizens save a large fraction of the money they earn. Firms can then borrow the funds saved to purchase machinery and equipment that make their workers more productive. The fastest growing countries also have well-educated workforces, allowing firms to quickly adopt new technologies that increase worker productivity. All economies, including ones that experience a general trend of growth, are subject to economic fluctuations including periods when the economy shrinks. During an economic downturn, some of the economy's resources are idle. Many workers are unemployed, and many factories and stores are closed. By contrast, sometimes the economy grows too rapidly, causing inflation. Macroeconomics helps us understand why these fluctuations occur—why the economy sometimes cools and sometimes overheats-and what we can do to moderate the fluctuations. A third reason for studying macroeconomics is to make informed business decisions. A manager who intends to borrow money for a new factory or store could use her knowledge of macroeconomics to predict the effects of current public policies on interest rates and then decide whether to borrow the money now or later.
105) Yes, because the air has alternative uses. We can choose to use it to either breathe or to undertake activities that pollute it. The more we want to breathe clean air the more we must limit the production of pollutants. The more we pollute the air the less we can breathe clean air.
106) One reason for studying microeconomics is to better understand how markets work. Once you know how markets operate, you can use economic analysis to predict how various events affect product prices and quantities. On the personal level, we use economic analysis to decide how to spend our time, what career to pursue, and how to spend and save the money we earn. As workers, we use economic analysis to decide how to produce goods and services, how much to produce, and how much to charge for them. Although societies use markets to make most of the decisions concerning production and consumption, the government has several important roles in a market-based society. We can use economic analysis to determine how well the government performs its roles in the market economy. We can also explore the trade-offs associated with various public policies.
107) In the fastest growing countries, citizens save a large fraction of the money they earn. Firms can then borrow the funds saved to purchase machinery and equipment that make their workers more productive. The fastest-growing countries also have well-educated workforces, allowing firms to quickly adopt new technologies that increase worker productivity.
108) TRUE
109) FALSE
110) FALSE
111) TRUE
112) TRUE
113) FALSE
114) FALSE
115) TRUE

116) TRUE
117) FALSE
118) TRUE
119) FALSE
120) FALSE
121) TRUE
122) TRUE
123) TRUE
124) FALSE
125) FALSE
126) TRUE
127) FALSE
128) TRUE
129) FALSE
130) FALSE
131) TRUE
132) TRUE
133) FALSE
134) TRUE
135) FALSE
136) TRUE
137) FALSE
138) FALSE
139) FALSE
140) FALSE
141) TRUE
142) TRUE
143) TRUE
144) FALSE