Name: ___________________________ Date: _____________

1. Which headline would be LEAST likely to be studied in macroeconomics?
A) Economic Growth Rises Slow and Steady
B) Unemployment Falls to a 7-Year Low
C) GM Expands Car Sales in China
D) The Fed Raises Interest Rates

2. The MOST common way in which economists model a problem is by:
A) making sure as many details and facts are included.
B) simplifying the model down to its basic relevant elements.
C) avoiding assumptions as much as possible in order to avoid misrepresenting reality.
D) using case studies to analyze individual real-life examples of problems.

3. When an economy uses the most efficient means of farming to grow as much corn as possible, this economy has achieved:
A) production efficiency and allocative efficiency.
B) neither production efficiency nor allocative efficiency.
C) production efficiency but not necessarily allocative efficiency.
D) allocative efficiency but not necessarily production efficiency.

4. Which situation deals more with equity than efficiency?
A) The Red Sox signs a star player for $35 million a year, which is over 10 times the average salary of the rest of the team.
B) Due to the lack of customers, Jamie's Pizza reduced the number of pepperoni slides on each pizza.
C) Mike's Auto Shop invests in a new hydraulic lift that makes it easier to change oil and rotate tires.
D) Howard's Realty offers his sales staff a bonus incentive if the annual sales goal is reached.

5. Which question would be considered a normative question?
A) How many people participated in obstacle course racing last year?
B) How much does an entry into an obstacle course race cost?
C) When and where are the major obstacle races held?
D) Should obstacle races be regulated to ensure the safety of its participants?

6. Tim woke up this morning with a stomachache and decided to skip class in order to get more rest. What is the opportunity cost of Tim's decision to sleep in?

A) the improvement in how he feels by getting more rest
B) the level of pain he endured from the stomachache
C) the value of attending the class he decided to miss
D) the actual enjoyment of lying in bed instead of sitting in class

7. Students who never miss class and study hard generally earn higher grades than those who do not. This is an example of:

A) incentives.
B) specialization.
C) market failure.
D) marginal cost.

8. At an amusement park, Sue achieves an enjoyment value of 10 on her first roller coaster ride and an enjoyment value of 6 on her second ride. Her marginal benefit from her second ride is:

A) 4.
B) 6.
C) 8.
D) 16.

9. In which market is government most likely to intervene to prevent a market failure?

A) the restaurant market
B) the market for college education
C) the market for designer clothing
D) the jewelry market

10. Which policy is MOST likely to contribute to improved standards of living over time?

A) addressing teacher shortages by closing schools and busing students to other schools
B) allowing individuals the freedom to circumvent laws due to personal objections to them
C) reducing the years that drug patents are valid to speed up production of generic versions
D) adding after-school art and music programs to promote creativity

11. Economics is BEST defined as the study of how:

A) to classify resources used to produce final goods and services.
B) resources are apportioned to satisfy human wants.
C) people make rational decisions.
D) technology can be used to change scarce resources into free resources.

12. The study of economics:

A) primarily considers the stock market.
B) is about people making decisions regarding their use of scarce resources.
C) does not apply to decisions made by businesses.
D) states that efficiency and equity do not conflict.

13. Economics is a:

A) natural science.
B) physical science.
C) life science.
D) social science.

14. Economics is a social science that involves the study of how individuals, firms, and societies:

A) maximize happiness.
B) maximize incomes.
C) choose among alternatives to satisfy their unlimited wants.
D) develop their tastes and preferences.

15. Because of scarcity:

A) resources are limitless.
B) wants are limited.
C) choices are unlimited.
D) we face tradeoffs in nearly every choice we make.

16. Scarcity is BEST defined as when:

A) the quantity demanded exceeds the quantity supplied.
B) the quantity supplied exceeds the quantity demanded.
C) unlimited resources exceed limited wants.
D) unlimited wants exceed limited resources.

17. Scarcity refers to the fact that:
A) some goods are scarce.
B) something is scarce.
C) a person must make choices given the resource limitations he or she faces.
D) there is no long-term benefit to studying economics.

18. Why is it important for students to study economics?
A) Most students will work as professional economists.
B) It helps us reduce our personal income taxes.
C) It helps us make better and wiser decisions, given our limited resources.
D) There is no long-term benefit to studying economics.

19. Reasons to study economics include all of these EXCEPT that you:
A) will always live in a world of scarcity and choices.
B) will understand more about how governments and businesses interact.
C) may become a better prepared voter.
D) will learn exactly how to invest your cash short term for the highest return on investment.

20. Economists tend to look:
A) at costs but not at benefits.
B) at benefits but not at costs.
C) for rational responses to incentives.
D) only at macroeconomic topics.

21. To say that economics is a way of thinking about how people make rational decisions means that people:
A) don't consider the cost of their decisions.
B) consider only monetary terms in their decisions.
C) respond to incentives.
D) are irrational.

22. When economists assume people make rational decisions, it means that:
A) people never make mistakes.
B) a rational person can never appear to make irrational decisions.
C) people are always selfish.
D) a rational person will respond to the benefits and costs associated with incentives.

23. Economists understand that people respond to:
A) laws.
B) incentives.
C) threats more than rewards.
D) positives but not negatives.

24. Paying a salesperson more for increased sales is an example of:
A) an incentive.
B) an opportunity cost.
C) efficiency.
D) equity.

25. Which statement about economics is CORRECT?
A) Economists do not believe that criminals behave rationally.
B) Economics has little to say about social issues.
C) Economists consider how rational people respond to incentives.
D) Economists assume that people don't respond to incentives.

26. The field of economics that focuses on decision making by individuals, businesses, industries, and governments is called:
A) macroeconomics.
B) decision science.
C) minieconomics.
D) microeconomics.

27. The field of economics that is concerned about the broader issues in the economy, such as inflation, unemployment, and national output of goods and services is called:
A) macroeconomics.
B) microeconomics.
C) national economics.
D) labor force economics.

28. Microeconomics is concerned with issues such as:
A) inflation.
B) unemployment.
C) which job to take.
D) interest rates.

29. Macroeconomics is concerned with issues such as:
A) which orange juice to buy.
B) unemployment.
C) which job to take.
D) what price to charge for goods.

30. The main difference between macroeconomics and microeconomics is that:
A) microeconomics largely deals with the fallacy of composition, and macroeconomics does not deal with the fallacy of composition.
B) macroeconomics focuses on the aggregate economy, and microeconomics focuses on small components of the economy.
C) macroeconomics looks at how individuals make choices, and microeconomics looks at the aggregate of those choices.
D) macroeconomics is concerned with economic policy, and microeconomics is concerned with international policies.

31. A recent decision regarding the Federal Reserve's impending interest rate increase is an example of a _____ topic. On the other hand, a debate on the impact of the arrival of Uber on local taxi businesses is an example of a _____ topic.
A) microeconomic; macroeconomic
B) macroeconomic; macroeconomic
C) microeconomic; microeconomic
D) macroeconomic; microeconomic

32. Macroeconomics focuses on:
A) decisions made by individuals.
B) decisions made by firms.
C) the decision to purchase a new home for a family.
D) decisions affecting the entire economy.

33. Which scenario does NOT fall under the category of microeconomics?
A) Cooks at McDonalds supply labor in return for wages.
B) The cost of living has risen due to rising housing and food prices.
C) Jonathan decided to go to the movies instead of going to work.
D) Pepsi experienced an increase in revenue last quarter.

34. Which statement is TRUE of microeconomics?
A) The unemployment rate fell by 2%.
B) All businesses in the United States experienced a decrease in revenues of 5% due to the recession.
C) About 15% of teachers were laid off last week.
D) GDP increased by 6% last quarter.

35. Which topic is MOST likely to be studied in a microeconomics course?
A) energy policy
B) unemployment
C) inflation
D) recessions

36. Which topic is MOST likely to be studied in a macroeconomics course?
A) taxation methods
B) recessions
C) public utility regulation
D) game theory

37. Macroeconomics does NOT deal with:
A) recessions.
B) inflation.
C) job creation rates.
D) markets for semiconductor chips.

38. Which topic is a microeconomic topic?
A) U.S. inflation rate in 2009
B) the price of an iPad sold by Apple
C) U.S. unemployment rate in March 2010
D) U.S. rate of growth in GDP for the first quarter in 2010

39. Which topic is a macroeconomic topic?
A) the study of the business cycle
B) price of a pair of Nike shoes
C) total sales for GE in 2009
D) labor market for computer analysts

40. Supply and demand analysis is used:
A) only in microeconomics.
B) only in macroeconomics.
C) in both microeconomics and macroeconomics.
D) in neither microeconomics nor macroeconomics.

41. Which concept would be addressed by microeconomics?
A) the national unemployment rate
B) the reasons for a decline in a country's total output
C) the price of college tuition that an individual student pays
D) the inflation rate in Brazil

42. International finance is generally studied in:
A) microeconomics.
B) macroeconomics.
C) deductive logic.
D) inductive logic.

43. The economics of uranium mining would be studied in:
A) microeconomics.
B) macroeconomics.
C) deductive logic.
D) inductive logic.

44. Which statement does NOT deal with microeconomics?
A) Profits for some manufacturing firms fell in 2009.
B) In 2009, the unemployment rate in the United States rose to nearly 10%.
C) Salaries of top executives fell in 2009.
D) Competitive markets promote efficiency.

45. Which statement regarding macroeconomics and microeconomics is TRUE?
A) Microeconomics examines consumer behavior, while macroeconomics studies business behavior.
B) Macroeconomics employs many of the same analytical tools as microeconomics.
C) Because it focuses on national economies, macroeconomics does not study international trade and finance.
D) Neither macroeconomics nor microeconomics is concerned with prices.

46. Which effect does NOT deal with macroeconomics?
A) effect of the budget deficit on the economy
B) effect of monetary policy on inflation
C) effect of Walmart's pricing policies on consumers
D) effect of government policies on the country's unemployment rate

47. Which is the BEST example of a microeconomic issue?
A) The Federal Reserve will raise interest rates this week.
B) The unemployment rate will exceed 6% this month.
C) The country's price level has increased over the last quarter.
D) The production of automobiles decreased last year.

48. Which statement is NOT a macroeconomic issue?
A) The Federal Reserve will raise interest rates this week.
B) The unemployment rate will exceed 6% this month.
C) The country's price level has increased over the last quarter.
D) The production of automobiles decreased last year.

49. Which statement is a characteristic of economic models?
A) They try to boil down an economic situation to its most basic elements.
B) They are always complex because the economy is complex.
C) They attempt to reproduce reality exactly.
D) They try to avoid invoking the *ceteris paribus* assumption.

50. Which statement is NOT true of economic model building?
A) There may be exceptions to economic models.
B) Adding more complexity to models does not always provide greater insights.
C) Economic models always reach verifiable results.
D) Economic models provide generalizations about economic behavior.

51. Economists like to use graphs and equations primarily because:
A) these tools efficiently express economic concepts.
B) economics should be difficult.
C) mathematical aptitude is necessary to understand economics.
D) the use of mathematics reduces rigor.

52. A theory composed of a number of assumptions and facts boiled down to their basic relevant elements is called a:

A) metaphor.
B) model.
C) conclusion.
D) practice.

53. The purpose of an economic model is to:

A) be a complex, exact replica of reality.
B) demonstrate which values and beliefs are best for the economy.
C) explain the behavior of the issue being examined.
D) manage the economy like an automatic pilot.

54. Which statement does NOT describe model building in economics?

A) Models are developed to cover specific behaviors only.
B) Models are created and then tested.
C) Models are used to help understand the general economy.
D) Assumptions are used to analyze an economic issue.

55. Economic models must:

A) be completely realistic to be useful.
B) include all relationships that exist in the relevant issue to be modeled.
C) completely represent the real world.
D) rely on the *ceteris paribus* assumption.

56. Stylized economic models must include:

A) assumptions.
B) inflation.
C) money.
D) complexity.

57. _____ occur(s) when goods are produced at the lowest possible cost, and _____ occur(s) when individuals who desire a product the most receive those goods and services.

A) Production efficiency; allocative efficiency
B) Production possibilities; allocative possibilities
C) Allocative possibilities; production possibilities
D) Allocative efficiency; production efficiency

58. _____ is how well resources are used and allocated.

A) Equity
B) Efficiency
C) Choice
D) Scarcity

59. _____ is the fairness of various issues and policies.

A) Equity
B) Efficiency
C) Choice
D) Scarcity

60. When goods are produced at the lowest possible cost, an economy is said to have achieved:

A) production efficiency.
B) allocative efficiency.
C) cheap production.
D) inferior quality goods.

61. Allocative efficiency occurs when:

A) production is allocated equally among all citizens.
B) people who want a product the most get it.
C) goods are produced at the lowest possible cost.
D) resources are equally allocated between the private and public sectors of the economy.

62. Which statement is NOT true?

A) There are often tradeoffs between efficiency and equity.
B) Both equity and efficiency are subjective concepts.
C) There are often disagreements over what is an equitable distribution of income.
D) Another term for equity is fairness.

63. A society that is able to produce goods and services at the lowest possible cost is experiencing:

A) allocative efficiency.
B) production efficiency.
C) opportunity costs.
D) scarcity.

64. In the study of economics, the goals of efficiency and equity are often:
A) compatible.
B) in conflict with one another.
C) objectively definable.
D) given equal emphasis.

65. Production efficiency occurs when goods are:
A) produced with the lowest possible resource cost.
B) allocated equally.
C) delivered to those who have the greatest willingness and ability to acquire them.
D) allocated to those with the greatest need.

66. Production inefficiency implies that:
A) goods are produced at too high a cost.
B) people who want the specific goods cannot get them at any price.
C) too many Twinkies and too few Ding Dongs were produced.
D) workers are lazy.

67. The main focus of efficiency is for:
A) firms to charge high prices for their goods.
B) firms to earn the largest profits.
C) consumers to get the goods and services they want at the lowest possible resource cost.
D) consumers to pay high prices.

68. Production efficiency:
A) reflects how often economists make assumptions about important variables.
B) reflects how well resources are allocated.
C) reflects the fact that all labor is equally productive.
D) is an assumption used by economists that holds important variables constant.

69. If a society produces a pie at the lowest possible cost and then distributes the pie evenly among its population, then:
A) production and allocative efficiency are achieved.
B) only production efficiency is achieved.
C) neither production efficiency nor allocative efficiency is achieved.
D) only allocative efficiency is achieved.

70. Allocative inefficiency implies that:
A) goods are produced at too high at cost.
B) the people who want a specific good the most cannot get it, while others can.
C) too many Twinkies and too few Ding Dongs were produced.
D) workers are lazy.

71. Economists generally have _____ to say about equity than efficiency.
A) less
B) a little bit more
C) about the same
D) much more

72. An economy exhibits production efficiency if:
A) it produces more than enough clothes to clothe everyone.
B) economic growth increases every year.
C) it produces goods at the lowest possible cost.
D) it eliminates poverty.

73. Efficiency within economics focuses on:
A) how well resources are used and allocated.
B) the fairness of various policies.
C) how quickly a task can be completed.
D) calculations of opportunity cost.

74. When goods are produced at the lowest possible cost, the economy is experiencing:
A) allocative efficiency.
B) production efficiency.
C) equity.
D) deflation.

75. When the individuals who get a good or service are the ones who desire that product the most, the economy is experiencing:
A) allocative efficiency.
B) production efficiency.
C) equity.
D) deflation.

76. When government policies are being designed:
A) there is usually a tradeoff between equity and efficiency.
B) equity and efficiency goals are usually independent of each other.
C) equity can usually be achieved without an efficiency loss.
D) increasing efficiency usually results in more equity.

77. The problem of the medically uninsured involves:
A) opportunity cost.
B) equity.
C) production efficiency.
D) allocative efficiency.

78. Which statement is an example of a normative question?
A) How do interest rates influence employment?
B) How should a society achieve full employment?
C) How do unemployment rates differ among nations?
D) What are the long-term effects of unemployment?

79. Consider the following statements. Which, if any, are positive statements?
I. Main Street needs more coffee shops.
II. A new parking garage on campus will reduce parking congestion.
III. Last winter, the state should have spent more money on snow removal.
A) I
B) I and II
C) II only
D) I, II, and III

80. Resources are:
A) unlimited, but wants are limited.
B) limited, but efficiency is unlimited.
C) limited, but wants are unlimited.
D) unlimited, but efficiency is limited.

81. Scarcity:
A) is synonymous with poverty.
B) is eliminated with greater technology.
C) is faced by all individuals and societies.
D) can be eliminated with adequate resources.

82. The idea that wants are virtually unlimited but the resources to meet those wants are limited is called:
A) the want–resource paradox.
B) the economic gap.
C) the dismal conclusion.
D) scarcity.

83. A common definition of *economics* is that it is the study of:
A) the allocation of scarce resources to satisfy competing wants.
B) maximizing net personal disposable income.
C) the factors underlying financial markets.
D) maximizing personal financial wealth.

84. There would be no economic problems in a world where all resources are:
A) unlimited.
B) privately owned.
C) owned by the government.
D) scarce.

85. _____ people are forced to make tradeoffs.
A) Only wealthy
B) Only middle-class
C) Only poor
D) All

86. The concept of scarcity:
A) exists in all societies.
B) affects only greedy people.
C) is the cause of poverty.
D) used to be a problem but is not an issue for industrialized nations.

87. When economists say that all societies face scarcity, they are describing:
A) free lunches.
B) unlimited resources.
C) unlimited wants.
D) tradeoffs societies must make.

88. The core problem in economics is:
A) unemployment.
B) economic growth.
C) inflation.
D) scarcity.

89. Opportunity costs:
A) are generally the same from individual to individual.
B) involve monetary rather than non-monetary costs.
C) decrease as individuals become wealthier.
D) influence all economic decisions.

90. What would be a possible opportunity cost of you going to a doctor for a check-up?
A) the cost of getting nontraditional care
B) the opportunity to make an acquaintance in the waiting room
C) lost income due to not being at work for those hours
D) the cost of the insurance reimbursing the doctor

91. An airline finds that its 6 A.M. flights are half-empty but the mid-afternoon flights are full. Which would be the MOST plausible statement for an economist to make?
A) Cut the price of the early morning flight and raise the price of the afternoon flight.
B) Nothing can be done to rectify the situation because of consumer sovereignty.
C) Fewer flights should be scheduled in the afternoon to force travelers to take the morning flight.
D) Nothing can be done because travelers are inflexible with their schedules.

92. The opportunity costs of attending college do NOT include:
A) the expenditures for food.
B) the costs of textbooks or eBooks.
C) the forgone wages that could have been earned working.
D) required student activity fees.

93. Assume that a student attends a four-year college with tuition costs of $20,000 per year, room and board costs of $5,000 per year, and books/entertainment costs of $1,000 per year. If the student did not go to college, she would work at a job that pays $25,000 per year but still face the same room and board and entertainment expenses. The opportunity cost of attending college for this student for four years is:

A) $180,000
B) $80,000
C) $100,000
D) $124,000

94. The opportunity cost of buying a ticket to a major league baseball game and then going to the game is:

A) the price of the ticket.
B) the next best alternative that could have been undertaken.
C) the time spent at the game.
D) all other alternative activities that could have been undertaken.

95. _____ costs include the time and money that could have been spent on another highly valued activity.

A) Opportunity
B) Marginal
C) Social
D) Total

96. John chose to buy a pizza. If he had not bought the pizza, he would have bought either a hot dog or a burger. John's opportunity cost of buying the pizza is:

A) the hot dog
B) the burger
C) both the burger and the hot dog
D) whichever alternative, the hot dog or the burger, has the next highest value to John

97. The basic idea of opportunity cost is that:

A) buyers miss opportunities to find better bargains.
B) using resources in an activity imposes costs on other people.
C) the decision to use resources in one activity means that the resources cannot be used elsewhere.
D) economic agents are always looking for better opportunities.

98. The _____ of parking at school includes the amount of time a person has to search for a parking space.
A) opportunity cost
B) equity concerns
C) efficiency
D) productivity

99. If you were not studying economics, you could be doing one of the following: sleeping in (which you value at $5), playing cards with your friends (which you value at $10), or working (you would have earned an extra $8). The opportunity cost of studying economics is therefore:
A) $23.
B) $10.
C) $8.
D) $5.

100. When the government chooses to use resources to build tourist centers, the selected resources are no longer available to build highways. This BEST illustrates the concept of:
A) macroeconomics.
B) scarcity.
C) opportunity cost.
D) efficiency.

101. Suppose Mike has three hours of time to spend so he ranks the following activities in order of priority: (1) see a movie, (2) attend a ball game, (3) study economics. Assume that each activity takes three hours. What is Mike's opportunity cost of seeing the movie?
A) attending a ball game and studying economics
B) studying economics
C) attending a ball game
D) either attending a ball game or studying economics

102. The _____ the opportunity cost of an activity, the _____ a person will do that activity.
A) higher; more
B) higher; less
C) lower, less
D) It doesn't matter. Price alone will determine the action.

103. Opportunity costs exist because:
A) using resources for one activity means that their use elsewhere must be given up.
B) sellers are unwilling to give up their product without a price.
C) there are opportunities to find ways to reduce costs.
D) buyers always have an opportunity to go to another seller.

104. The highest valued alternative that is forgone when you choose an action is called its:
A) opportunity cost.
B) utility.
C) scarcity.
D) benefit.

105. The opportunity cost of undertaking an activity is defined as the:
A) cost forgone by not undertaking another activity.
B) monetary cost of undertaking that activity.
C) benefit forgone by not undertaking the next-best activity.
D) monetary benefit of undertaking that activity.

106. Which scenario can occur when specialization in tasks is coupled with trade?
A) It can lead to gains for all parties.
B) It leads to gains for one party and losses for the other parties.
C) It leads to losses for all parties.
D) It works only with government intervention.

107. When specialization is used:
A) society is more productive, while individuals are less productive.
B) there are greater gains in material well-being.
C) there is more emphasis on self-reliance.
D) opportunity costs tend to be constant.

108. Which statement is TRUE about specialization and exchange between two individuals?
A) They generally benefit the poorer individual at the expense of the richer individual.
B) They generally benefit the richer individual at the expense of the poorer individual.
C) They generally benefit the poorer individual as well as the richer individual.
D) They generally benefit neither the poorer individual nor the richer individual.

109. Employers give stock options to full-time employees who have been on the job more than three years. This is an example of:

A) people following incentives.
B) thinking on the margin.
C) irrational behavior.
D) opportunity costs.

110. Which example represents incentives for decisions?

A) tax deductions for individual retirement accounts
B) investment tax credits for businesses
C) tax deductions for education saving accounts
D) All of these are incentives.

111. Which example represents a *bad* incentive?

A) charging drivers a gasoline tax to fund green energy projects
B) offering factories tax credits for reducing pollution
C) rewarding students for studying and earning high grades
D) raising homeowners' property taxes because of home improvements

112. Which statement about incentives is TRUE?

A) Each of us is motivated by the same incentive.
B) Each of us is motivated by different incentives.
C) Incentives can be manipulated with precision.
D) Price is the only relevant economic incentive.

113. Tax policy is partly based on the notion that:

A) high taxes are preferable to low taxes.
B) governments must always run a budget surplus.
C) markets never work efficiently.
D) people respond to financial incentives.

114. Discounted matinee movie ticket prices demonstrate that:

A) people follow incentives.
B) government intervention in the market is helpful.
C) market outcomes are always equitable.
D) the cost of living is decreasing.

115. Which statement is a key idea in economic thinking?
A) Scarcity exists for the poor but not for the rich.
B) Incentives matter.
C) The value of a good can be objectively measured and is the same for everyone.
D) All of these are key ideas in economic thinking.

116. A basic belief of economics is that:
A) people always, and in every case, respond to economic incentives.
B) in general, people respond to economic incentives.
C) history shows that tax incentives rarely work.
D) people do not respond to changes in costs and prices.

117. Marginal analysis would put an emphasis on:
A) total monetary costs and benefits.
B) total opportunity costs and benefits.
C) additional costs and benefits.
D) total tangible costs and benefits.

118. Rational behavior requires thinking at the margin. Which example represents this type of thinking?
A) deciding whether a second burger is worth the extra $2
B) deciding whether the overtime pay is worth working on your day off
C) deciding whether to pay a fine for polluting the local harbor or installing antipollution machinery
D) All of these examples represent thinking at the margin.

119. Thinking at the margin involves:
A) influencing how individuals make decisions.
B) making wiser decisions given limited information.
C) maximizing a firm's or individual's well-being.
D) weighing the impact of one additional activity.

120. Suppose that a store sells candy bars for $0.89 for one and $1.50 for two. The marginal cost of the second candy bar is:
A) $0.61.
B) $0.75.
C) $0.89.
D) $1.50.

121. Which question is NOT an example involving marginal analysis?
A) Should a university offer another section of a class?
B) Should a restaurant stay open another hour?
C) Should K-Mart rebrand all its stores to using the Sears name?
D) Should Boeing hire another assembly-line worker?

122. When economists use the word "additional," they generally mean:
A) rational.
B) economics.
C) marginal.
D) opportunity cost.

123. Hitting your snooze alarm before you get out of bed is an example of:
A) thinking at the margin.
B) efficiency.
C) equity.
D) market equilibrium.

124. Rational behavior:
A) means incentives don't matter.
B) requires people to consider the total costs and total benefits of their decisions.
C) requires thinking at the margin.
D) requires perfect information.

125. Choosing to work an extra hour of overtime is an example of:
A) thinking at the margin.
B) efficiency.
C) equity.
D) market equilibrium.

126. If a restaurant that traditionally has served only lunch and dinner wants to open for breakfast, which of the following factors should be considered?
A) rent
B) furniture
C) cost of the additional food
D) insurance costs

127. People use _____ to determine how many hours to work, and businesses use _____ to determine how much of their product they are willing to supply to the market.
A) marginal analysis; marginal analysis
B) allocative efficiency; production efficiency
C) production efficiency; marginal analysis
D) marginal analysis; allocative efficiency

128. The extra cost associated with undertaking some action is its:
A) marginal benefit.
B) marginal cost.
C) net cost.
D) total cost.

129. Because people make decisions at the margin, when deciding whether to purchase a second car, they would therefore compare:
A) the dollar cost of having two cars with the potential income the two cars may generate.
B) the additional benefits expected from a second car with the total cost of the two cars.
C) the additional benefits expected from a second car with the additional costs of the second car.
D) None of the answers is correct.

130. You will take the day off work if:
A) marginal costs exceed marginal benefits.
B) marginal costs are less than marginal benefits.
C) you can make up the missed work tomorrow.
D) you have additional sick days to spare.

131. Which statement does NOT involve thinking at the margin?
A) If I work another hour, I will beat traffic.
B) I worked eight hours today.
C) My supervisor asked me to work an extra four hours this week.
D) If I work on my day off, I will make an additional $300.

132. Heather has one employee in her sweater shop who can sew six sweaters a day. When she hires a second person, the two employees can make ten sweaters together. Thinking at the margin, the extra benefit received from hiring a second worker is _____ sweaters.

A) 16
B) 10
C) 4
D) 6

133. Markets provide an incentive structure to:

A) maximize equity.
B) eliminate scarcity.
C) maximize market information.
D) maximize efficiency.

134. Private markets will typically maximize production efficiency because they provide:

A) incentives for profit.
B) equity.
C) market information.
D) tax revenue for the government sector.

135. It must be recognized that private markets:

A) will always produce the most rational level of production.
B) can fail.
C) satisfy everyone.
D) will never produce the most rational outcome.

136. Efficiency in markets is generally increased by the discipline of:

A) planning and profits.
B) prices and planning.
C) prices and profits.
D) production and planning.

137. Which statement about markets is TRUE?

A) They always operate efficiently.
B) They bring buyers and sellers together.
C) Profits are never an effective discipline on the market.
D) Markets need to always be controlled by the government.

138. What drives and disciplines markets?
A) equity
B) prices and profits
C) *ceteris paribus* assumptions
D) efficiency

139. The situation in which markets fail to provide efficiently is called:
A) market failure.
B) uneconomic efficiency.
C) market collapse.
D) government failure.

140. Markets tend to be efficient because:
A) people respond to incentives.
B) Adam Smith created markets.
C) entrepreneurs always try to produce at the lowest possible cost.
D) decisions are always made at the margin.

141. Which of these is NOT an example of market failure?
A) Water is polluted by a paper company located by a river.
B) Air is polluted by a manufacturing firm.
C) Competition leads firms to provide products at the lowest possible price.
D) Consumers must buy water from one local water utility.

142. Government intervention in the market is helpful when:
A) consumers are free to buy from many different firms.
B) consumers are forced to buy from just one firm.
C) business firms face increasing competition from new entrants into the market.
D) business firms always use the cleanest technologies available to mitigate pollution.

143. Information plays an important role in the market because it allows:
A) market participants to make good decisions based on cost-benefit analysis.
B) sellers to enhance their sales pitch.
C) the media to grow in importance.
D) managers to make more risky decisions.

144. One of the key ingredients in making rational choices is access to:
A) sufficient funds.
B) information.
C) foreign markets.
D) a university psychology department.

145. When consumers have no choice but to buy from one firm (local utility, etc.):
A) they usually end up paying too much for the good or service.
B) government regulation is usually used to protect consumers.
C) they will always get the good or service at the lowest price available.
D) None of these occur.

146. Which statement describes a time in the economy when the government should intervene?
A) Consumers cannot make up their minds what they want to purchase.
B) Sellers make poor business decisions.
C) Producers use the least-cost methods of production.
D) The market fails to provide goods efficiently.

147. Which situation(s) may require government intervention?
I. A local business has made a profit in each of the last ten years.
II. Students are having difficulty deciding whether to go the beach or to go hiking for their class trip.
III. A manufacturing firm on a river is dumping production run off into the water.
A) I and II
B) II and III
C) II only
D) III only

148. Government intervention in the market is helpful when:
A) consumers are free to buy from a number of different firms.
B) consumers and firms have good information.
C) firms face increasing competition from new entrants into the market.
D) firms engage in production activities that pollute the air and water.

149. People tend to make rational choices for which they rely on:
A) scarcity.
B) utility.
C) information.
D) *ceteris paribus*.

150. Economists believe that:
A) making information available to market participants improves market function.
B) information should be sold to the highest bidder.
C) the flow of information has minimal impact on market efficiency.
D) data is more important to traders than information.

151. When the _____ outweigh(s) the _____ of the information, people will attempt to obtain the information.
A) costs; benefits
B) benefits; costs
C) equity; efficiency
D) efficiency; equity

152. Joan is trying to gather information on the membership at her Zen Center. She estimates that it will cost around $1,000 to gather the information but expects the information to lead to increased membership revenue of $1,100. Based on this information, Joan should:
A) not gather the information since she will only gain $100.
B) gather the information since the net gain will be $100.
C) not gather the information since it will cost money and the Zen Center is a not-for-profit organization
D) gather the information regardless of the cost.

153. Which statement is TRUE?
A) Low productivity and low pay go together.
B) High productivity and low pay go together.
C) Low productivity and high pay go together.
D) The most productive countries are those with the lowest average per capita incomes.

154. For a nation, _____ productivity growth leads to _____ standards of living.

A) high; low
B) low; high
C) high; unchanging
D) high; high

155. Economists generally do NOT define an institution as a:

A) government free of corruption.
B) government that controls resource allocation.
C) legal system that enforces contracts and laws.
D) strong monetary system.

156. A nation's standard of living is primarily a function of:

A) natural resource availability.
B) government benefits.
C) national defense.
D) productivity.

157. The country of Economia has a higher productivity rate than Productstan. Which statement is therefore correct?

A) Economia has a lower standard of living for its citizens than Productstan.
B) It cannot be determined from what is said which country has the higher standard of living.
C) Economia has a higher standard of living for its citizens than Productstan.
D) It can be assumed that both have the same high standard of living because productivity and living standards are unrelated.

158. Which statement is NOT considered a key principle of economics?

A) Scarcity exists for everyone.
B) People face economic incentives on a regular basis.
C) Irrational behavior requires thinking at the margin.
D) Information is important to producers and consumers.

159. Which statement is NOT a key principle of economics?

A) People follow incentives.
B) Productivity determines our standard of living.
C) Rational thinking requires perfect information.
D) Government can sometimes correct market failure.

160. Economists use graphs because:
A) they represent relationships between variables.
B) they are more efficient than models.
C) they are less efficient than models.
D) their use makes the analysis more complicated.

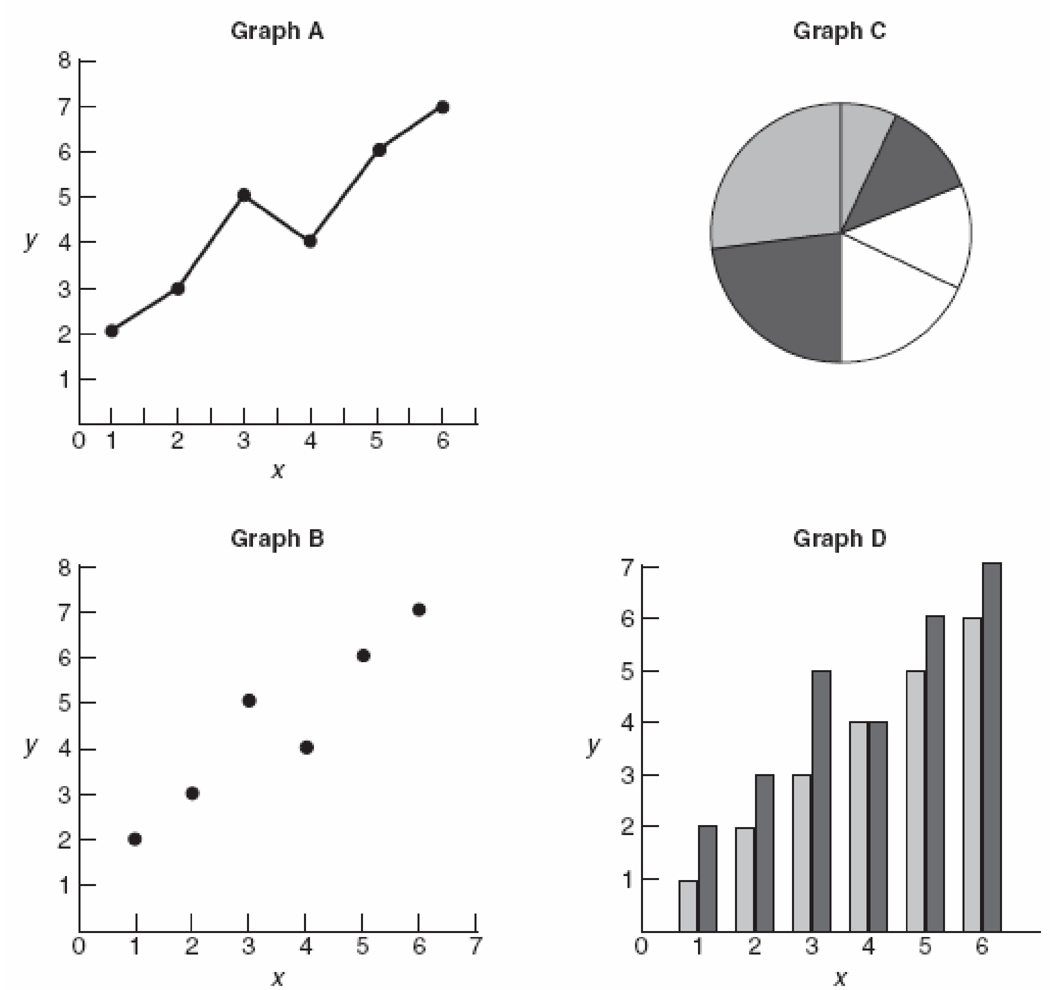
161. Time series graphs:
A) show data that can be split into percentages that, when combined, make up the whole.
B) show the relative importance of some variable's components as a share of the whole.
C) include the value of a variable on the horizontal axis and minutes, hours, days, months, quarters, or years on the vertical axis.
D) include the value of a variable on the vertical axis and minutes, hours, days, months, quarters, or years on the horizontal axis.

162. Pie charts:
A) depict two variables to see if any correlation exists.
B) show how data can be split into percentages by category.
C) include a variable for time.
D) show trends of data over time.

163. A graph of a business cycle that plots output on the vertical axis and quarters of the year on the horizontal axis is an example of a:
A) bar chart.
B) pie chart.
C) scatter plot.
D) time series.

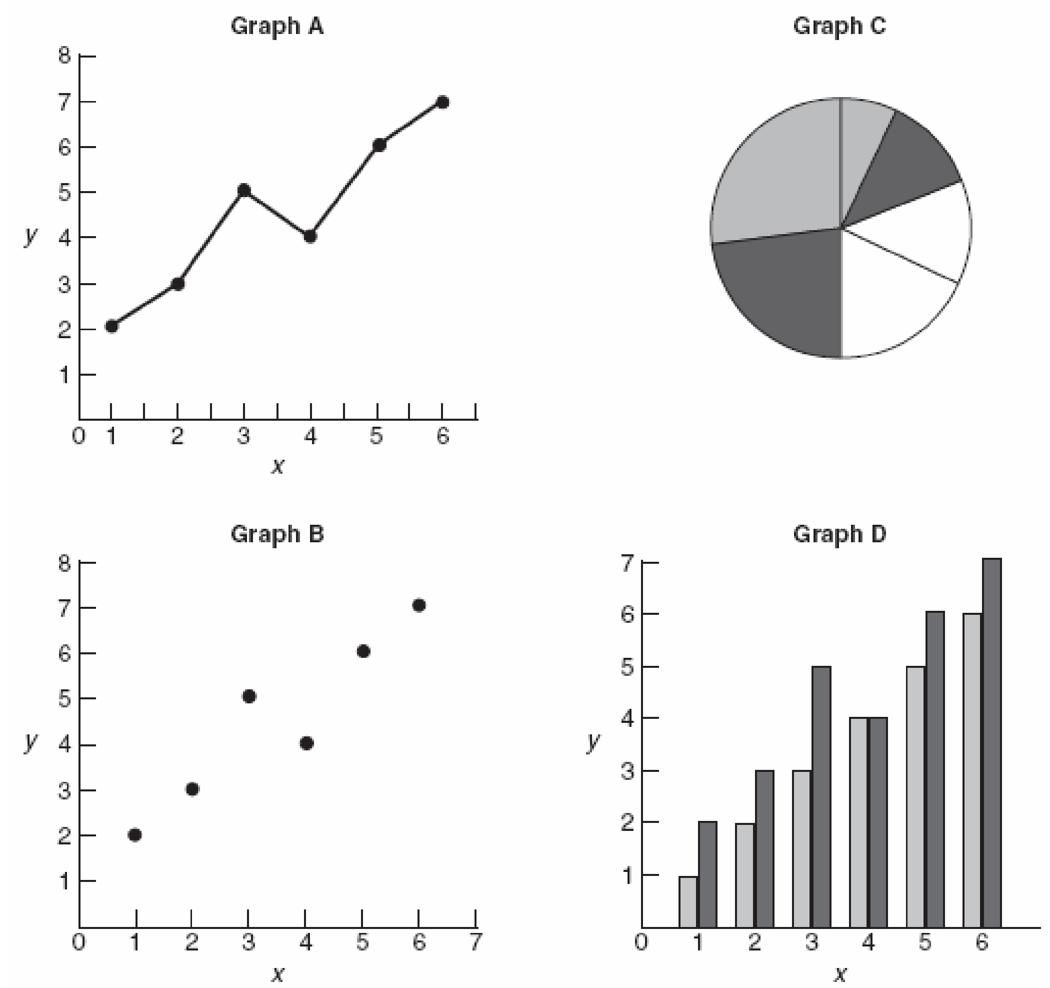
164. If you plot temperature on the *y* axis and time on the *x* axis, you have created a:
A) time series.
B) scatter plot.
C) pie chart.
D) bar chart.

165. (Figure: Graph Examples) Which graph is an example of a scatter plot?



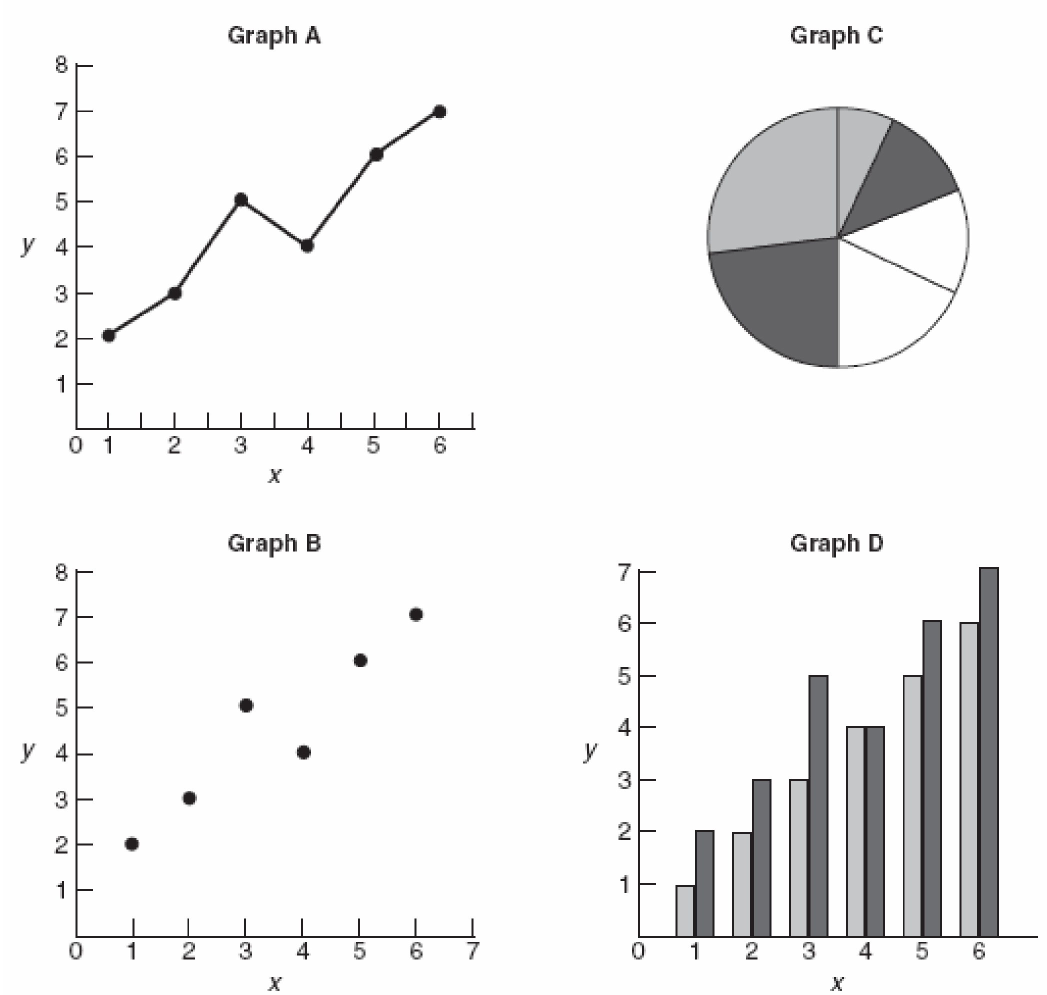
A) graph A
B) graph B
C) graph C
D) graph D

166. (Figure: Graph Examples) Which graph is an example of a pie chart?



A) graph A
B) graph B
C) graph C
D) graph D

167. (Figure: Graph Examples) Which graph in the figure is an example of a bar chart?

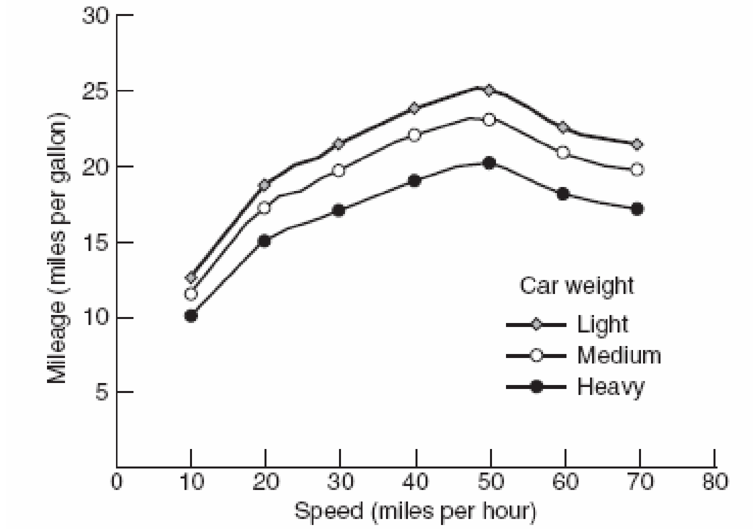


A) graph A
B) graph B
C) graph C
D) graph D

168. If you plot temperature on the *y* axis and world carbon emissions on the *x* axis, you have created a:

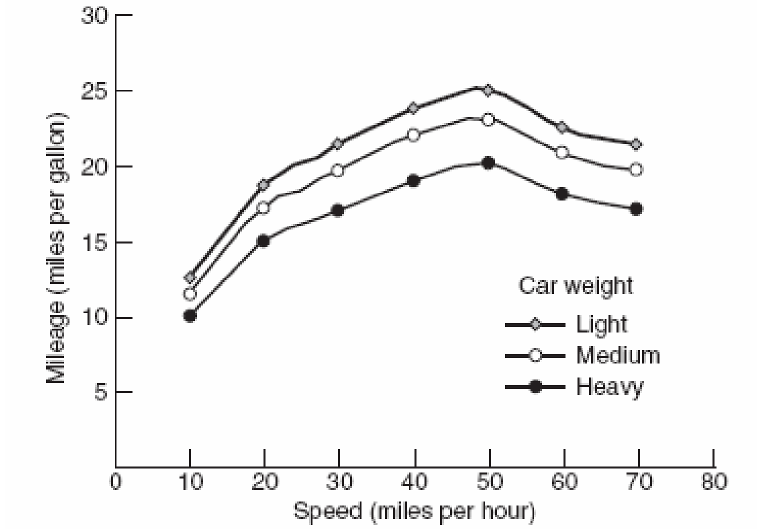
A) time series.
B) scatter plot.
C) pie chart.
D) bar chart.

169. (Figure: Mileage and Speed by Car Weight) Which statement about the graph is CORRECT?



A) Mileage is related only to speed, not car weight.
B) Speed is related to mileage and car weight.
C) Mileage is related to both speed and car weight.
D) Mileage is unrelated to speed and car weight.

170. (Figure: Mileage and Speed by Car Weight) Which statement about the graph is CORRECT?



I. The heavier the vehicles, *ceteris paribus*, the lower the mileage.
II. The higher the speed of the vehicle past 50 miles per hour, *ceteris paribus*, the lower the mileage.
III. Weight and speed have a linear relationship with mileage.

A) I only
B) II only
C) I and II
D) I, II, and III

171. If two variables are positively related, then, as one variable:

A) decreases the other variable decreases, and as one variable increases the other variable decreases.
B) increases the other variable increases, and as one variable decreases the other variable increases.
C) decreases the other variable increases, and as one variable increases the other variable decreases.
D) increases the other variable increases, and as one variable decreases the other variable decreases.

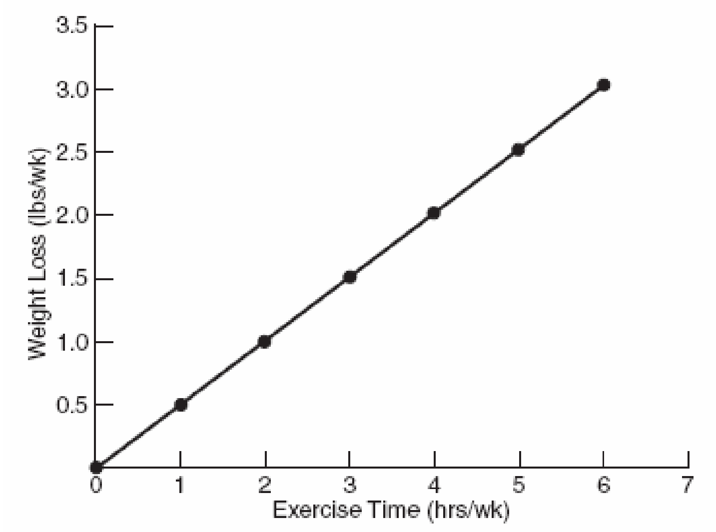
172. If temperature and ice cream sales are positively related, as the temperature:

A) rises, ice cream sales fall.
B) rises, ice cream sales stay the same.
C) falls, ice cream sales decline.
D) falls, ice cream sales rise.

173. If a graph between hot chocolate sales and temperature is downward sloping, then sales of hot chocolate:

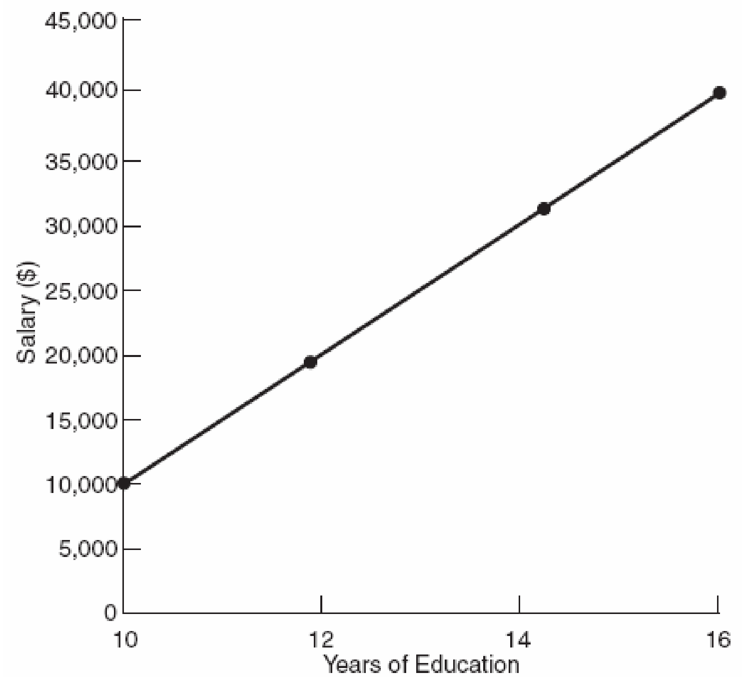
A) fall as temperature falls.
B) rise as temperature falls.
C) rise over time.
D) fall over time.

174. (Figure: Weight Loss and Exercise Time) According to the data in the graph, where weight loss is shown on the *y* axis, every 2 extra hours of exercise:



A) increases weight by 1 pound.
B) decreases weight by 1/2 pound.
C) decreases weight by 1 pound.
D) increases weight by 1/2 pound.

175. (Figure: Education and Earnings) The hypothetical graph shows the relationship between years of education and salary. Which statement is NOT correct?



A) A person with 13 years of education can expect to earn $25,000.
B) The slope of the line is 5,000.
C) The line represents a simple model of the relationship between education and earnings.
D) The relationship between the two variables is nonlinear.

176. (Table) If the numbers in the table were placed on a graph, with hot chocolate sales on the vertical axis and temperature on the horizontal axis, a:

Temperature	Hot Chocolate Sales
25	100
30	90
35	80
40	70
45	60
50	50
55	40

A) positive, nonlinear curve would result.
B) negative, linear relationship between temperature and hot chocolate sales would be shown.
C) positive, linear relationship between temperature and hot chocolate sales would be shown.
D) negative, nonlinear curve would result.

177. (Table) If the numbers in the table were placed on a graph, with hot chocolate sales on the vertical axis and temperature on the horizontal axis, the slope would be:

Temperature	Hot Chocolate Sales
25	100
30	90
35	80
40	70
45	60
50	50
55	40

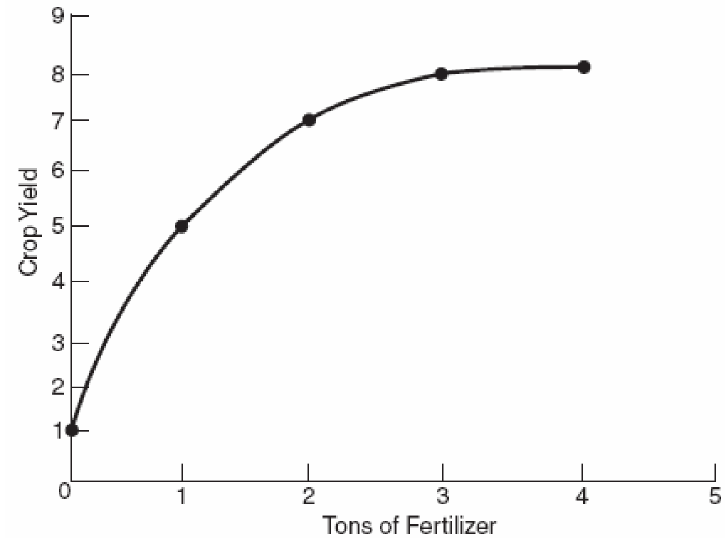
A) +2
B) –1/2.
C) –2.
D) –10.

178. (Table) Using the information in the table, the equation that represents the relationship between temperature (T) on the horizontal axis and hot chocolate (C) sales on the vertical axis would be:

Temperature	Hot Chocolate Sales
25	100
30	90
35	80
40	70
45	60
50	50
55	40

A) $C = 150 - 2T$
B) $C = 50 - 1/2T$
C) $T = 75 - 2C$
D) $T = 25 - 1/2C$

179. (Figure: Crop Yield and Fertilizer) The graph shows a hypothetical relationship between tons of fertilizer used and crop yields. Which statement is NOT correct?



A) The slope of the curve between one and two tons of fertilizer is approximately 2.
B) The relationship between fertilizer usage and yield is nonlinear.
C) Because the relationship is nonlinear, it is difficult to create an economic model describing the relationship between the two variables.
D) Using more than three tons of fertilizer has minimal effect on yield.

180. If a graph showed that as the amount of time a person spent partying increased, her GPA decreased, then this relationship would be:
A) negative.
B) positive.
C) linear.
D) nonlinear.

181. *Ceteris paribus* means:
A) everything changes.
B) everything is held constant.
C) other things being equal.
D) nothing changes.

182. If the price of carrots drops, *ceteris paribus,* people will buy more carrots. Which statement BEST describes this phenomenon?

A) The relationship between the price of carrots and the number of carrots that people buy is independent of other things.
B) If carrots are the only available good, people will buy more of them if the price decreases.
C) If the price of carrots drops and everything else remains the same, the number of carrots people buy will increase.
D) As the price of carrots decreases, and all other prices decrease, then the quantity of carrots purchased will increase.

183. John, a farmer, thinks he will make a profit next year if the weather stays the same, if the price of his crop doesn't change, and if the price of fertilizer and seed does not change. An economist would say that this farmer thinking he will make a profit the following year is an example of:

A) *laissez-faire*.
B) *ceteris paribus.*
C) *post hoc ergo propter hoc.*
D) *e pluribus unum.*

184. When we analyze the relationship between inflation and the money supply, we assume that:

A) all other factors that affect the rate of inflation remain constant.
B) this relationship holds only in a democratic country.
C) this relationship reflects a nonlinear relationship.
D) the money supply is backed by gold alone.

185. When the *ceteris paribus* assumption is violated in economics, the effect is shown by:

A) a movement down along the curve.
B) a movement up along the curve.
C) a shift of the entire curve.
D) correlation but not causation.

186. The purpose of invoking *ceteris paribus* is to:

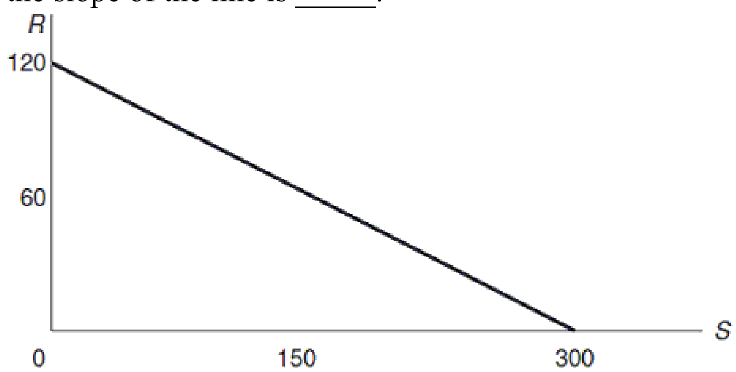
A) simplify the analysis being done.
B) make the economic model more realistic.
C) allow the model to take more complexity into account.
D) introduce risk into the model.

187. (Table) Assume the relationship between temperature (T) and hot chocolate (C) sales can be written as $C = 150 - 2T$. An updated study shows that the amount of hot chocolate sales at every temperature has actually doubled. The new equation for this relationship would be:

Temperature	Hot Chocolate Sales
25	100
30	90
35	80
40	70
45	60
50	50
55	40

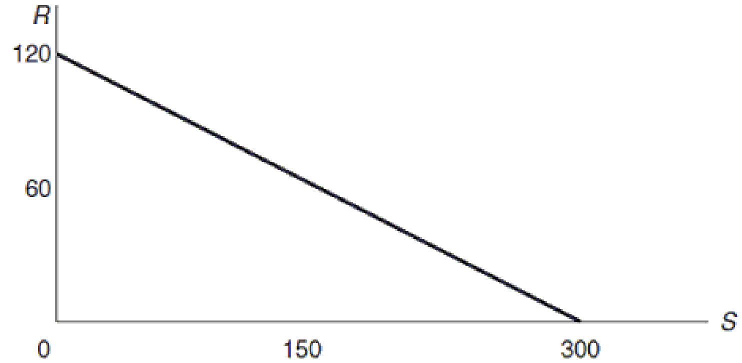
A) $C = 150 - 2T$
B) $C = 75 - T$
C) $C = 300 - 4T$
D) $C = 300 - 2T$

188. (Figure: Graph Interpretation) In the graph, _____ is the dependent variable and the slope of the line is _____.



A) R; negative
B) R; positive
C) S; negative
D) S; positive

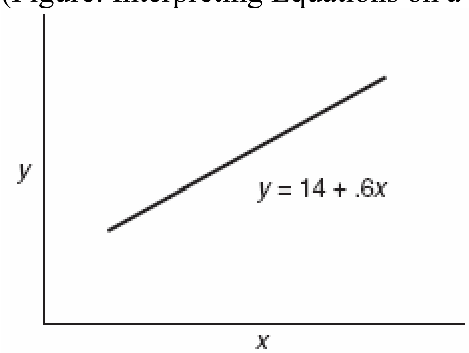
189. (Figure: Graph Interpretation) In the graph, the equation for the line is:



A) $R = 120 - 0.4S$.
B) $R = 120 - 300S$.
C) $R = 120 + 0.4S$.
D) $S = 300 + 120R$.

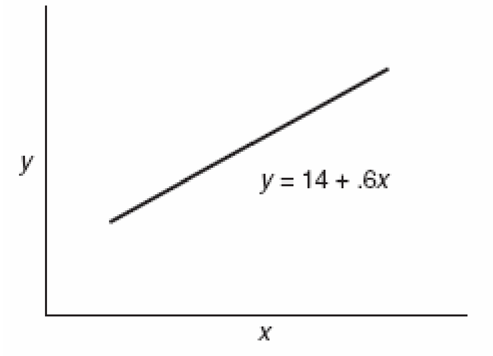
190. In the equation $S = 130 - 2T$, where S is hot chocolate sales and T is temperature, the slope is:
A) 130.
B) –2.
C) 2.
D) –65.

191. (Figure: Interpreting Equations on a Graph) The graph illustrates:



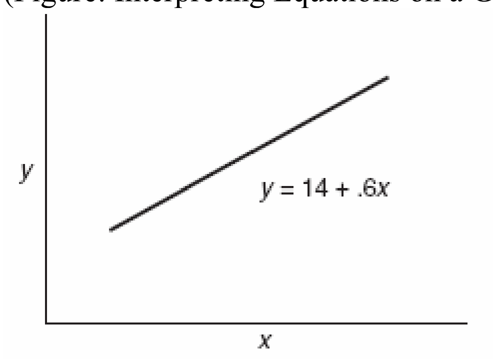
A) a nonlinear equation.
B) a linear equation.
C) the concept of efficiency.
D) a rectangular hyperbola.

192. (Figure: Interpreting Equations on a Graph) In the graph, if x is 0, then the y-intercept is:



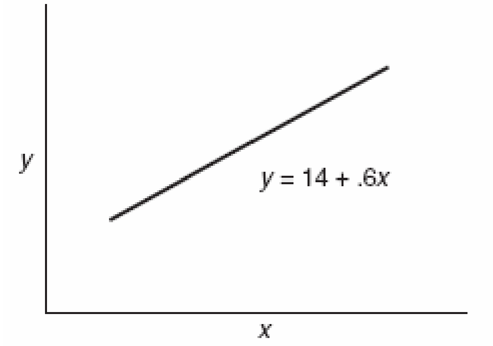
A) 0.
B) 14.6.
C) 14.
D) 0.6.

193. (Figure: Interpreting Equations on a Graph) In the graph, the slope of the line is:



A) 0.
B) 14.6.
C) 14.
D) 0.6.

194. (Figure: Interpreting Equations on a Graph) In the graph, if y stands for inflation and x stands for the money supply, then:



A) for every 1% increase in the money supply, inflation increases by 0.6%.
B) for every 1% increase in inflation, the money supply increases by 0.6%.
C) if the money supply increases by 14, then inflation goes up 0.6%.
D) if inflation increases by 14, then inflation goes up 0.6%.

195. In the equation $S = 130 - 2T$, where S is hot chocolate sales and T is temperature, sales:
A) increase by 20 if temperature increases by 10 degrees.
B) increase by 2 if temperature increases by 10 degrees.
C) decrease by 20 if temperature increases by 10 degrees.
D) decrease by 2 if temperature increases by 10 degrees.

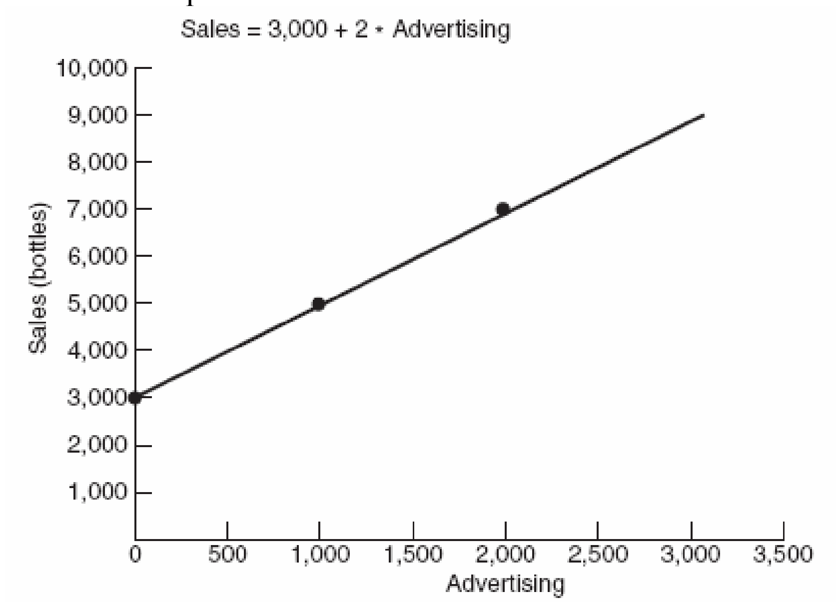
196. In the equation $S = 130 - 2T$, where S is hot chocolate sales and T is temperature, sales:
A) decrease by 10 if temperature falls by 5 degrees.
B) decrease by 2 if temperature falls by 5 degrees.
C) increase by 10 if temperature falls by 5 degrees.
D) increase by 2 if temperature falls by 5 degrees.

197. Consider the equation $Y = e + fX$. Which letter represents the slope?
A) e
B) f
C) X
D) Y

198. Consider the equation $Y = e + fX$. Which letter represents the intercept?
A) e
B) f
C) X
D) Y

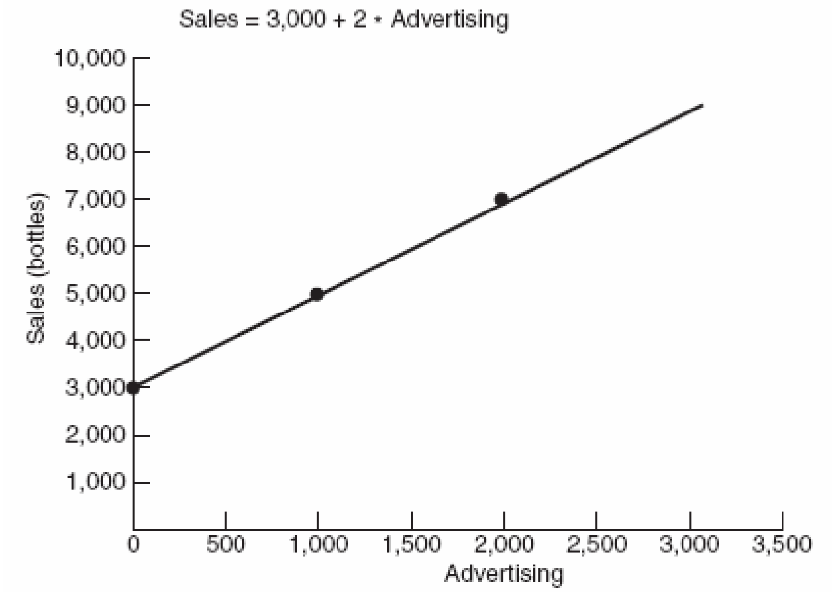
199. In the equation $Y = e + fX$, _____ is the independent variable and _____ is the slope.
A) Y; e
B) Y; f
C) X; e
D) X; f

200. (Figure: Sales and Advertising) The graph shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. If the company that manufactures Jump spends $3,000 on advertising, how many bottles of Jump will it sell?



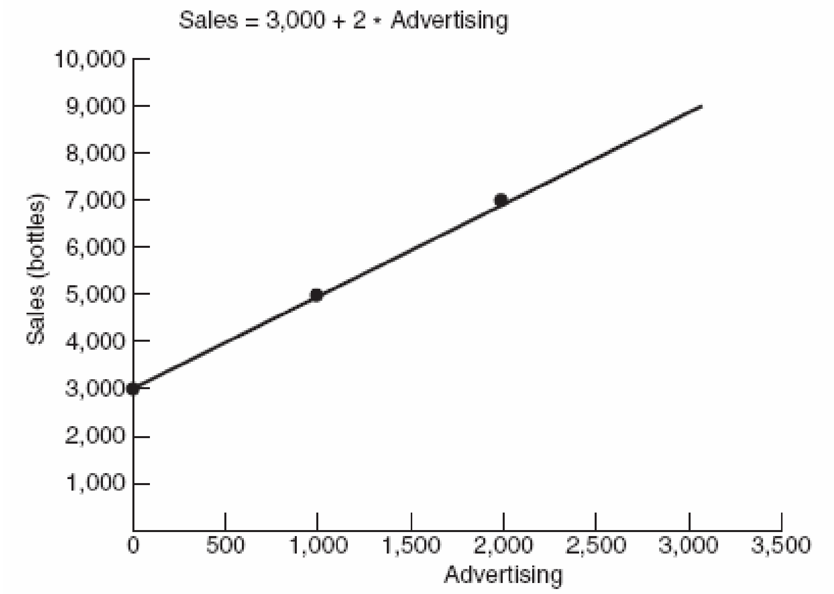
A) 13,500
B) 9,000
C) 10,000
D) 7,000

201. (Figure: Sales and Advertising) The graph shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. If consumer tastes change in the region where Jump is marketed and base sales increase by 1,500 bottles, what is the equation of the *shifted* line?



A) Sales = 1,500 + 2 × Advertising
B) Sales = 4,500 + 2 × Advertising
C) Sales = 3,000 + 1,502 × Advertising
D) Sales = 3,000 + 2 × Advertising

202. (Figure: Sales and Advertising) The graph shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. If a new health advisory is released that warns consumers about problems associated with too much caffeine consumption and the level of base sales of Jump then decreases by 2,000 bottles, what is the equation of this *shifted* line?



A) Sales = 1,000 + 2 × Advertising
B) Sales = 3,000 + 2,002 × Advertising
C) Sales = 3,000 + 2 × Advertising
D) Sales = 5,000 + 2 × Advertising

203. In the equation $S = 130 - 2T$, where S is hot chocolate sales and T is temperature, hot chocolate sales are:
A) 130 when the temperature is 0.
B) 65 when the temperature is 0.
C) 132 when the temperature is 0.
D) 128 when the temperature is 0.

204. Suppose an economist discovers that the relationship between grades and hours of tutoring is *Grade* = 60 + 5(*Hours*). Based on the equation, which statement is true?
A) Tutoring is not worthwhile because each hour raises the grade by only 5 points.
B) If no tutoring is done, then the grade will be zero.
C) The expected grade with 5 hours of tutoring is 85.
D) The relationship between tutoring and grades is weak.

205. Which paired variables might indicate a correlation but NOT causation?
A) advertising expenditures and sales
B) snowfall amounts and stock market performance
C) age and health care expenditures
D) grade point average and future income

206. Which statement is CORRECT?
A) *Correlation* and *causation* are synonyms.
B) Shortly after a new president takes office, the unemployment rate goes down. One must conclude that the new president's economic policies are responsible for the economic upturn.
C) The fact that two variables are correlated with each other does not mean that one causes the other.
D) If two variables move together, then they are causally related.

207. An increase in the price of gold is always associated with the outbreak of wars; increasing gold prices cause wars. This would be an example of what logical misconception?
A) *ceteris paribus*
B) correlation is causation
C) laissez-faire
D) nonlinearity

208. The observation that highly productive countries have taller populations is an example of:
A) cause and effect.
B) correlation.
C) causation.
D) allocative efficiency.

209. Economic analysis cannot be applied to concepts outside economics.
A) True
B) False

210. The broad scope of economic analysis allows us to reflect on everyday choices in addition to more global issues.
A) True
B) False

211. Economic analysis gives us a structure for making decisions in a rational manner.
A) True
B) False

212. Economics is only about money.
A) True
B) False

213. Economics is about allocating limited resources to maximize an individual or society's well-being or satisfaction.
A) True
B) False

214. Economics deals only with financial issues.
A) True
B) False

215. *Scarcity* is best defined as when the quantity demanded exceeds the quantity supplied.
A) True
B) False

216. A rich person does not experience scarcity.
A) True
B) False

217. Economists look for rational responses to incentives.
A) True
B) False

218. Examining whether the country's price level has increased in last quarter is a macroeconomic topic.
A) True
B) False

219. Macroeconomics deals with aggregate variables and microeconomics deals with individual issues.

A) True
B) False

220. Microeconomics looks at how markets are structured.

A) True
B) False

221. The decisions made by individuals and firms are covered in microeconomics.

A) True
B) False

222. Macroeconomics focuses on decisions made for the entire economy.

A) True
B) False

223. An example of a microeconomics question would be asking about the reasons for increases and decreases in the price of bread.

A) True
B) False

224. Microeconomics looks at particular markets within an economy.

A) True
B) False

225. Microeconomics focuses on decision making by individuals, businesses, industries, and governments.

A) True
B) False

226. Macroeconomics is concerned about the broader issues in the economy, such as inflation, unemployment, and national output of goods and services.

A) True
B) False

227. Macroeconomics studies the outcomes of individual markets in the national economy.

A) True

B) False

228. Economic models must fully reflect reality.

A) True

B) False

229. Complex models are always better than simple ones.

A) True

B) False

230. To be useful, an economic model must include every detail possible and not be an abstraction.

A) True

B) False

231. Stylized models boil down issues and facts to their basic relevant elements.

A) True

B) False

232. Model building leads to theories that must then be tested.

A) True

B) False

233. Economists create simplistic models in order to explain complex economic topics.

A) True

B) False

234. The *ceteris paribus* assumption holds some variables constant in order to aid in model building.

A) True

B) False

235. A situation in which output is produced at the lowest possible cost is called allocative efficiency.
A) True
B) False

236. There are no instances where efficient solutions to problems conflict with equity issues.
A) True
B) False

237. Much of economic analysis is directed toward ensuring an efficient allocation of resources.
A) True
B) False

238. It is impossible to have a conflict between allocative efficiency and production efficiency.
A) True
B) False

239. The concept of equity relates to how quickly something can be produced.
A) True
B) False

240. There is general agreement as to which economic policies are fair, or equitable.
A) True
B) False

241. Positive questions are questions about how things ought to be.
A) True
B) False

242. Positive questions involve the understanding of basic facts.
A) True
B) False

243. Normative questions involve societal beliefs on what should or should not be done.
A) True
B) False

244. The question “How do interest rates influence employment?” is an example of a normative question.
A) True
B) False

245. The assumption that people will act in such a way as to maximize their self-interest is a reasonable one for most cases that economists analyze.
A) True
B) False

246. Scarcity occurs when an individual's resources exceed his wants.
A) True
B) False

247. Our wants are always greater than our resources.
A) True
B) False

248. Scarcity is not a problem faced by Bill Gates or Warren Buffet.
A) True
B) False

249. The concept of scarcity implies that people must make choices among alternatives.
A) True
B) False

250. Tradeoffs occur because resources are scarce.
A) True
B) False

251. Another definition of opportunity cost is the value of the next best alternative.
A) True
B) False

252. The opportunity cost of one good is the quantity of resources that could be used to purchase the next best choice.
A) True
B) False

253. Individuals do not experience opportunity costs unless external costs occur.
A) True
B) False

254. Opportunity cost involves nonmonetary costs rather than monetary costs.
A) True
B) False

255. Specialization and exchange between two individuals generally benefit the poorer individual at the expense of the richer individual.
A) True
B) False

256. Economists never assume that people respond to economic incentives.
A) True
B) False

257. Marginal analysis exists when a person continues to make a decision until the value of the outcome is zero.
A) True
B) False

258. Thinking at the margin means that the individual thinks about the additional costs and benefits of doing something.
A) True
B) False

259. Thinking at the margin is defined as maximizing a firm's or individual's well-being.
A) True
B) False

260. A store sells candy bars for \$0.89 for one bar and \$1.50 for two. The marginal cost of the second candy bar is \$0.75.
A) True
B) False

261. The government can always successfully intervene if market failure exists.
A) True
B) False

262. Generally speaking, private markets are the most efficient institutions for providing goods and services.
A) True
B) False

263. Excessive pollution is an example of market failure.
A) True
B) False

264. Most economists agree that there is no legitimate role for government to play in the economy.
A) True
B) False

265. Economists point out that the quality of economic decisions depends on the quality of the information underlying those decisions.
A) True
B) False

266. Open access to information is necessary in order for a market to work efficiently.
A) True
B) False

267. Scatter plots use time and one other variable to determine possible relationships.
A) True
B) False

268. Time series graphs include the value of a variable on the vertical axis and minutes, hours, days, months, quarters, or years on the horizontal axis.
A) True
B) False

269. The height of the bars in a bar chart may depict the number of data points in each category.
A) True
B) False

270. Simple graphs never provide information about the relationship between variables.
A) True
B) False

271. Titles, labels for axes, and a statement of how the data are measured help with the interpretation of graphs.
A) True
B) False

272. Time series graphs allow us to see trends in one variable over a set time frame.
A) True
B) False

273. A pie chart is useful for business presentations but not for macroeconomic analysis.
A) True
B) False

274. Linear relationships show the same slope between any two points on a line.
A) True
B) False

275. If variable *X* rises as variable *Q* falls, then *X* and *Q* have a positive relationship and the slope of the line is positive.

A) True

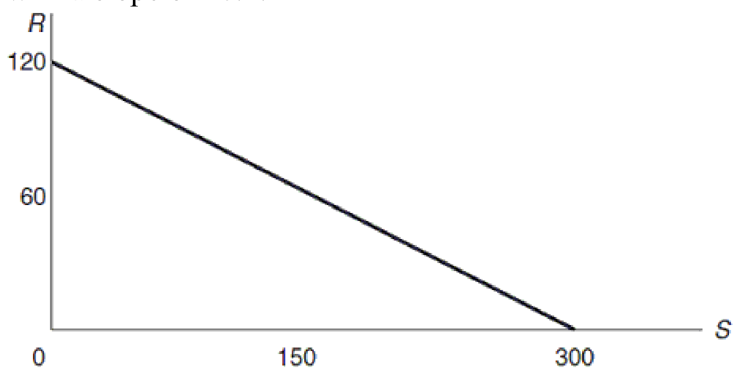
B) False

276. If variable *S* falls as variable *X* falls, then *S* and *X* have a positive relationship and the slope of the line is positive.

A) True

B) False

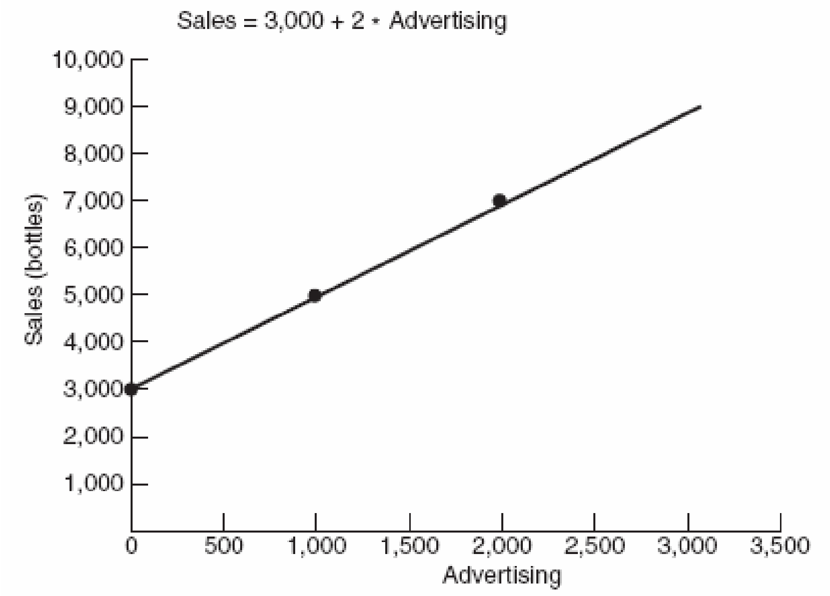
277. (Figure: Graph Interpretation) In the graph, a negative relationship is depicted with a slope of –0.4.



A) True

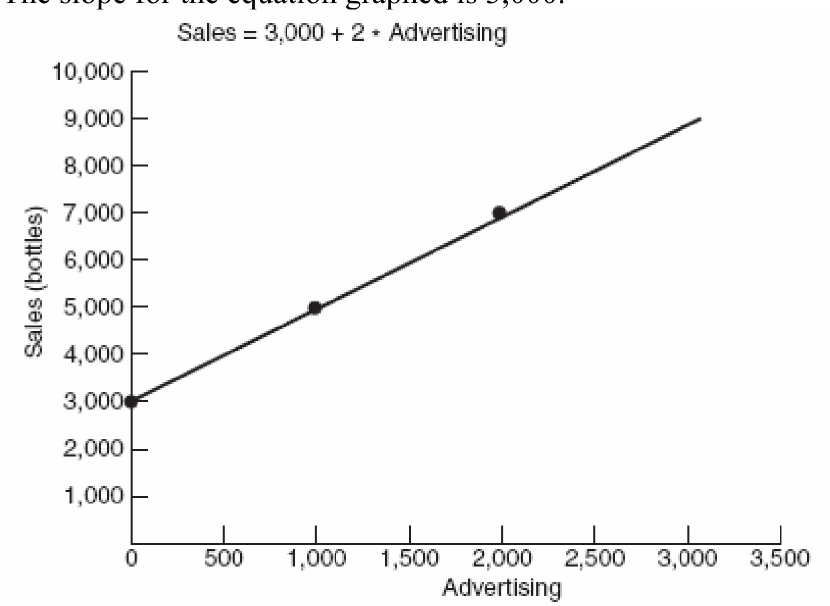
B) False

278. (Figure: Sales and Advertising) The graph shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. The vertical intercept for the equation graphed is 3,000 bottles.



A) True
B) False

279. (Figure: Sales and Advertising) The graph shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. The slope for the equation graphed is 3,000.



A) True
B) False

280. In the equation $Y = b - aX$, a is the intercept.
A) True
B) False

281. In the equation $C = a + bY$, Y is the dependent variable and a is the intercept.
A) True
B) False

282. Correlation between two variables is not enough evidence to suggest that a causal relationship exists between the two variables.
A) True
B) False

283. When two variables appear to be related according to a scatter plot, one must be causing the other to occur.
A) True
B) False

284. If two variables are correlated with one another, it is possible but not necessary that one variable causes the other.
A) True
B) False

285. Changes in stock prices are correlated with the amount of rainfall. Therefore, rainy weather causes the stock market to fall.
A) True
B) False

286. What assumption about human motivation is made in economics? Explain.

287. What are the benefits of learning the techniques and tools involved within economic analysis?

288. Distinguish between macroeconomics and microeconomics.

289. Compare and contrast the focuses of microeconomics and macroeconomics.

290. What are some examples of the types of issues analyzed by microeconomics? What are some topics examined by macroeconomics?

291. Briefly describe how macroeconomics and microeconomics are related. How do they differ?

292. Is understanding recessions a microeconomic or a macroeconomic issue? Explain.

293. Evaluate the following statement: *To be useful, a model must be completely realistic.*

294. Describe how economists use models and how the results of stylized models may compare with those from more complex models.

295. Why is model building considered a process of understanding the economy?

296. Explain the following statement: Economic theories must be tested.

297. Why do economists develop models (*stylized facts*) to help with analysis? Discuss the strength and weakness of such an approach.

298. Describe the *ceteris paribus* assumption and discuss how it might affect your purchase of fast-food meals this week.

299. Why do economists focus on efficiency rather than equity?

300. Discuss the difference between efficiency and equity.

301. Evaluate this statement: There is more than one concept of economic efficiency.

302. Explain what is meant by economic efficiency. Does efficiency imply that the fastest production processes or the most powerful equipment must always be used? Explain.

303. Explain the difference between positive questions and normative questions.

304. At the start of the war in Iraq, homeowners in the United States found it difficult to find plywood. At the same time, the U.S. military was constructing buildings in Iraq. How do the two situations reflect economic tradeoffs?

305. How do the concepts of scarcity and opportunity cost relate to each other?

306. What is the opportunity cost of you taking this economics class?

307. Explain why incentives are important, and give examples of incentives that a business might provide to its customers to increase product sales on weekdays.

308. Explain the meaning of the phrase: People respond to incentives.

309. What are some ways you use marginal analysis in your life?

310. Why are markets efficient?

311. Provide two examples of what economists refer to as *institutions.*

Answer Key

1. C
2. B
3. C
4. A
5. D
6. C
7. A
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10. D
11. C
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