Microeconomics 22nd edition McConnell Test Bank

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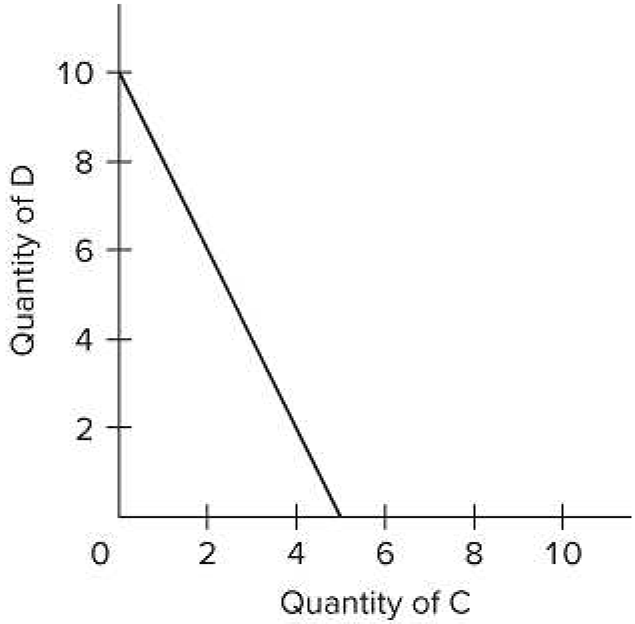
Microeconomics 22nd Edition by McConnell CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

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



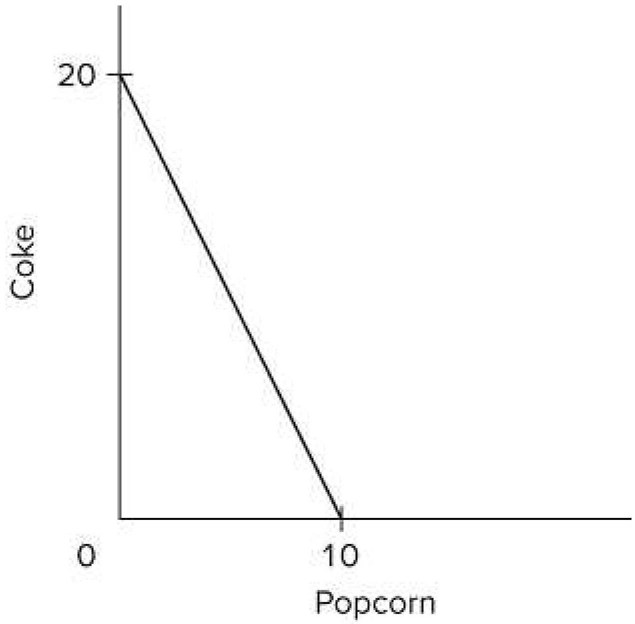
1)

Refer to the budget line shown in the diagram. If the consumer's money income is $200, the

1) ______

A) prices of C and D cannot be determined.
B) price of C is $5 and the price of D is $10.
C) consumer can obtain a combination of 5 units of both C and D.
D) price of C is $40 and the price of D is $20.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible



2)

Suppose you have a money income of $50, all of which you spend on Coke and popcorn. In the diagram, the prices of Coke and popcorn, respectively, are

2) ______

A) $2.50 and $5.00.
B) $5.00 and $2.50.
C) $5.00 and $10.00.
D) $0.40 and $0.20.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
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3) Assume the price of product Y (the quantity of which is on the vertical axis) is $15 and the price of product X (the quantity of which is on the horizontal axis) is $3. Also assume that money income is $60. The absolute value of the slope of the resulting budget line is

3) ______

A) 5.
B) 1/5.
C) 4.
D) 20.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible
Bloom's : Analyze

4) Suppose that Julia receives a $40 gift card for the local coffee shop, where she only buys lattes and muffins. If the price of a latte is $4 and the price of a muffin is $2, then we can conclude that Julia

4) ______

A) should only buy muffins.
B) should only buy lattes.
C) can buy 10 lattes or 20 muffins if she chooses to buy only one of the two goods.
D) can buy 10 lattes and 20 muffins with her $40 gift card.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible

5) Camille is at the candy store with Grandma Mary, who offers to buy her $12 worth of candy. If lollipops are $2 each and candy bars are $3 each, what combination of candy can Camille's Grandma Mary buy her?

5) ______

A) six lollipops and four candy bars
B) three lollipops and two candy bars
C) two lollipops and three candy bars
D) four lollipop and two candy bars

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible

6) Assume that a consumer has a given budget or income of $10 and that she can buy only two goods, apples or bananas. The price of an apple is $1.00 and the price of a banana is $0.50. If the consumer spent all of her budget on just apples or just bananas, how many apples or bananas maximum would she be able to buy?

6) ______

A) 12 apples or 4 bananas
B) 8 apples or 15 bananas
C) 5 apples or 10 bananas
D) 10 apples or 20 bananas

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible
Bloom's : Analyze
Test Bank : II
Difficulty : 03 Hard

7) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $2.00 and the price of a banana is $1.00. What is the slope of the budget line if the quantity of apples were measured on the horizontal axis and bananas on the vertical axis?

7) ______

A) −0.5
B) −1.5
C) −6
D) −2

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible
Bloom's : Analyze
Test Bank : II
Difficulty : 03 Hard

8) Assume that a consumer has a given budget or income of $24 and that she can buy only two goods, apples or bananas. The price of an apple is $3.00 and the price of a banana is $2.00. If the consumer decides to buy 8 apples, how many bananas can she also buy with the remainder of her budget, assuming she exhausts her income?

8) ______

A) 0 bananas
B) 12 bananas
C) 4 bananas
D) 8 bananas

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible
Test Bank : II
Bloom's : Remember

9) Assume that a consumer has a given budget or income of $24 and that she can buy only two goods, apples or bananas. The price of an apple is $3.00 and the price of a banana is $2.00. For this consumer, the opportunity cost of buying one more apple is

9) ______

A) 0.67 of a banana.
B) 0.5 of a banana.
C) 1 banana.
D) 1.5 bananas.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible
Test Bank : II
Bloom's : Remember
Difficulty : 01 Easy

10) Assume that a consumer has a given budget or income of $10 and that she can buy only two goods, apples or bananas. The price of an apple is $2.00 and the price of a banana is $1.00. This means that, in order to buy two bananas, this consumer must forgo

10) ______

A) 1 apple.
B) 0.1 apples.
C) 4 apples.
D) 2 apples.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Accessibility : Screen Reader Compatible
Test Bank : II
Bloom's : Remember
Difficulty : 01 Easy

11) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. If the economy is producing at production alternative E, the opportunity cost of the fifteenth unit of consumer goods will be approximately

11) ______

A) 14 units of capital goods.
B) 15 units of capital goods.
C) 1/2 of a unit of capital goods.
D) 1 unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Accessibility : Screen Reader Compatible
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

12) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the table. If South Cantina is producing at production alternative E, the opportunity cost of the second unit of capital goods will be

12) ______

A) 1/4 of a unit of consumer goods.
B) 1 unit of consumer goods.
C) 6 units of consumer goods.
D) 4 units of consumer goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Accessibility : Screen Reader Compatible
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

13) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

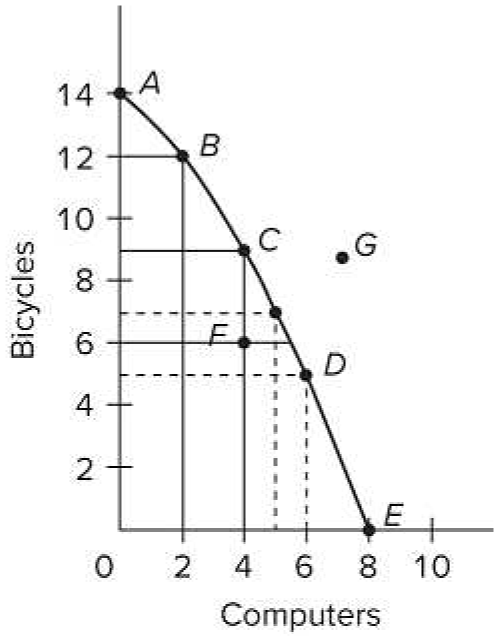
	North Cantina Production Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the tables. If North Cantina is producing at production alternative E, the opportunity cost of the twenty-ninth unit of consumer goods will be

13) _______

A) 1/4 of a unit of capital goods.
B) 1 unit of capital goods.
C) 2 units of capital goods.
D) 1/2 of a unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Accessibility : Screen Reader Compatible
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



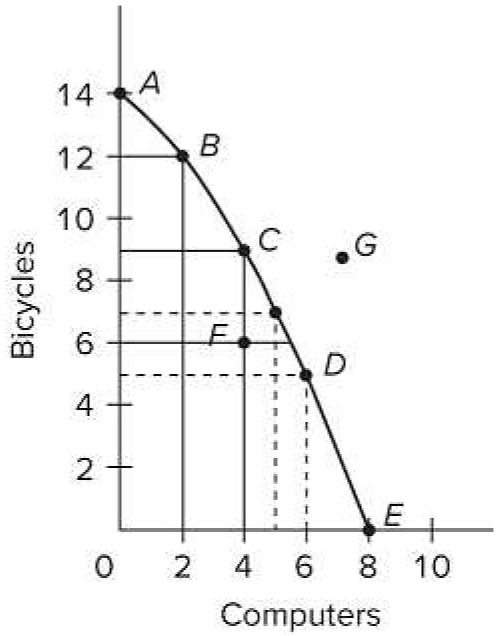
14)

Refer to the diagram. If society is currently producing 5 units of bicycles and 6 units of computers and it now decides to increase computer output to 8, the cost

14) ______

A) will be 5 units of bicycles.
B) will be 2 units of bicycles.
C) will be zero because unemployed resources are available.
D) of doing so cannot be determined from the information given.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Accessibility : Screen Reader Compatible
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



15)

Refer to the diagram. If society is currently producing the combination of bicycles and computers shown by point E, the production of 5 more units of bicycles

15) ______

A) cannot be achieved because resources are fully employed.
B) will cost 2 units of computers.
C) will cost 8 units of computers.
D) will cause some resources to become unemployed.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Accessibility : Screen Reader Compatible
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

16) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**

Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The *marginal* opportunity cost of the second unit of steel is

16) ______

A) 37.5 units of wheat.
B) 20 units of wheat.
C) 15 units of wheat.
D) 25 units of wheat.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

17) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The opportunity cost of producing the 56th unit of wheat is approximately

17) ______

A) 20 units of steel.
B) 0 units of steel.
C) 1 unit of steel.
D) 1/20 of a unit of steel.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

18) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

In moving from combination B to A, the opportunity cost of producing 50 more autos is
18) ______

A) 1 units of tanks.
B) 1 unit of tanks.
C) 950 units of autos.
D) 1,950 units of autos.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible
Test Bank : II
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

19) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**

Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *total* opportunity cost of five unit(s) of tanks is

19) ______

A) 0 units of autos.
B) 1,000 units of autos.
C) 350 units of autos.
D) 200 units of autos.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible
Test Bank : II
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

20) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

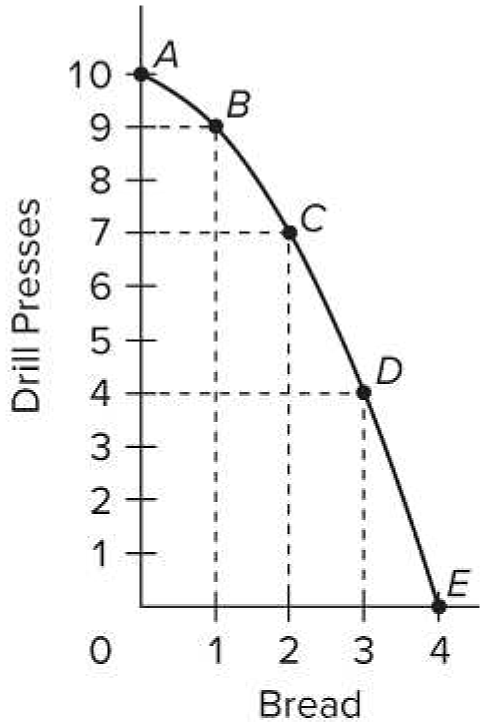
The *marginal* opportunity cost of the fourth unit of tanks is

20) ______

A) 3 units of tanks.
B) 300 units of autos.
C) 350 units of autos.
D) 650 units of autos.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible
Test Bank : II
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

21) The following graph is the production possibilities curve of a nation.



Which of the following combinations would be unattainable?

21) ______

A) 8 drill presses and 1 bread
B) 7 drill presses and 2 bread
C) 10 drill presses and 4 bread
D) 2 drill presses and 3 bread

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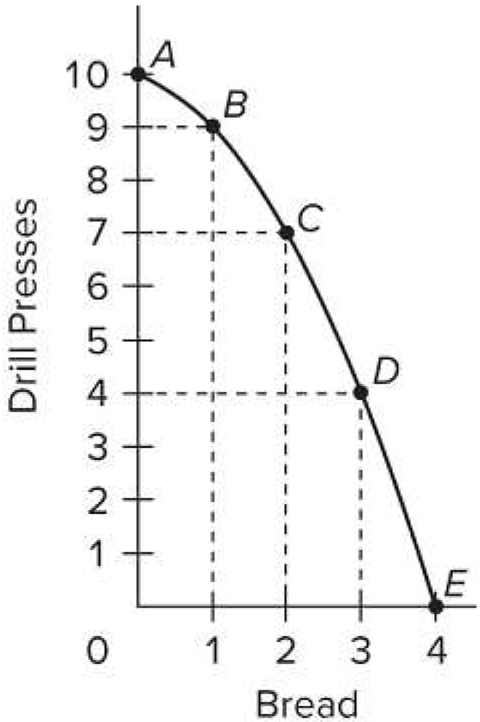
Question Details
Accessibility : Keyboard Navigation
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible
Bloom's : Analyze
Test Bank : II
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model
AACSB : Analytical Thinking

22) The following graph is the production possibilities curve of a nation.



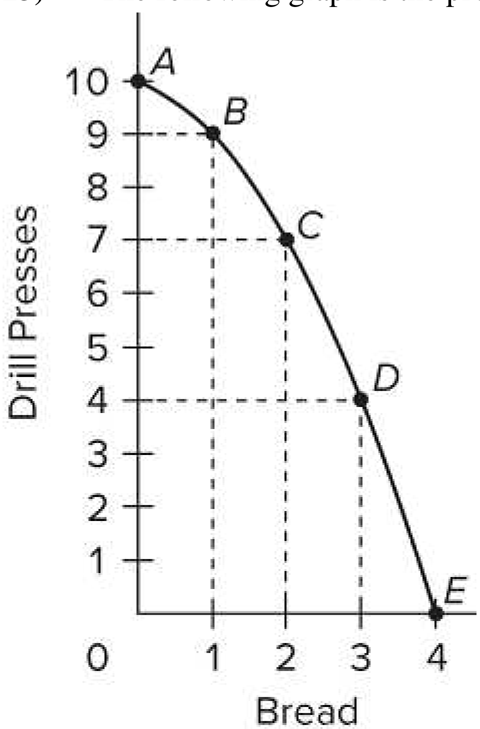
The *total* opportunity cost of 7 drill presses is

22) ______

A) 1/2 of a unit of bread.
B) 3 units of drill presses.
C) 2 units of bread.
D) 7 units of drill presses.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

23) The following graph is the production possibilities curve of a nation.

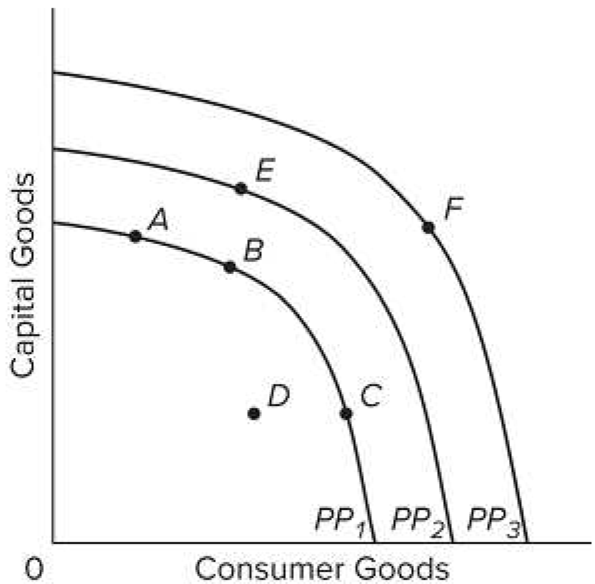


The *marginal* opportunity cost of the third unit of bread is

23) ______

A) 6 units of drill presses.
B) 4 units of drill presses.
C) 5 units of drill presses.
D) 3 units of drill presses.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



24)

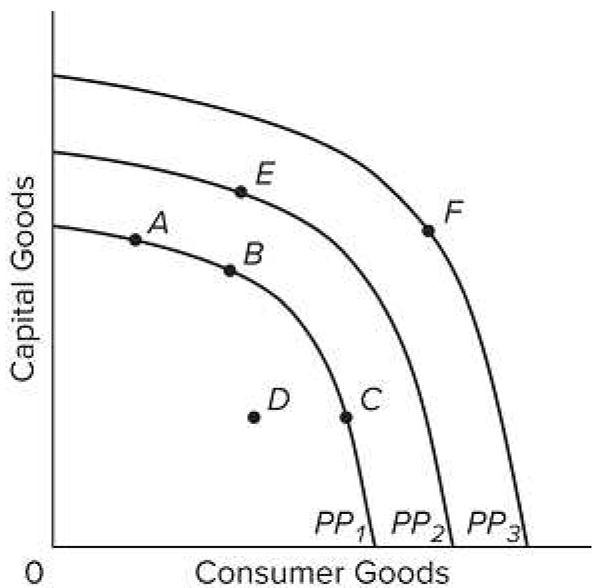
Refer to the diagram. The concept of opportunity cost is best represented by the

24) ______

A) shift of the production possibilities curve from PP1 to PP2.
B) move from B on PP1 to E on PP2.
C) move from B on PP1 to C on PP1.
D) move from D inside PP1 to B on PP1.

Microeconomics 22nd Edition by McConnell CH01

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



25)
Refer to the diagram. An improvement in technology will

25) ______

A) shift the production possibilities curve from PP1 to PP2.
B) shift the production possibilities curve from PP2 to PP1.
C) move the economy from A to C along PP1.
D) move the economy from A, B, or C on PP1 to D.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

Microeconomics 22nd Edition by McConnell CH01

Answer Key

Test name: CH01

1) D

The price of each good is found by dividing the given money income by the maximum quantity of the good that can be purchased. For example, with an income of $200 and a maximum quantity of C of 5 units, the price of C is $40 (= $200/5).

2) A

$2.50 = 50/20; $5.00 = 50/10; alternatively, price = money income divided by the quantity of the good at the intercept. The price for each good is found by taking the money income and dividing by the quantity of that good at the intercept.

3) B

The slope of the budget line is found by dividing the price of the good shown on the horizontal axis ($3) by the price of the good shown on the vertical axis ($15).

4) C

The value of the gift card represents Julia's income. The quantities of lattes and muffins shown assume that the amount of the gift card is spent entirely on one good or the other. There is not enough income for Julia to purchase the maximum quantities of both goods.

5) B

The amount of Grandma Mary offers to spend represents Camille's income. The combination that is attainable is one where the combined expenditure is less than or equal to the income. The total expenditure (E) for each combination of lollipops (L) and candy bars (C) is found using the following formula: $E = P_L L + P_C C$, where P_L and P_C are the prices of lollipops and candy bars, respectively.

6) D

If a consumer spends all of their income on the two goods, apples and bananas, then their total spending must equal their income (or budget). The total expenditure (E) for each combination of apples (A) and bananas (B) is found using the following formula: $E = P_A A + P_B B$, where P_A and P_B are the prices of apples and bananas, respectively. In this example, since the consumer spends on just apples or just bananas, the maximum amounts are found where $E = P_A A$, and $E = P_B B$.

7) D

The slope of the budget line is found by taking the price of the good measured on the horizontal axis and dividing it by the price of the good on the vertical axis. Reflecting the tradeoff the consumer must make between the two goods, the slope is negative. In this case the slope = −$2.00/$1.00.

8) A

The total expenditure (E) for each combination of apples (A) and bananas (B) is found using the following formula: $E = P_A A + P_B B$, where P_A and P_B are the prices of apples and bananas, respectively. In this example, since whatever income remains ($E - P_A A$) must be spent on bananas, the total quantity of bananas purchased will be calculated as $B = (E - P_A A)/P_B$.

9) D

The opportunity cost measures how many bananas must be sacrificed to obtain one more apple. This is found by taking the ratio of the price of apples ($3.00) to the price of bananas ($2.00).

10) A

The opportunity cost measures how many bananas must be sacrificed to obtain one more apple. This is found by taking the ratio of the total price of bananas ($2.00) to the price of apples ($2.00).

11) D
To find the opportunity cost of the "nth" unit (e.g. the fifteenth unit) of consumer goods, divide one (the change in capital goods between the two alternatives) by the difference between the two alternatives for consumer goods either side of this unit. For the fifteenth unit, the alternatives on either side are 14 and 15 units of consumer goods; their difference is 1 (= 15− 14). So for the fifteenth unit of consumer goods, the opportunity cost = 1/1 of a unit of capital goods.

12) D
To find the opportunity cost of the "nth" unit (e.g. the second unit) of capital, find the difference between the two alternatives for consumer goods on either side of this unit. For the second unit, the alternatives on either side are 21 and 25 units of consumer goods; their difference is 4 units (= 25 − 21). So for the third unit of capital goods, the opportunity cost = 4 units units of consumer goods.

13) D
To find the opportunity cost of the "nth" unit (e.g. the twenty-ninth unit) of consumer goods, divide one (the change in capital goods between the two alternatives) by the difference between the two alternatives for consumer goods either side of this unit. For the twenty-ninth unit, the alternatives on either side are 28 and 30 units of consumer goods; their difference is 2 (= 30 − 28). So for the twenty-ninth unit of consumer goods, the opportunity cost = 1/(30 − 28) = 1/2 of a unit of capital goods.

14) A

To find the (opportunity) cost of the additional units of computers, take the difference between the starting and ending values for bicycles. For example, if society is currently producing 5 units of bicycles and 6 units of computers, in order to produce 8 units of computers, bicycle output will have to fall to 0 units. That makes the cost of the computer increase of 2 units equal to 5 (= 5 − 0).

15) B
To find the (opportunity) cost of the additional units of bicycles, take the difference between the starting and ending values for computers. For example, if society is currently producing 0 units of bicycles and 8 units of computers, in order to produce 5 more units of bicycles, computer output will have to fall to 6 units. That makes the cost of the 5 units of bicycles equal to 2 units (= 8 − 6).

16) C
To find the opportunity cost of the "nth" unit (e.g. the second unit) of steel, find the change in wheat that corresponds with producing the "nth" unit (e.g. moving from 2 units of steel to 3 units). The opportunity cost is the difference between the two quantities for wheat. To produce the second unit of steel, wheat production must fall from 90 to 75; their difference is 15 (= 75 − 90). So for the third unit of steel, the opportunity cost is 15 units of wheat.

17) D
To find the opportunity cost of the "nth" unit (e.g. the 56th unit) of wheat in terms of steel, divide one (the change in steel from one alternative to the next by the difference between the two alternatives for wheat on either side of this unit. For the 56th unit, the alternatives on either side are 55 and 75 units of wheat; their difference is 20 units (= 75 − 55). So for the 56th unit of wheat, the opportunity cost = 1/(75 − 55) = 1/20 of a unit of steel.

18) B

To find the opportunity cost of producing "X" number of additional autos (e.g. 50 between combinations B to A), find the change in the output of tanks over same range (e.g. from B to A, the change in the number of tanks is 1 (= 1 − 0).

19) B

To find the total opportunity cost of producing "X" number of tanks (e.g. five units), subtract the number of autos corresponding with the production alternative for the number of tanks produced (e.g. at production alternative of five tanks, 0 autos are produced) from the maximum number of autos that can be produced (1,000). For 1000 tanks produced, the total opportunity cost is 1000 (= 1,000 − 0).

20) B

To find the total opportunity cost of producing “nth” unit of tanks (e.g. fourth), subtract the number of autos corresponding with the production alternative for the number of tanks produced from the number of autos produced at the previous alternative. The marginal opportunity cost is 300 (= 650 − 350).

21) C

Any point that would lie on or inside the production possibilities curve is attainable. Anything that would lie outside (e.g. 10 drill presses and 4 bread) is unattainable.

22) C

To find the total opportunity cost of a number of units (e.g. 7) of drill presses, calculate how many units of the other good (bread) would have to be sacrificed to move from 0 to 7 on the drill press axis. In this example, to move from 0 to 7 in drill press production, society would have to move from 4 to 1 in bread production. The change of 2 units (= 4 − 2) represents the opportunity cost of producing 7 drill presses.

23) D

To find the marginal opportunity cost of a unit of a good (e.g. the third unit of bread), calculate how many units of the other good (drill presses) would have to be sacrificed to move from 2 to 3 units of bread. In this example, society would have to move from 7 units of drill presses to 4 units, so the opportunity cost of the third unit of bread is 3 units of drill presses (= 7 − 4).

24) C

The concept of opportunity cost refers to the trade-off of one good that must be made in order to obtain more of another, assuming fixed resources and technology. Visually this is represented by movement along a stable production possibilities curve. Changes involving moving to another curve would mean that available resources and technology had changed, potentially meaning that more of a particular good could be obtained without facing the tradeoff of sacrificing another.

25) A

Improvements in technology shift out the production possibilities curve, usually allowing a society to produce more of both goods. Visually this is represented by moving from one curve to a curve further to the right (e.g. from PP_1 to PP_2).

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ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

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

1) An economic model is an ideal or utopian type of economy that society should strive to obtain through economic policy.

1) ______

◉ true
◉ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

2) Because economic generalizations are simplifications from reality, they are impractical and useless.

2) ______

◉ true
◉ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

3) If economic theories are solidly based on relevant facts, then appropriate economic policy becomes obvious and uncontroversial.

3) ______

◉ true
◉ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

4) Normative statements are expressions of facts.

4) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

5) Positive statements are expressions of value judgments.

5) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

6) Macroeconomics explains the behavior of individual households and business firms; microeconomics is concerned with the behavior of aggregates or the economy as a whole.

6) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

7) Purposeful behavior implies that everyone will make identical choices.

7) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

8) Marginal analysis means that decision makers compare the extra benefits with the extra costs of a specific choice.

8) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

9) Rational individuals may make different choices because their preferences and circumstances differ.

9) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

10) Choices entail marginal costs because resources are scarce.

10) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

11) The production possibilities curve shows various combinations of two products that an economy can produce when achieving full employment.

11) ______

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

12) The entrepreneur's sole function is to combine other resources (land, labor, and capital) in the production of some good or service.

12) ______

⊙ true
⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

13) Products and services are scarce because resources are scarce.

13) ______

⊙ true
⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

14) An economy cannot produce at a point outside of its production possibilities curve because human economic wants are insatiable.

14) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

15) The process by which capital goods are accumulated is known as investment.

15) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

16) The present choice of position on the production possibilities curve will not influence the future location of the curve.

16) ______

- ⦾ true
- ⦾ false

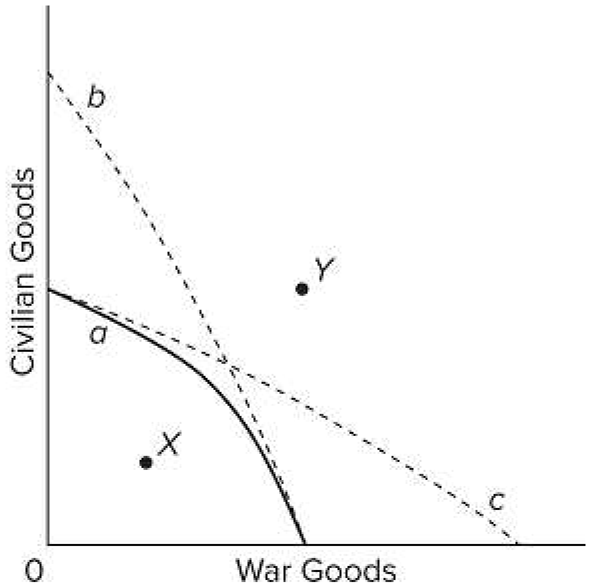
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

17) Although sleeping in on a work day or school day has an opportunity cost, sleeping late on the weekend does not.

17) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective



18)

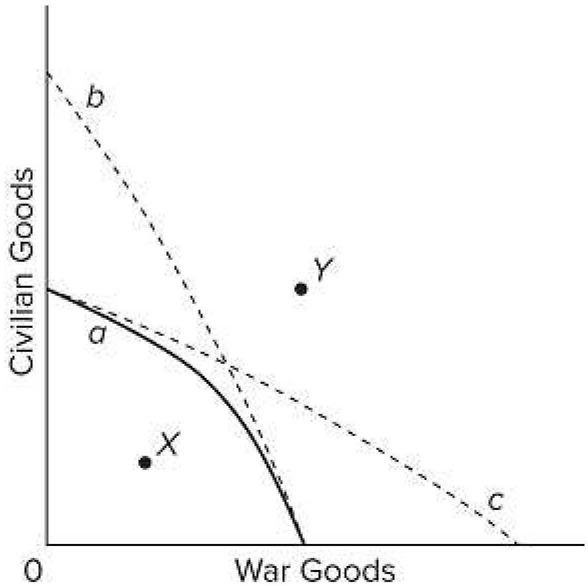
Refer to the diagram. Given production possibilities curve *a*, the combination of civilian and war goods indicated by point *X* is unattainable to this economy.

18) ______

- true
- false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

19)



Refer to the diagram. Given production possibilities curve *a*, point *Y* indicates that society is failing to use available resources efficiently.

19) ______

- true
- false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

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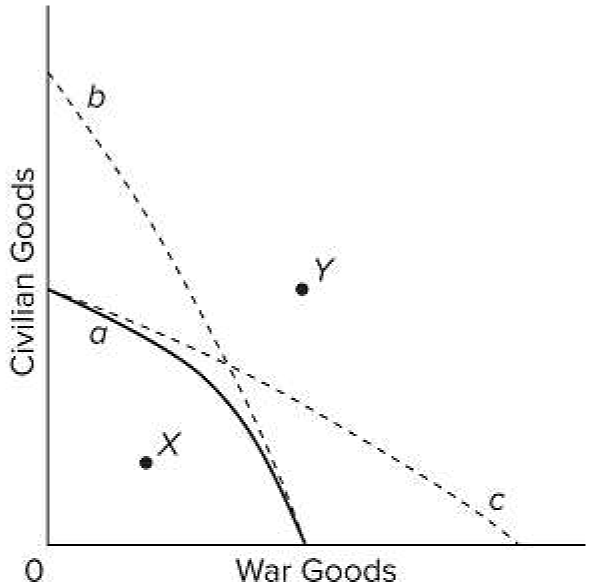
20)



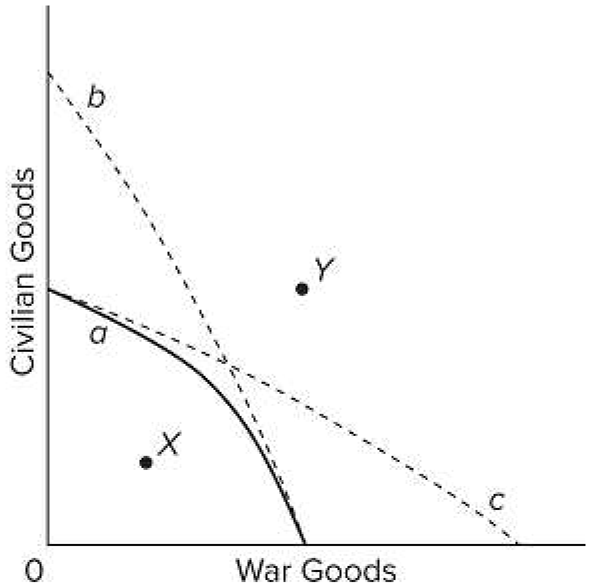
Refer to the diagram. The movement from curve *a* to curve *b* could be explained by an increase in the quantity and/or quality of society's productive resources.

20) ______

- true
- false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

Microeconomics 22nd Edition by McConnell CH02B



21)

Refer to the diagram. The movement from curve *a* to curve *c* suggests an improvement in civilian goods technology but not in war goods technology.

21) ______

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

22) An economy will always operate at some point on its production possibilities curve.

22) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

23) In drawing a particular budget line, money income and the prices of the two products are fixed.

23) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

24) The lower the consumer's income, the higher his or her budget line.

24) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

25) Economics is the social science concerned with the best use of scarce resources to achieve maximum satisfaction of economic wants.

25) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

26) When firms give away "freebies" like free apps, free checking accounts, free maps, or free toothbrushes, they are contradicting economists′ contention that "there is no free lunch."

26) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

27) Marginal analysis is the valuation of insignificant or small benefits from doing things.

27) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

28) Rational behavior implies that different people faced with similar choices will make the same decisions.

28) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

29) Economic analysis is primarily concerned with marginal changes from the status quo, as a result of a certain action or decision.

29) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

30) The study of economics is not useful for consumers, because economic analysis focuses only on businesses and the economy.

30) ______

⊙ true
⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

31) The scientific method does not apply to economics, because economics studies human behavior, which cannot be generalized.

31) ______

⊙ true
⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

32) Economic principles are value judgments about what the economy should be like or the way the economic world ought to be.

32) ______

⊙ true
⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

33) If falling gasoline prices are good for the consumers, then they must be good everyone in the economy.

33) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

34) Macroeconomics is concerned with the study of the nationwide market for specific goods like oranges.

34) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

35) The study of global businesses such as Apple Inc is one major focus of macroeconomic analysis.

35) ______

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Topic : Theories, Principles, and Models
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Difficulty : 03 Hard

36) The comment that "taxes must be reduced for the good of the economy" is an example of a normative economic statement.

36) ______

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Topic : Theories, Principles, and Models
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Difficulty : 03 Hard

37) "The role of government in the economy should be kept to a minimum" is an example of a positive economic statement.

37) ______

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Topic : Theories, Principles, and Models
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Difficulty : 03 Hard

38) The economizing problem for individuals arises from the conflict between having relatively unlimited time and relatively limited jobs to do.

38) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

39) The budget line shows the various incomes that an individual can earn from different jobs.

39) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

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40) The fundamental economic problem faced by a society is that productive resources are so varied and versatile that it is hard to decide what to do with them.

40) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

41) The resource category called "land" includes forests, animals, and water resources.

41) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

42) When economists talk about the capital resources in the economy, they are referring to the amount of money circulating in the economy.

42) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

43) The quantity or supply of land resources available to a nation is pretty much fixed and cannot increase over time.

43) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

44) Entrepreneurship refers to a new college graduate who is looking for a job with a large company.

44) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

45) If economic resources were perfectly adaptable to alternative uses, then there would be constant opportunity costs along the production possibilities curve.

45) ______

◉ true
◉ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

46) If the marginal benefits are greater than the marginal cost of an activity, then society should allocate fewer resources to this activity.

46) ______

◉ true
◉ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

47) If society has overallocated resources to a particular activity, then the marginal benefits of the activity would be less than the marginal costs.

47) ______

◉ true
◉ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

48) A nation's production possibilities curve shows the maximum combinations of resources that a nation can use.

48) ______

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

49) A reduction in the unemployment rate will cause the nation's production possibilities curve to shift outward.

49) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

50) Economic growth is shown as an increase in production from inside the production possibilities curve out toward a point on the possibilities curve.

50) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

51) An increase in immigration would shift the production possibilities curve to the left.

51) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

52) A nation's consumption is strictly limited by its production possibilities, even with specialization and international trade.

52) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

53) If two sets of data are inversely related, they will appear on a graph as an upward-sloping line.

53) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

54) If A is the dependent variable and B is the independent variable, then a change in A results in a change in B.

54) ______

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

55) A *linear* relationship only refers to one whose graph is either vertical or horizontal.

55) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

56) In graphing a relationship between two variables, economists always follow the mathematical convention. Thus, if price is the independent variable then it is measured on the horizontal axis.

56) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

57) An assumption is usually made in a two-axes (or two-dimensional) graph that, aside from the two variables under study, the influence of all other variables or factors is assumed to be constant.

57) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

58) The slope of a graph measures the rate of change in one variable as the other variable changes.

58) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

59) The slope of a graph relating two variables is −5. This indicates that as one variable decreases, the other variable also decreases.

59) ______

- ⊙ true
- ⊙ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

60) In the graph for the linear equation S = 15 − 5T, with T on the horizontal axis, the vertical intercept of the graph is −5.

60) ______

- ◎ true
- ◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

61) In a curved graph that is dome-shaped, the tangent line at its maximum, or highest point, has an infinite slope.

61) ______

- ◎ true
- ◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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

62) For economists, the word "utility" means

62) ______

A) versatility and flexibility.
B) rationality.
C) pleasure or satisfaction.
D) purposefulness.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

63) In economics, the pleasure, happiness, or satisfaction received from a product is called

63) ______

A) marginal cost.
B) rational outcome.
C) status fulfillment.
D) utility.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

64) When economists say that people act rationally in their self-interest, they mean that individuals

64) ______

A) look for and pursue opportunities to increase their utility.
B) generally disregard the interests of others.
C) are mainly creatures of habit.
D) are usually impulsive and unpredictable.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

65) According to Emerson: "Want is a growing giant whom the coat of Have was never large enough to cover." According to economists, "Want" exceeds "Have" because

65) ______

A) people are greedy.
B) productive resources are limited.
C) human beings are inherently insecure.
D) people are irrational.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

66) According to economists, economic self-interest

66) ______

A) is a reality that underlies economic behavior.
B) has the same meaning as selfishness.
C) means that people never make wrong decisions.
D) is usually self-defeating.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

67) Joe sold gold coins for $1,000 that he bought a year ago for $1,000. He says, "At least I didn't lose any money on my financial investment." His economist friend points out that in effect he did lose money because he could have received a 3 percent return on the $1,000 if he had bought a bank certificate of deposit instead of the coins. The economist's analysis in this case incorporates the idea of

67) ______

A) opportunity costs.
B) marginal benefits that exceed marginal costs.
C) imperfect information.
D) normative economics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

68) A person should consume more of something when its marginal

68) ______

A) benefit exceeds its marginal cost.
B) cost exceeds its marginal benefit.
C) cost equals its marginal benefit.
D) benefit is still better.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

69) Economics may best be defined as the

69) ______

A) interaction between macro and micro considerations.
B) social science concerned with how individuals, institutions, and society make optimal choices under conditions of scarcity.
C) empirical testing of value judgments through the use of logic.
D) study of why people are rational.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

70) The study of economics is primarily concerned with

70) ______

A) keeping private businesses from losing money.
B) demonstrating that capitalistic economies are superior to socialistic economies.
C) choices that are made in seeking the best use of resources.
D) determining the most equitable distribution of society's output.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

71) The economic perspective entails

71) ______

A) irrational behavior by individuals and institutions.
B) a comparison of marginal benefits and marginal costs in decision making.
C) short-term but not long-term thinking.
D) rejection of the scientific method.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

72) Purposeful behavior suggests that

72) ______

A) everyone will make identical choices.
B) resource availability exceeds economic wants.
C) individuals may make different choices because of different desired outcomes.
D) an individual's economic goals cannot involve trade-offs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

73) Purposeful behavior means that

73) ______

A) people are selfish in their decision making.
B) people weigh costs and benefits to make decisions.
C) people are immune from emotions affecting their decisions.
D) decision makers do not make mistakes when weighing costs and benefits.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

74) Economics involves marginal analysis because

74) ______

A) most decisions involve changes from the present situation.
B) marginal benefits always exceed marginal costs.
C) marginal costs always exceed marginal benefits.
D) much economic behavior is irrational.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

75) You should decide to go to a movie

75) ______

A) if the marginal cost of the movie exceeds its marginal benefit.
B) if the marginal benefit of the movie exceeds its marginal cost.
C) if your income will allow you to buy a ticket.
D) because movies are enjoyable.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

76) Opportunity costs exist because

76) ______

A) the decision to engage in one activity means forgoing some other activity.
B) wants are scarce relative to resources.
C) households and businesses make rational decisions.
D) most decisions do not involve sacrifices or trade-offs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

77) The assertion that "there is no free lunch" means that

77) ______

A) there are always trade-offs between economic goals.
B) all production involves the use of scarce resources and thus the sacrifice of alternative goods.
C) marginal analysis is used in economic reasoning.
D) choices need not be made if behavior is rational.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

78) Consumers spend their incomes to get the maximum benefit or satisfaction from the goods and services they purchase. This is a reflection of

78) ______

A) resource scarcity and the necessity of choice.
B) purposeful behavior.
C) marginal costs that exceed marginal benefits.
D) the trade-off problem that exists between competing goals.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

79) If a firm produces too little of a particular good, this would suggest that

79) ______

A) rational choice cannot be applied to many economic decisions.
B) the good is being produced at a point where marginal costs exceed marginal benefits.
C) government should intervene to produce more of the good.
D) the good is being produced at a point where marginal benefit exceeds marginal cost.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

80) Even though local newspapers are very inexpensive, people rarely buy more than one of them each day. This fact

80) ______

A) is an example of irrational behavior.
B) implies that electronic media sources are displacing print sources for many consumers.
C) contradicts the economic perspective.
D) implies that, for most people, the marginal benefit of reading a second newspaper is less than the marginal cost.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

81) In deciding whether to study for an economics quiz or go to a concert, one is confronted by the idea(s) of

81) ______

A) scarcity and opportunity costs.
B) money and real capital.
C) complementary economic goals.
D) full production.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

82) Which one of the following expressions best states the idea of opportunity cost?

82) ______

A) "A penny saved is a penny earned."
B) "He who hesitates is lost."
C) "There is no such thing as a free lunch."
D) "All that glitters is not gold."

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

83) Suppose that a university decides to spend $1 million to upgrade personal computers and scientific equipment for faculty rather than spend $1 million to expand parking for students. This example illustrates

83) ______

A) distorted priorities.
B) opportunity costs.
C) increasing opportunity costs.
D) productive efficiency.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

84) Which of the following most closely relates to the idea of opportunity costs?

84) ______

A) trade-offs
B) economic growth
C) technological change
D) capitalism

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

85) Economists contend that most economic decisions are

85) ______

A) random.
B) chaotic.
C) spontaneous.
D) purposeful.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

86) Alex sees that his neighbors' lawns all need mowing. He offers to provide the service in exchange for a wage of $20 per hour. Some neighbors accept Alex's offer and others refuse. Economists would describe Alex's behavior as

86) ______

A) rational self-interest because he is attempting to increase his own income by identifying and satisfying someone else's wants.
B) greedy because he is asking for a high wage that some of his neighbors can't afford to pay.
C) selfish because he is asking for a wage that is higher than others might charge.
D) irrational because some neighbors refused his offer.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

87) Kara was out jogging and, despite being tired, decided to run one more mile. Based on her actions, economists would conclude that Kara

87) ______

A) must be an avid runner.
B) decided that the marginal benefit of running one more mile would outweigh the cost of the additional mile.
C) decided that the marginal cost of running one more mile would outweigh the benefit of the additional mile.
D) was not very tired, so the marginal cost of the extra mile was very low.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

88) Economics is a social science that studies how individuals, institutions, and society may

88) ______

A) expand the amount of resources available to them.
B) attain a minimum level of production.
C) best use resources to maximize satisfaction of economic wants.
D) reduce the amount of goods and services they need.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

89) The basic truth that underlies the study of economics is the fact that we all face

89) ______

A) death.
B) taxes.
C) risk.
D) scarcity.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

90) A recurring theme in economics is that people

90) ______

A) have unlimited resources but limited economic wants.
B) can increase resources by limiting their economic wants.
C) have limited economic wants and limited resources.
D) have unlimited economic wants but limited resources.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

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91) As a consequence of the problem of scarcity,

91) ______

A) there is never enough of anything.
B) individuals have to make choices from among alternatives.
C) only some people can "have it all."
D) things which are plentiful have relatively high prices.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

92) What does "there is no such thing as a free lunch" mean in economics?

92) ______

A) Scarce resources are used up to provide "freebies" and giveaways.
B) Sometimes people may take friends out to lunch and pay for them.
C) All items on the lunch menu have specific prices.
D) Products only have value because people are willing to pay for them.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

93) The idea in economics that "there is no free lunch" means that

93) ______

A) businesses would go bankrupt if they offered free lunches.
B) the thought of a free lunch is often better than the reality of consuming it.
C) there are opportunity costs involved even in free lunches.
D) free lunches used by businesses to attract customers are an inefficient marketing ploy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

94) The opportunity cost of doing or getting something is defined as

94) ______

A) the difference between the marginal cost and benefit of doing something.
B) the materials used in doing or getting something.
C) the value of the best alternative that is given up in order to do or get something.
D) the money spent in doing or getting something.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

95) Economic analysis assumes "purposeful behavior," which means that people will pursue decisions or actions

95) ______

A) that will increase their well-being.
B) always based on full or complete information.
C) with minimal consideration for their emotions.
D) without making any logical mistakes.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

96) The notion of "purposeful behavior" in the economic perspective suggests that

96) ______

A) people will tend to stick with a particular choice for a long period of time.
B) economic analysis will provide people with a single "right" way to behave.
C) economists do not believe that people can sometimes behave impulsively.
D) one person's choice may differ from another's if their circumstances and information differ.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

97) When studying human behavior, economists assume rational self-interest. This means that

97) ______

A) people make decisions based on some desired outcome.
B) people are quite selfish and are not concerned about others.
C) people always make the right decisions.
D) people have all the information they need to make a decision.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

98) When a state government chooses to build more roads, the resources used are no longer available for public education programs. This dilemma illustrates the concept of

98) ______

A) production expenses.
B) unemployment issues.
C) unintended consequences.
D) opportunity cost.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

99) The opportunity cost of constructing a new public highway is the

99) ______

A) money cost of hiring contractors and construction workers for the new highway.
B) value of other goods and services that are sacrificed in order to construct the new highway.
C) expected cost of constructing the new highway in a future year.
D) value of shorter driving times and distances when the new highway is completed.

Question Details
AACSB : Reflective Thinking
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Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

100) The opportunity cost to a consumer who smokes cigarettes consists of the

100) ______

A) costs imposed on others who inhale second-hand smoke.
B) products that the consumer could have bought instead of cigarettes.
C) amount of cigarette taxes paid by this consumer.
D) cost of complementary products such as lighters, ashtrays, and cigarette holders.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

101) The economic perspective focuses largely on marginal analysis, which means analyzing

101) ______

A) peripheral elements of a given issue or action.
B) the minor aspects of a given issue or decision.
C) the changes in the situation that would result from a given action.
D) emotional and psychological facets of a given action.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

102) Which of the following is the best synonym for "marginal" in economics?

102) ______

A) scarce
B) additional
C) basic
D) minor

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

103) Which of the following is another way of saying "marginal benefits of an action"?

103) ______

A) benefits given up, once the action is taken
B) unintended gains from taking the action
C) benefits accruing to others as a result of one's action
D) extra benefits resulting from the action

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

104) Mia wants to buy a book. The economic perspective suggests that Mia will buy the book if

104) ______

A) she has enough money to pay for the marginal cost of the book.
B) the marginal benefit of the book is a positive value.
C) the marginal cost of the book is greater than its marginal benefit.
D) the marginal benefit of the book is greater than its marginal cost.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

105) From an economic perspective, when a consumer decides to buy more life insurance, the consumer has most likely concluded that the

105) ______

A) marginal cost of more insurance coverage is negative.
B) marginal benefit of more insurance coverage is greater than zero.
C) marginal benefit of more insurance coverage is greater than the marginal cost.
D) marginal cost of more insurance coverage is equal to the payment for the extra coverage.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

106) From an economic perspective, when consumers leave a fast-food restaurant because the lines to be served are too long, they have concluded that the

106) ______

A) marginal cost of waiting is less than the marginal benefit of eating in that restaurant.
B) marginal cost of waiting is greater than the marginal benefit of eating in that restaurant.
C) management is exhibiting irrational behavior by not considering the marginal cost and the marginal benefit of standing in line by the consumer.
D) management is making an assumption that other things are equal.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

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107) Which of the following best represents the economic perspective used in customer decision making at fast-food restaurants?

107) ______

A) customers selecting the shortest line.
B) decisions for which marginal costs exceed marginal benefits.
C) all customer lines tending to be of different lengths.
D) irrational purchasing of high-fat-content food.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

108) At fast-food restaurants

108) ______

A) consumers enjoy complete and accurate information.
B) decisions are usually made by trial and error.
C) decisions entail comparisons of marginal costs and marginal benefits.
D) benefits always exceed costs.

Question Details
AACSB : Reflective Thinking
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Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

109) Consumers might leave a fast-food restaurant without being served because

109) ______

A) they are misinformed about the marginal cost and marginal benefits of the food being served.
B) they conclude that the marginal cost (monetary plus time costs) exceeds the marginal benefit.
C) the environment is not conducive to a rational choice.
D) the lines waiting for service are not of equal length.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

110) The process of observing real-world behavior, developing hypotheses, testing them against facts, then using the results to construct theories is called

110) ______

A) opportunity cost estimation.
B) the scientific method.
C) marginal analysis.
D) normative analysis.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models

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111) An economic model is a purposeful simplification of reality, whose function includes

111) ______

A) understanding the full complexity of the real world.
B) predicting the behavior of each and every individual or organization.
C) analyzing the behavior of a typical or average consumer or firm.
D) forecasting random economic events with a high level of accuracy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models

112) The economic principle that the "unemployment rate will tend to increase as the economy moves into a recession" is an example of

112) ______

A) a normative statement.
B) an assumption.
C) loaded terminology.
D) a generalization.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models

113) An economic hypothesis

113) ______

A) has the same meaning as an economic principle or economic law.
B) is usually a normative statement.
C) is a possible explanation of cause and effect.
D) is a stronger generalization than an economic law.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

114) Which of the following terms implies the *least* degree of confidence in an economic generalization?

114) ______

A) hypothesis
B) theory
C) principle
D) law

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

115) Which of the following terms implies the *greatest* degree of confidence in an economic generalization?

115) ______

A) hypothesis
B) comparison
C) theory
D) anomaly

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

116) A well-tested economic theory is often called

116) ______

A) a hypothesis.
B) a prototype.
C) a principle.
D) an anomaly.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

117) The scientific method is

117) ______

A) not applicable to economics because economics deals with human beings.
B) also known as the economic perspective.
C) employed to form hypotheses out of existing laws and theories.
D) used by economists and other social scientists, as well as by physical scientists and life scientists, to formulate and test hypotheses.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

118) The process by which economists test hypotheses against facts to develop theories, principles, and models is called

118) ______

A) the economic perspective.
B) the scientific method.
C) policy economics.
D) microeconomics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

119) Economic theories

119) ______

A) are useless because they are not based on laboratory experimentation.
B) that are true for individual economic units are never true for the economy as a whole.
C) are generalizations based on hypotheses tested and supported with observed facts.
D) are abstractions and therefore of no application to real situations.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

120) Which of the following is a *correct* statement?

120) ______

A) Economic concepts or laws that are valid during recessions are necessarily valid during prosperity.
B) Although they are generalizations, economic laws are useful because they allow us to predict and therefore influence or adjust to events.
C) Economists use the scientific method. Therefore, economic laws are as quantitatively precise as the laws of physics or chemistry.
D) Because economics is primarily concerned with questions of "ought," it is a branch of applied ethics and not scientific.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

121) In constructing models, economists

121) ______

A) make simplifying assumptions.
B) include all available information.
C) must use mathematical equations.
D) attempt to duplicate the real world.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

122) The Latin term "ceteris paribus" means

122) ______

A) that if event A precedes event B, A has caused B.
B) that economics deals with facts, not values.
C) other things equal.
D) prosperity inevitably follows recession.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

123) The basic purpose of the other-things-equal assumption is to

123) ______

A) allow one to reason about the relationship between variables *X* and *Y* without the intrusion of variable *Z*.

B) allow one to focus upon micro variables by ignoring macro variables.

C) allow one to focus upon macro variables by ignoring micro variables.

D) determine whether *X* causes *Y* or vice versa.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

124) Suppose an economist says that "other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that

124) ______

A) the quantity of bananas purchased determines the price of bananas.

B) all factors other than the price of bananas (for example, consumer tastes and incomes) are assumed to be constant.

C) everyone will buy more bananas when the price falls.

D) one cannot generalize about the relationship between the price of bananas and the quantity purchased.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

125) The phrase "other things equal" means that

125) ______

A) the associated statement is normative.
B) many variables affect the variable under consideration.
C) a number of relevant variables are assumed to be constant.
D) when variable *X* increases, so does related variable *Y*.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

126) Kelly works at an ice cream shop and observes that the number of people buying ice cream varies greatly from day to day. For a couple of weeks, she has recorded the number of people at the shop each day, as well as the daily temperature. If Kelly is using the scientific method to better understand ice cream buying habits, her next step is to

126) ______

A) conclude definitively that people buy more ice cream when the temperature rises.
B) state her findings as a well-tested economic principle.
C) use the observed data to form a hypothesis about ice cream buying behavior.
D) throw out the data if it does not show a perfect relationship between buying habits and the other information she has collected.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

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127) Rosa works at a gelato shop and observes that the number of people buying gelato varies greatly from day to day. For a couple of weeks, she has recorded the number of people at the shop each day, as well as the daily temperature, and has observed a positive relationship between temperature and the number of customers. Based on her observations, Rosa should

127) ______

A) conclude definitively that people buy more gelato when the temperature rises.
B) determine if there are other relevant factors and attempt to hold these constant before drawing conclusions.
C) continue to gather data on the number of visitors and daily temperatures, because eventually other relevant variables will not matter.
D) throw out the data if it does not show a perfect relationship between buying habits and temperature.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

128) Economic models do not reflect the full complexity of reality, but instead are based on

128) ______

A) simplifications.
B) trade-offs.
C) value judgments.
D) predictions.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

129) The role of an assumption in an economic theory is to

129) ______

A) add realism.
B) prove the theory.
C) cover special cases.
D) simplify the complex reality.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

130) Another way of saying " *ceteris paribus*" is

130) ______

A) other things equal.
B) in general.
C) in reality.
D) because of this.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

131) The purpose of the *ceteris paribus* assumption used in economic analysis is to

131) ______

A) avoid making normative statements.
B) distinguish macroeconomics from microeconomics.
C) make sure that all relevant factors are considered.
D) focus on the effect of a single factor on a certain variable.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

132) Economists have difficulty applying the scientific method because

132) ______

A) economics has a short history.
B) the scientific method does not really apply to economics.
C) people are the focus of economics, and their behavior is highly predictable.
D) controlled laboratory experiments in economics are often not feasible.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium

133) Macroeconomics approaches the study of economics from the viewpoint of

133) ______

A) the entire economy.
B) governmental units.
C) the operation of specific product and resource markets.
D) individual firms.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

134) Which of the following is associated with macroeconomics?

134) ______

A) an examination of the incomes of professional athletes
B) an empirical investigation of the general price level and unemployment rates since 1990
C) a study of the trend of pecan prices since the Second World War
D) a case study of pricing and production in the textbook industry

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

135) The issues of inflation, unemployment, and business cycles are

135) ______

A) major topics of macroeconomics.
B) not relevant to the U.S. economy.
C) the primary focus of microeconomics.
D) positive economic issues, but not normative issues.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

136) Which of the following statements pertains most directly to macroeconomics?

136) ______

A) Because the minimum wage was raised, Mrs. Olsen decided to enter the labor force.
B) A decline in the price of soybeans caused farmer Wanek to plant more wheat.
C) National income grew by 2.7 percent last year.
D) The Pumpkin Center State Bank increased its interest rate on consumer loans by 1 percentage point.

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Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

137) Macroeconomics can best be described as the

137) ______

A) analysis of how a consumer tries to spend income.
B) study of the large aggregates of the economy or the economy as a whole.
C) analysis of how firms attempt to maximize their profits.
D) study of how supply and demand determine prices in individual markets.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

138) Microeconomics is concerned with

138) ______

A) the aggregate or total levels of income, employment, and output.
B) a detailed examination of specific economic units that make up the economic system.
C) positive economics, but not normative economics.
D) establishing an overall view of the operation of the economic system.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

139) Which of the following is a microeconomic statement?

139) ______

A) The real domestic output increased by 1.6 percent last year.
B) Unemployment was 5.2 percent of the labor force last year.
C) The price of smartphones declined 2.8 percent last year.
D) The general price level increased by 1.1 percent last year.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

140) Which of the following statements is true?

140) ______

A) Microeconomics focuses on specific decision-making units of the economy; macroeconomics examines the economy as a whole.
B) Macroeconomics focuses on specific decision-making units of the economy; microeconomics examines the economy as a whole.
C) Every topic in economics is either a microeconomic or a macroeconomic issue; a topic cannot be both.
D) Topics in microeconomics have public policy implications; topics in macroeconomics do not.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

141) A normative statement is one that

141) ______

A) is based on the law of averages.
B) applies only to microeconomics.
C) applies only to macroeconomics.
D) is based on value judgments.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

142) A positive statement is one that

142) ______

A) is derived by induction.
B) is derived by deduction.
C) focuses on the best course of action and is based on value judgments.
D) focuses on facts, descriptions, and theoretical relationships.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

143) Which of the following is a positive statement?

143) ______

A) A humidity level of 90 percent is too high.
B) It is too hot to run outside when the temperature exceeds 80 degrees.
C) The temperature is 92 degrees today.
D) Summer evenings are nice when it cools off to around 70 degrees.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

144) Normative statements are concerned primarily with

144) ______

A) facts and theories.
B) what ought to be.
C) what is.
D) rational choice involving costs and benefits.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

145) A positive statement is concerned primarily with

145) ______

A) some goal that is desirable to society.
B) what should be.
C) what is.
D) the formulation of economic policy.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

146) "Economics is concerned with how individuals, institutions, and society make optimal choices under conditions of scarcity." This statement is

146) ______

A) positive but incorrect.
B) positive and correct.
C) normative but incorrect.
D) normative and correct.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

147) Ben says that "an increase in the tax on beer will raise its price." Holly argues that "taxes should be increased on beer because college students drink too much." We can conclude that

147) ______

A) Ben's statement is normative, but Holly's is positive.
B) Holly's statement is normative, but Ben's is positive.
C) Both statements are normative.
D) Both statements are positive.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

148) "Macroeconomics is the part of economics concerned with individual units, such as a person, a household, a firm, or an industry." This statement is

148) ______

A) positive but incorrect.
B) positive and correct.
C) normative but incorrect.
D) normative and correct.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

149) Which of the following illustrates a macroeconomic question?

149) ______

A) Should the salaries of financial executives be regulated by the government?
B) Are increasing wage demands by workers contributing to price inflation?
C) What is the least costly way to produce automobiles and trucks in the United States?
D) Will the introduction of a new computer chip change the demand for computers?

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

150) Which of the following exemplifies a microeconomic question?

150) ______

A) What is the current national rate of unemployment?
B) Is the economy experiencing a decline in the rate of inflation?
C) Will a new type of electronic reader or tablet increase the number of buyers?
D) Is the aggregate output in the economy greater this year than last year?

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

151) Which of the following is an example of a macroeconomic question?

151) ______

A) What is the level of industrial concentration in the U.S. automobile industry?
B) What economic incentives can be used to reduce the cost of health care in the nation?
C) What policies would be recommended for stimulating national economic growth?
D) What market conditions are expected for milk in the nation this year?

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

152) Which of the following is an example of a microeconomic question?

152) ______

A) What should the Federal government do to reduce the trade deficit with Japan?
B) Will the merger of two airlines likely lead to a higher cost of air travel in the economy?
C) What factors are contributing to the steep rise in the federal government's total debt?
D) Will the inflation rate remain relatively stable this year?

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

153) Which of the following is an illustration of a microeconomic question?

153) ______

A) Is the volume of wine produced in one year dependent upon the price of wine?
B) Does government spending influence interest rates in the economy?
C) Is the purchasing power of the dollar higher or lower today than it was in 2008?
D) Which economic system is better for consumers and firms?

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

154) Which of the following is an illustration of a macroeconomic question?

154) ______

A) Is a corporation unresponsive to the demands of its customers?
B) Is a consumer boycott an effective means of reducing a product's price?
C) How will the government's budget deficit be affected by public infrastructure projects?
D) Are oil companies ripping off consumers by charging exorbitantly high prices for gasoline?

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

155) The distinction between microeconomics and macroeconomics is

155) ______

A) that microeconomics examines the beach, while macroeconomics looks at the sand, individual rocks, and shells, so to speak.
B) so clear-cut that every topic can be readily labeled as either macro or micro.
C) that microeconomics studies the behavior of individual consumers, workers, and firms, while macroeconomics studies the economy as a whole.
D) that microeconomics seeks to obtain an overview, while macroeconomics observes the details of individual components.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

156) Matt observes that "there is a high correlation between educational attainment and the level of income." Jean concurs and adds that "high school graduates should all proceed to college."

156) ______

A) Both Matt's and Jean's statements are positive.
B) Both Matt's and Jean's statements are normative.
C) Matt's statement is normative, while Jean's statement is positive.
D) Matt's statement is positive, while Jean's statement is normative.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

157) The statement in a newspaper that "consumer prices rose last month by 1 percent, and if this trend continues, the annual rate of inflation will be 12 percent for the year" is an example of

157) ______

A) a normative economic statement.
B) a positive economic statement.
C) microeconomic analysis.
D) rational self-interest.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

158) Which of the following is a positive economic statement?

158) ______

A) Government must maintain the current level of defense spending to keep the nation safe.
B) The minimum wage should be increased to give people a decent wage.
C) Americans should buy American products in order to boost the national economy.
D) Stock prices rose to a new record last month for the fourth month in a row.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics

159) Which of the following is a normative economic statement?

159) ______

A) The poverty rate hit a new high last year and income inequality also increased.
B) Health care accounts for roughly a third of total spending in the economy.
C) The government needs to revamp the Social Security program to make it sustainable.
D) Retail sales are expected to continue on their downward trend in the next three quarters.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

160) Which one of the following is a normative economic statement?

160) ______

A) The unemployment rate fell for the fourth straight month, reflecting the effects from stronger economic growth in the second quarter.
B) The worsening balance of trade must be corrected if this nation is to remain competitive in the world economy.
C) Consumer prices are rising at a faster rate than in past months, indicating a renewal of inflationary pressures on the economy.
D) To help balance the Federal budget, Congress increased the tax on gasoline to its highest level in the past 10 years.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard

161) The economizing problem is

161) ______

A) the need to make choices because economic wants exceed economic means.
B) how to distribute resources equally among all members of society.
C) that people's means often exceed their wants.
D) that people do not know how to rationally allocate resources.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

162) The economizing problem is one of deciding how to make the best use of

162) ______

A) virtually unlimited resources to satisfy virtually unlimited wants.
B) limited resources to satisfy virtually unlimited wants.
C) unlimited resources to satisfy limited wants.
D) limited resources to satisfy limited wants.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

163) Scarcity

163) ______

A) persists only because countries have failed to achieve continuous full employment.
B) persists because economic wants exceed available resources.
C) has been solved in all industrialized nations.
D) has been eliminated in affluent societies such as the United States and Canada.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

164) The alternative combinations of two goods that a consumer can purchase with a specific money income is shown by

164) ______

A) a production possibilities curve.
B) a demand curve.
C) a consumer expenditure line.
D) a budget line.

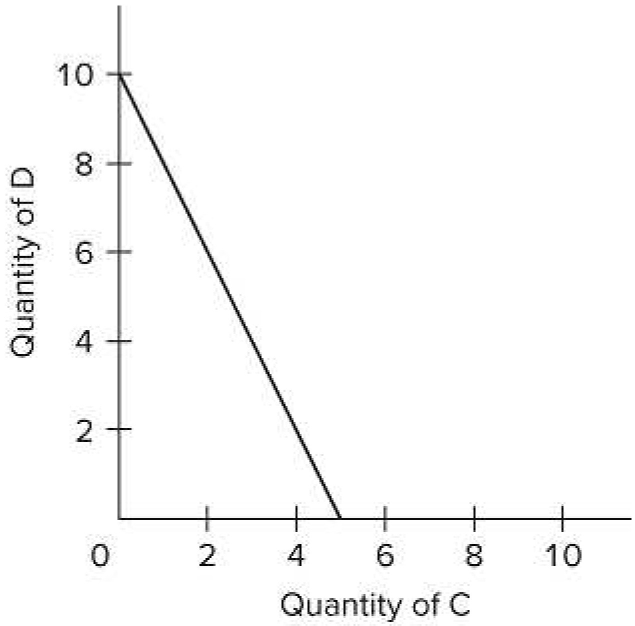
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

165) The budget line shows

165) ______

A) the amount of product X that a consumer is willing to give up to obtain one more unit of product Y.
B) all possible combinations of two goods that can be purchased, given money income and the prices of the goods.
C) the minimum amount of two goods that a consumer can purchase with a specific money income.
D) all possible combinations of two goods that yield the same level of utility to the consumer.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem



166)

Refer to the budget line shown in the diagram. If the consumer's money income is $50, the

166) ______

A) prices of C and D cannot be determined.

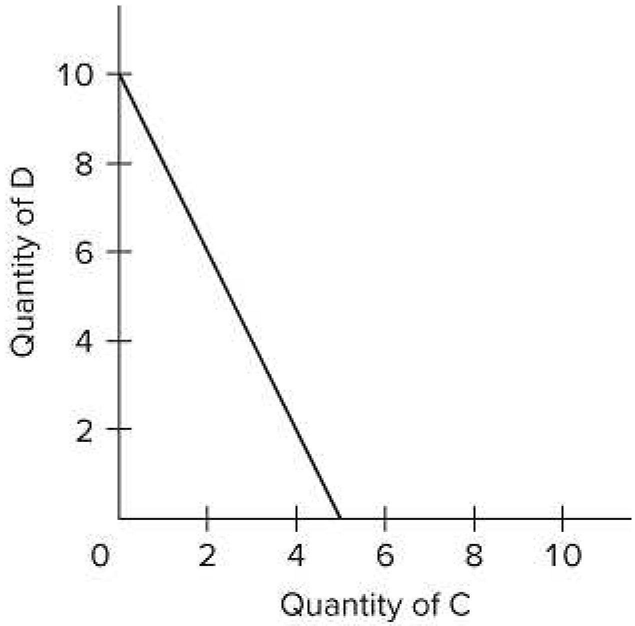
B) price of C is $5 and the price of D is $10.

C) consumer can obtain a combination of 5 units of both C and D.

D) price of C is $10 and the price of D is $5.

Question Details

AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

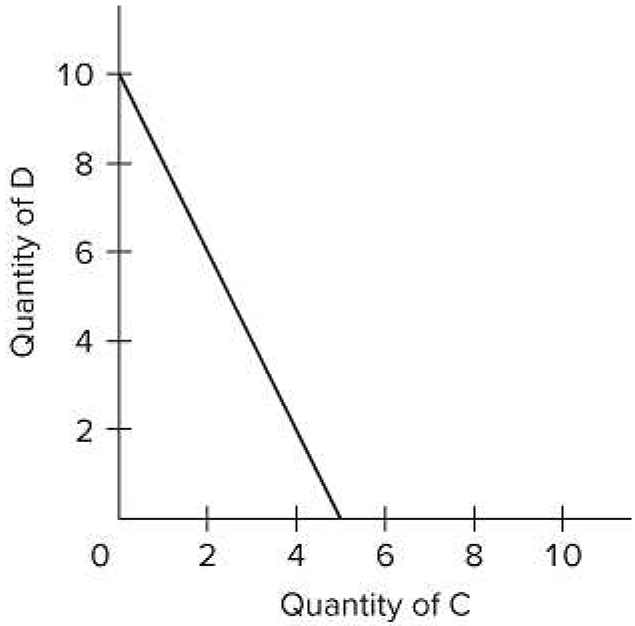


167)
Refer to the budget line shown in the diagram. Which of the following combinations of goods is *unattainable* for this consumer?

167) ______

A) 4 units of C and 6 units of D
B) 5 units of C and no units of D
C) 1 unit of C and 8 units of D
D) 2 units of C and 6 units of D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem



168)

Refer to the budget line shown in the diagram. The absolute value of the slope of the budget line is

168) ______

A) M-U -*C* / M-U- *D*.
B) one-half.
C) P_D / P_C.
D) P_C / P_D.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

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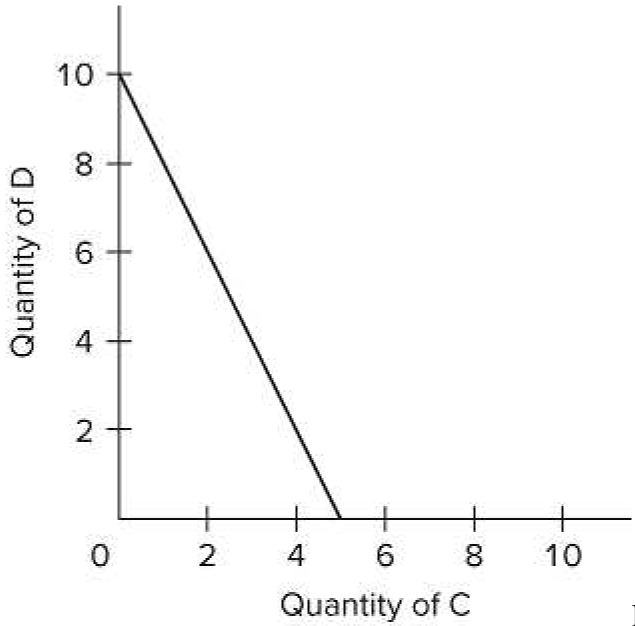

169) Refer to the budget line shown in the diagram. The absolute value of the slope of the budget line is

169) ______

A) two.
B) one-half.
C) five.
D) ten.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

170) In moving along a given budget line,

170) ______

A) the prices of both products and money income are assumed to be constant.
B) each point on the line will be equally satisfactory to consumers.
C) money income varies, but the prices of the two goods are constant.
D) the prices of both products are assumed to vary, but money income is constant.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

171) An increase in money income

171) ______

A) shifts the consumer's budget line to the right.
B) shifts the consumer's budget line to the left.
C) increases the slope of the budget line.
D) has no effect on the budget line.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

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172)
The shift of the budget line from *cd* to *ab* in the figure is consistent with

172) ______

A) decreases in the prices of both M and N.
B) an increase in the price of M and a decrease in the price of N.
C) a decrease in money income.
D) an increase in money income.

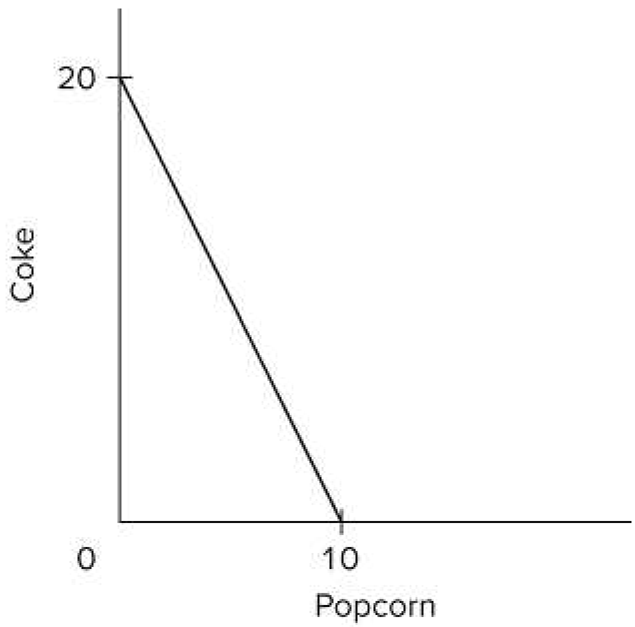
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

173) Any combination of goods lying outside of the budget line

173) ______

A) implies that the consumer is not spending all of the consumer’s income.
B) yields less utility than any point on the budget line.
C) yields less utility than any point inside the budget line.
D) is unattainable, given the consumer's income.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem



174)
Suppose you have a money income of $10, all of which you spend on Coke and popcorn. In the diagram, the prices of Coke and popcorn, respectively, are

174) ______

A) $0.50 and $1.00.
B) $1.00 and $0.50.
C) $1.00 and $2.00.
D) $0.40 and $0.50.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

175) Other things equal, an increase in a consumer's money income

175) ______

A) increases the amount of utility a consumer receives from a given quantity of a good.
B) shifts the individual's budget line rightward because she can now purchase more of both products.
C) eliminates the individual's economizing problem.
D) causes the consumer to choose a different combination of goods along a given budget line.

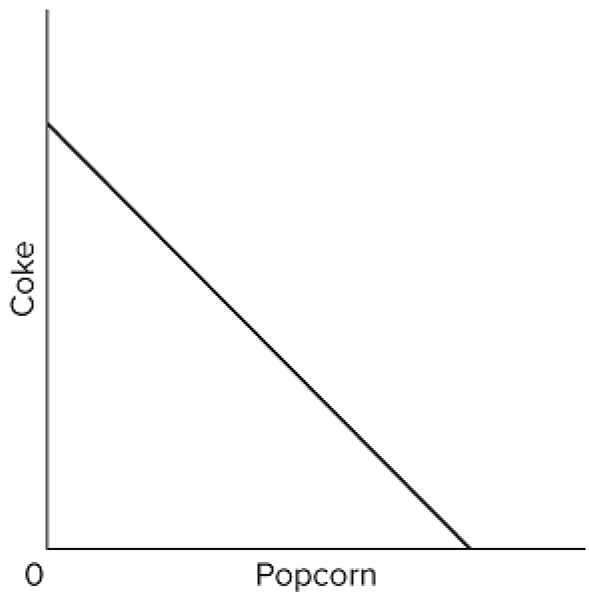
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

176) The slope of a budget line reflects the

176) ______

A) desirability of the two products.
B) price ratio of the two products.
C) amount of the consumer's income.
D) utility ratio of the two products.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem



177)

Suppose Elroy's budget line is as shown on the diagram. If his tastes change in favor of Coke and against popcorn, the budget line will

177) ______

A) become steeper.
B) become flatter.
C) shift rightward.
D) be unaffected.

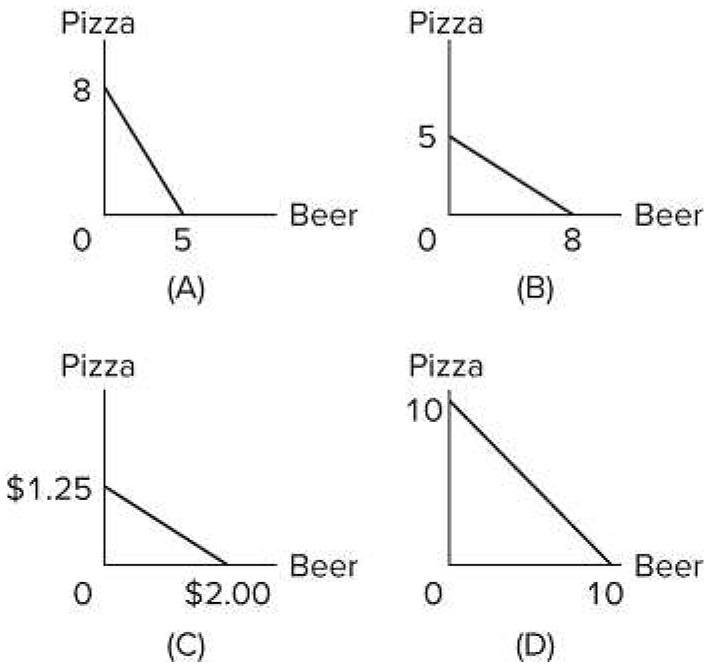
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

178) Assume the price of product Y (the quantity of which is on the vertical axis) is $15 and the price of product X (the quantity of which is on the horizontal axis) is $3. Also assume that money income is $60. The absolute value of the slope of the resulting budget line is

178) ______

A) 5.
B) 1/5.
C) 4.
D) 20.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem



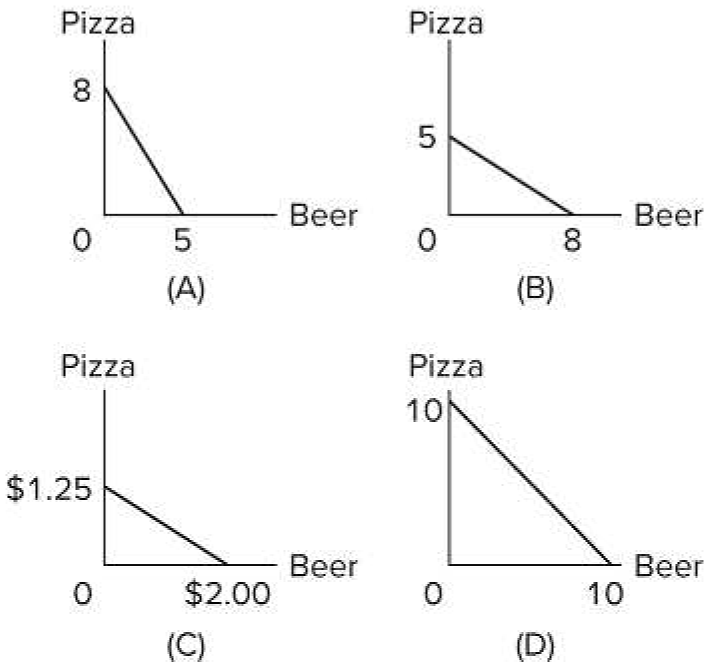
179)

Refer to the graphs. Assume that pizza is measured in slices and beer in pints. In which of the graphs is the opportunity cost of a pint of beer equal to one slice of pizza?

179) ______

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

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem



180)
Refer to the graphs. Assume that pizza is measured in slices and beer in pints. In which of the graphs is the opportunity cost of a pint of beer the lowest?

180) ______

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

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

181) Suppose that Julia receives a $20 gift card for the local coffee shop, where she only buys lattes and muffins. If the price of a latte is $4 and the price of a muffin is $2, then we can conclude that Julia

181) ______

A) should only buy muffins.
B) should only buy lattes.
C) can buy 5 lattes or 10 muffins if she chooses to buy only one of the two goods.
D) can buy 5 lattes and 10 muffins with her $20 gift card.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

182) Camille is at the candy store with Grandma Mary, who offers to buy her $6 worth of candy. If lollipops are $1 each and candy bars are $2 each, what combination of candy can Camille's Grandma Mary buy her?

182) ______

A) six lollipops and three candy bars
B) two lollipops and two candy bars
C) three lollipops and two candy bars
D) one lollipop and three candy bars

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

183) The economizing problem for individuals is a consequence of the fact that

183) ______

A) economic means or incomes are greater than economic wants.
B) economic wants are greater than economic means or incomes.
C) positive economics is more important than normative economics.
D) normative economics is more important than positive economics.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

184) Which of the following statements regarding people's wants is true?

184) ______

A) Over time, people's wants tend to be stable and constant.
B) As people consume more products, their wants will be reduced.
C) Intangible services, just like tangible goods, may satisfy people's wants.
D) People's wants do not include their basic needs.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

185) A budget line is a graph that shows the various combinations of two products that a

185) ______

A) consumer can buy with a given amount of money income.
B) business firm can produce with a given budget.
C) household can produce with a given amount of resources.
D) nation can trade with another nation.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

186) Suppose that a consumer purchases just two goods, X and Y. The ratio of the price of good X to the price of good Y is the

186) ______

A) intercept on the Y axis of the budget line.
B) intercept on the X axis of the budget line.
C) size of the shift in the budget line.
D) slope of the budget line.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

187) Suppose that a consumer purchases just two goods, X and Y. The Y-intercept of the budget line in this case would indicate the

187) ______

A) maximum dollar amount of budget that the consumer has for good Y.
B) price that the consumer has to pay for each unit of good Y.
C) maximum quantity of good Y that the consumer could buy with a given budget.
D) quantity of good Y that the consumer would want to buy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

188) Suppose that a consumer purchases just two goods, X and Y. The slope of the budget line would indicate the

188) ______

A) opportunity cost of good Y in terms of good X given up for each unit of Y.
B) opportunity cost of good X in terms of good Y given up for each unit of X.
C) maximum quantity of good Y that the consumer could buy with a given budget.
D) maximum quantity of good X that the consumer could buy with a given budget.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

189) A point or product-combination to the left of (or inside) a budget line

189) ______

A) is attainable, but a combination or point to the right of the line is unattainable.
B) is unattainable, but a combination or point to the right of the line is attainable.
C) costs more than a combination or point on the budget line.
D) costs more than a combination or point outside the budget line.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

190) Assume that a consumer spends a given budget on only two goods and that the prices of the two goods are constant. The budget line in this case would

190) ______

A) definitely be a straight downward-sloping line.
B) possibly be a straight upward-sloping line.
C) be a curved graph bowed outward.
D) be a curved bell-shaped graph.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

191) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. If the consumer spent all of her budget on just apples or just bananas, how many apples or bananas maximum would she be able to buy?

191) ______

A) 12 apples or 8 bananas
B) 8 apples or 12 bananas
C) 16 apples or 12 bananas
D) 8 apples or 16 bananas

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

192) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. What is the slope of the budget line if the quantity of apples were measured on the horizontal axis and bananas on the vertical axis?

192) ______

A) −0.5
B) −0.8
C) −1.6
D) −2

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

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193) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. If the consumer decides to buy 4 apples, how many bananas can she also buy with the remainder of her budget, assuming she exhausts her income?

193) ______

A) 8 bananas
B) 4 bananas
C) 6 bananas
D) 10 bananas

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Test Bank : II
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

194) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. For this consumer, the opportunity cost of buying one more apple is

194) ______

A) 0.5 of a banana.
B) 0.8 of a banana.
C) 1 banana.
D) 2 bananas.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

195) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. This means that, in order to buy two bananas, this consumer must forgo

195) ______

A) 1 apple.
B) 1.5 apples.
C) 0.5 apples.
D) 0.75 apples.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

196) Assume that a consumer purchases only two products and there is a decrease in the consumer's income. The prices of the two products stay constant. The decrease in income will result in

196) ______

A) a shift of the budget line inward to the left.
B) a shift of the budget line outward to the right.
C) a decrease in the slope of the budget line.
D) an increase in the slope of the budget line.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

197) Assume that a consumer purchases only two products. Suppose that the consumer's money income doubles, and the prices of the two products also double. These changes in income and prices will result in

197) ______

A) a shift of the budget line inward to the left.
B) a shift of the budget line outward to the right.
C) no change in the budget line.
D) an increase in the slope of the budget line.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

198) One major part of the opportunity costs of one's decision to go to college after high school graduation is the

198) ______

A) additional income that one can get if one had a college degree.
B) education that one gets while in college.
C) high-school diploma needed in order to apply for college.
D) full-time job that one could have gotten instead of going to college.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem

199) Which of the following is a labor resource?

199) ______

A) a computer programmer
B) a computer
C) silicon (sand) used to make computer chips
D) software used by a firm

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

200) Which of the following is a capital resource?

200) ______

A) a computer programmer
B) a corporate bond issued by a computer manufacturer
C) silicon (sand) used to make computer chips
D) software used by a firm

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

201) The four factors of production are

201) ______

A) land, labor, capital, and money.
B) land, labor, capital, and entrepreneurial ability.
C) labor, capital, technology, and entrepreneurial ability.
D) labor, capital, entrepreneurial ability, and money.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

202) Which of the following is a land resource?

202) ______

A) a farmer
B) an oil drilling rig
C) a machine for detecting earthquakes
D) natural gas

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

203) Which of the following lists includes only capital resources (and therefore no labor or land resources)?

203) ______

A) an ice arena, a professional hockey player, hockey uniforms
B) the owner of a new start-up firm, a chemistry lab, a researcher
C) a hydroelectric dam, water behind the dam, power lines
D) autos owned by a car rental firm, computers at the car rental agency, vans used to shuttle rental customers to and from the airport

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

204) Money is not an economic resource because

204) ______

A) money, as such, does not produce anything.
B) idle money balances do not earn interest income.
C) it is not scarce.
D) money is not a free gift of nature.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

205) Economic resources are also called

205) ______

A) free gifts of nature.
B) consumption goods.
C) units of money capital.
D) factors of production.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

206) Which of the following do economists consider to be capital?

206) ______

A) a pair of stockings
B) a construction crane
C) a savings account
D) a share of IBM stock

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

207) The main function of the entrepreneur is to

207) ______

A) make routine pricing decisions.
B) innovate.
C) purchase capital.
D) create market demand.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

208) Which of the following is *not* a main function of the entrepreneur?

208) ______

A) to make routine pricing decisions
B) to innovate
C) to assume the risk of economic losses
D) to make strategic business decisions

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

209) The process of producing and accumulating capital goods is called

209) ______

A) money capital.
B) depreciation.
C) investment.
D) consumption.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

210) Which of the following is *not* considered by economists to be an economic resource?

210) ______

A) money
B) factory workers
C) computers at a retail store.
D) a forest

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

211) Which of the following would *not* be classified as an economic resource by economists?

211) ______

A) a professional soccer player
B) water in a town's reservoir
C) money in a business checking account
D) the manager of the local hamburger restaurant

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : I
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

212) The economizing problem faced by society is essentially one of deciding how to make the best use of

212) ______

A) limited economic resources to satisfy limited wants.
B) unlimited economic resources to satisfy unlimited wants.
C) unlimited economic resources to satisfy limited wants.
D) limited economic resources to satisfy unlimited economic wants.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

213) Economists would classify all of the following as "land," *except*

213) ______

A) two thousand acres of virgin forest.
B) a hydroelectric dam.
C) crude oil reserves.
D) iron ore deposits.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

214) The individual who brings together economic resources and assumes the risk of business ventures in a capitalist economy is called the

214) ______

A) manager.
B) entrepreneur.
C) stockbroker.
D) banker.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

215) Which of the following would *not* be considered a capital resource by economists?

215) ______

A) a van used by a father to transport his family around
B) an office computer used by an accountant
C) a crane used by a building contractor
D) a camera used by a professional photographer

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

216) Which of the following is considered an economic resource?

216) ______

A) the ice cream that kids buy at the ice cream parlor
B) the HD-TV sets in people's homes
C) the land that is designated as national parks by the government
D) shoppers buying stuff at the mall

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

217) Which of the following is *not* a factor of production?

217) ______

A) money
B) labor
C) capital
D) entrepreneur

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

218) Which of the following is considered a firm's "factor of production"?

218) ______

A) money or cash balances of the firm
B) the firm's shares of common stock
C) U.S. Treasury bonds owned by the firm
D) the office building occupied by the firm

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

219) Money is *not* considered to be an economic resource because

219) ______

A) as such it is not productive.
B) money is not a free gift of nature.
C) money is made by humans.
D) idle money balances do not earn interest income.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

220) One basic difference between "land" and "capital" resources is that land is

220) ______

A) manufactured, while capital is created by humans.
B) unlimited, while capital is limited.
C) natural, while capital is created by humans.
D) limited, while capital is unlimited.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

221) Which of the following is considered to be an entrepreneur?

221) ______

A) a self-employed person
B) an MBA graduate hired by a firm to be its CEO
C) a production-line worker
D) a customer of a firm

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

222) The role of the entrepreneur in society is to

222) ______

A) provide capital to the firm, which the management combines with labor.
B) bring the factors of production together and take the risks of producing output.
C) control the land upon which all production takes place and to get the most rent.
D) regulate what products are considered safe to market.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

223) One basic difference between "labor" and "entrepreneur" is that

223) ______

A) labor is hired by a firm, whereas the entrepreneur owns the firm.
B) an entrepreneur has high-level skills, whereas labor does not.
C) labor performs manual work, whereas an entrepreneur performs mental work.
D) education is important for an entrepreneur but not for labor.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem

224) The production possibilities curve illustrates the basic principle that

224) ______

A) the production of more of any one good will in time require smaller and smaller sacrifices of other goods.
B) an economy will automatically obtain full employment of its resources.
C) if all the resources of an economy are in use, more of one good can be produced only if less of another good is produced.
D) an economy's capacity to produce increases in proportion to its population size.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

225) Which of the following will *not* produce an outward shift of the production possibilities curve?

225) ______

A) upgrading the quality of a nation's human resources
B) reducing unemployment
C) increasing the quantity of a society's labor force
D) improving a society's technological knowledge

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

226) Unemployment

226) ______

A) causes the production possibilities curve to shift outward.
B) can exist at any point on a production possibilities curve.
C) is illustrated by a point outside the production possibilities curve.
D) is illustrated by a point inside the production possibilities curve.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

227) If the production possibilities curve is a straight line,

227) ______

A) the two goods will sell at the same market prices.
B) economic resources are perfectly substitutable between the production of the two goods.
C) the two goods are equally important to consumers.
D) equal quantities of the two goods will be produced at each possible point on the curve.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

228) A production possibilities curve illustrates

228) ______

A) scarcity.
B) market prices.
C) consumer preferences.
D) the distribution of income.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

229) A production possibilities curve shows

229) ______

A) that resources are unlimited.
B) that people prefer one of the goods more than the other.
C) the maximum amounts of two goods that can be produced, assuming the full use of available resources.
D) combinations of capital and labor necessary to produce specific levels of output.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

230) A nation's production possibilities curve is bowed out from the origin because

230) ______

A) resources are not generally equally efficient in producing every good.
B) opportunity costs of producing a good tend to fall as more of the good is produced.
C) resources are scarce.
D) wants are virtually unlimited.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

231) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. If the economy is producing at production alternative C, the opportunity cost of the tenth unit of consumer goods will be approximately

231) ______

A) 4 units of capital goods.
B) 2 units of capital goods.
C) 3 units of capital goods.
D) 1/3 of a unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

232) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. As compared to production alternative D, the choice of alternative C would
232) ______

A) tend to generate a more rapid growth rate.
B) be unattainable.
C) entail unemployment.
D) tend to generate a slower growth rate.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

233) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0

Consumer Goods	0	5	9	12	14	15

Refer to the table. A total output of 3 units of capital goods and 4 units of consumer goods

233) ______

A) is irrelevant because the economy is capable of producing a larger total output.
B) will result in the maximum rate of growth available to this economy.
C) would involve an inefficient use of the economy's scarce resources.
D) is unobtainable in this economy.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

234) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. For this economy to produce a total output of 3 units of capital goods and 13 units of consumer goods, it must

234) ______

A) expand its resources or improve its technology.
B) use its resources more efficiently than the data in the table now indicate.
C) allocate its available resources most efficiently among alternative uses.
D) achieve the full employment of available resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

235) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. For these data, the law of increasing opportunity costs is reflected in the fact that

235) ______

A) the amount of consumer goods that must be sacrificed to get more capital goods diminishes beyond a point.
B) larger and larger amounts of capital goods must be sacrificed to get additional units of consumer goods.
C) the production possibilities data would graph as a straight downsloping line.
D) the economy's resources are presumed to be scarce.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

236) When an economy is operating under conditions of full employment, the production of more of commodity A will mean the production of less of commodity B because

236) ______

A) of the law of increasing opportunity costs.
B) economic wants are insatiable.
C) resources are limited.
D) resources are specialized and only imperfectly substitutable.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

237) Assume that a change in government policy results in greater production of both consumer goods and investment goods. We can conclude that

237) ______

A) the economy was not employing all of its resources before the policy change.
B) the economy's production possibilities curve has been shifted to the left as a result of the policy decision.
C) this economy's production possibilities curve is convex (bowed inward) to the origin.
D) the law of increasing opportunity costs does not apply in this society.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

238) The production possibilities curve

238) ______

A) shows all of those levels of production that are consistent with a stable price level.
B) indicates that any combination of goods lying outside the curve is economically inefficient.
C) is a frontier between all combinations of two goods that can be produced and those combinations that cannot be produced.
D) shows all of those combinations of two goods that are most preferred by society.

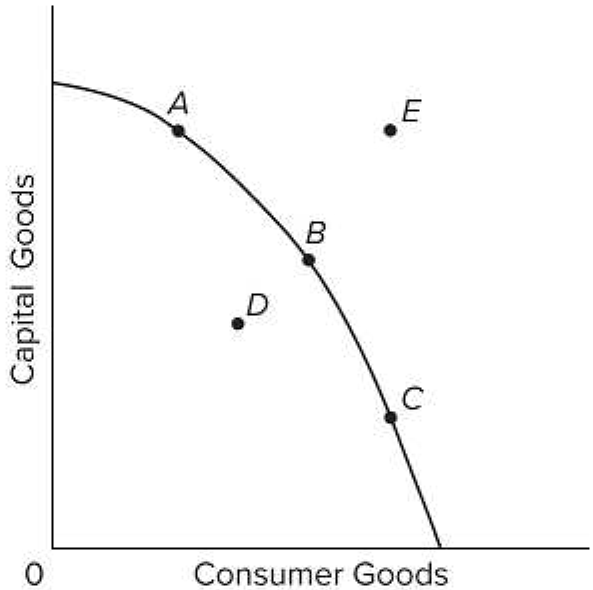
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

239) Any point inside the production possibilities curve indicates

239) ______

A) the presence of technological change.
B) that resources are imperfectly substitutable among alternative uses.
C) the presence of inflationary pressures.
D) that more output could be produced with the available resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



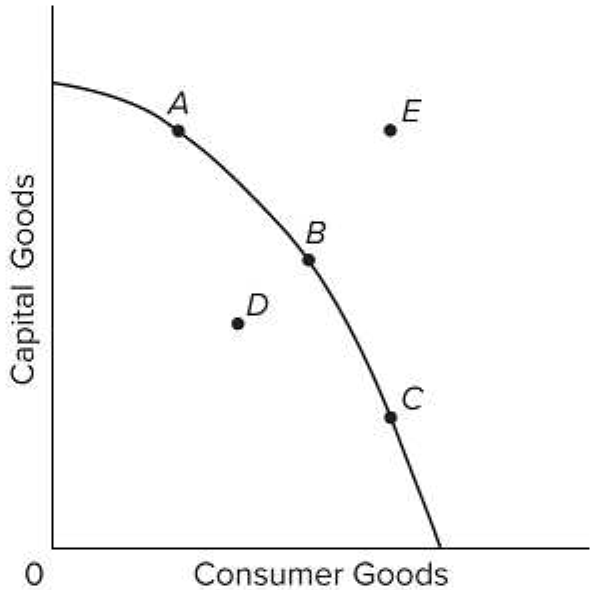
240)

Refer to the diagram. Other things equal, this economy will shift its production possibilities curve outward the most if

240) ______

A) the ratio of capital to consumer goods is minimized.
B) it chooses point *C*.
C) it chooses point *B*.
D) it chooses point *A*.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



241) Refer to the diagram. This economy will experience unemployment if it produces at point

241) ______

A) *A*.
B) *B*.
C) *C*.
D) *D*.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

242) Which of the following is assumed in constructing a typical production possibilities curve?

242) ______

A) The economy is using its resources inefficiently.
B) Resources are perfectly shiftable among alternative uses.
C) Production technology is fixed.
D) The economy is engaging in international trade.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

243) The typical production possibilities curve is

243) ______

A) an upsloping line that is bowed out from the origin.
B) a downsloping line that is bowed in toward the origin.
C) a downsloping line that is bowed out from the origin.
D) a straight upsloping line.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

244) The slope of the typical production possibilities curve

244) ______

A) is positive.
B) becomes steeper as one moves southeast along the curve.
C) is constant as one moves down the curve.
D) becomes flatter as one moves southeast along the curve.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

245) Assume an economy is incurring unemployment. The effect of resolving this problem will be to

245) ______

A) move the level of actual output closer to the economy's production possibilities curve.
B) create a less equal distribution of income.
C) shift its production possibilities curve to the left.
D) shift its production possibilities curve to the right.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

246)

	Duckistan Production Possibilities

	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	**B**	**C**	**D**	**E**
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that the amount and quality of resources are the same in both countries. We can conclude that

246) ______

A) Duckistan is technologically better than Herbania at producing military goods.

B) Herbania is technologically better than Herbania at producing both military goods and civilian goods.

C) the total opportunity cost of producing 4 units of military goods is the same in both countries.

D) Herbania is technologically superior to Duckistan in producing civilian goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

247)

	Duckistan Production Possibilities				
	A	**B**	**C**	**D**	**E**
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	**B**	**C**	**D**	**E**
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that technology and the quality of resources are the same in both countries. We can conclude that

247) ______

A) Duckistan has more resources than Herbania.
B) Herbania has more resources than Duckistan.
C) Duckistan has greater opportunity costs than Herbania.
D) prices are twice as high in Herbania as in Duckistan.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

248)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Opportunity costs of producing military goods are

248) ______

A) increasing in Duckistan but constant in Herbania.
B) constant in both Duckistan and Herbania.
C) larger in Duckistan than in Herbania.
D) smaller in Duckistan than Herbania.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

249)

	Duckistan Production Possibilities				
	A	**B**	**C**	**D**	**E**
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	**B**	**C**	**D**	**E**
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Opportunity costs are

249) ______

A) constant in both Duckistan and Herbania.
B) larger in Duckistan than in Herbania.
C) increasing in both Duckistan and Herbania.
D) increasing in Duckistan and constant in Herbania.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

250)

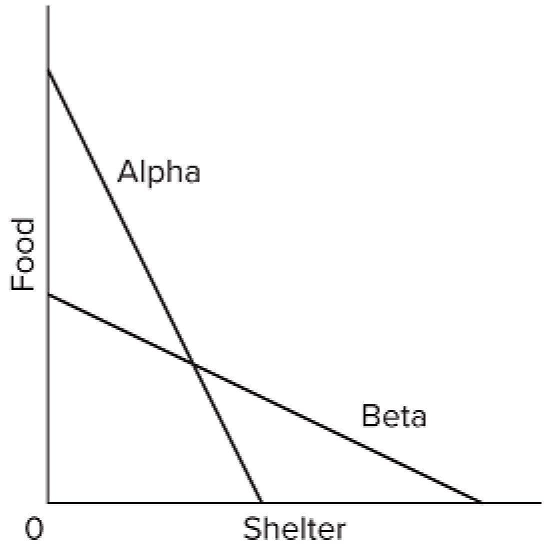
	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that Duckistan and Herbania are each producing 14 units of civilian goods and 2 units of military goods. Then

250) ______

A) Duckistan is fully employing its resources, but Herbania is not.
B) both Duckistan and Herbania are fully employing their resources.
C) Herbania is fully employing its resources, but Duckistan is not.
D) neither Duckistan nor Herbania is fully employing its resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



251) In the figure are two linear production possibilities curves for countries Alpha and Beta. We can conclude that

251) ______

A) different value systems make it impossible to compare opportunity costs in the two countries.
B) the opportunity cost of shelter is greater in Beta than it is in Alpha.
C) the opportunity cost of food is greater in Alpha than it is in Beta.
D) the opportunity cost of shelter is greater in Alpha than it is in Beta.

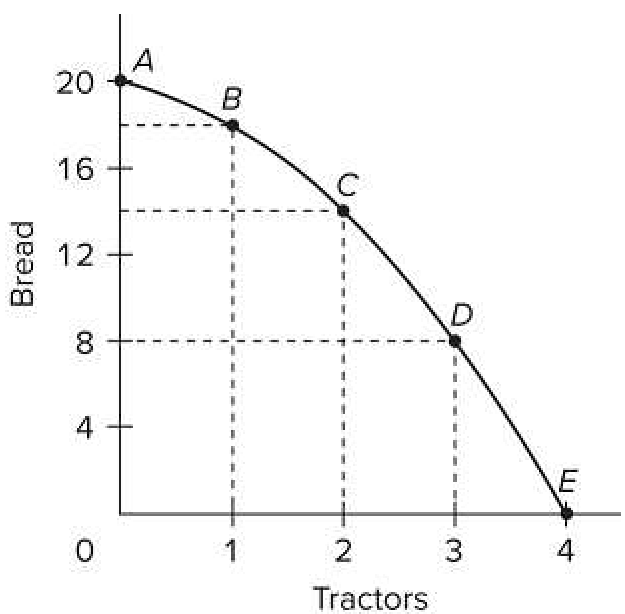
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

252) Which of the following is *not* correct? A typical production possibilities curve

252) ______

A) indicates how much of two products society can produce.
B) reveals how much each additional unit of one product will cost in terms of the other product.
C) specifies how much of each product a society will want to produce.
D) indicates that to produce more of one product, a society must forgo larger and larger amounts of the other product.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

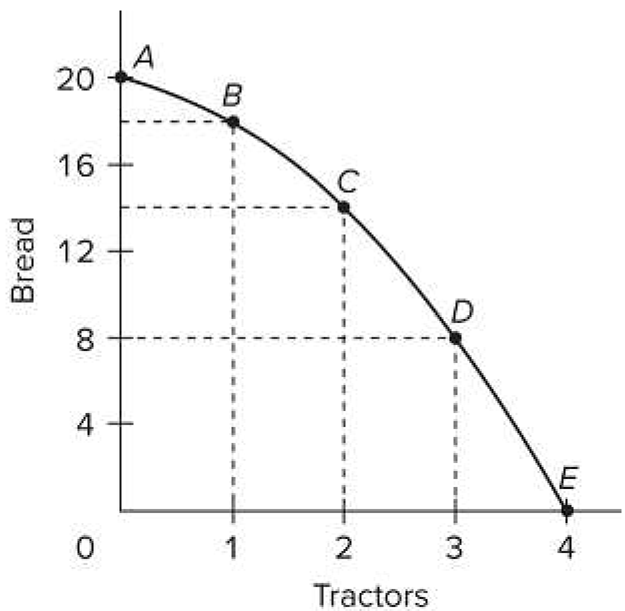


253)
Refer to the diagram. This production possibilities curve is constructed so that

253) ______

A) resources are presumed to be perfectly shiftable between bread and tractors.
B) the opportunity cost of bread diminishes as more bread is produced.
C) the opportunity cost of tractors increases as more bread is produced.
D) the opportunity costs of both bread and tractors increase as more of each is produced.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



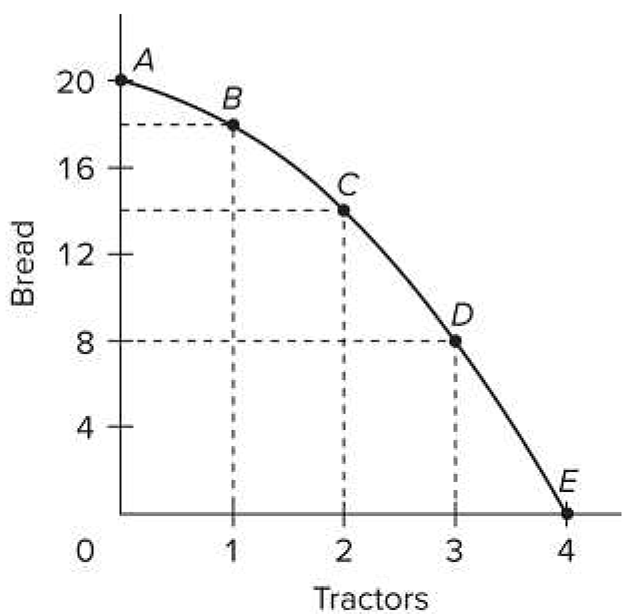
254)

Refer to the diagram. Which of the following is a normative statement?

254) ______

A) Point *C* is superior to point *B* because it is important to enhance the future of society.
B) If society is initially at point *C*, it must sacrifice 6 units of bread to obtain one more unit of tractors.
C) If society produces 2 units of tractors and 12 units of bread, it is not using its available resources with maximum efficiency.
D) Other things equal, the combination of outputs represented by point *D* will result in more rapid economic growth than will the combination represented by point *C*.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



255)
Refer to the diagram. Which of the following is a positive statement?

255) ______

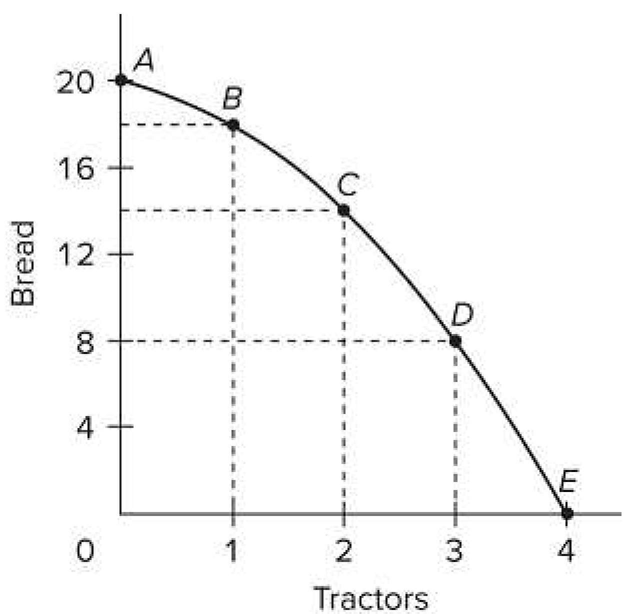
A) A point inside the production possibilities curve is superior to a point on the curve because the former requires less work effort.

B) Because any society should stress economic growth as its major goal, point *D* is superior to point *C*.

C) Point *B* is preferable to point *C* because the ultimate goal of economic activity is to maximize consumption.

D) Given its resources and technology, this society is incapable of simultaneously producing 3 units of tractors and 15 units of bread.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Analyze
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Difficulty : 03 Hard
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



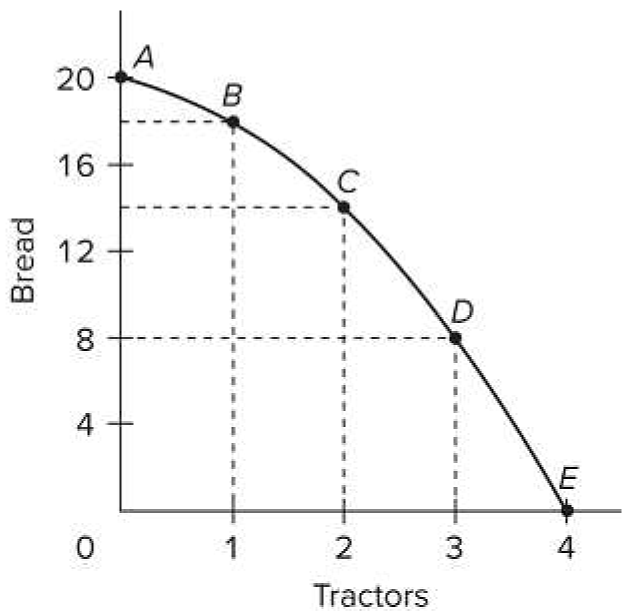
256)

Refer to the diagram. Starting at point *A*, the opportunity cost of producing each successive unit of tractors is

256) ______

A) a constant 2 units of bread.
B) 2, 4, 6, and 8 units of bread.
C) 8, 6, 4, and 2 units of bread.
D) the reciprocal of the output of tractors.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



257)
Refer to the diagram. Starting at point *E*, the production of successive units of bread will cost
257) ______

A) a constant 8 units of tractors.
B) a constant 6 units of tractors.
C) 1/8, 1/6, 1/4, and 1/2 units of tractors.
D) 1/2, 1/4, 1/6, and 1/8 units of tractors.

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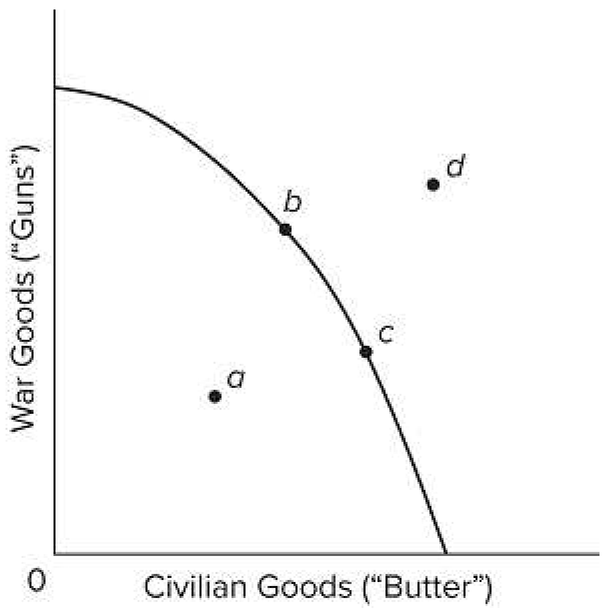
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

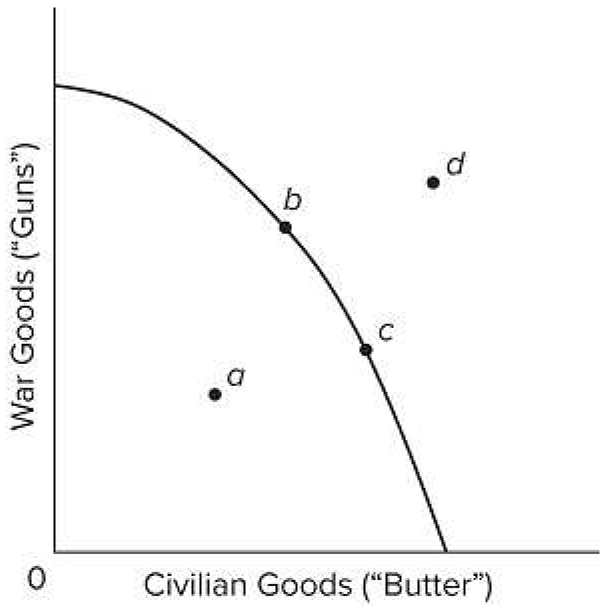


258)
Refer to the production possibilities curve. At the onset of the Second World War, the United States had large amounts of idle human and property resources. Its economic adjustment from peacetime to wartime can best be described by the movement from point

258) ______

A) *c* to point *b*.
B) *b* to point *c*.
C) *a* to point *b*.
D) *c* to point *d*.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



259)

Refer to the production possibilities curve. At the onset of the Second World War, the Soviet Union was already at full employment. Its economic adjustment from peacetime to wartime can best be described by the movement from point

259) ______

A) *c* to point *b*.
B) *b* to point *c*.
C) *a* to point *b*.
D) *c* to point *d*.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

260) The production possibilities curve shows

260) ______

A) the various combinations of two goods that can be produced when society employs all of its scarce resources.
B) the minimum outputs of two goods that will sustain a society.
C) the various combinations of two goods that can be produced when some resources are unemployed.
D) the ideal, but unattainable, combinations of two goods that would maximize consumer satisfaction.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

261) The negative slope of the production possibilities curve is a graphical way of indicating that

261) ______

A) any economy "can have its cake and eat it too."
B) to produce more of one product, we must do with less of another.
C) the principle of increasing opportunity costs applies to only parts of the economy.
D) consumers buy more when prices are low than when prices are high.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

262) If an economy is operating *on* its production possibilities curve for consumer goods and capital goods, this means that

262) ______

A) it is impossible to produce more consumer goods.
B) resources cannot be reallocated between the two goods.
C) it is impossible to produce more capital goods.
D) more consumer goods can only be produced at the cost of fewer capital goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

263) The construction of a production possibilities curve assumes

263) ______

A) the quantities of all resources are unlimited.
B) technology is fixed.
C) some resources are unemployed.
D) there is no inflation in the economy.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

264) A typical concave (bowed out from the origin) production possibilities curve implies

264) ______

A) that economic resources are unlimited.
B) that society must choose among various attainable combinations of goods.
C) decreasing opportunity costs.
D) that society is using a market system to allocate resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

265) The production possibilities curve tells us

265) ______

A) the specific combination of two products that is most desired by society.
B) that costs do not change as society varies its output.
C) that costs are irrelevant in a society that has fixed resources.
D) the combinations of two goods that can be produced with society's available resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

266) The production possibilities curve has

266) ______

A) a positive slope that increases as we move along it from left to right.
B) a negative slope that increases as we move along it from left to right.
C) a negative slope that decreases as we move along it from left to right.
D) a negative slope that is constant as we move along it from left to right.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

267) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F

Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the table. If South Cantina is producing at production alternative D, the opportunity cost of the third unit of capital goods will be

267) ______

A) 3 units of consumer goods.
B) 4 units of consumer goods.
C) 5 units of consumer goods.
D) 6 units of consumer goods.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

268) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the tables. If North Cantina is producing at production alternative B, the opportunity cost of the eleventh unit of consumer goods will be

268) ______

A) 10 units of capital goods.
B) 1/4 of a unit of capital goods.
C) 8 units of capital goods.
D) 1/8 of a unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

269) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the tables. Suppose that North Cantina is producing 2 units of capital goods and 17 units of consumer goods, while South Cantina is producing 2 units of capital goods and 21 units of consumer goods. We can conclude that

269) ______

A) North Cantina is fully and efficiently using its resources, but South Cantina is not.
B) South Cantina is fully and efficiently using its resources, but North Cantina is not.
C) neither South Cantina nor North Cantina is fully and efficiently using its resources.
D) both South Cantina and North Cantina are fully and efficiently using their resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

270) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the tables. Suppose that resources in North Cantina and South Cantina are identical in quantity and quality. We can conclude that

270) ______

A) South Cantina has better technology than North Cantina in producing both capital and consumer goods.
B) North Cantina has better technology than South Cantina in producing both capital and consumer goods.
C) North Cantina is growing more rapidly than South Cantina.
D) North Cantina has better technology than South Cantina in producing consumer goods but not capital goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

271) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the table. The opportunity cost of the fifth unit of capital goods

271) ______

A) is higher in North Cantina than in South Cantina.
B) is the same in North Cantina and South Cantina.
C) is lower in North Cantina than in South Cantina.
D) cannot be determined from the information provided.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

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272) If an economy is operating inside its production possibilities curve for consumer goods and capital goods, it

272) ______

A) can only produce more consumer goods by producing fewer capital goods.

B) can only produce more capital goods by producing fewer consumer goods.

C) can produce more of both consumer goods and capital goods by using resources that are currently idle.

D) must improve its technology to produce more output.

Question Details

Accessibility : Keyboard Navigation

Test Bank : I

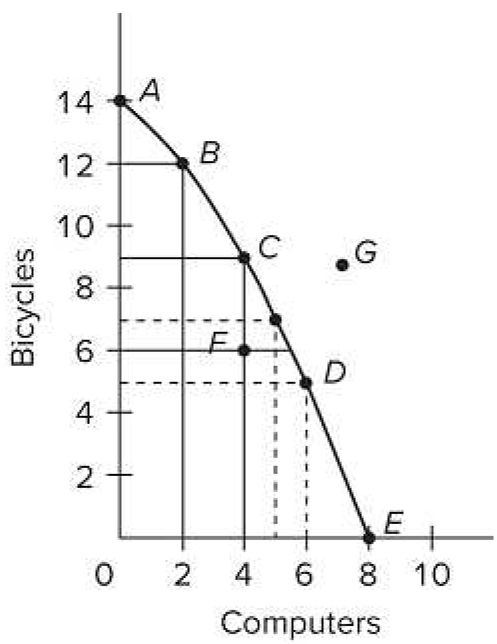
Difficulty : 03 Hard

AACSB : Knowledge Application

Bloom's : Apply

Learning Objective : 01-06 Apply production possibilities analysis.

Topic : Production Possibilities Model



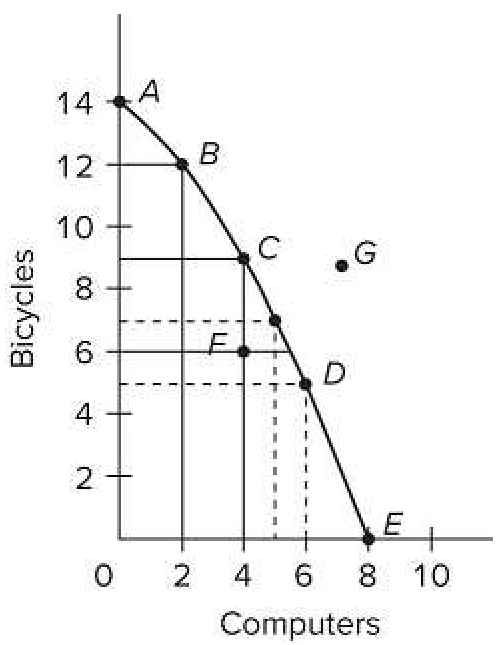
273)

Refer to the diagram. Points *A*, *B*, *C*, *D*, and *E* show

273) ______

A) that the opportunity cost of bicycles increases, while that of computers is constant.
B) combinations of bicycles and computers that society can produce by using its resources efficiently.
C) that the opportunity cost of computers increases, while that of bicycles is constant.
D) that society's demand for bicycles is greater than its demand for computers.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

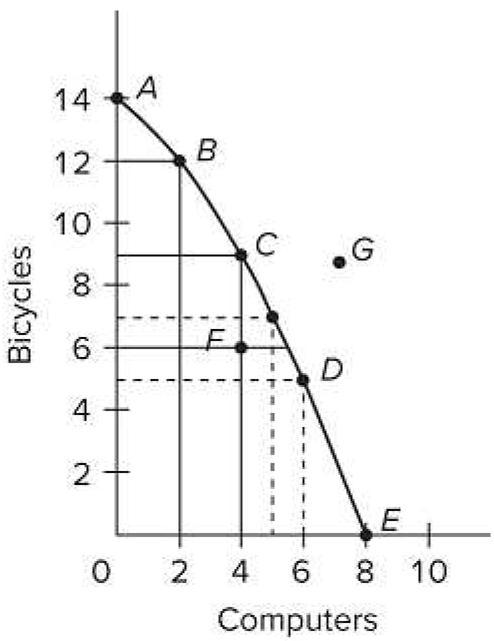


274)
Refer to the diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost

274) ______

A) will be 4 units of bicycles.
B) will be 2 units of bicycles.
C) will be zero because unemployed resources are available.
D) of doing so cannot be determined from the information given.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



275)
Refer to the diagram. The combination of computers and bicycles shown by point *G* is
275) ______

A) attainable but too costly.
B) unattainable given currently available resources and technology.
C) attainable but involves unemployment.
D) irrelevant because it is inconsistent with consumer preferences.

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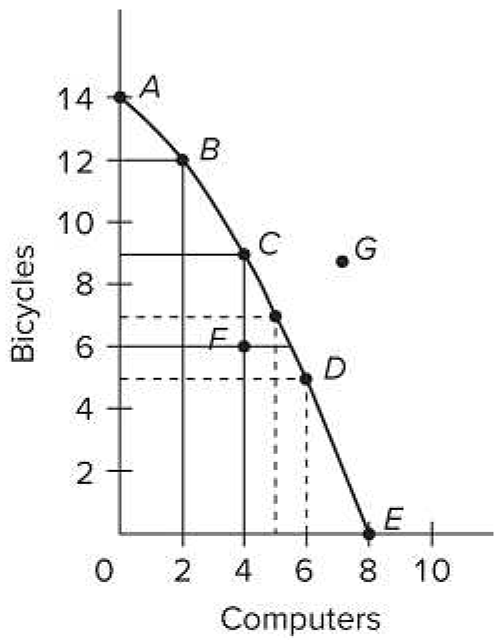
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



276)

Refer to the diagram. If society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more units of bicycles

276) ______

A) cannot be achieved because resources are fully employed.
B) will cost 1 unit of computers.
C) will cost 2 units of computers.
D) will cause some resources to become unemployed.

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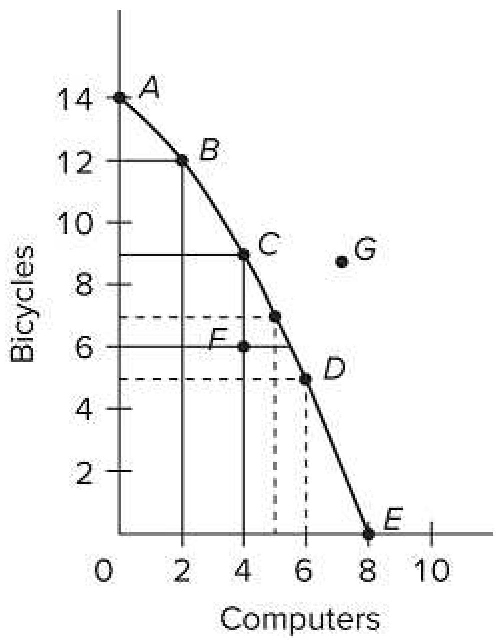
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



277)

Refer to the diagram. The combination of computers and bicycles shown by point *F*

277) ______

A) is unattainable given currently available resources and technology.
B) is attainable but implies that the economy is not using all its resources.
C) is irrelevant because it is inconsistent with consumer preferences.
D) suggests that opportunity costs are constant.

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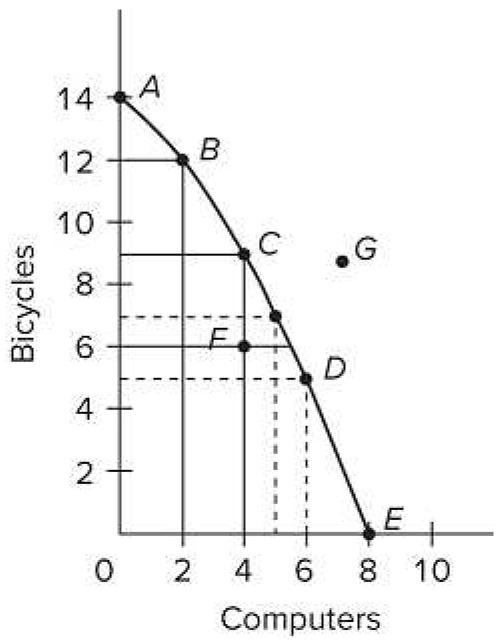
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



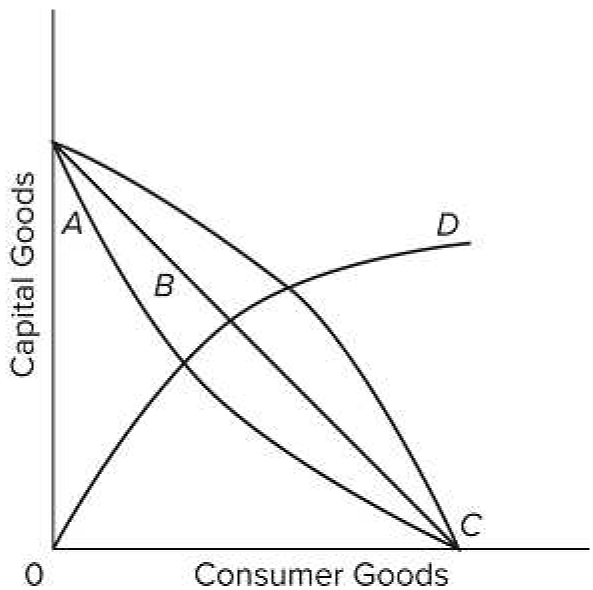
278)

Refer to the diagram. The movement down the production possibilities curve from point *A* to point *E* suggests that the production of

278) ______

A) computers, but not bicycles, is subject to increasing opportunity costs.
B) bicycles, but not computers, is subject to increasing opportunity costs.
C) both bicycles and computers is subject to constant opportunity costs.
D) both bicycles and computers is subject to increasing opportunity costs.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



279)

Refer to the diagram. As it relates to production possibilities analysis, the law of increasing opportunity cost is reflected in curve

279) ______

A) *A.*
B) *B.*
C) *C.*
D) *D.*

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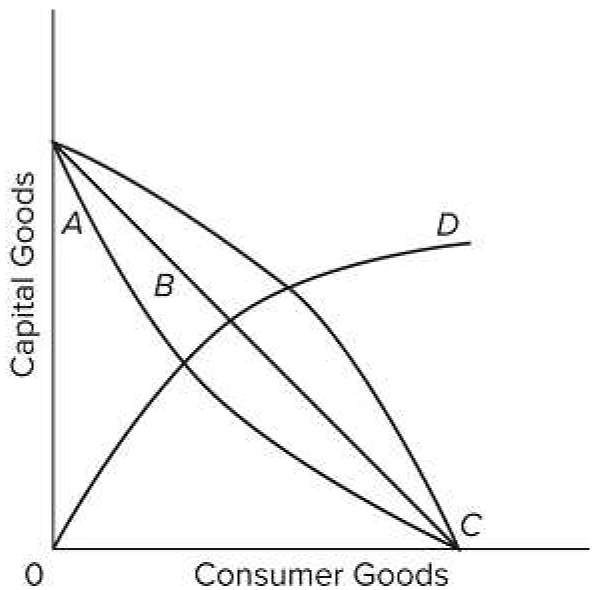
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



280)
Refer to the diagram. Curve *B* is a

280) ______

A) production possibilities curve indicating constant opportunity costs.
B) production possibilities curve indicating increasing opportunity costs.
C) demand curve indicating that the quantity of consumer goods demanded increases as the price of capital falls.
D) technology frontier curve.

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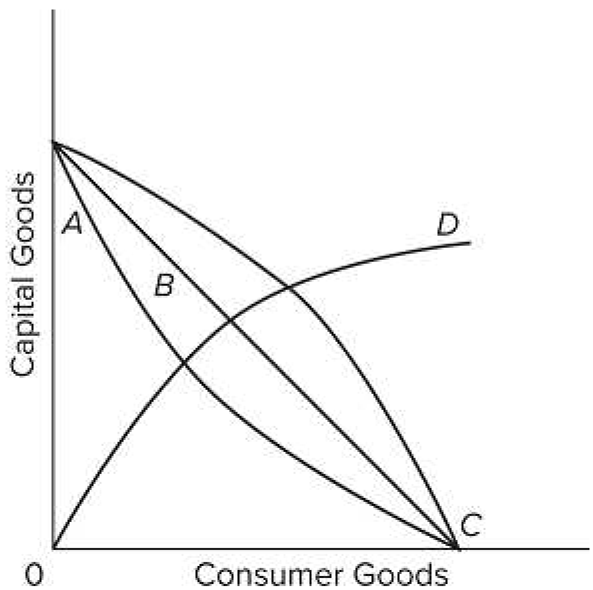
Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



281)
Refer to the diagram. All other things equal, curve *C*

281) ______

A) reflects increasing opportunity costs because the slope of the curve becomes less steep as one moves down along the curve.
B) is a less desirable production possibilities curve for an economy than curve *B*.
C) is a more desirable production possibilities curve for an economy than curve *A*.
D) has a steeper slope throughout than curve *B*.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

282) The fact that the slope of the production possibilities curve becomes steeper as we move down along the curve indicates that

282) ______

A) the principle of increasing opportunity costs is relevant.
B) society's resources are limited.
C) the opportunity cost of producing each product is constant.
D) resources are perfectly substitutable between alternative uses.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

283) The law of increasing opportunity costs states that

283) ______

A) if society wants to produce more of a particular good, it must sacrifice larger and larger amounts of another good to do so.

B) the sum of the costs of producing a particular good cannot rise above the current market price of that good.

C) if the sum of the costs of producing a particular good rises by a specified percentage, the price of that good must rise by a greater relative amount.

D) if the prices of all the resources used to produce goods increase, the cost of producing any particular good will increase at the same rate.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

284) The concept of opportunity cost

284) ______

A) is irrelevant in socialistic economies because of central planning.

B) suggests that the use of resources in any particular line of production means that alternative outputs must be forgone.

C) is irrelevant if the production possibilities curve is shifting to the right.

D) suggests that insatiable wants can be fulfilled.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

285) The law of increasing opportunity costs is reflected in a production possibilities curve that is

285) ______

A) an upsloping straight line.
B) a downsloping straight line.
C) bowed out from the origin.
D) bowed in toward the origin.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

286) The point on the production possibilities curve that is most desirable can be found by

286) ______

A) estimating the marginal costs of both products in real or physical terms.
B) comparing marginal benefits and marginal costs.
C) determining where least-cost production occurs.
D) calculating where economic growth will be greatest.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

287) The optimal point on a production possibilities curve is achieved where

287) ______

A) the smallest physical amounts of inputs are used to produce each good.
B) each good is produced at a level where marginal benefits equal marginal costs.
C) large amounts of capital goods are produced relative to consumer goods.
D) large amounts of consumer goods are produced relative to capital goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

288) The marginal benefit curve is

288) ______

A) upsloping because of increasing marginal opportunity costs.
B) upsloping because successive units of a specific product yield less and less extra benefit.
C) downsloping because of increasing marginal opportunity costs.
D) downsloping because successive units of a specific product yield less and less extra benefit.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

289) The marginal cost curve is

289) ______

A) upsloping because of increasing marginal opportunity costs.
B) upsloping because successive units of a specific product yield less and less extra utility.
C) downsloping because of increasing marginal opportunity costs.
D) downsloping because successive units of a specific product yield less and less extra utility.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

290) The quantity of digital music players produced should be

290) ______

A) reduced if marginal benefits exceed marginal costs.
B) reduced if marginal costs exceed marginal benefits.
C) increased if marginal costs exceed marginal benefits.
D) reduced to zero if their unit costs exceed the unit costs of alternative products.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

291) If the output of product X is such that marginal benefit equals marginal cost,

291) ______

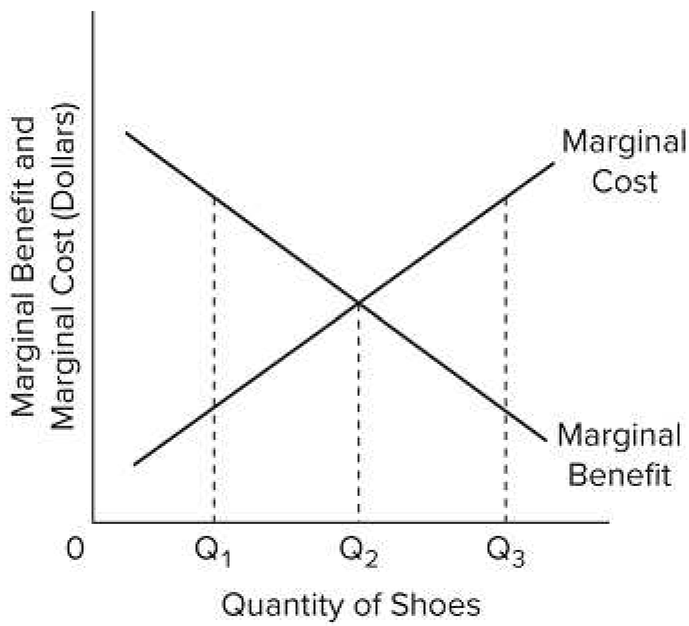
A) the correct amount of resources is being allocated to X's production.

B) the value of producing X exceeds the value of producing alternative products with the available resources.

C) there can be a net gain to society by allocating either more or less resources to producing X.

D) resources are overallocated to the production of X.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



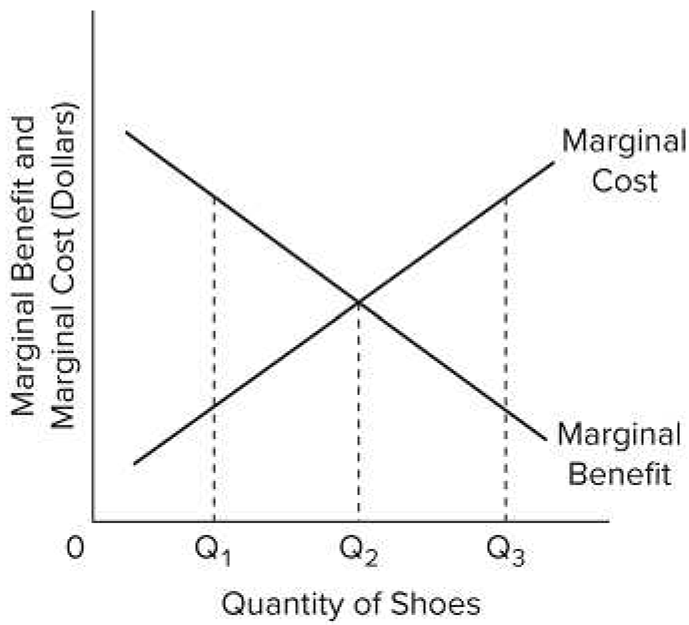
292)

Refer to the diagram for athletic shoes. The optimal output of shoes is

292) ______

A) Q_1.
B) Q_2.
C) Q_3.
D) greater than Q_3.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



293)

Refer to the diagram for athletic shoes. If the current output of shoes is Q_1, then

293) ______

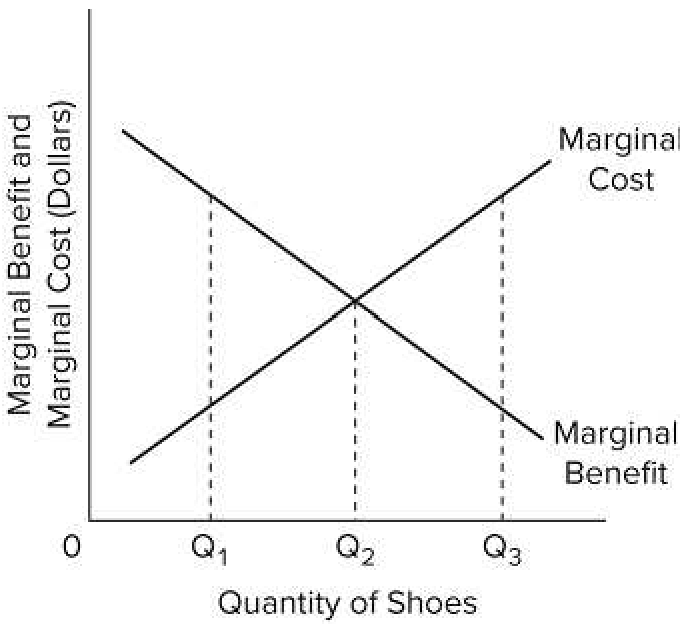
A) society would consider additional units of shoes to be more valuable than alternative uses of those resources.

B) society would consider additional units of shoes to be less valuable than alternative uses of those resources.

C) society would experience a net loss by producing more shoes.

D) resources are being allocated efficiently to the production of shoes.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



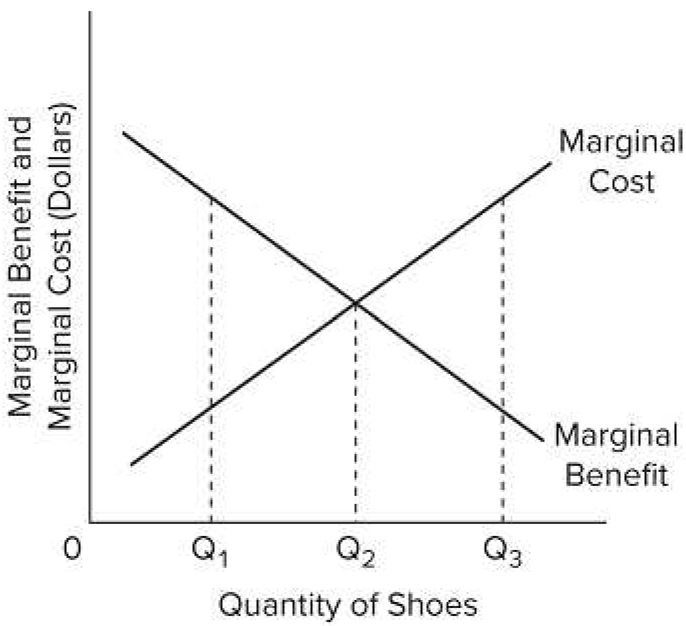
294)

Refer to the diagram for athletic shoes. If the current output of shoes is Q_3, then

294) ______

A) resources are being allocated efficiently to the production of shoes.
B) society would consider additional units of shoes to be more valuable than alternative products.
C) society would consider additional units of shoes to be less valuable than alternative products.
D) society would experience a net gain by producing more shoes.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



295)
Refer to the diagram for athletic shoes. If the current output of shoes is Q_3, then

295) ______

A) society should produce fewer shoes to achieve the optimal allocation of resources.
B) society should produce more shoes to achieve the optimal allocation of resources.
C) resources are being allocated efficiently to the production of shoes.
D) shoes are more valuable to society than alternative products

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

296) Suppose that a fully employed economy produces only two goods, hamburgers and flat-panel TVs. If the economy is currently producing more than the optimal quantity of hamburgers, then to attain the optimal allocation of resources, it should

296) ______

A) produce more hamburgers and fewer TVs.
B) produce more TVs and fewer hamburgers.
C) produce more of both goods.
D) produce fewer of both goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

297) Suppose that an economy is producing on its production possibilities curve but is not producing quantities of each good where the marginal benefit equals the marginal cost for each good. This economy

297) ______

A) should not change its production, because it cannot improve its allocation by shifting resources.
B) can improve its allocation by lowering the unemployment rate.
C) can improve its allocation by producing more of one good and less of the other.
D) can improve its allocation by producing more of both goods.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

298) The optimal allocation of resources is found

298) ______

A) where MB = MC.
B) at every point along a production possibilities curve.
C) where the marginal benefit is at its greatest.
D) where the marginal cost is at its lowest.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

299) Which of the following is one of the simplifying assumptions made in constructing a production possibilities curve?

299) ______

A) The state of technology is constantly changing.
B) A wide variety of products are produced.
C) Resources are fully employed and are used in least-cost methods of production.
D) Quantities of available resources in the economy vary as we move from one point on the curve to another.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

300) The production possibilities curve is a graph of

300) ______

A) the maximum amounts of labor and capital resources available for production.
B) various combinations of goods and services among which consumers are indifferent in terms of preference.
C) the maximum combinations of products that can be produced with the available resources.
D) the maximum amount of capital and labor that the economy can employ.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Test Bank : II
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

301) On a production possibilities curve, the single optimal or best combination of output for any society

301) ______

A) is at a point near the top of the curve.
B) is at the precise midpoint of the curve.
C) is at a point near the bottom of the curve.
D) depends upon the preferences of society.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

302) All of the following would affect the position and shape of a nation's production possibilities curve, *except*

302) ______

A) the amount of labor available.
B) the level of unemployment.
C) the amount of the capital resources.
D) the rate of technological progress.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

303) If a nation produces more consumer goods and less capital goods, then the nation will have

303) ______

A) more consumption now, but less consumption later.
B) less consumption now, but more consumption later.
C) more consumption now, with no effect on consumption later.
D) less consumption later, with no effect on consumption now.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
Bloom's : Analyze
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

304) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

If the nation uses all of its resources to produce only wheat, then its production combination will be

304) ______

A) A.
B) B.
C) E.
D) F.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

305) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Which of the following output-combinations is unattainable?

305) ______

A) 1 steel and 80 wheat
B) 4 steel and 55 wheat
C) 30 wheat and 3 steel
D) 95 wheat and 0 steel

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

306) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Steel	0	1	2	3	4	5

Wheat	100	90	75	55	30	0

A change from combination C to B means that

306) ______

A) 1 unit of steel is given up to get 75 units of wheat.
B) 2 units of steel are given up to get 75 units of wheat.
C) 1 unit of steel is given up to get 15 more units of wheat.
D) 2 units of steel are given up to get 15 more units of wheat.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

307) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The *marginal* opportunity cost of the third unit of steel is

307) ______

A) 18.3 units of wheat.
B) 25 units of wheat.
C) 20 units of wheat.
D) 55 units of wheat.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

308) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The opportunity cost of producing the 91st unit of wheat is approximately

308) ______

A) 10 units of steel.
B) 0 units of steel.
C) 1 unit of steel.
D) 1/10 of a unit of steel.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

309) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**

Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

In moving stepwise from possibility A to B to C ... to F, the marginal opportunity cost of a unit of steel in terms of wheat

309) ______

A) increases.
B) decreases.
C) remains constant.
D) increases at first, then decreases.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

310) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

According to the production possibilities schedule, a combination of 4 tanks and 650 autos is

310) ______

A) attainable and involves an efficient use of society's resources.
B) attainable but would not be in the best interests of a strong national defense.
C) less than (or below) the maximum attainable output combination.
D) not attainable because the nation does not have sufficient resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

311) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

Given the production possibilities schedule above, a combination of 3 tanks and 350 autos

311) ______

A) illustrates the trade-off between tanks and autos.
B) is attainable but entails some unemployment or inefficient use of society's resources.
C) cannot be produced by society, given its current resources and production technology.
D) is not attainable because this combination is not listed in the schedule.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

312) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5

Autos	1,000	950	850	650	350	0

In moving from combination C to B, the opportunity cost of producing 100 more autos is

312) ______

A) 2 units of tanks.
B) 1 unit of tanks.
C) 850 units of autos.
D) 1,800 units of autos.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

313) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *total* opportunity cost of three unit(s) of tanks is

313) ______

A) 200 units of autos.
B) 350 units of autos.
C) 650 units of autos.
D) 1,000 units of autos.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

314) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *marginal* opportunity cost of the fourth unit of tanks is

314) ______

A) 3 units of tanks.
B) 300 units of autos.
C) 350 units of autos.
D) 650 units of autos.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

315) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**

Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

If the nation produces more and more tanks, the opportunity cost of each additional tank in terms of autos

315) ______

A) remains constant.
B) falls.
C) increases.
D) cannot be measured.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

316) In a graph of the production possibilities curve, the two axes of the graph indicate the

316) ______

A) prices of the two products that a nation can produce.
B) maximum quantities of the two resources that a nation possesses.
C) price of the products on the vertical axis, and quantities on the horizontal.
D) quantities of the two products that a nation can produce.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

317) A point inside the production possibilities curve is __________, while a point outside the curve is __________.

317) ______

A) attainable; unattainable
B) unattainable; attainable
C) below the maximum possible; the maximum possible
D) the maximum possible; below the maximum possible

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

318) A point or combination that is on the production possibilities curve is

318) ______

A) attainable, and resources are fully employed.
B) attainable, but some resources are unemployed.
C) unattainable, but some resources are unemployed.
D) attainable only if we get additional resources.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

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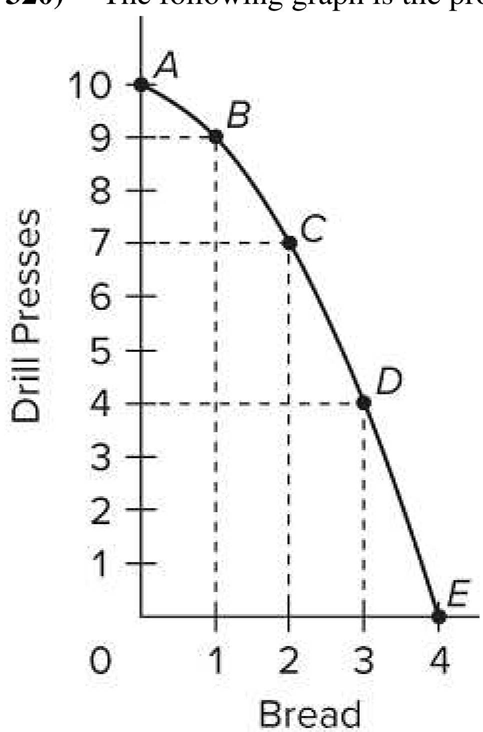
319) A point outside (to the right of) the production possibilities curve of a nation

319) ______

A) is not attainable for this nation.
B) is easily attainable for this nation.
C) implies that there are unemployed resources in this nation.
D) implies that this nation is using its resources fully.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

320) The following graph is the production possibilities curve of a nation.



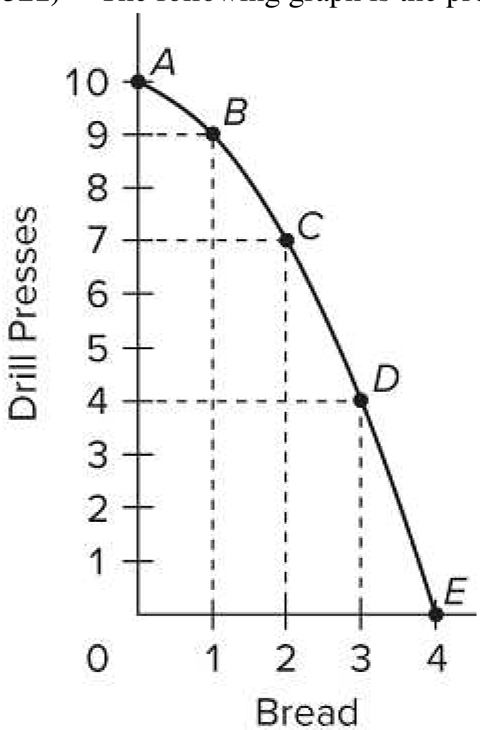
The combination "5 drill presses and 2 bread" indicates

320) ______

A) an unattainable combination for the nation.
B) that some resources in the nation are unemployed.
C) an ideal combination for the nation.
D) a combination produced when the nation is at full employment.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

321) The following graph is the production possibilities curve of a nation.



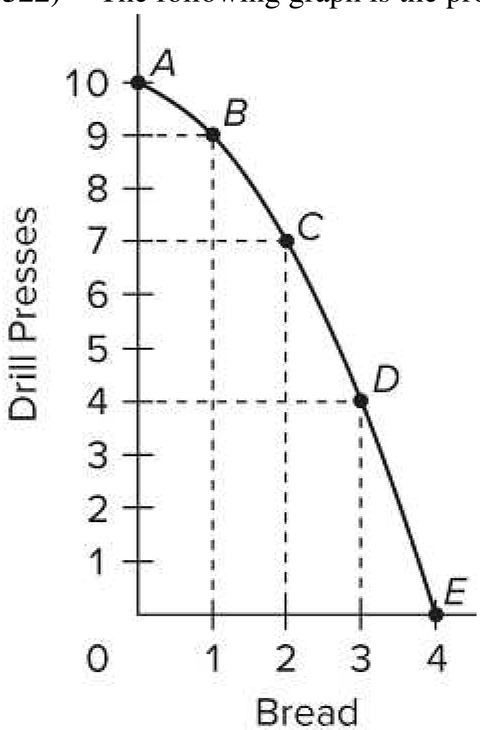
Which of the following combinations would be unattainable?

321) ______

A) 8 drill presses and 1 bread
B) 7 drill presses and 2 bread
C) 10 drill presses and 4 bread
D) 2 drill presses and 3 bread

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Analytical Thinking
Bloom's : Analyze
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

322) The following graph is the production possibilities curve of a nation.



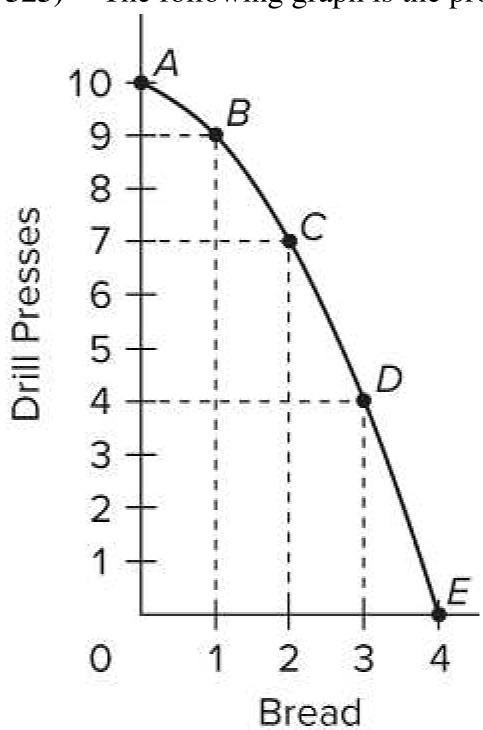
The *total* opportunity cost of 9 drill presses is

322) ______

A) 1 unit of bread.
B) 1 unit of drill presses.
C) 3 units of bread.
D) 10 units of drill presses.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

323) The following graph is the production possibilities curve of a nation.



The *marginal* opportunity cost of the fourth unit of bread is

323) ______

A) 10 units of drill presses.
B) 1 unit of drill presses.
C) 3 units of drill presses.
D) 4 units of drill presses.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

324) A movement from one point to another along the production possibilities curve would imply that

324) ______

A) the labor force available to society has grown.
B) productivity has increased over time.
C) productivity has declined over time.
D) society is producing a different combination of outputs.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

325) If a nation is initially on its production possibilities curve, then it can increase its production of one good only by

325) ______

A) decreasing the production of the other good.
B) increasing the production of the other good.
C) holding constant the production of the other good.
D) decreasing the price of the other good.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

326) Because of increasing opportunity costs, the production possibilities curve

326) ______

A) is bowed out from (or concave to) the origin.
B) can be either downward- or upward-sloping.
C) at first rises, then falls eventually.
D) is a straight downward-sloping line.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

327) The law of increasing opportunity costs states that

327) ______

A) costs of production increase for one good, but costs decrease for the other good.
B) increases in wages and other resource costs is what the increasing opportunity costs refer to.
C) increases in the production of one good require larger and larger sacrifices of the other good.
D) increases in the production of one good make the production of that good easier.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

328) If the opportunity cost of producing extra units of one good (expressed in terms of the amount of another good given up) remains constant, then the shape of the production possibilities curve is

328) ______

A) a straight horizontal line.
B) a straight downward-sloping line.
C) an upward-sloping line.
D) a vertical line.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

329) Which of the following statements is an explanation for the law of increasing opportunity costs?

329) ______

A) Many economic resources are better at producing one product rather than another.
B) The economy is employing all of its available resources.
C) In any economy, the state of technology is changing and resources are variable.
D) The economy is achieving productive efficiency by producing goods at the least cost.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

330) If the production possibilities curve is a straight line, then

330) ______

A) the opportunity cost of producing one good is zero.
B) the law of increasing opportunity costs does not apply.
C) the society can produce more of both goods simultaneously.
D) the society is capable of producing only one of the goods and not the other.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

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331) If economic resources are perfectly interchangeable between the two products shown on a production possibilities graph,

331) ______

A) the economy will always be at full employment.
B) more of one product can be produced without producing less of the other product.
C) the production possibilities curve would be a straight line.
D) the two products are of equal value to the economy.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

332) The best output or the optimal production of the nation is

332) ______

A) a combination of products at the midpoint of the production possibilities curve.
B) a combination of products at either of the two endpoints of the production possibilities curve.
C) determined by equalizing the marginal benefits and marginal costs of each product.
D) the production combination where the opportunity costs are minimized.

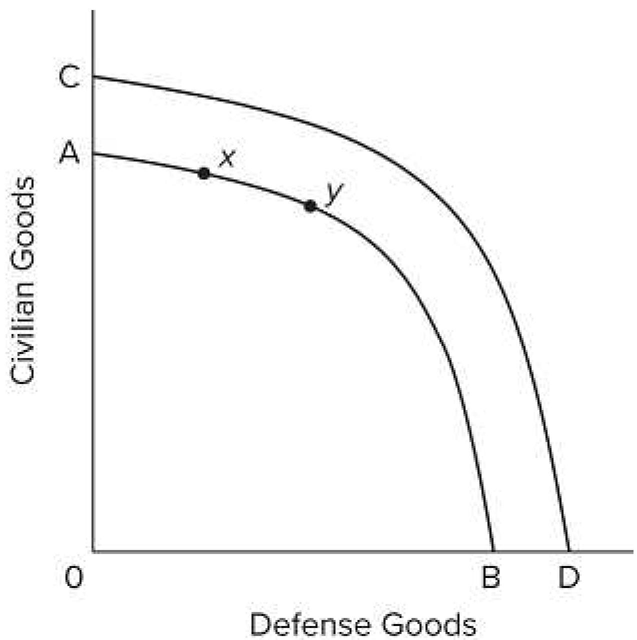
Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

333) When a nation is under-allocating resources to the production of a good, then the

333) ______

A) marginal benefit is greater than the marginal cost of the good.
B) marginal benefit is less than the marginal cost of the good.
C) marginal cost of producing the good is decreasing.
D) marginal benefit of producing the good is increasing.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

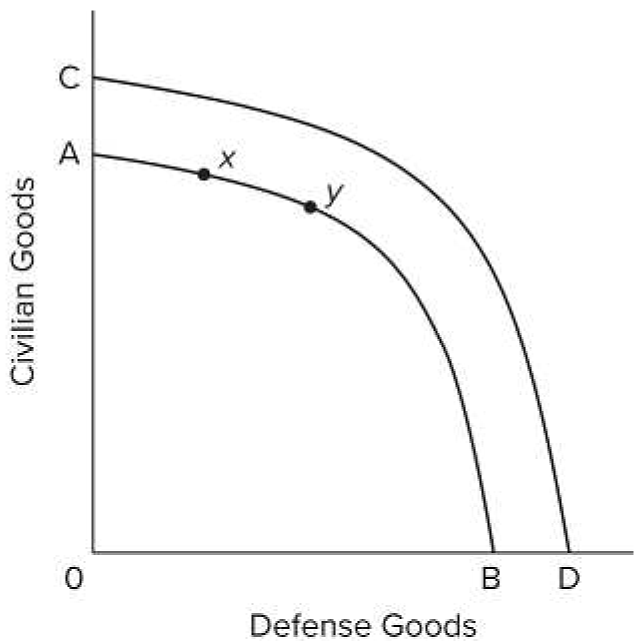


334)
Refer to the diagram. The direct economic impact of the destruction and loss of lives caused by the terrorist attacks of September 11, 2001, is illustrated by the

334) ______

A) shift of the production possibilities curve from CD to AB.
B) shift of the production possibilities curve from AB to CD.
C) move from *x* to *y* on production possibilities curve AB.
D) move from *y* to *x* on production possibilities curve AB.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

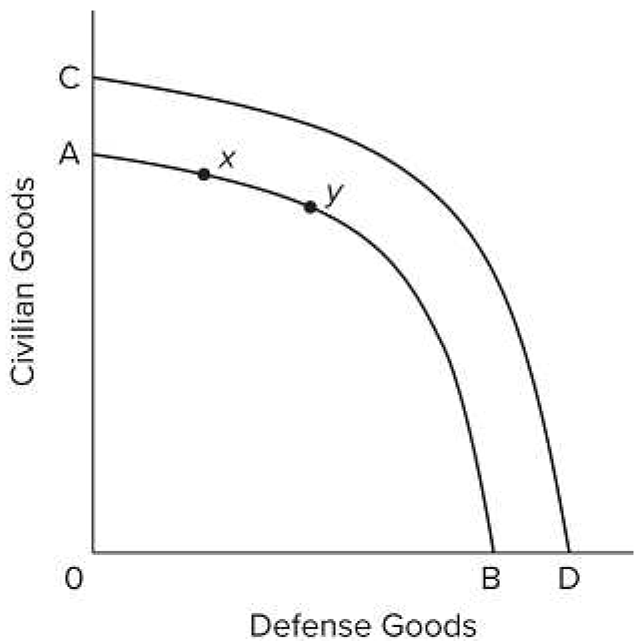


335)
Refer to the diagram. The U.S. response to the events of September 11, 2001, is illustrated by the

335) ______

A) shift of the production possibilities curve from CD to AB.
B) shift of the production possibilities curve from AB to CD.
C) move from *x* to *y* on production possibilities curve AB.
D) move from *y* to *x* on production possibilities curve AB.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



336)

Refer to the diagram. Suppose that point *y* represents the optimal combination of civilian goods and defense goods. We can conclude that at *y*, the marginal benefit of defense goods

336) ______

A) exceeds the marginal cost of defense goods.
B) equals the marginal cost of defense goods.
C) is zero.
D) is negative.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

337) In response to the terrorist attacks of September 11, 2001, the government decided to allocate more resources toward defense goods. The government's decision reflects their assessment that

337) ______

A) the marginal benefits of additional defense goods outweighed the marginal cost.
B) the marginal cost of additional defense goods outweighed the marginal benefit.
C) there cannot be too many defense goods.
D) civilian goods are not worth producing.

Question Details
Accessibility : Keyboard Navigation
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

338) If the marginal benefit of a good is less than its marginal cost, then the nation should

338) ______

A) produce more of that good.
B) Maintain the current level of production of that good.
C) reduce the marginal benefit of that good.
D) reduce the production of that good.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 02 Medium
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

339) Suppose that a nation can only make two products: defense goods and civilian goods. In a graph of the marginal benefit (MB) and marginal cost (MC) of defense goods, a leftward shift of the MB curve will cause the optimal quantity of

339) ______

A) civilian goods to decrease.
B) both civilian goods and defense goods to decrease.
C) defense goods to decrease.
D) defense goods to increase.

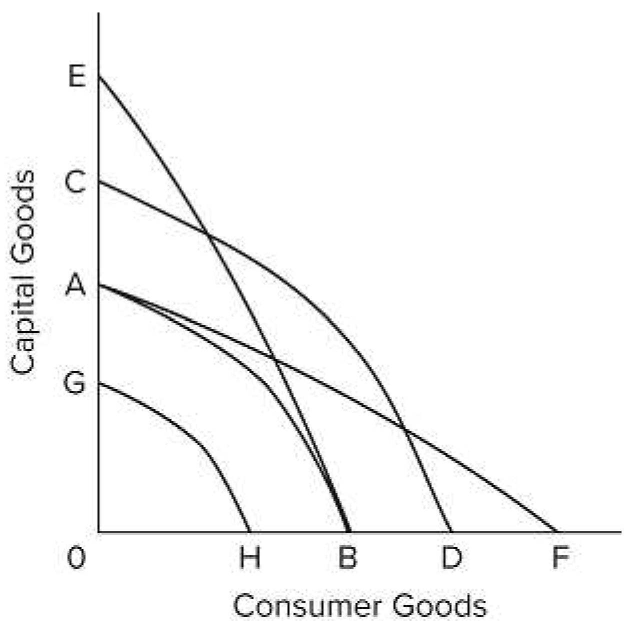
Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model

340) Imagine an ideal scenario where world peace prevails and all nations are led by peace-minded leaders. In such a world, the

340) ______

A) MB for defense goods would shift left.
B) MB for defense goods would shift right.
C) MC for defense goods would shift left.
D) MC for defense goods would shift right.

Question Details
Accessibility : Keyboard Navigation
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model



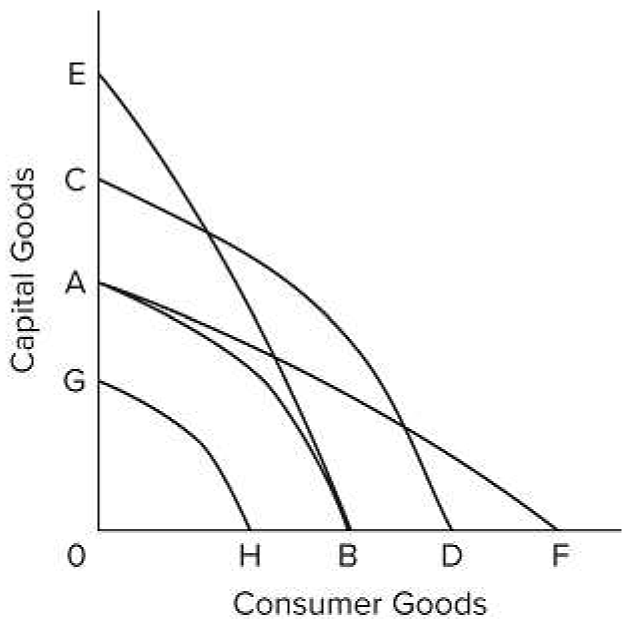
341)

Refer to the diagram. Technological advance in producing both capital goods and consumer goods is shown by the shift of the production possibilities curve from AB to

341) ______

A) CD.
B) EB.
C) AF.
D) GH.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



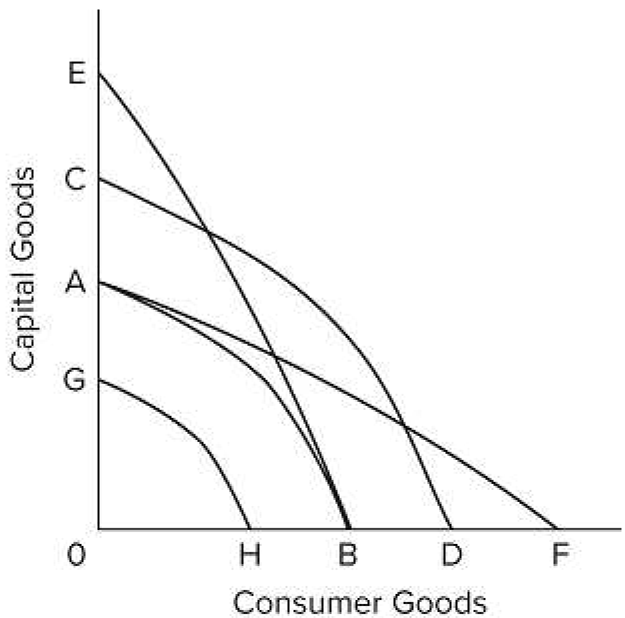
342)

Refer to the diagram. Technological advance that improves the ability to produce capital goods but not consumer goods is shown by the shift of the production possibilities curve from AB to

342) ______

A) CD.
B) BE.
C) AF.
D) GH.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



343)

Refer to the diagram. Technological advance that is useful in producing consumer goods but not in producing capital goods is shown by the shift of the production possibilities curve from AB to

343) ______

A) CD.
B) EB.
C) AF.
D) GH.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

344) The basic difference between consumer goods and capital goods is that

344) ______

A) consumer goods are produced in the private sector and capital goods are produced in the public sector.
B) an economy that commits a relatively large proportion of its resources to capital goods must accept a lower growth rate.
C) the production of capital goods is not subject to the law of increasing opportunity costs.
D) consumer goods satisfy wants directly, while capital goods satisfy wants indirectly.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

345) Which of the following will shift the production possibilities curve to the right?

345) ______

A) an increase in the unemployment rate from 6 to 8 percent
B) a decline in the efficiency with which the present labor force is allocated
C) a decrease in the unemployment rate from 8 to 6 percent
D) a technological advance that allows farmers to produce more output from given inputs

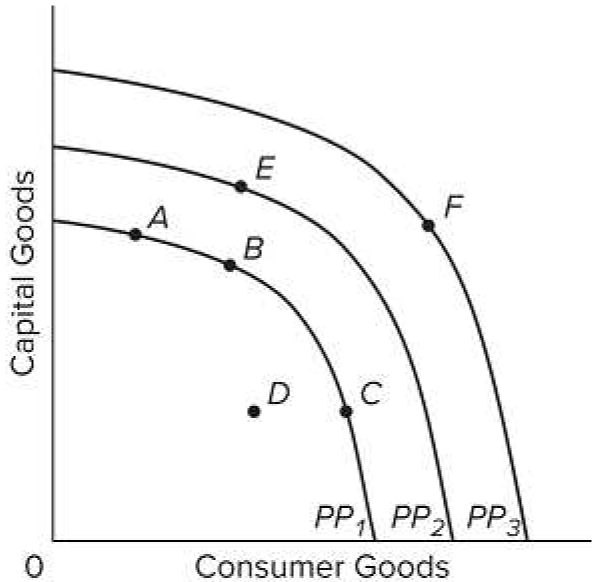
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

346) Other things equal, which of the following would shift an economy's production possibilities curve to the left?

346) ______

A) the discovery of a low-cost means of generating and storing solar energy
B) the entrance of more women into the labor force
C) a law requiring mandatory retirement from the labor force at age 55
D) an increase in the proportion of total output that consists of capital or investment goods

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



347)

Refer to the diagram. The concave shape of each production possibilities curve indicates that

347) ______

A) resources are perfectly substitutable.
B) wants are virtually unlimited.
C) prices are constant.
D) resources are not equally suited for alternative uses.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

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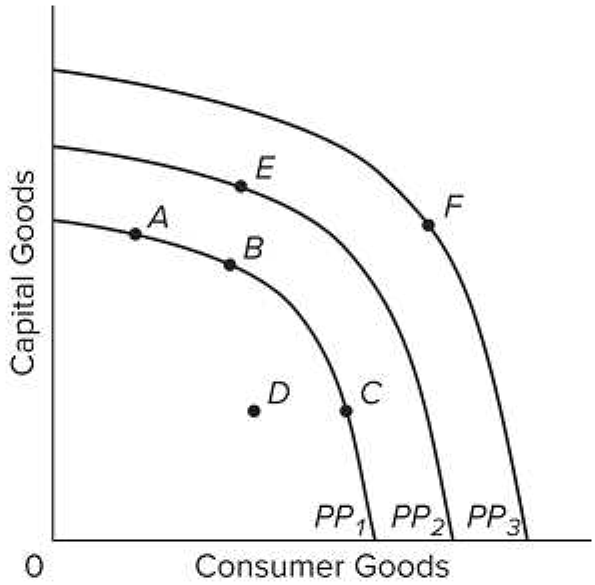


348)

Refer to the diagram. The concept of opportunity cost is best represented by the

348) ______

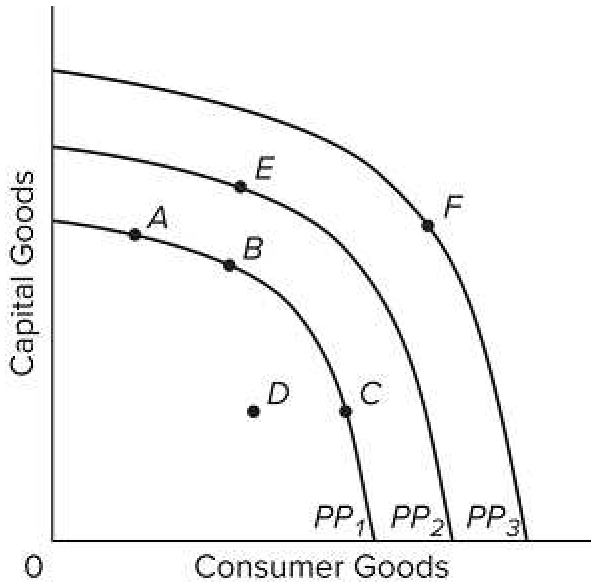
A) shift of the production possibilities curve from *PP1* to PP_2.

B) move from B on PP_1 to E on PP_2.

C) move from B on PP_1 to C on PP_1.

D) move from D inside PP_1 to B on PP_1.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



349)

Refer to the diagram. Other things equal, which of the following positions relative to PP_1 would be the most likely to result in a future production possibilities curve of PP_3 rather than PP_2?

349) ______

A) *A*
B) *B*
C) *C*
D) *D*

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

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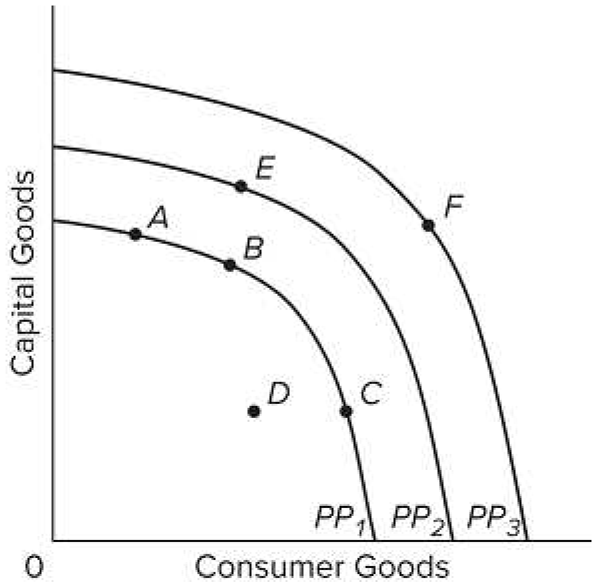


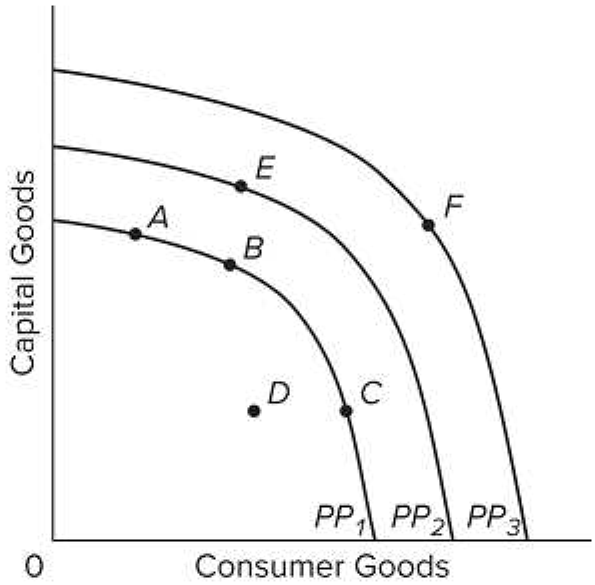
350)

Refer to the diagram. An improvement in technology will

350) ______

A) shift the production possibilities curve from PP_1 to PP_2.
B) shift the production possibilities curve from *PP2* to PP_1.
C) move the economy from A to C along PP_1.
D) move the economy from *A*, *B*, or *C* on PP_1 to *D*.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



351)

Refer to the diagram. Which one of the following would shift the production possibilities curve from PP_1 to PP_2?

351) ______

A) an outbreak of the Zika virus leading to an epidemic
B) immigration of skilled workers into the economy
C) an increase in consumer prices
D) a reduction in hourly wages

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

352) Which of the following statements, if any, is correct for a nation that is producing only consumer and capital goods?

352) ______

A) Other things equal, the more consumer goods a nation produces, the greater will be its future growth rate.
B) Other things equal, the more capital goods a nation produces, the greater will be its future growth rate.
C) There is no general relationship between the current division of output between consumer and capital goods and the future growth rate.
D) None of these statements are correct.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

353) All of the following could immediately or eventually lead to an inward shift of a nation's production possibilities curve, *except*

353) ______

A) emigration of skilled workers to other nations.
B) a decline in the birthrate.
C) an increase in the average skill level of all occupational groups.
D) depletion and reduced availability of major energy resources.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

354) A nation's production possibilities curve might shift to the left (inward) as a result of

354) ______

A) technological advance.
B) increases in the size of the labor force.
C) the depletion of its soil fertility due to overplanting and overgrazing.
D) investing in more capital goods.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

355) Which of the following will enable a nation to obtain a combination of consumer goods and capital goods outside its production possibilities curve?

355) ______

A) full employment
B) international specialization and trade
C) full production
D) productive efficiency

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

356) Suppose that Scoobania, which has full employment, can obtain 1 unit of capital goods by sacrificing 2 units of consumer goods domestically but can obtain 1 unit of capital goods from another country by trading 1 unit of consumer goods for it. This reality illustrates

356) ______

A) a rightward (outward) shift of the production possibilities curve.
B) increasing opportunity costs.
C) achieving points beyond the production possibilities curve through international specialization and trade.
D) productive efficiency.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

357) Through specialization and international trade, a nation

357) ______

A) can attain some combination of goods lying outside its production possibilities curve.
B) can move from a high consumption-low investment to a high investment-low consumption point on its production possibilities curve.
C) will only attain some combination of goods lying within its production possibilities curve.
D) will cause its production possibilities curve to shift leftward.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

358) Some agricultural sub-Saharan nations of Africa have overfarmed and overgrazed their land to the extent that significant portions of it have turned into desert. This suggests that

358) ______

A) the production possibilities curves of such nations are more bowed out from the origin.
B) the production possibilities curves of such nations have shifted inward.
C) the production possibilities curves of such nations have shifted outward.
D) these nations are operating at some point outside of their production possibilities curves.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

359) If all discrimination in the United States were eliminated, the economy would

359) ______

A) have a less concave production possibilities curve.
B) produce at some point closer to its production possibilities curve.
C) be able to produce at some point outside of its production possibilities curve.
D) produce more consumer goods and fewer investment goods.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

360) A country can achieve some combination of goods outside its production possibilities curve by

360) ______

A) idling some of its resources.
B) specializing and engaging in international trade.
C) buying the debt (bonds and stocks) of foreign nations.
D) producing more capital goods and fewer consumer goods.

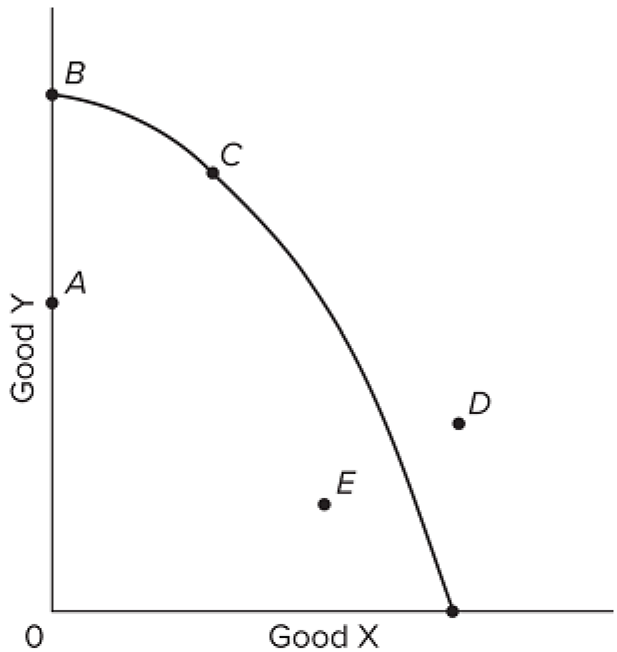
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

361) In recent years the economy of Japan has grown, despite the fact that the population of Japan has declined. Which of the following would best explain Japan's economic growth despite having a smaller population?

361) ______

A) immigration of new workers into Japan
B) advancements in technology that make labor more productive
C) reduced employment of capital because fewer workers are available to use it
D) greater consumption of goods imported from other countries

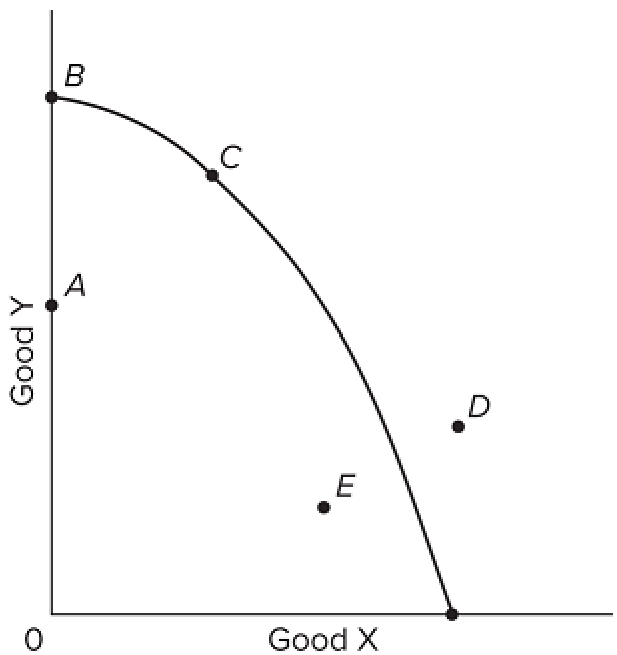
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



362)
The graph provided shows the production possibilities curve for an economy producing two goods, X and Y. Which of the points on the graph indicate(s) unemployed resources?
362) ______

A) *D* only
B) *E* and *A* only
C) *B* and *A* only
D) *B* and *C* only

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

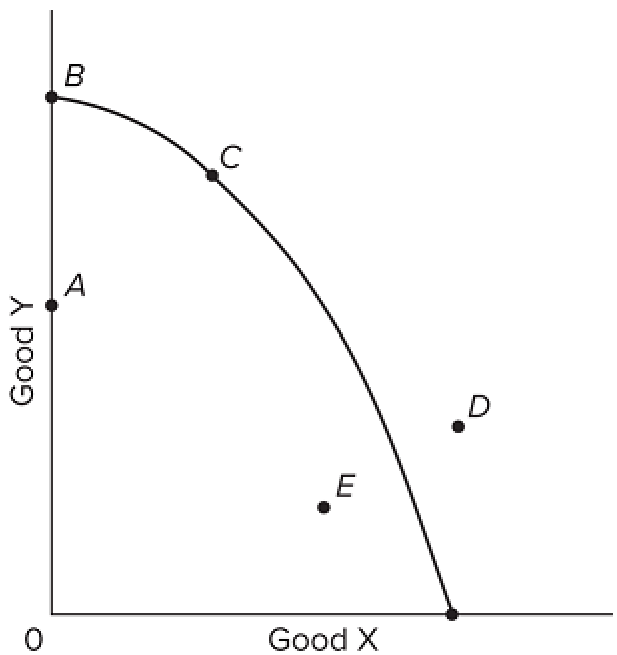


363)
The graph provided shows the production possibilities curve for an economy producing two goods, X and Y. All of the following may allow the economy to produce combination D in the future, *except*

363) ______

A) lower unemployment.
B) increasing labor supply.
C) economic growth.
D) technological advances.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



364)

Refer to the provided graph. Which of the following movements would indicate economic growth?

364) ______

A) from point A to point C
B) from point B to point C
C) from point A to point E
D) from point C to point D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

365) If a nation is operating at a point inside the production possibilities curve, it indicates that the nation could

365) ______

A) increase its production of both goods X and Y simultaneously.
B) increase its production of one good, but only at the expense of reducing the other good.
C) not produce any more of one of the goods X or Y.
D) not employ any more resources, because all resources are now employed.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

366) Consider an economy that is producing inside its production possibilities curve. This economy could move closer toward its production possibilities curve by

366) ______

A) distributing incomes more equally.
B) employing more of its available resources.
C) increasing the levels of wages and prices.
D) acquiring additional resources.

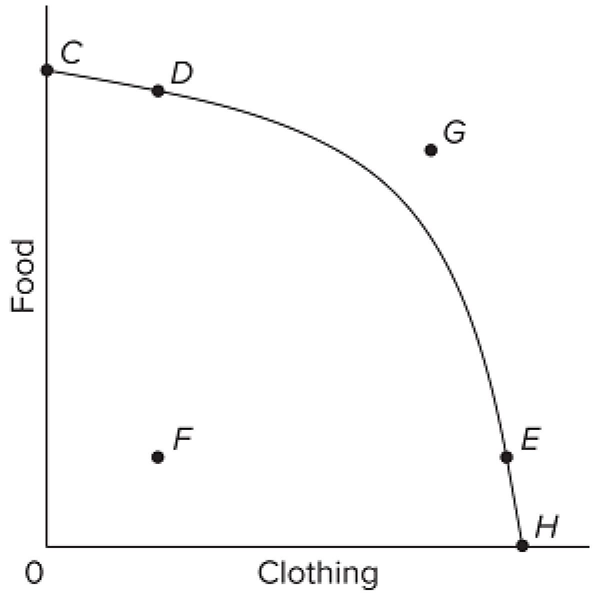
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

367) A reduction in the level of unemployment would have which effect with respect to the nation's production possibilities curve?

367) ______

A) It would shift the curve to the right.
B) It would shift the curve to the left.
C) It would not shift the curve; it would be represented by a movement from a point inside the curve toward a point on the curve.
D) It would not shift the curve; it would be represented by a movement from a point on the curve to a point outside the curve.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



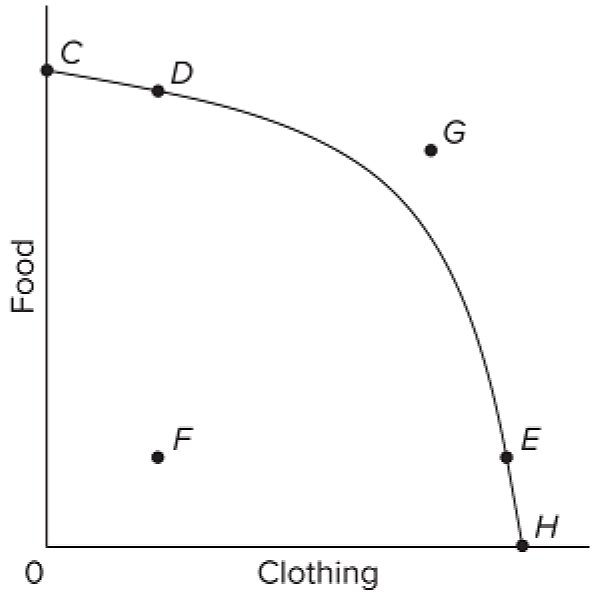
368)

Refer to the provided graph. Which of the following movements would indicate a reduction in unemployment and an increase in capacity utilization?

368) ______

A) from point C to point D
B) from point F to point H.
C) from point E to point D.
D) from point D to point G.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



369)

Refer to the provided graph. Which of the following statements about combination G is true?

369) ______

A) The nation cannot produce combination G even if the nation gets additional resources.

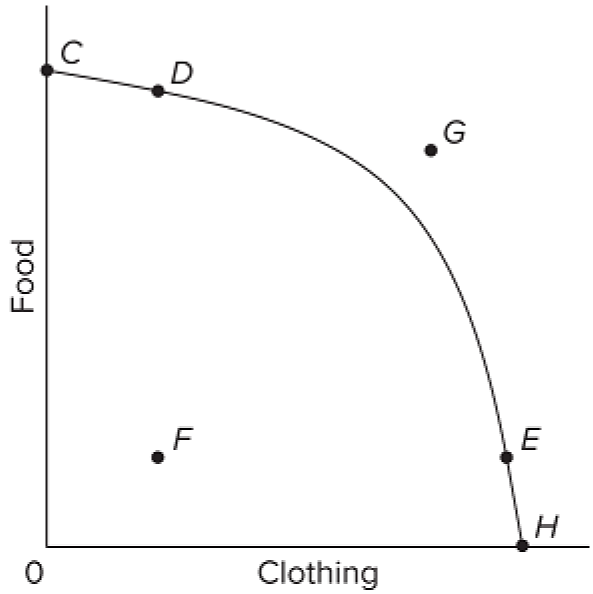
B) The nation can currently produce combination G, but not if the nation specializes and trades with another nation.

C) The nation may not be able to produce combination G, but it can consume that combination if it specializes and trades with other nations.

D) The nation would much prefer to be at combination F than at combination G.

Question Details

AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



370) Which point or output-combination in the provided graph could the nation produce only if it experienced economic growth?

370) ______

A) combination F
B) combination G
C) combination C
D) combination E

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

371) Economic growth may be represented by

371) ______

A) a movement from one end of the production possibilities curve to the other.
B) an upward-sloping production possibilities curve.
C) a movement from a point inside to a point on the production possibilities curve.
D) a rightward shift of the production possibilities curve.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

372) Economic growth is a result of

372) ______

A) a reduction in the unemployment rate.
B) an increase in the opportunity costs of production.
C) a decrease in the demand for resources.
D) an increase in the supply of resources.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

373) A nation that devotes more of its resources to the production of capital goods rather than consumer goods is likely to

373) ______

A) cause its production possibilities curve to shift outward.
B) cause its production possibilities curve to shift inward.
C) increase the slope of its production possibilities curve.
D) decrease the slope of its production possibilities curve.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

374) Which of the following statements is *not* correct?

374) ______

A) An increase in a nation's labor supply will cause its potential output to increase.
B) Economic growth can be illustrated by an expansion of a nation's production possibilities curve.
C) An increase in the quantity of a nation's resources will cause economic growth, but an increase in the quality of resources will not.
D) New technologies or new ways of producing output can cause a nation's production possibilities curve to shift outward.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

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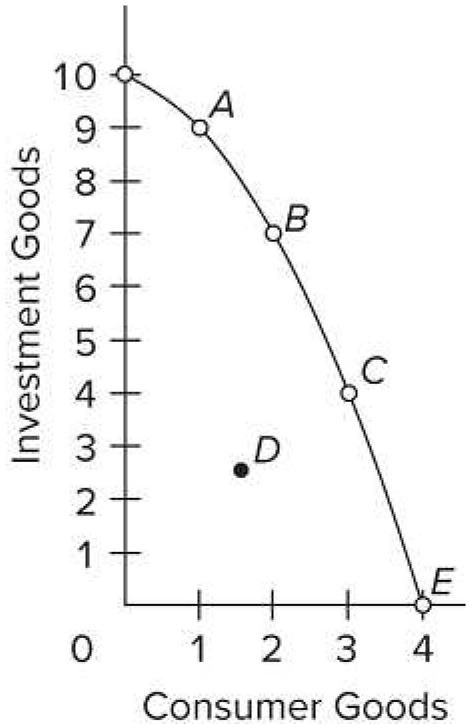

375)

Refer to the provided graph. Which point in the graph would allow a simultaneous increase in the production of both investment and consumer goods?

375) ______

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

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

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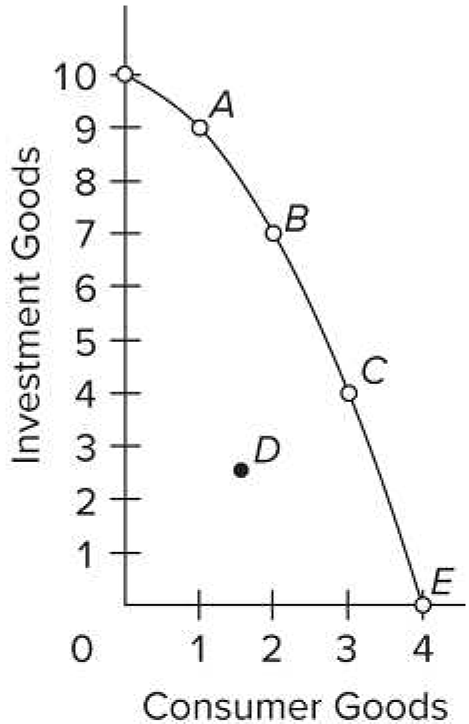

376)

Refer to the provided graph. The selection of which point on the production possibilities curve is most likely to result in the fastest rate of economic growth over time?

376) ______

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

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

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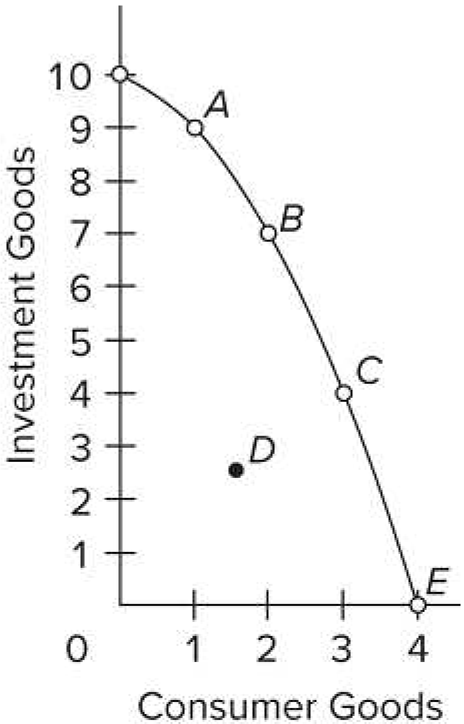

377)

Refer to the provided graph. All of the following developments would allow a movement from point C to a point outside the production possibilities curve, *except*

377) ______

A) an increase in the supply of resource.
B) an improvement in the quality of resources.
C) a reduction in unemployment of resources.
D) a technological advance.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

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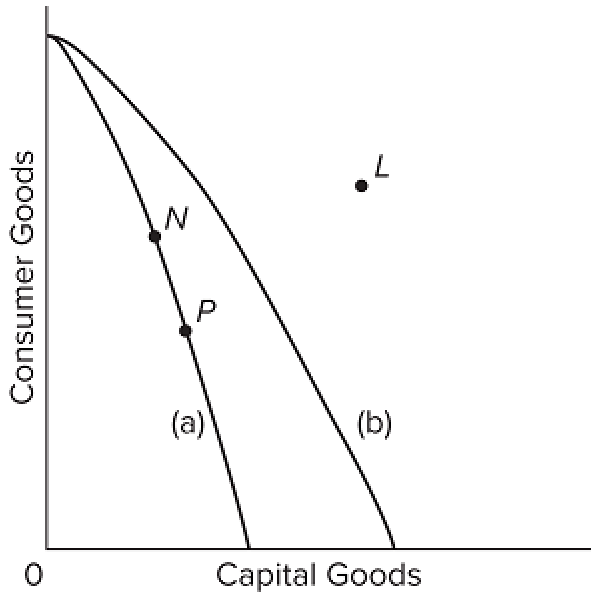


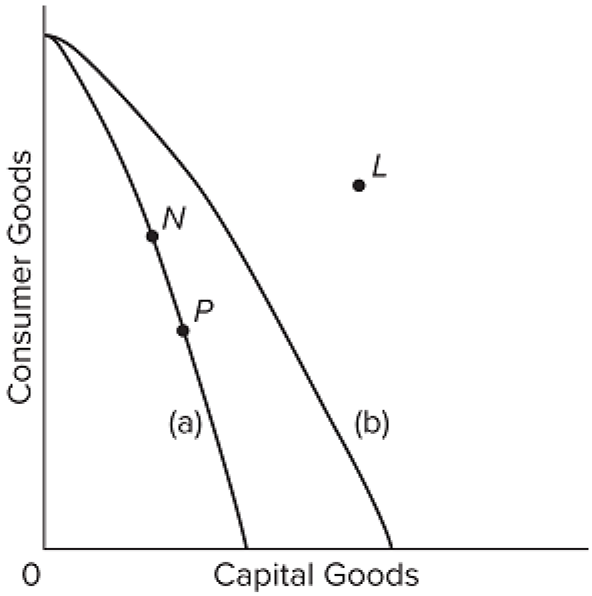
378)

Refer to the provided production possibilities curves. Curve (a) is the current curve for the economy. Focusing on curve (a), point *N* suggests that the economy currently produces

378) ______

A) more goods for the future than at point P.
B) fewer goods for the future than at point P.
C) fewer goods for the present than at point P.
D) a combination of output that is less than its potential.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



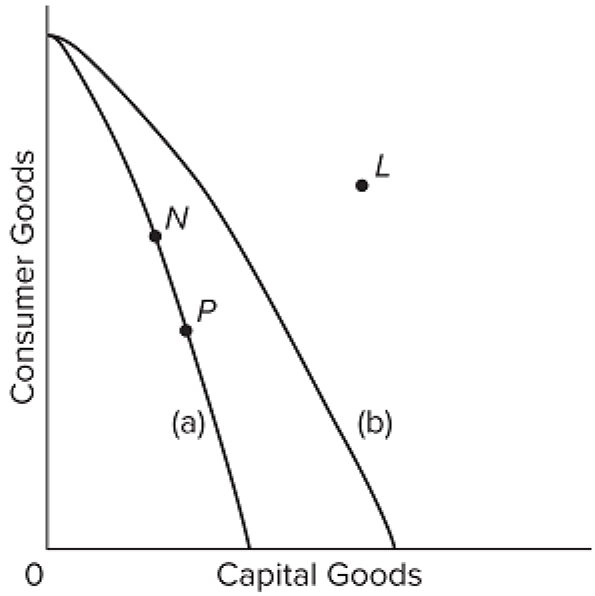
379)

Refer to the provided production possibilities curves. Curve (a) is the initial curve for the economy, and the nation is initially producing combination P. A shift from curve (a) to curve (b) suggests that the economy can then increase its production of capital goods

379) ______

A) only if it reduces its production of consumer goods.
B) so as to produce the combination L.
C) and consumer goods simultaneously.
D) but will have to hold constant its production of consumer goods.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future



380)

Refer to the provided production possibilities curves. Curve (a) is the initial curve for the economy. If the economy's production possibilities then shift to curve (b), then

380) ______

A) point *N* would still indicate a case of full production and full employment of resources.

B) point *P* would still indicate a case of full production and full employment of resources.

C) point *N* would indicate some unemployment of resources or idle production capacity.

D) point *L* would indicate some unemployment of resources or idle production capacity.

Question Details

AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

381) Suppose there are two economies, Alpha and Beta, which have the same production possibilities curves. If Beta devotes more resources to produce capital goods than consumer goods as compared to Alpha, then in the future

381) ______

A) Alpha will experience greater economic growth than Beta.
B) Beta will experience greater economic growth than Alpha.
C) Alpha will not be able to achieve full employment or productive efficiency.
D) Beta will not be able to achieve full employment or productive efficiency.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

382) Cuba is a command economy that suffered a decline in economic growth because of a cut in the aid provided by the former Soviet Union when the latter collapsed. As a consequence, Cuba

382) ______

A) experienced an outward shift of its production possibilities curve.
B) experienced an inward shift of its production possibilities curve.
C) moved from one point to another along its existing production possibilities curve.
D) went to a point inside its production possibilities curve.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

383) Which situation would most likely cause a nation's production possibilities curve to shift inward?

383) ______

A) an increase in unemployment
B) an increase in the amount of imports
C) an increase in the number of skilled immigrant workers
D) the destruction caused by bombing and warfare in a losing military conflict

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

384) A nation can increase its production possibilities by

384) ______

A) shifting resources to produce more consumer goods and less investment goods.
B) shifting resources from private goods to public goods.
C) improving labor productivity.
D) eliminating unemployment.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

385) A society can consume a combination of goods outside its production possibilities if there is

385) ______

A) lower unemployment and increased capacity utilization.
B) specialization in production and International trade.
C) a change in consumers' tastes or preference for one good over another.
D) a change in prices of the two products.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

386) Specialization and international trade allow a nation to

386) ______

A) produce a combination of goods that is beyond (or outside) its production possibilities.
B) consume a combination of goods that is beyond (or outside) its production possibilities.
C) have an upward-sloping production possibilities curve.
D) consume a lot of goods without having to produce any output.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future

387) (Consider This) "Free" products offered by firms

387) ______

A) may or may not be free to society but are never free to individuals receiving them.
B) may or may not be free to individuals receiving them but are never free to society.
C) are produced and distributed at no cost to society.
D) are usually items nobody wants.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

388) (Consider This) The assertion that Facebook is "free"

388) ______

A) accurately indicates that Facebook has overcome scarcity in the provision of social media platforms.
B) means Facebook faces no production costs.
C) may be true for its users, but only because someone else is covering the costs.
D) depends on the fact that Facebook provides a service rather than a manufactured good.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

389) (Consider This) A direct cost of going to college is

389) ______

A) tuition, while an indirect cost (opportunity cost) is books and other supplies.
B) forgone income while in college, while an indirect cost (opportunity cost) is tuition.
C) tuition, while an indirect cost (opportunity cost) is forgone income while in college.
D) books and supplies, while an indirect cost (opportunity cost) is food and housing.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

390) (Consider This) An exception to the advice "go to college, stay in college, and earn a degree" occurs when

390) ______

A) tuition expenses are high and rising.
B) the opportunity cost of attending college is extraordinarily high.
C) the price of textbooks is high and rising.
D) the economy is growing rapidly and jobs are plentiful.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective

391) (Consider This) What is the best economic explanation for why a person would drop out of college in order to start a business?

391) ______

A) The person has a good idea for starting a business.
B) The person has to pay a higher tuition to attend college.
C) The expected future benefits from starting a business now are greater than the costs.
D) The opportunity cost of starting a business is high now but will be low later in life.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

392) (Consider This) What is a major opportunity cost of going to college on a full-time basis?

392) ______

A) the cost of transportation to college instead of to a job
B) the cost of living expenses (room and board) to attend college
C) the forgone income that would have been earned working in a full-time job
D) the greater income that will be earned from having a college degree

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : II

393) (Last Word) When Starbucks considers setting up a new location

393) ______

A) both the marginal benefits and marginal costs of the new location are largely unknown.
B) it knows the marginal benefits of the new location better than the marginal costs.
C) it knows the marginal costs of the new location better than the marginal benefits.
D) it ignores marginal benefit-marginal cost analysis because the Starbucks franchise is a well-established global success.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium

394) (Last Word) When faced with multiple options for a new location, Starbucks first chooses the ones for which

394) ______

A) marginal benefit exceeds marginal cost by the greatest amount.
B) marginal benefit and marginal cost are closest to being equal.
C) the setup costs are minimized.
D) there are no currently existing coffee shops.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium

395) (Last Word) Starbucks should continue to add stores in a city

395) ______

A) until all remaining competing coffee stores have left the market.
B) as long as the gap between marginal benefits and marginal costs is growing.
C) as long as the marginal benefit of opening a new location does not fall below the marginal cost.
D) as long as the marginal cost of opening a new location does not fall below the marginal benefit.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium

396) (Last Word) Assuming a fixed amount of menu space, Starbucks should

396) ______

A) not risk losing profitable menu items by adding new ones.
B) always choose to add first those items that generate the most revenue.
C) always add a new item if it would be profitable, even if it means bumping an existing profitable item.
D) only offer a new menu item if it replaces one for which the gap between MB and MC is smaller.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Test Bank : I
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium

397) If we say that two variables are directly related, this means that

397) ______

A) the relationship between the two is purely random.
B) an increase in one variable is associated with a decrease in the other variable.
C) an increase in one variable is associated with an increase in the other variable.
D) the two graph as a downsloping line.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

398) If we say that two variables are inversely related, this means that

398) ______

A) the two graph as an upsloping line.
B) an increase in one variable is associated with a decrease in the other.
C) an increase in one variable is associated with an increase in the other.
D) the resulting relationship can be portrayed by a straight line parallel to the horizontal axis.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

399) Economists

399) ______

A) always put the independent variable on the horizontal axis and the dependent variable on the vertical axis.
B) always put the dependent variable on the horizontal axis and the independent variable on the vertical axis.
C) are somewhat arbitrary in assigning independent and dependent variables to the horizontal and vertical axes.
D) measure the slope of a line differently than do mathematicians.

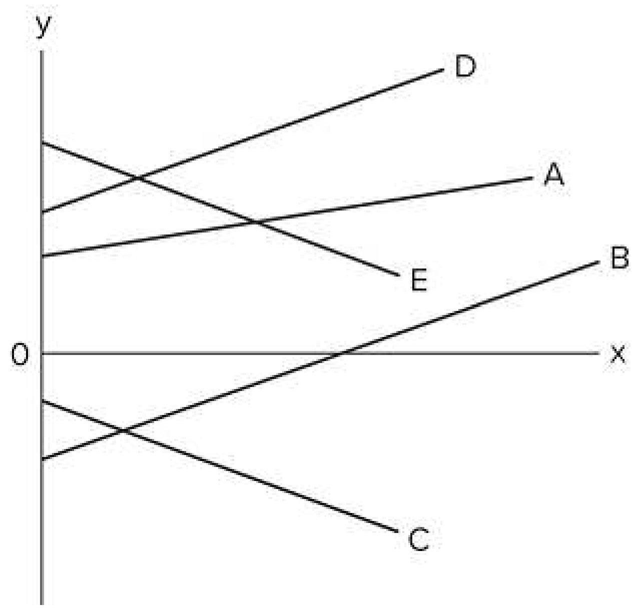
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

400) Which of the following statements is correct?

400) ______

A) The value of the independent variable is determined by the value of the dependent variable.
B) The value of the dependent variable is determined by the value of the independent variable.
C) The dependent variable designates the "cause" and the independent variable the "effect."
D) Dependent variables graph as upsloping lines; independent variables graph as downsloping lines.

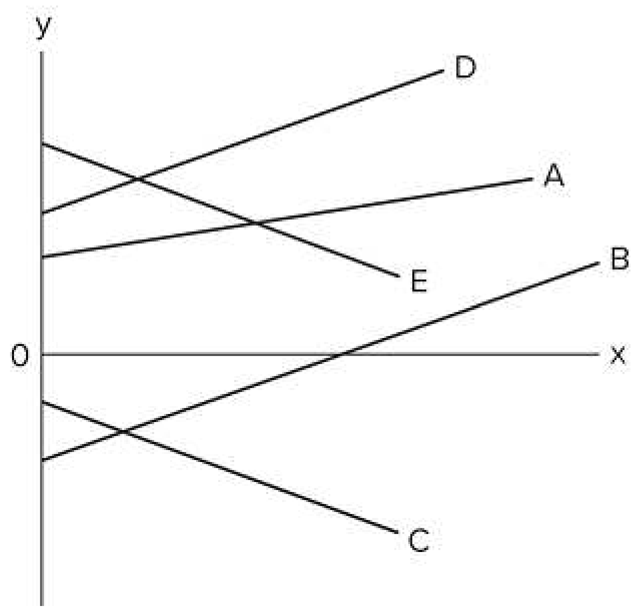
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



401)
Refer to the diagram. Which line(s) show(s) a positive relationship between *x* and *y*?
401) ______

A) *A* only
B) *A* and *D* only
C) *A*, *B*, and *D*
D) both *C* and *E*

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

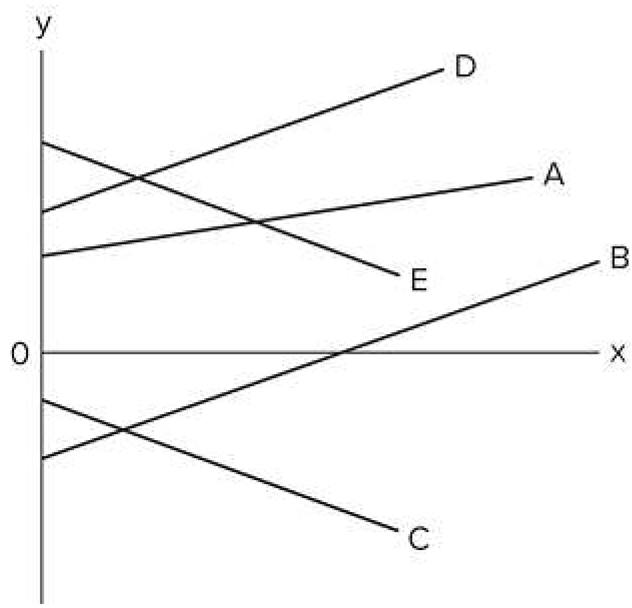


402)

Refer to the diagram. Which line(s) show(s) a negative relationship between *x* and *y*?
402) ______

A) *B* and *C*
B) both *A* and *D*
C) *A, B,* and *D*
D) both *C* and *E*

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



403)

Refer to the diagram. Which line(s) show(s) a positive vertical intercept?

403) ______

A) *A* and *D* only
B) *B* and *C* only
C) *A*, *D,* and *E*
D) *A, D,* and *B*

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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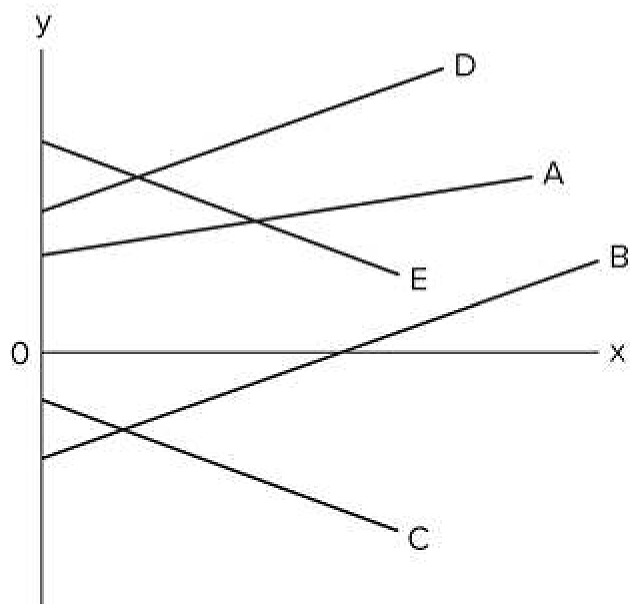


404)

Refer to the diagram. Which line(s) show(s) a negative vertical intercept?

404) ______

A) *C* only
B) both *C* and *E*
C) *B, C*, and *E*
D) both B and C

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

405) If two variables are inversely related, then as the value of one variable

405) ______

A) increases, the value of the other may either increase or decrease.
B) decreases, the value of the other decreases.
C) increases, the value of the other decreases.
D) increases, the value of the other increases.

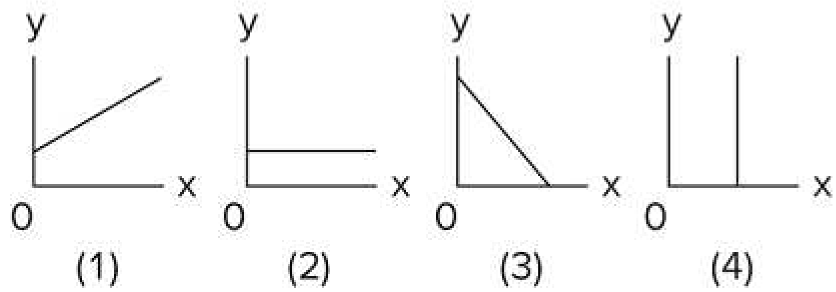
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

406) If a positive relationship exists between *x* and *y*,

406) ______

A) an increase in *x* will cause *y* to decrease.
B) a decrease in *x* will cause *y* to increase.
C) the relationship will graph as an upsloping line.
D) the vertical intercept must be positive.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



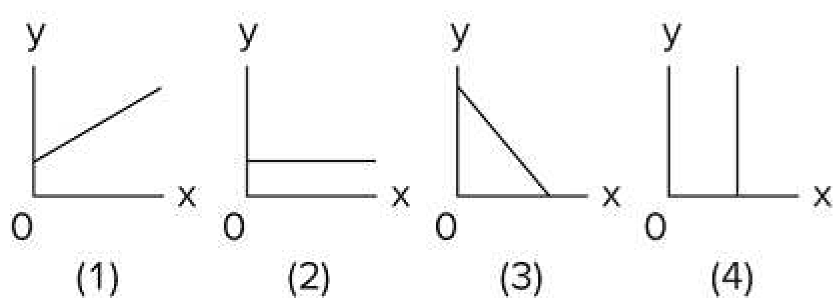
407)

Answer on the basis of the relationships shown in the four figures. The amount of *y* is directly related to the amount of *x* in

407) ______

A) both 1 and 4.
B) both 1 and 2.
C) 2 only.
D) l only.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



408)

Answer on the basis of the relationships shown in the four figures. The amount of *y* is inversely related to the amount of *x* in

408) ______

A) 2 only.
B) both 1 and 3.
C) 3 only.
D) 1 only.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

409) If price (*P*) and quantity (*Q*) are directly related, this means that

409) ______

A) a change in *Q* will alter *P*, but a change in *P* will not alter *Q*.
B) if *P* increases, *Q* will decrease.
C) if *P* increases, *Q* will also increase.
D) an increase in *P* will cause *Q* to change, but the direction in which *Q* changes cannot be predicted.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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410) Answer the question on the basis of the following information. Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate.

Refer to the information. Which of the following is an accurate verbal statement of the described relationship?

410) ______

A) There is no regular or dependable relationship between business investment and the interest rate.

B) The amount of business investment is unaffected by changes in the interest rate.

C) Investment spending by businesses varies inversely with the interest rate.

D) Investment spending by businesses varies directly with the interest rate.

Question Details

AACSB : Reflective Thinking

Accessibility : Keyboard Navigation

Test Bank : I

Bloom's : Understand

Difficulty : 02 Medium

Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi

Topic : Appendix: Graphs and Their Meaning

411) Answer the question on the basis of the following information. Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate.

(A)		(B)	
i	**l**	**i**	**l**
20	$50	24	$10
16	40	20	20
12	30	16	30

8	20	12	40
4	10	8	50
0	0	4	60
(C)		**(D)**	
i	**l**	**i**	**l**
20	$0	20	$10
16	10	16	20
12	20	12	30
8	30	8	40
4	40	4	50
0	50	0	60

Refer to the information. Using *i* and *I* to indicate the interest rate and investment (in billions of dollars) respectively, which of the following is the correct tabular presentation of the described relationship?

411) ______

A) option A
B) option B
C) option C
D) option D

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

412) Answer the question on the basis of the following information. Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate. Refer to the information. Which of the following correctly expresses the indicated relationship as an equation?

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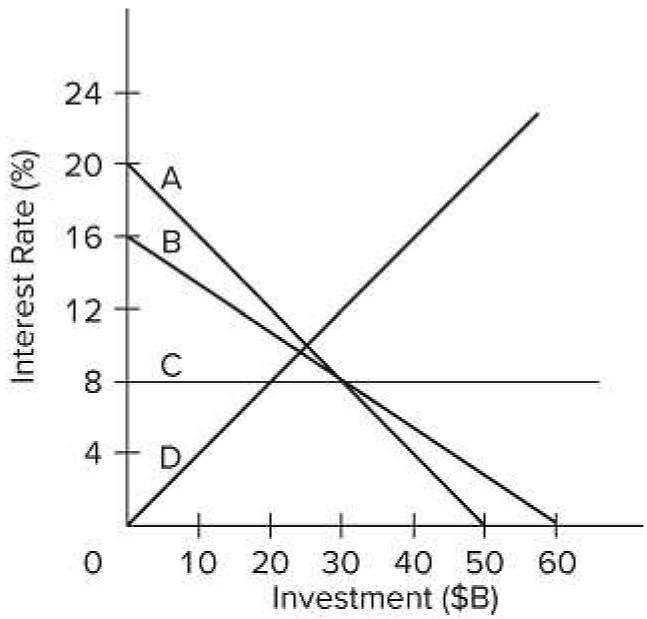
412) ______

A) $i = 20 - 4\ I.$
B) $i = 20 - .4\ I.$
C) $i = 24 - .4\ I.$
D) $i = 20 - 10\ I.$

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



413)

Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate. Refer to the graph. Which of the following is the correct graphical presentation of the indicated relationship?

413) ______

A) line *D*
B) line *C*
C) line *B*
D) line *A*

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

414) Answer the question on the basis of the following data.

After-Tax Income	Consumption
$ 1,000	$ 900
2,000	1,800
3,000	2,700
4,000	3,600
5,000	4,500

The data suggest that

414) ______

A) consumption varies inversely with after-tax income.
B) consumption varies directly with after-tax income.
C) consumption and after-tax income are unrelated.
D) a tax increase will increase consumption.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

415) Answer the question on the basis of the following data.

After-Tax Income	Consumption
$ 1,000	$ 900
2,000	1,800
3,000	2,700
4,000	3,600
5,000	4,500

The data indicate that

415) ______

A) consumers spend 80 percent of their after-tax incomes.
B) consumers spend 90 percent of their after-tax incomes.
C) a tax reduction will reduce consumption.
D) the relationship between consumption and after-tax income is random.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

416) Answer the question on the basis of the following data.

After-Tax Income	Consumption
$ 1,000	$ 900
2,000	1,800
3,000	2,700
4,000	3,600
5,000	4,500

The data suggest that

416) ______

A) a policy of tax reduction will increase consumption.
B) a policy of tax increases will increase consumption.
C) tax changes will have no impact on consumption.
D) after-tax income should be lowered to increase consumption.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

417) The slope of a straight line can be determined by

417) ______

A) comparing the absolute horizontal change to the absolute vertical change between two points on the line.
B) comparing the absolute vertical change to the absolute horizontal change between two points on the line.
C) taking the reciprocal of the vertical intercept.
D) comparing the percentage vertical change to the percentage horizontal change between two points on the line.

Question Details
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Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
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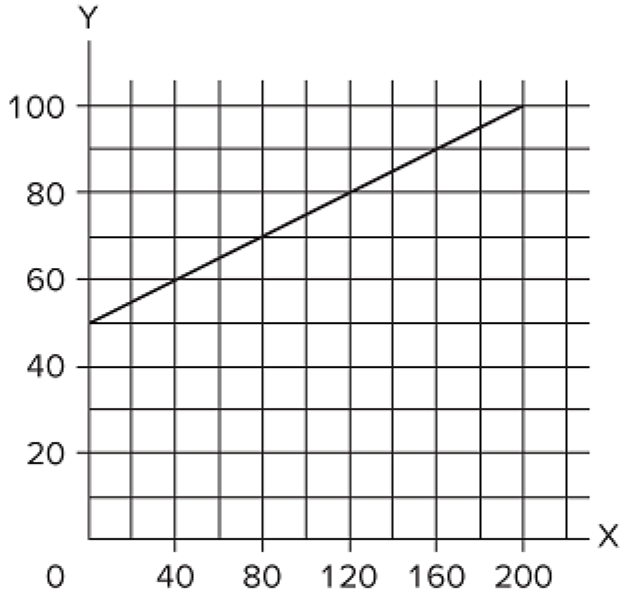

418)
Refer to the diagram. The variables *X* and *Y* are

418) ______

A) inversely related.
B) directly related.
C) unrelated.
D) negatively related.

Question Details
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Bloom's : Understand
Difficulty : 02 Medium
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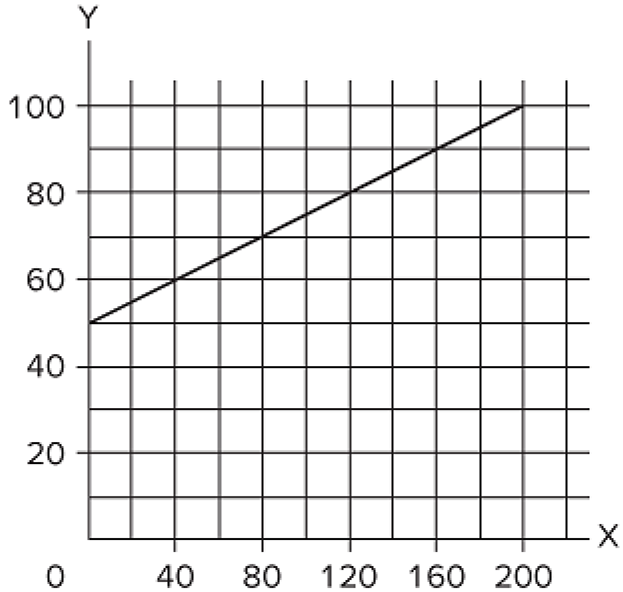

419)

Refer to the diagram. The vertical intercept

419) ______

A) is 40.
B) is 50.
C) is 60.
D) cannot be determined from the information given.

Question Details
AACSB : Reflective Thinking
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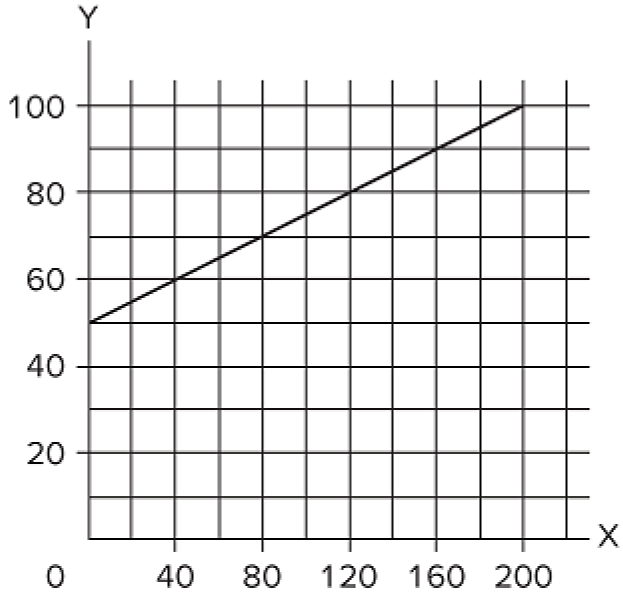

420)

Refer to the diagram. The slope of the line

420) ______

A) is −¼.
B) is +¼.
C) is 0.40.
D) cannot be determined from the information given.

Question Details
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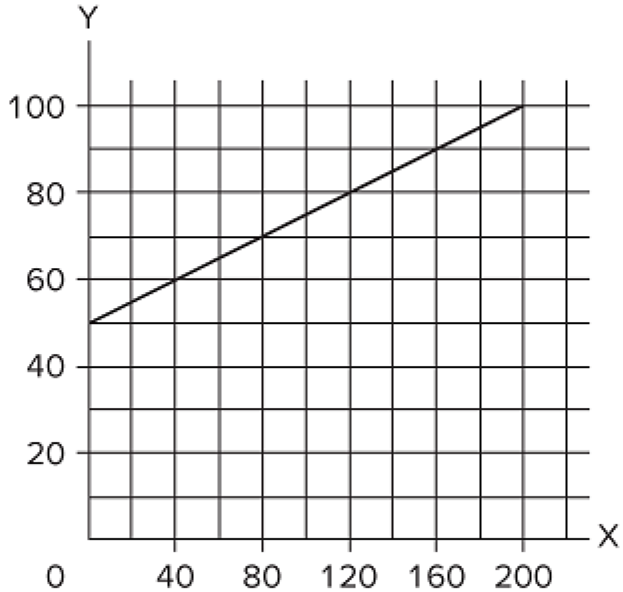

421)
Refer to the diagram. The equation that shows the relationship between *Y* and *X* is

421) ______

A) $Y = 50 + ¼\ X$.
B) $X = ¼\ Y$.
C) $Y = 0.4\ X$.
D) $Y = ¼\ X - 50$.

Question Details
AACSB : Reflective Thinking
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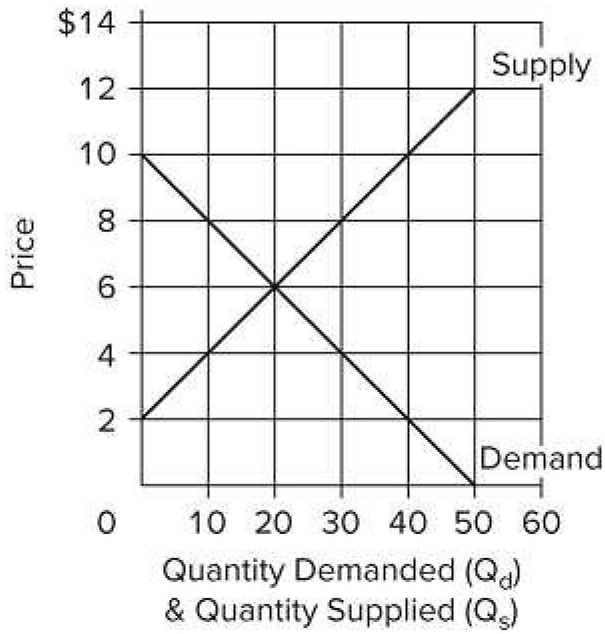

422)

Refer to the graph. Which of the following statements is correct?

422) ______

A) Quantity demanded and quantity supplied are independent of price.

B) Price and quantity demanded are directly related.

C) Price and quantity supplied are directly related.

D) Price and quantity supplied are inversely related.

Question Details

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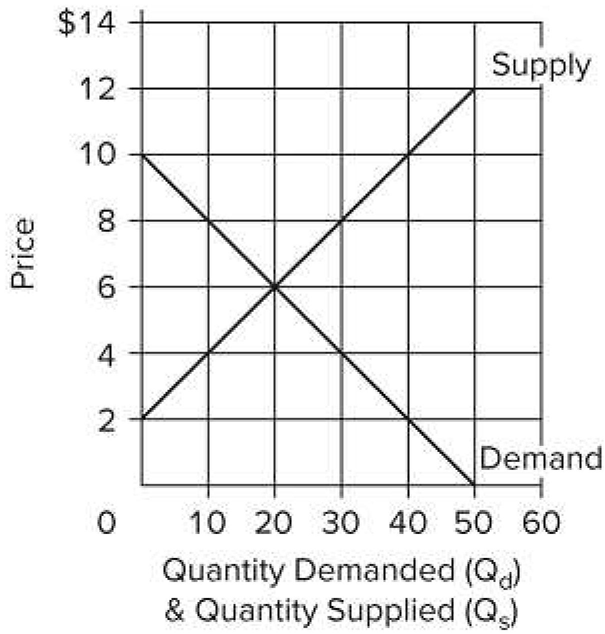

423)

Refer to the graph. Which of the following schedules correctly reflects "Demand"?

(A)		**(B)**	
P	**Qd**	**P**	**Qd**
$12	0	$14	0
10	0	12	0
8	10	10	20
6	20	8	40
4	30	6	60
2	40	4	80
(C)		**(D)**	
P	**Qd**	**P**	**Qd**
$14	60	$12	0
12	50	10	10
10	40	8	20
8	30	6	30
6	20	4	40
4	10	2	50

423) ______

A) option A
B) option B
C) option C
D) option D

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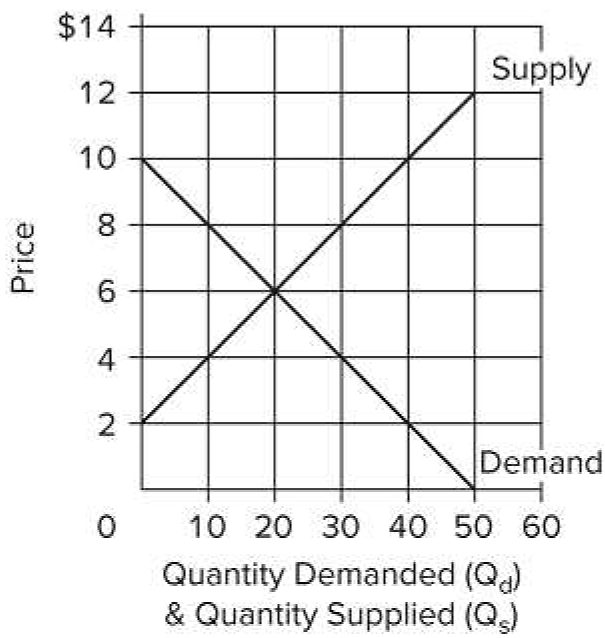

424)

Refer to the graph. Which of the following schedules correctly reflects "Supply"?

(A)		(B)	
P	**Qs**	**P**	**Qs**
$12	50	$14	50
10	30	12	40
8	10	10	30
6	0	8	20
4	0	6	10
2	0	4	0

(C)		(D)	
P	**Qs**	**P**	**Qs**
$12	50	$12	0
10	40	10	0
8	30	8	10
6	20	6	20

4	10	4	30
2	0	2	40

424) ______

A) option A
B) option B
C) option C
D) option D

Question Details
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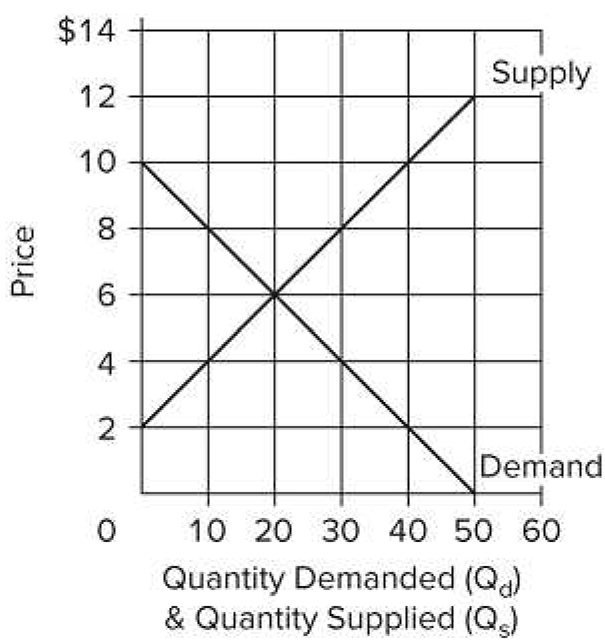

425)

Refer to the graph. Using Q_d for quantity demanded and P for price, which of the following equations correctly states the demand for this product?

425) ______

A) $P = \quad Q_d/10$
B) $P = 50 - \quad P/2$
C) $P = 10 - 0.2 \ Q_d$
D) $P = 10 - 2 \ Q_d$

Question Details
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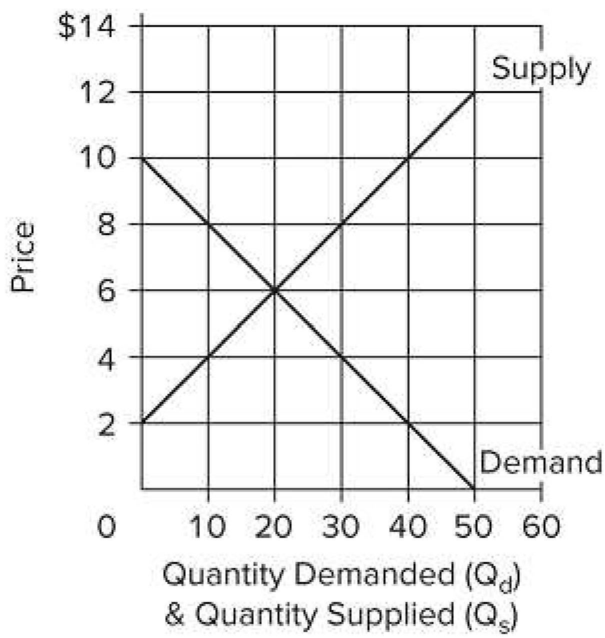

426)

Refer to the graph. Using Q_s for quantity supplied and P for price, which of the following equations correctly states the supply of this product?

426) ______

A) $P = 4 + 0.2\ Q_s$
B) $P = 60/\ Q_s$
C) $P = 10\ Q_s - 2\ P$
D) $P = 2 + 0.2\ Q_s$

Question Details
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427) Assume a household would consume $100 worth of goods and services per week if its weekly income were zero and would spend an additional $80 per week for each $100 of additional income. Letting C represent consumption and Y represent income, the equation that summarizes this relationship is

427) ______

A) $C = 80 + 100\ Y.$
B) $C = 100 + 0.8\ Y.$
C) $C = 100 + 80\ Y.$
D) $C = 80 + 0.1\ Y.$

Question Details
AACSB : Reflective Thinking
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428) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	**K**	**L**	**M**	**N**	**P**	**R**	**T**	**U**	**V**
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The variables are directly related in

428) ______

A) all five data sets.
B) none of the data sets.
C) data sets 1, 2, and 3 only.
D) data sets 1, 2, and 5 only.

Question Details
AACSB : Reflective Thinking
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Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

429) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	**K**	**L**	**M**	**N**	**P**	**R**	**T**	**U**	**V**
0	10	0	−15	100	40	0	−15	0	0

40	20	30	-5	80	50	20	-25	5	10
80	30	60	5	60	60	40	-35	10	20
120	40	90	15	40	70	60	-45	15	30
160	50	120	25	20	80	80	-55	20	40
200	60	150	35	0	90	100	-65	25	50

Refer to the data sets. The vertical intercept is positive for

429) ______

A) all five data sets.
B) data sets 1 and 3 only.
C) data sets 1, 3, and 5 only.
D) data set 2 only.

Question Details
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430) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	**K**	**L**	**M**	**N**	**P**	**R**	**T**	**U**	**V**
0	10	0	-15	100	40	0	-15	0	0
40	20	30	-5	80	50	20	-25	5	10
80	30	60	5	60	60	40	-35	10	20
120	40	90	15	40	70	60	-45	15	30
160	50	120	25	20	80	80	-55	20	40
200	60	150	35	0	90	100	-65	25	50

Refer to the data sets. The vertical intercept is negative for

430) ______

A) none of the data sets.
B) data sets 1 and 3 only.
C) data sets 2 and 4 only.
D) data sets 1 and 5 only.

Question Details
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431) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	**K**	**L**	**M**	**N**	**P**	**R**	**T**	**U**	**V**
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The equation for data set 3 is

431) ______

A) $P = 90 - 0.5\ N$.
B) $P = 90 + 0.5\ N$.
C) $P = 0.5\ N$.
D) $P = 40 + 0.5\ N$.

Question Details
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432) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	**K**	**L**	**M**	**N**	**P**	**R**	**T**	**U**	**V**
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. For which data set(s) is the vertical intercept zero?

432) ______

A) data set 4
B) data set 5
C) data sets 2 and 3
D) data sets 1, 2, 4, and 5

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433) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	**K**	**L**	**M**	**N**	**P**	**R**	**T**	**U**	**V**
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The equation for data set 5 is

433) ______

A) $V = 0.5\ Y$.
B) $U = -0.5\ V$.
C) $U = \ V$.
D) $V = 2\ U$.

Question Details
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434) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	**K**	**L**	**M**	**N**	**P**	**R**	**T**	**U**	**V**
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20

120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. Which of the data sets would graph as an upsloping line?

434) ______

A) 1 only
B) 1, 2, and 3 only
C) 4 and 5 only
D) 1, 2, and 5 only

Question Details
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435) If the equation $y = 15 - 4x$ was plotted, the

435) ______

A) vertical intercept would be −4.
B) vertical intercept would be +4.
C) slope would be +15.
D) slope would be −4.

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436) If the equation $y = -10 + 2.5x$ was plotted,

436) ______

A) the vertical intercept would be −10.
B) the slope would be −7.5.
C) it would graph as a downsloping line.
D) the slope would be −10.

Question Details
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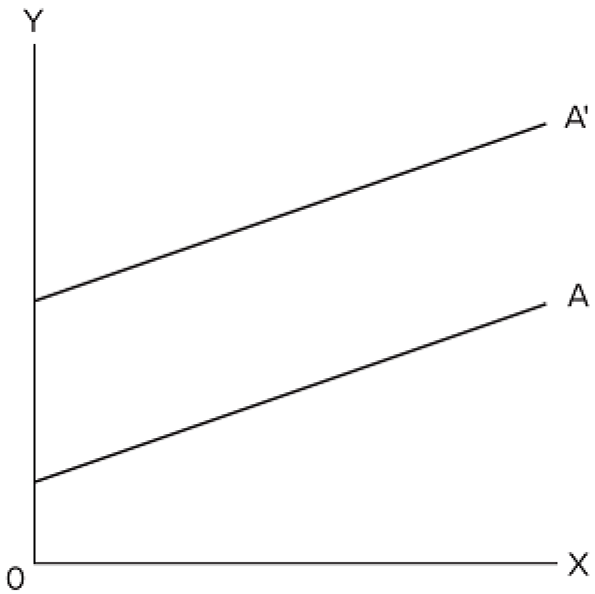

437)
The movement from line *A* to line *A*' represents a change in

437) ______

A) the slope only.
B) the intercept only.
C) both the slope and the intercept.
D) neither the slope nor the intercept.

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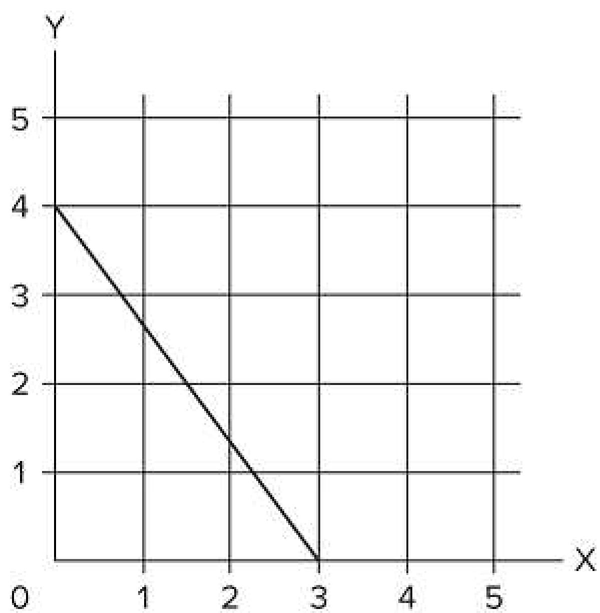

438)
In the diagram, variables *X* and *Y* are

438) ______

A) both dependent variables.
B) directly related.
C) inversely related.
D) unrelated.

Question Details
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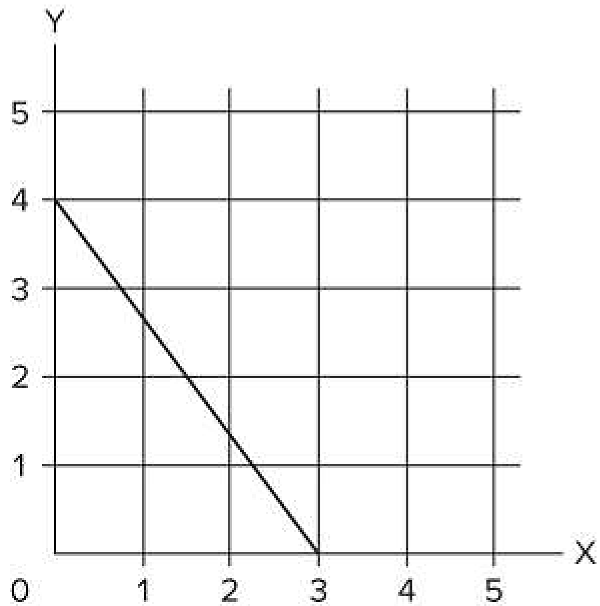

439)
In the diagram, the vertical intercept and slope are

439) ______

A) 4 and −1⅓ respectively.
B) 3 and −1 $^{1}/_{3}$ respectively.
C) 3 and + $^{3}/_{4}$ respectively.
D) 4 and + $^{3}/_{4}$ respectively.

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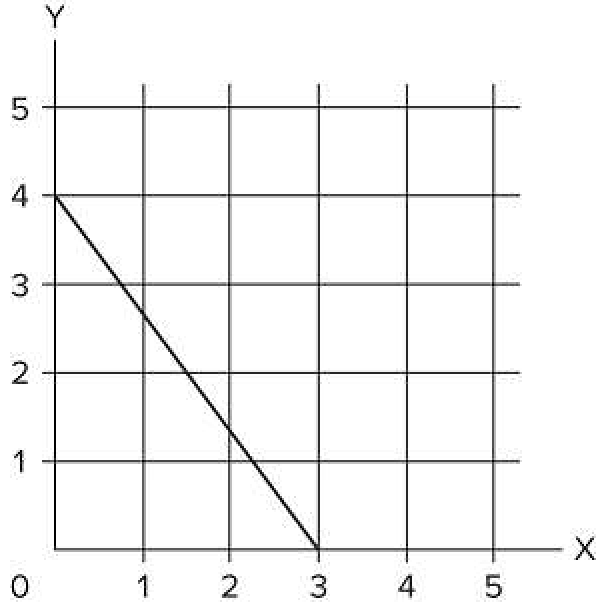

440)

In the diagram, the equation for this line is

440) ______

A) $y = 4 - 1\frac{1}{3}\ x$.
B) $y = 3 + \frac{3}{4}\ x$.
C) $y = 4 - \frac{3}{4}\ x$.
D) $y = 4 + 1\frac{1}{3}\ x$.

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441) If we are considering the relationship between two variables and release one of the other-things-equal assumptions, we would expect

441) ______

A) the relationship to change from direct to inverse.
B) the line representing that relationship on a graph to shift.
C) the data points to have a tighter fit to the line representing the relationship.
D) the relationship to change from inverse to direct.

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442) The amount of pizzas that consumers want to buy per week is reflected in the equation $P = 15 - .02\ Q_d$, where Q_d is the amount of pizzas purchased per week and P is the price of pizzas. On the basis of this information, we can say that

442) ______

A) if pizzas were free, people would consume 800 per week.
B) more pizzas will be purchased at a high price than at a low price.
C) if the price of pizzas is \$6, then 150 will be purchased.
D) 50 fewer pizzas will be purchased per week for every \$1 increase in price.

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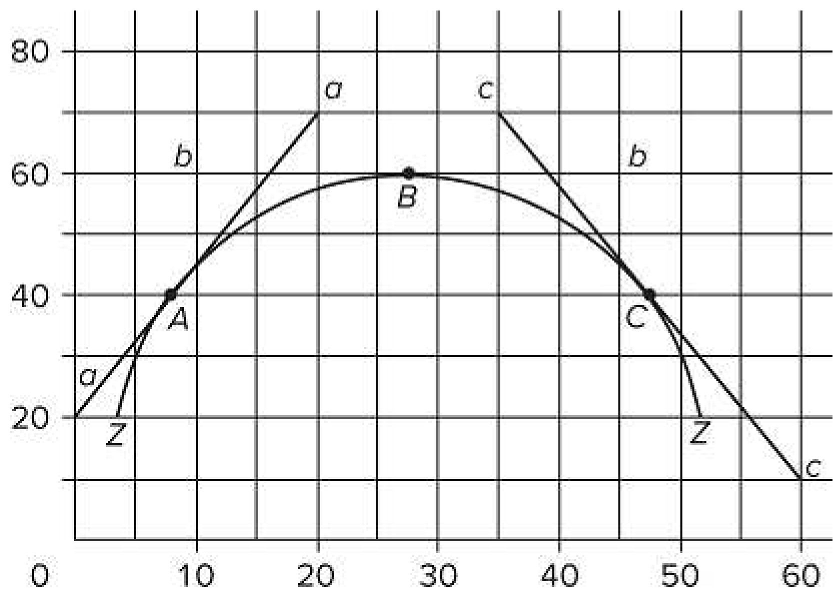

443)
Refer to the diagram. The slope of curve *ZZ* at point *A* is approximately

443) ______

A) +2.
B) +2½.
C) −2½.
D) +4.

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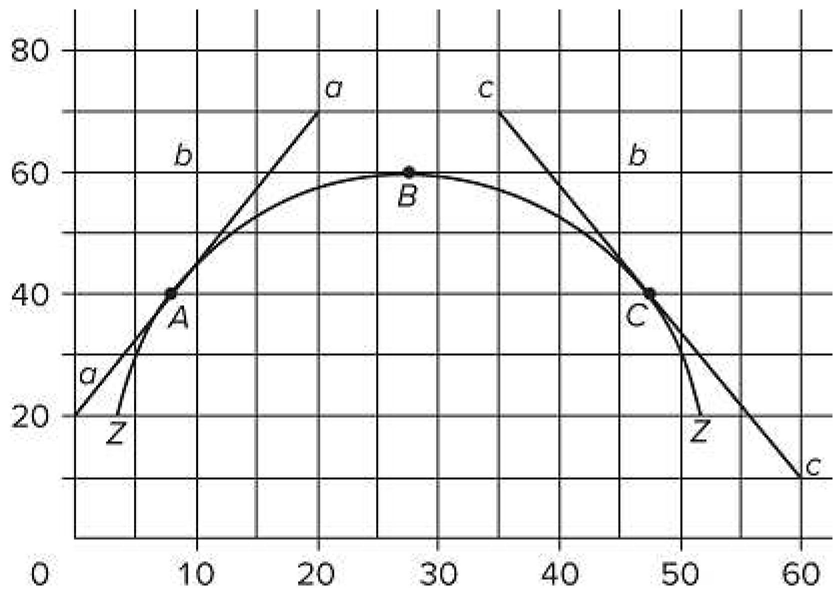


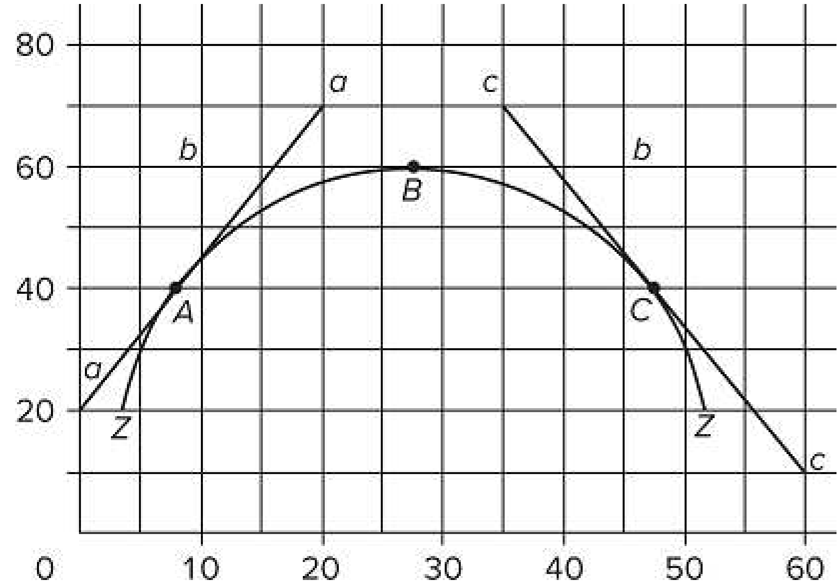
444)

Refer to the diagram. The slope of curve *ZZ* at point *B* is:

444) ______

A) infinity.
B) zero.
C) +1.
D) −1.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



445)

Refer to the diagram. The slope of curve *ZZ* at point *C* is approximately

445) ______

A) −4.
B) −2.
C) −2⅖.
D) +3.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

446) The slope of a line parallel to the vertical axis is

446) ______

A) zero.
B) one.
C) infinite.
D) one-half.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

447) The slope of a line parallel to the horizontal axis is

447) ______

A) zero.
B) one.
C) infinite.
D) one-half.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

448) Slopes of lines are especially important in economics because

448) ______

A) they measure marginal changes.
B) they always tell us something about profits.
C) positive slopes are always preferred to negative slopes.
D) they always relate to resource and output scarcity.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

449) If two variables are *directly* related, the relationship will have a graph that

449) ______

A) is a straight line.
B) may either be upward-sloping or downward-sloping.
C) is an upward-sloping line.
D) is horizontal.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

450) If an inverse relationship exists between two variables, then

450) ______

A) as one variable increases, the other decreases.
B) as one variable increases, so does the other.
C) the two variables are close substitutes for each other.
D) both variables increase over time.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

451) If A decreases, then B will also decrease. The graph relating the two variables A and B is

451) ______

A) vertical.
B) downward-sloping.
C) upward-sloping.
D) horizontal.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

452) In a relationship between two variables, the "independent variable" refers to the

452) ______

A) one measured on the vertical axis, in the convention of mathematics.
B) one whose value is assumed constant.
C) effect or outcome.
D) cause or source variable.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

453) The "other things equal" assumption is employed when

453) ______

A) the graph of a given relationship is shifting up or down.
B) economists draw a two-dimensional (or two-axes) graph.
C) the relationship is direct, but not when it is inverse.
D) the relationship is inverse, but not when it is direct.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

454) The slope of a graph that shows a direct relationship is

454) ______

A) always positive.
B) either positive or negative.
C) possibly zero.
D) either zero or infinite.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

455) The slope of a graph with "income" on the horizontal axis and "saving" on the vertical axis is +0.2. This means that if

455) ______

A) income is $100, then saving is $20.
B) income is 0.20, then saving is zero.
C) income increases by $100, then saving will rise by $20.
D) saving rises by $100, then income will rise by $20.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

456) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)	(2)	(3)	(4)

A	B	C	D	E	F	G	H
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

Which of the four sets of data pairs show an inverse relationship between the independent and dependent variable?

456) ______

A) 1 and 3
B) 2 and 3
C) 3 and 4
D) 2 and 4

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

457) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)		(2)		(3)		(4)	
A	B	C	D	E	F	G	H
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

The slope of the linear graph that pictures data set 2 above is

457) ______

A) 0.10.
B) 20.
C) 5.
D) 10.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

458) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)		(2)		(3)		(4)	
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

The vertical intercept is 6 in which of the above data sets?

458) ______

A) 1
B) 2
C) 3
D) 4

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

459) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)		(2)		(3)		(4)	
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

The linear equation for the relationship in data set 3 above is

459) ______

A) F = 12E.
B) F = 12 − 2E.
C) E = 12F.
D) E = 12 −2 F.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

460) In constructing the demand graph to show how the price of a good price affects how much of it the buyers will buy, the convention that economists follow is to measure price on the

460) ______

A) horizontal axis because it is the independent variable.
B) vertical axis because it is the dependent variable.
C) vertical axis even though it is the independent variable.
D) horizontal axis even though it is the dependent variable.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

461) A relationship illustrated by an upward-sloping graph means that a(n)

461) ______

A) increase in the value of one variable causes the value of the other to decrease.
B) decrease in the value of one variable causes the value of the other to decrease.
C) decrease in the value of one variable causes the value of the other to increase.
D) increase in the value of one variable causes no change in the other variable.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

462) In a graph of the relationship between income and saving, economists generally consider

462) ______

A) income to be the independent variable and place it on the vertical axis.
B) income to be the dependent variable and place it on the horizontal axis.
C) saving to be the dependent variable and place it on the vertical axis.
D) saving to be the independent variable and place it on the vertical axis.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

463) In a graph showing the relationship between variables X and Y, "ceteris paribus" means that

463) ______

A) X is inversely related to Y.
B) X is positively related to Y.
C) X and Y are independent.
D) other variables not shown are held constant.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

464) In a graph with "crop yield" on the vertical axis and "rainfall" on the horizontal axis, the vertical intercept refers to the

464) ______

A) steepness or flatness of the graph.
B) amount of rainfall when "crop yield" is zero.
C) amount of crop yield when "rainfall" is zero.
D) total crop yield during a given period of time.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

465) Which of the following indicates an inverse relationship between x and y?

465) ______

A) $y = -3 + 5x$
B) $y = 6.2x$
C) $y = 7 - 0.9x$
D) $y = -50$

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

466) Which of the following suggests a direct relationship between x and y?

466) ______

A) a change in y = −2 coupled with a change in x = −4
B) a change in y = 2 coupled with a change in x = 0
C) a change in y =
D) a change in y = 6 coupled with a change in x =

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

467)

X	Y	Z
60	120	15
50	100	15
40	80	15

Variables X and Y in the above table are

467) ______

A) positively related.
B) negatively related.
C) not directly related.
D) independently related.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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468)

X	Y	Z
60	120	15
50	100	15
40	80	15

Variables X and Z in the provided table are

468) ______

A) positively related.
B) negatively related.
C) independent.
D) nonlinearly related.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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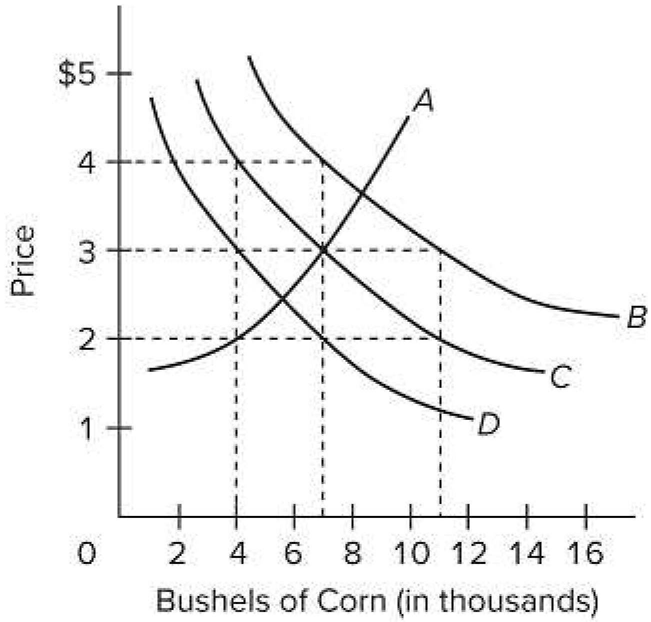

469)

Refer to the following table, which shows the quantities of corn demanded at various levels of corn price (hypothetical data).

Price Per Bushel	Bushels Demanded Per Year
$ 5	2,000
4	4,000
3	7,000
2	11,000
1	16,000

Which curve in the graph shown above best represents the data in the table?

469) ______

A) *A*
B) *B*
C) *C*
D) *D*

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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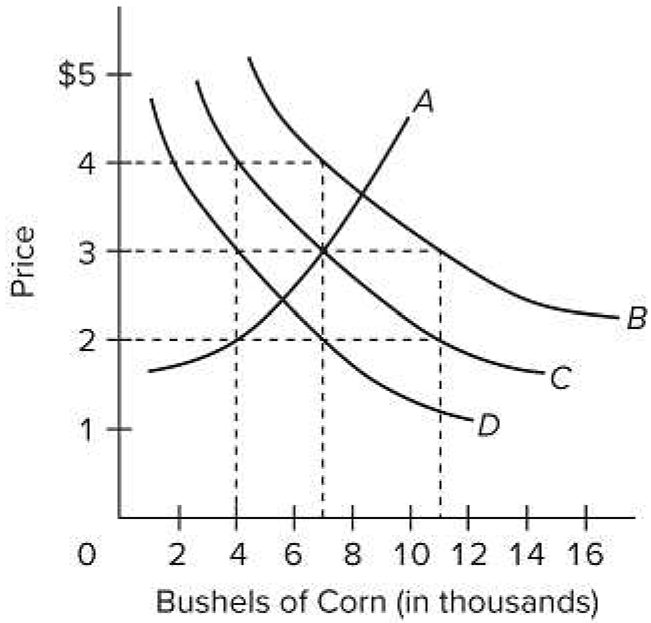

470)

Refer to the provided graph. Which curve shows a direct relationship between price and quantity?

470) ______

A) *A*
B) *B*
C) *C*
D) *D*

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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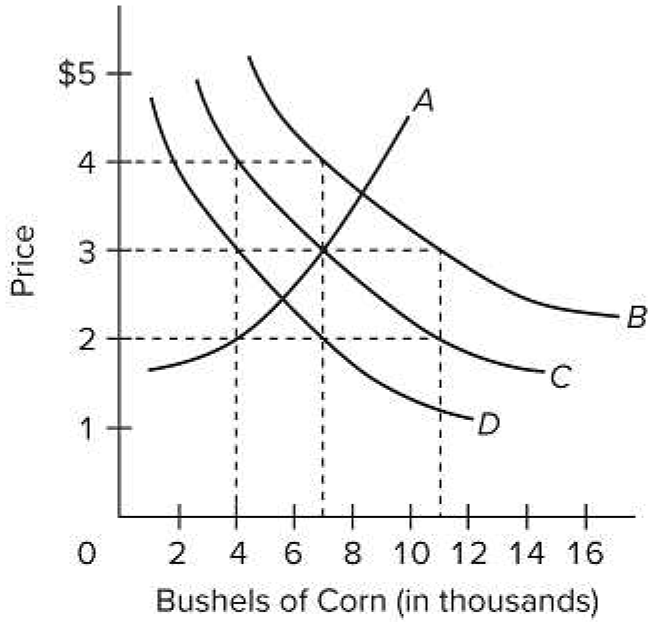

471)

Refer to the provided graph. From the economists' perspective, which is the independent variable and which is the dependent variable?

471) ______

A) Price is the independent variable, and quantity demanded is the dependent variable.
B) Price is the dependent variable, and quantity demanded is the independent variable.
C) Both price and quantity demanded are independent variables.
D) Both price and quantity demanded are dependent variables.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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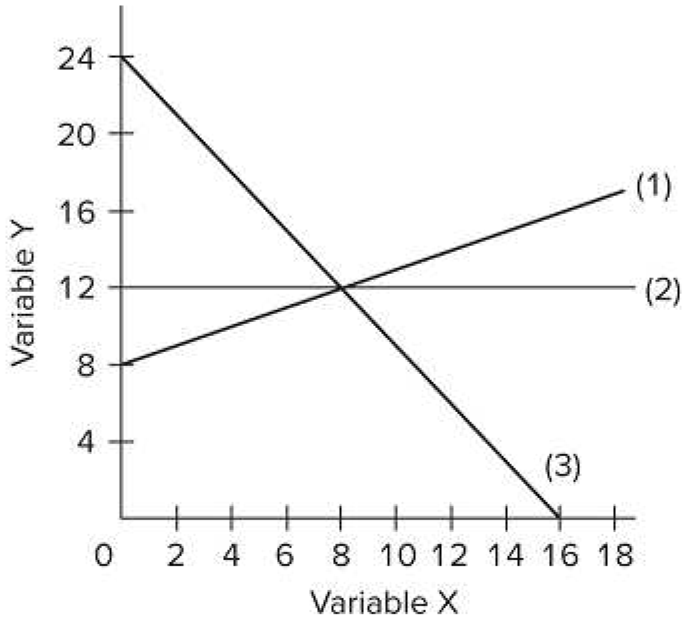

472)

In line (2) on the provided graph, the variables x and y are

472) ______

A) nonlinearly related.
B) directly related.
C) not correlated.
D) inversely related.

Question Details

AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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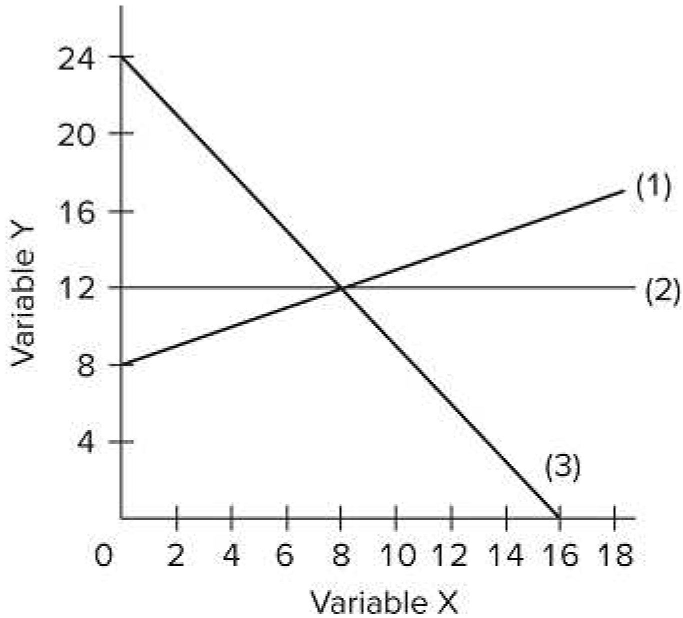

473)

The slope of line (2) on the provided graph is

473) ______

A) 0.
B) 12.
C) 18.
D) infinite.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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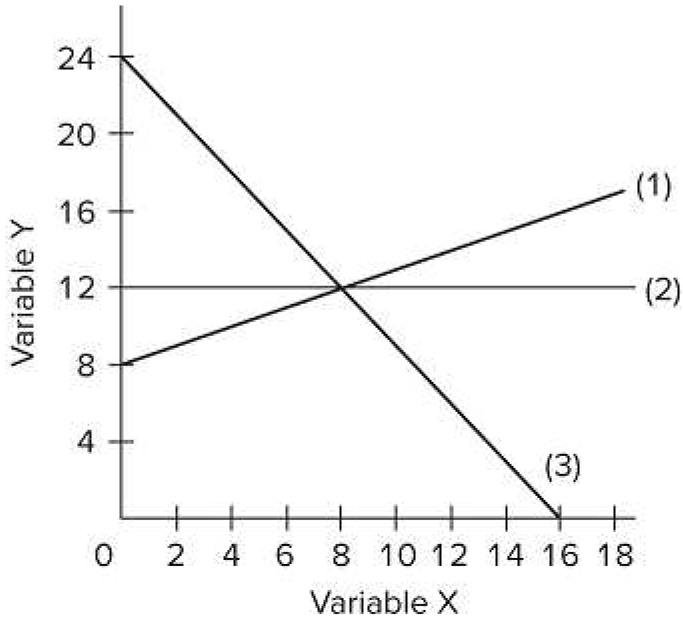

474)

The linear equation for line (1) on the provided graph is

474) ______

A) y = 8 + 2x.
B) y = 8 + 0.5x.
C) x = 8 + 0.5y.
D) y = 8 − 2x.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

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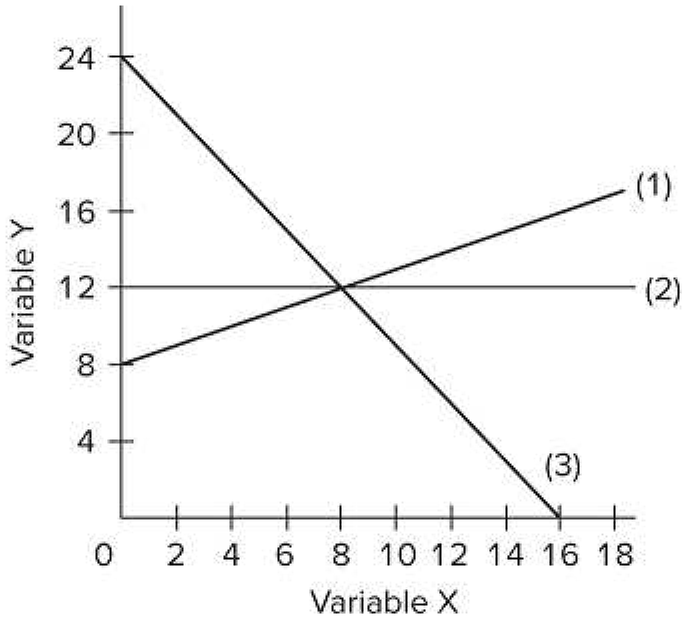


475)

The vertical intercept of line (3) on the provided graph is

475) ______

A) 16.
B) 24/16, or 1.5.
C) 24.
D) −24/16, or −1.5.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

476) If a linear relation is described by the equation C = 35 − 5D, then the vertical intercept of the graph (where C is on the vertical axis) is

476) ______

A) 35.
B) −5.
C) 30.
D) not known.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

477) If you knew that the vertical intercept for a straight line was 15, that the slope was −.5, and that the independent variable had a value of 8, the value of the dependent variable would be

477) ______

A) 8.
B) 9.
C) 10.
D) 11.

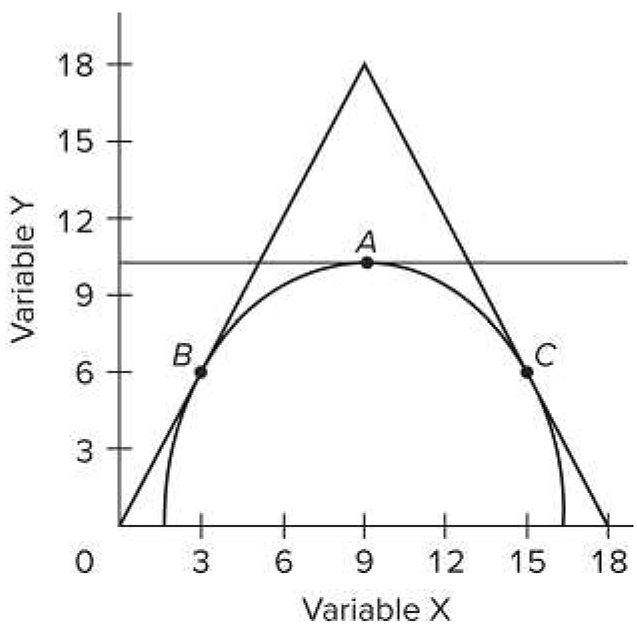
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

478) If you knew that the vertical intercept for a straight line was 150 and that the slope of the line was 4, then the dependent variable would be 250 when the value of the independent variable is

478) ______

A) 15.
B) 20.
C) 25.
D) 30.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

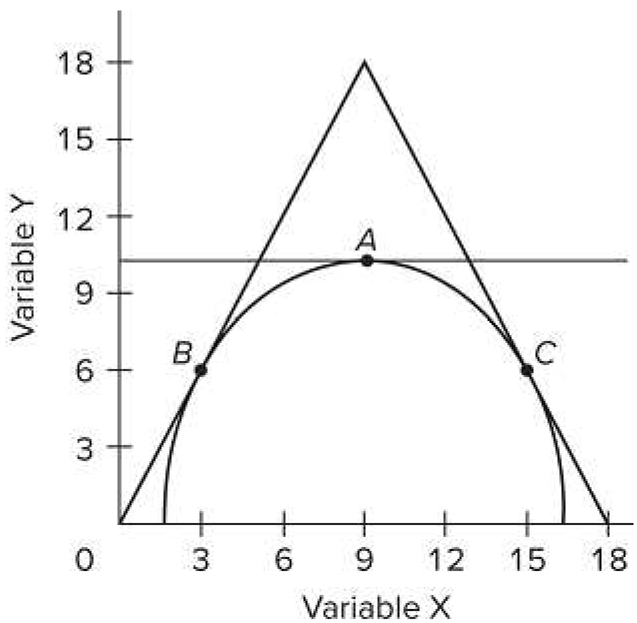


479)
Refer to the provided graph. The slope of the line tangent to the curve at point A is

479) ______

A) 0.
B) 0.5.
C) 2.
D) 4.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



480)
Refer to the provided graph. The slope of the line tangent to the curve at point B is
480) ______

A) 0.5.
B) 3.
C) 6.
D) 2.0.

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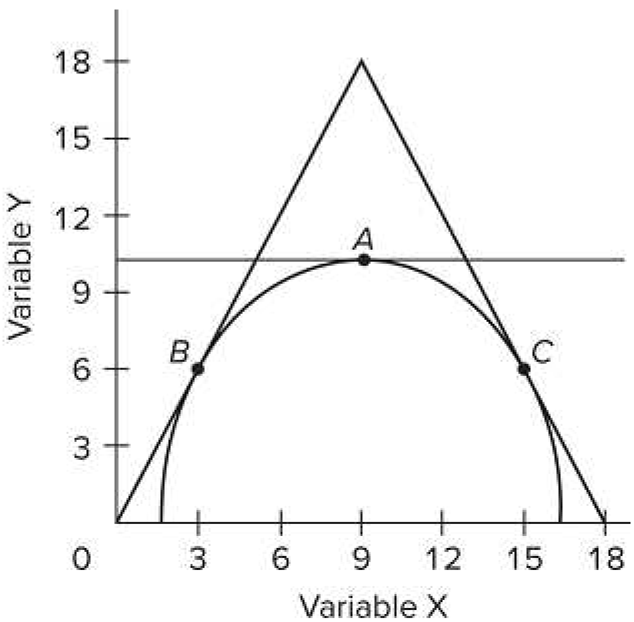
Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning



481)
Refer to the provided graph. As we move along the curve from point B to A to C, the slope of the tangent line is

481) ______

A) increasing in algebraic value.
B) decreasing in algebraic value.
C) becoming more positive.
D) becoming less negative.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

482) Given: the intercept for a straight line is 12. If the value of the independent variable is 3, then the value of the dependent variable would be 18. The slope of this line is

482) ______

A) 1.
B) 2.
C) 3.
D) 4.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

483) In a linear equation relating income and consumption where consumption is the dependent variable, the intercept is $1,000 and the slope of the line is 0.4. If income is $20,000, then consumption is

483) ______

A) $8,000.
B) $9,000.
C) $10,000.
D) $11,000.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Test Bank : II
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

484) Write a brief definition of economics.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : III

485) Briefly describe the three interrelated features of the economic perspective.

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Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : III

486) What do economists mean when they say that "there is no free lunch"?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium
Test Bank : III

487) (Consider This) What two lessons can we learn from Facebook's "free" service?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Test Bank : III

488) Is rational self-interest the same thing as selfishness? Explain.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium
Test Bank : III

489) Why are economic theories and principles purposeful simplifications?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium
Test Bank : III

490) Explain the importance of the *ceteris paribus*, or "other-things-equal," assumption.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Describe the role of economic theory in economics.
Topic : Theories, Principles, and Models
Bloom's : Understand
Difficulty : 02 Medium
Test Bank : III

491) Distinguish between microeconomics and macroeconomics.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Test Bank : III

492) Distinguish between a positive economic statement and a normative economic statement.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-03 Distinguish microeconomics from macroeconomics and positive economics from
Topic : Microeconomics and Macroeconomics
Test Bank : III

493) Explain the individual’s economizing problem.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Test Bank : III

494) How will an increase in income affect the budget line for two goods, all other things equal?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Test Bank : III

495) Will an increase in income solve an individual's economizing problem?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Explain the individuals economizing problem and illustrate trade-offs, opp
Topic : Individuals Economizing Problem
Test Bank : III

496) List the four resource categories, and give a brief description of each.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem
Test Bank : III

497) What four basic functions does the entrepreneur perform for the economy?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-05 List the categories of scarce resources and explain societys economizing p
Topic : Societys Economizing Problem
Test Bank : III

498) Explain the economic rationale for the law of increasing opportunity costs.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model
Test Bank : III

499) How is the most-valued or optimal point on the production possibilities curve determined?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-06 Apply production possibilities analysis.
Topic : Production Possibilities Model
Test Bank : III

500) Economic growth is the result of what factors?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future
Test Bank : III

501) What do economists mean when they say that spending on capital goods (investment) is spending on “goods for the future?”

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Explain how economic growth and international trade increase consumption p
Topic : Unemployment, Growth, and the Future
Test Bank : III

502) (Last Word) What fundamental economic principle does Starbucks use in making business decisions?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium
Test Bank : III

503) (Last Word) What are the benefits to society from Starbucks using marginal analysis to make their business decisions?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Define economics and the features of the economic perspective.
Topic : The Economic Perspective
Bloom's : Understand
Difficulty : 02 Medium
Test Bank : III

504) Why do economists use graphs in their work?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning
Test Bank : III

505) In a two-dimensional graph showing the relationship between income and consumption in the economy, what is shown on the vertical axis and what is shown on the horizontal axis?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning
Test Bank : III

506) Define what is meant by a positive or direct relationship between two variables, and describe the line graph depicting such a relationship.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning
Test Bank : III

507) Define what is meant by an inverse relationship between two variables, and describe the line graph depicting such a relationship.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning
Test Bank : III

508) Differentiate between the independent and dependent variables in an economic relationship.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning
Test Bank : III

509) There are two sets of *x*, *y* points on a straight line in a two-variable graph with *y* on the vertical axis and *x* on the horizontal axis. What would be the linear equation for the line if one set of points were (0, 9) and the other set were (13, 61)?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-08 (Appendix) Understand graphs, curves, and slopes as they relate to economi
Topic : Appendix: Graphs and Their Meaning
Test Bank : III

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Answer Key

Test name: CH01B

1) FALSE
2) FALSE
3) FALSE
4) FALSE
5) FALSE
6) FALSE
7) FALSE
8) TRUE
9) TRUE
10) TRUE
11) TRUE
12) FALSE
13) TRUE
14) FALSE
15) TRUE
16) FALSE
17) FALSE
18) FALSE
19) FALSE
20) TRUE
21) FALSE
22) FALSE
23) TRUE
24) FALSE
25) TRUE
26) FALSE

27) FALSE
28) FALSE
29) TRUE
30) FALSE
31) FALSE
32) FALSE
33) FALSE
34) FALSE
35) FALSE
36) TRUE
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50) FALSE
51) FALSE
52) FALSE
53) FALSE
54) FALSE
55) FALSE
56) FALSE

57) TRUE
58) TRUE
59) FALSE
60) FALSE
61) FALSE
62) C
63) D
64) A
65) B
66) A
67) A
68) A
69) B
70) C
71) B
72) C
73) B
74) A
75) B
76) A
77) B
78) B
79) D
80) D
81) A
82) C
83) B
84) A
85) D
86) A

87) B
88) C
89) D
90) D
91) B
92) A
93) C
94) C
95) A
96) D
97) A
98) D
99) B
100) B
101) C
102) B
103) D
104) D
105) C
106) B
107) A
108) C
109) B
110) B
111) C
112) D
113) C
114) A
115) C
116) C

117) D
118) B
119) C
120) B
121) A
122) C
123) A
124) B
125) C
126) C
127) B
128) A
129) D
130) A
131) D
132) D
133) A
134) B
135) A
136) C
137) B
138) B
139) C
140) A
141) D
142) D
143) C
144) B
145) C
146) B

147) B

148) A

149) B

150) C

151) C

152) B

153) A

154) C

155) C

156) D

157) B

158) D

159) C

160) B

161) A

162) B

163) B

164) D

165) B

166) D

The price of each good is found by dividing the given money income by the maximum quantity of the good that can be purchased. For example, with an income of $50 and a maximum quantity of C of 5 units, the price of C is $10 (= $50/5).

167) A

168) D

169) A

170) A

171) A

172) C

173) D

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174) A

\$0.50 = 10/20; \$1.00 = 10/10; alternatively, price = money income divided by the quantity of the good at the intercept. The price for each good is found by taking the money income and dividing by the quantity of that good at the intercept.

175) B

176) B

177) D

178) B

The slope of the budget line is found by dividing the price of the good shown on the horizontal axis (\$3) by the price of the good shown on the vertical axis (\$15).

179) D

180) B

181) C

The value of the gift card represents Julia's income. The quantities of lattes and muffins shown assume that the amount of the gift card is spent entirely on one good or the other. There is not enough income for Julia to purchase the maximum quantities of both goods.

182) B

The amount of Grandma Mary offers to spend represents Camille's income. The combination that is attainable is one where the combined expenditure is less than or equal to the income. The total expenditure (E) for each combination of lollipops (L) and candy bars (C) is found using the following formula: $E = P_L L + P_C C$, where P_L and P_C are the prices of lollipops and candy bars, respectively.

183) B

184) C

185) A

186) D

187) C
188) B
189) A
190) A
191) D
If a consumer spends all of their income on the two goods, apples and bananas, then their total spending must equal their income (or budget). The total expenditure (E) for each combination of apples (A) and bananas (B) is found using the following formula: $E = P_A A + P_B B$, where P_A and P_B are the prices of apples and bananas, respectively. In this example, since the consumer spends on just apples or just bananas, the maximum amounts are found where $E = P_A A$, and $E = P_B B$.

192) D
The slope of the budget line is found by taking the price of the good measured on the horizontal axis and dividing it by the price of the good on the vertical axis. Reflecting the tradeoff the consumer must make between the two goods, the slope is negative. In this case the slope = −$1.50/$0.75.

193) A
The total expenditure (E) for each combination of apples (A) and bananas (B) is found using the following formula: $E = P_A A + P_B B$, where P_A and P_B are the prices of apples and bananas, respectively. In this example, since whatever income remains $(E - P_A A)$ must be spent on bananas, the total quantity of bananas purchased will be calculated as $B = (E - P_A A)/P_B$.

194) D

The opportunity cost measures how many bananas must be sacrificed to obtain one more apple. This is found by taking the ratio of the price of apples ($1.50) to the price of bananas ($0.75).

195) A
The opportunity cost measures how many bananas must be sacrificed to obtain one more apple. This is found by taking the ratio of the total price of bananas ($1.50) to the price of apples ($1.50).

196) A
197) C
198) D
199) A
200) D
201) B
202) D
203) D
204) A
205) D
206) B
207) B
208) A
209) C
210) A
211) C
212) D
213) B
214) B
215) A
216) C
217) A

218) D
219) A
220) C
221) A
222) B
223) A
224) C
225) B
226) D
227) B
228) A
229) C
230) A
231) D
To find the opportunity cost of the "nth" unit (e.g. the tenth unit) of consumer goods, divide one (the change in capital goods between the two alternatives) by the difference between the two alternatives for consumer goods either side of this unit. For the tenth unit, the alternatives on either side are 9 and 12 units of consumer goods; their difference is 3 (= 12− 9). So for the tenth unit of consumer goods, the opportunity cost = 1/3 of a unit of capital goods.

232) A
233) C
234) A
235) B
236) C
237) A
238) C
239) D
240) D

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241) D
242) C
243) C
244) B
245) A
246) D
247) B
248) D
249) C
250) A
251) D
252) C
253) D
254) A
255) D
256) B
257) C
258) C
259) A
260) A
261) B
262) D
263) B
264) B
265) D
266) B
267) D

To find the opportunity cost of the "nth" unit (e.g. the third unit) of capital, find the difference between the two alternatives for consumer goods on either side of this unit. For the third unit, the alternatives on either side are 15 and 21 units of consumer goods; their difference is 6 units (= 21 − 15). So for the third unit of capital goods, the opportunity cost = 6 units units of consumer goods.

268) D
To find the opportunity cost of the "nth" unit (e.g. the eleventh unit) of consumer goods, divide one (the change in capital goods between the two alternatives) by the difference between the two alternatives for consumer goods either side of this unit. For the eleventh unit, the alternatives on either side are 10 and 18 units of consumer goods; their difference is 8 (= 18 − 10). So for the eleventh unit of consumer goods, the opportunity cost = 1/(18 − 10) = 1/8 of a unit of capital goods.

269) B
270) D
271) A
272) C
273) B
274) A
To find the (opportunity) cost of the additional units of computers, take the difference between the starting and ending values for bicycles. For example, if society is currently producing 9 units of bicycles and 4 units of computers, in order to produce 6 units of computers, bicycle output will have to fall to 5 units. That makes the cost of the computer increase of 2 units equal to 4 (= 9 − 5).

275) B
276) B

To find the (opportunity) cost of the additional units of bicycles, take the difference between the starting and ending values for computers. For example, if society is currently producing 5 units of bicycles and 6 units of computers, in order to produce 2 more units of bicycles, computer output will have to fall to 5 units. That makes the cost of the 2 units of bicycles equal to 1 unit (= 6 – 5).

277) B
278) D
279) C
280) A
281) C
282) A
283) A
284) B
285) C
286) B
287) B
288) D
289) A
290) B
291) A
292) B
293) A
294) C
295) A
296) B
297) C
298) A
299) C
300) C
301) D
302) B

303) A
304) A
305) B
306) C
307) C
To find the opportunity cost of the "nth" unit (e.g. the third unit) of steel, find the change in wheat that corresponds with producing the "nth" unit (e.g. moving from 2 units of steel to 3 units). The opportunity cost is the difference between the two quantities for wheat. To produce the third unit of steel, wheat production must fall from 75 to 55; their difference is 20 (= 55 − 75). So for the third unit of steel, the opportunity cost is 20 units of wheat.

308) D
To find the opportunity cost of the "nth" unit (e.g. the 91st unit) of wheat in terms of steel, divide one (the change in steel from one alternative to the next by the difference between the two alternatives for wheat on either side of this unit. For the 91st unit, the alternatives on either side are 90 and 100 units of wheat; their difference is 10 units (= 100 − 90). So for the 91st unit of wheat, the opportunity cost = 1/(100 − 90) = 1/10 of a unit of steel.

309) A
310) D
311) B
312) B
To find the opportunity cost of producing "X" number of additional autos (e.g. 100 between combinations C to B), find the change in the output of tanks over same range (e.g. from C to B, the change in the number of tanks is 1 (= 2 − 1).

313) B

To find the total opportunity cost of producing "X" number of tanks (e.g. three units), subtract the number of autos corresponding with the production alternative for the number of tanks produced (e.g. at production alternative of three tanks, 650 autos are produced) from the maximum number of autos that can be produced (1,000). For 350 tanks produced, the total opportunity cost is 350 (= 1,000 − 650).

314) B
To find the total opportunity cost of producing “nth” unit of tanks (e.g. fourth), subtract the number of autos corresponding with the production alternative for the number of tanks produced from the number of autos produced at the previous alternative. The marginal opportunity cost is 300 (= 650 − 350).

315) C
316) D
317) A
318) A
319) A
320) B
321) C
Any point that would lie on or inside the production possibilities curve is attainable. Anything that would lie outside (e.g. 10 drill presses and 4 bread) is unattainable.

322) C
To find the total opportunity cost of a number of units (e.g. 9) of drill presses, calculate how many units of the other good (bread) would have to be sacrificed to move from 0 to 9 on the drill press axis. In this example, to move from 0 to 9 in drill press production, society would have to move from 4 to 1 in bread production. The change of 3 units (= 4 − 1) represents the opportunity cost of producing 9 drill presses.

323) D

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To find the marginal opportunity cost of a unit of a good (e.g. the fourth unit of bread), calculate how many units of the other good (drill presses) would have to be sacrificed to move from 3 to 4 units of bread. In this example, society would have to move from 4 units of drill presses to 0 units, so the opportunity cost of the fourth unit of bread is 4 units of drill presses (= 4 − 0).

324) D
325) A
326) A
327) C
328) B
329) A
330) B
331) C
332) C
333) A
334) A
335) C
336) B
337) A
338) D
339) C
340) A
341) A
342) B
343) C
344) D
345) D
346) C
347) D
348) C

The concept of opportunity cost refers to the trade-off of one good that must be made in order to obtain more of another, assuming fixed resources and technology. Visually this is represented by movement along a stable production possibilities curve. Changes involving moving to another curve would mean that available resources and technology had changed, potentially meaning that more of a particular good could be obtained without facing the tradeoff of sacrificing another.

349) A

350) A

Improvements in technology shift out the production possibilities curve, usually allowing a society to produce more of both goods. Visually this is represented by moving from one curve to a curve further to the right (e.g. from PP_1 to PP_2).

351) B

352) B

353) C

354) C

355) B

356) C

357) A

358) B

359) B

360) B

361) B

362) B

363) A

364) D

365) A

366) B

367) C

368) B

369) C

370) B

371) D

372) D

373) A
374) C
375) D
376) A
377) C
378) B
379) C
380) C
381) B
382) B
383) D
384) C
385) B
386) B
387) B
388) C
389) C
390) B
391) C
392) C
393) C
394) A
395) C
396) D
397) C
398) B
399) C
400) B
401) C
402) D

403) C
404) D
405) C
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407) D
408) C
409) C
410) C
411) C
412) B
413) D
414) B
415) B
416) A
417) B
418) B
419) B
420) B
421) A
422) C
423) A
424) C
425) C
426) D
427) B
428) D
429) B
430) C
431) A
432) B

433) D
434) D
435) D
436) A
437) B
438) C
439) A
440) A
441) B
442) D
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447) A
448) A
449) C
450) A
451) C
452) D
453) B
454) A
455) C
456) A
457) D
458) A
459) B
460) C
461) B
462) C

463) D
464) C
465) C
466) A
467) A
468) C
469) C
470) A
471) A
472) C
473) A
474) B
475) C
476) A
477) D
478) C
479) A
480) D
481) B
482) B
483) B
484) Economics is the social science concerned with how individuals, institutions, and society make optimal (best) choices under conditions of scarcity.

485) Features of the economic perspective are: (1) scarcity and choice, which means that the economic resources needed to make goods and services are in limited supply so we must make choices; (2) purposeful behavior, which means we assume that human behavior reflects rational self-interest; and (3) marginal analysis, which means comparing the marginal (or extra) benefit and marginal cost when making decisions.

486) It means that there is an opportunity cost to all economic choices. If something that appears free was produced with scarce resources, then using those resources in the free product means that they are not available for production of some other product. If someone offers you a free lunch, it may be free to you, but someone has to bear the cost. Plus, the resources that went into producing that lunch are no longer available for producing other things.

487) Lesson One: If you are consuming a good or service and not paying for it, the cost is being borne by someone else. Lesson Two: Companies don’t usually give freebies to be nice; they do it as part of their business model. Facebook grants users free access to its platform to make sure that it has as many “eyes” as possible to sell to advertisers.

488) No, self-interested behavior means that individuals are pursuing opportunities to increase their utility, which is the pleasure, happiness, or satisfaction obtained from consuming goods or services. Increasing one’s wages, rent, or profit usually requires identifying and satisfying someone else’s wants. Also, people make personal sacrifices for others by contributing to charities, and parents help pay for their children’s education because they derive pleasure from doing so.

489) The full scope of economic reality itself is too complex to be fully understood. In developing theories, principles, and models, economists remove the clutter and simplify. Despite their simplifications, good theories do a good job of explaining and predicting how individuals and institutions actually behave in producing, exchanging, and consuming goods and services.

490) *Ceteris paribus*is an important assumption we use in economics that means all other factors other than those being considered do not change and are held constant. Holding other things equal is helpful because the economist can then focus on the relationship between the variables under consideration without being confused by changes in other variables.

491) Microeconomics is the part of economics concerned with decision making by an individual unit such as a household, a firm, or an industry. Microeconomics looks at individual markets, specific goods and services, and product and resource prices. Macroeconomics is the part of economics concerned with the performance and behavior of the economy as a whole. Macroeconomics focuses on economic growth, the business cycle, interest rates, inflation, and the behavior of major economic aggregates such as the household, business, and government sectors.

492) Positive economics uses the analysis of facts or data to establish generalizations about economic behavior. It avoids value judgments and tries to establish scientific statements about economic behavior. Positive economics is concerned with "what is." Normative economics involves value judgments about what the economy should be like. It is focused on which economic goals and policies should be implemented. Normative economics embodies "what ought to be."

493) The individual's economizing problem is that we have limited income but seemingly insatiable wants. It is in our self-interest to economize: to pick and choose goods and services that maximize our satisfaction given the limitations we face.

494) An increase in income will shift the budget line to the right and the buyer can now buy more of both goods than before.

495) No, even with more income, people still face spending trade-offs, choices, and opportunity costs.

496) Land: This includes all natural resources used in the production process. Land consists of forests, minerals, water resources, and arable land. Labor: This consists of physical actions and mental activities that people contribute to the production of goods and services. Labor includes work-related activities of a retail clerk, teacher, pro football player, and nuclear physicist. Capital: This includes all manufactured aids used in the production of goods and services. Capital includes factories, storage, transportation, and distribution facilities, as well as tools and machinery. Entrepreneurial ability: This is a special human resource and is someone who takes the initiative, makes strategic decisions, innovates, and bears the risk of putting an idea into action.

497) Entrepreneurs take the initiative in combining resources to produce a good or service; make the strategic business decisions for the enterprise; innovate by commercializing new products, new production techniques, or even new forms of business organization; and bear risk- they take on risk by devoting their time, effort, and ability to commercialize new products and ideas.

498) The law of increasing opportunity costs states as we increase the production of a particular good, the opportunity cost of producing an additional unit rises. This is because economic resources are not completely adaptable to alternative uses. Many resources are better at producing one type of good than at producing others; therefore, if they are shifted away from producing the good they are better suited for to producing another good they are less suited for, it will take more of the resources. This lack of perfect flexibility, or interchangeability, on the part of resources causes society's increasing opportunity costs.

499) Since a society can produce at any point on the production possibilities curve with full employment and productive efficiency, the decision about where to produce centers on comparisons of marginal benefit (MB) and marginal cost (MC). Any economic activity should be expanded as long as marginal benefit exceeds marginal cost. Economic activity should be reduced if marginal cost exceeds marginal benefit. The optimal amount of the activity occurs where MB = MC. Society uses the same logic to make its production decision as individuals do to make their consumption decisions.

500) Increases in the quantity of resources, the quality of resources, and increases in technology. Although resource supplies are fixed at any specific moment, they change over time. For instance, a nation's growing population increases the supply of labor and entrepreneurial ability. Also, labor quality usually improves over time via more education and training. The net effect of increases in resources is society's ability to produce more consumer goods and more capital goods. Technology increases that consist of improved methods of production allow society to produce more goods with available resources.

501) Spending on capital goods or "goods for the future" include capital goods, research, education, and preventive medicine; these are all ingredients for economic growth. By devoting more of its current output to capital, the economy will have greater future production capacity and economic growth.

502) Starbucks' management team makes business decisions based on a careful comparison of marginal cost and marginal benefit. For instance, when determining where the next store should be, the best potential locations are those for which the projected marginal benefit (MB) exceeds the projected marginal cost (MC) by the greatest amount. To avoid saturation, if Starbucks has done its job right, MB will equal MC for the very last store that it builds in a particular city. And, to make menu changes, for each potential new menu item, Starbucks will estimate MB and MC. Only items for which MB > MC will even be considered. The top candidate will be the one for which MB exceeds MC by the largest amount.

503) Comparing marginal benefit (MB) with marginal cost (MC) when making its business decisions is beneficial for society because the more MB that Starbucks can get from any given amount of MC, the better the company becomes at dealing with scarcity and getting the most of what people want out of the limited resources available to produce goods and services.

504) Graphs are a convenient way to represent relationships between two economic variables. By providing a picture, we more readily comprehend the economic relationship.

505) Income would be shown on the horizontal axis because it is the independent variable, the variable that changes first. Consumption would be placed on the vertical axis since it is dependent on how income changes; the dependent variable is the variable that changes in response to the first variable's change.

506) A positive (or direct) relationship between two variables means that the variables change in the same direction. So, if the first variable increases, the second variable will increase in response. If the first variable decreases, the second variable will decrease too. A positive relationship graphs as an up-sloping line.

507) An inverse relationship between two variables means that the variables change in opposite directions. So, if the first variable increases, the second variable will decrease in response. If the first variable decreases, the second variable will increase. An inverse relationship graphs as a down-sloping line.

508) The independent variable is the variable that changes first and causes a change in another variable. The dependent variable changes as a consequence of the change in the first variable and is the effect, or outcome.

509) The vertical intercept is 9, and the slope is found by taking the vertical change and dividing it by the horizontal change (52/13 = 4). The linear equation is y = 9 + 4x.

Microeconomics 22nd Edition by McConnell CH02

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

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

1) Which of the following is *not* a typical characteristic of a market system?

1) ______

A) freedom of choice
B) technological advance
C) specialization
D) government production planning
E) use of money

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
AACSB : Reflective Thinking
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

2) Private property

2) ______

A) encourages an equal distribution of income.
B) requires that we spend our time protecting our property rather than working.
C) encourages exchange which promotes market activity and thus economic growth.
D) does everything indicated in the other choices.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
AACSB : Reflective Thinking
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

3) Which of the following is one of the Five Fundamental Questions?

3) ______

A) Who should be given the product for free?
B) How will the system accommodate change?
C) Which product markets should be regulated?
D) How much should society save?

Question Details
Accessibility : Keyboard Navigation
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions

4) Answer the question based on the following information: Suppose 30 units of product A can be produced by employing just labor and capital in the four ways shown below. Assume the prices of labor and capital are $2 and $3, respectively.

	Production Techniques			
	1	**2**	**3**	**4**
Labor	4	3	2	5
Capital	2	3	5	1

Which technique is economically most efficient in producing A?

4) ______

A) 2
B) 3
C) 4
D) 1

Question Details
Accessibility : Keyboard Navigation
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh

5) Answer the question based on the following information: Suppose 10 units of product X can be produced by employing just labor and capital in the three ways shown below. Assume the prices of labor and capital are as shown.

	Resource price	Production Technique 1	Production Technique 2	Production Technique 3
Labor	$ 2	4	3	2
Capital	$ 3	2	3	5

Which technique is the most economically efficient?

5) ______

A) Technique 1 with total costs of $14
B) Technique 3 with total costs of $14
C) Technique 1 with total costs of $19
D) Technique 2 with total costs of $15

Question Details
Accessibility : Keyboard Navigation
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions

6) Answer the question based on the following information: Suppose 20 units of product A can be produced by employing just labor and capital in the four ways shown below. Assume the prices of labor and capital are $2 and $3, respectively.

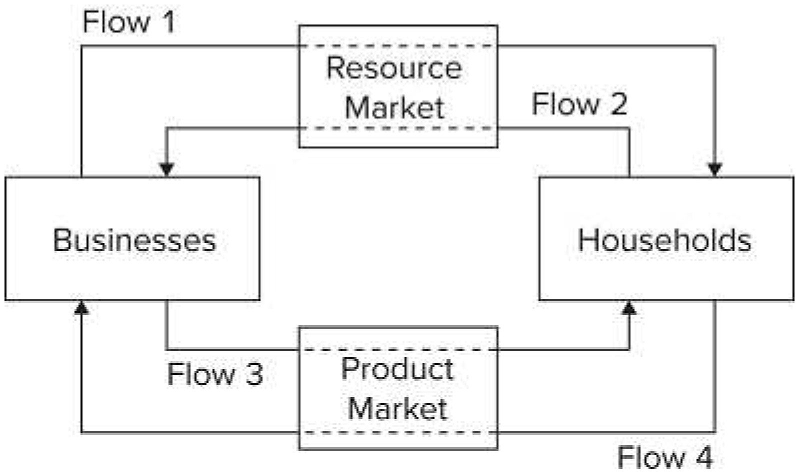
	Production Techniques			
	1	**2**	**3**	**4**
Labor	4	3	2	5
Capital	2	3	5	1

If the price of product A is $1.50, and the firm is producing efficiently the firm will realize

6) ______

A) Economic loss of $17.
B) Economic profit of $17.
C) Economic profit of $43.
D) Economic profit of $30.
E) Economic profit of $20.

Question Details
Accessibility : Keyboard Navigation
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions



7)

Refer to the diagram. Flow 4 represents

7) ______

A) goods and services.
B) wage, rent, interest, and profit income.
C) land, labor, capital, and entrepreneurial ability.
D) consumer expenditures and business revenue.

Question Details
Accessibility : Keyboard Navigation
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Topic : The Circular Flow Model

8) Which of the following statements about self-interest in a market system is false?

8) ______

A) Self-interest usually motivates an individual to deliver something of value to others.
B) Self-interest of entrepreneurs implies seeking maximum profits or minimum losses.
C) In a market system, consumers are motivated by self-interest to seek the lowest prices for the products they want.
D) Self-interest applies to businesses as they attempt to maximize their production costs.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
AACSB : Reflective Thinking
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

9) If the total costs of producing 1,500 units of output is $12,000 and this output sold to consumers for a total of $15,000, then the firm would earn economic profits of

9) ______

A) $12,000.
B) $18,000.
C) $3,000.
D) $15,000.
E) $27,000.

Question Details
Accessibility : Keyboard Navigation
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions

10) Which of the following is a characteristic of a partnership?

10) ______

A) It is owned and managed by one person.
B) The owners bear no personal responsibility for the debts of the business.
C) It is owned and managed by two or more people.
D) It is managed by a board of directors.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Topic : The Circular Flow Model
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply

Microeconomics 22nd Edition by McConnell CH02

Answer Key

Test name: CH02

1) D

Characteristics of a market system include: private property, freedom of enterprise, freedom of choice, self-interest, competition, conveys the decisions made by buyers and sellers, use of capital goods, technological advance, specialization, use of money, and an active but limited government.

2) C

Private property encourages exchange which promotes market activity and thus economic growth..

3) B

The Five Fundamental Questions are:

– What goods and services will be produced?
– How will the goods and services will be produced?
– Who will get the output?
– How will the system accommodate change?
– How will the system promote progress?

4) C

Technique 4 is most efficient.

5) A

Technique 1 with total costs of $14 is the most economically efficient.

6) B

Economic profit of $17 is realized when the firm is producing effienciently.

7) D

Flow 4 represents consumer expenditures and business revenue.

8) D

The following statement is false: Self-interest applies to businesses as they attempt to maximize their production costs.
9) C
Revenue − Cost = $15,000 − $12,000 = $3,000
10) C
It is owned and managed by two or more people.

Microeconomics 22nd Edition by McConnell CH02B

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

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

1) Market economies use capital goods because they improve productive efficiency.

1) ______

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

2) Money functions as a medium of exchange by eliminating the need for a coincidence of wants.

2) ______

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

3) Consumer sovereignty means that legislation now protects the rights of consumers to dispose of their incomes as they see fit.

3) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

4) Specialization may expand total output even though the individuals involved may have identical abilities.

4) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

5) The wants of consumers are expressed in the product market with "dollar votes."

5) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

6) Costs can be defined as total payments made to workers, landowners, and capital suppliers *less* payments to the entrepreneur for organizing and combining the other resources used to produce a good.

6) ______

- true
- false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

7) Continued losses in an industry will cause some firms to reduce output or eventually leave the industry.

7) ______

- true
- false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

8) The guiding function of prices tends to keep resources flowing toward their most highly valued uses.

8) ______

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

9) The invisible hand refers to the many indirect controls that the federal government imposes in a market system.

9) ______

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

10) Central planning in the Soviet Union and pre-reform China emphasized expanding the production of consumer goods to raise the domestic standard of living.

10) ______

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

11) Central planning often suffers from a coordination problem and an incentive problem.

11) ______

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

12) A market system is characterized by the private ownership of resources and the use of prices to coordinate economic activity.

12) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

13) Most market economies, such as the U.S. and the U.K., allow government policies and actions aimed at promoting economic growth and stability.

13) ______

- ⦾ true
- ⦾ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

14) In a command economy, the head of each household makes the fundamental economic choices such as what to produce and how to produce output.

14) ______

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

15) The economy of the United States can best be described as *laissez-faire* capitalism.

15) ______

◎ true
◎ false

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

16) Property rights give to some people the right to coerce others into giving up their property.

16) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

17) Property rights give the government the right to own, use, and dispose of resources in an economy.

17) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

18) Selfishness and self-interest are identical concepts in economics.

18) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

19) An important aspect of the market system is that producers and consumers always have to consider the public interest in making production and consumption decisions.

19) ______

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

20) If people tried to produce most of what they need on their own, then this would lead to a more efficient use of the economy's resources.

20) ______

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

21) Even with the use of money, exchange and trade cannot occur if there is no coincidence of wants.

21) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

22) One of the most important economic resources is money.

22) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

23) In a market system, the distribution of goods and services largely depends on the distribution of income and people's preferences.

23) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

24) The fundamental economic question regarding the distribution of output in the economy is equivalent to the question of who will produce the output.

24) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

25) The concept of consumer sovereignty refers to the situation where consumers have the right to vote for the board of directors of large corporations.

25) ______

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

26) In analyzing a market system, economists often assume that firms will choose the production techniques that will give them maximum revenues.

26) ______

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

27) Economic efficiency entails producing a certain output with the minimum number of units of inputs.

27) ______

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

28) The choice of the most efficient production technique is not affected by how much buyers want to buy the product.

28) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

29) In a market system, a consumer's ability to pay-but *not* necessarily his willingness to pay—is largely based on his income.

29) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

30) Even if prices are fixed and competition is restricted by the government, the invisible hand will still work in the economy and lead to economic efficiency.

30) ______

- true
- false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

31) In a competitive market economy, firms and resource suppliers seeking to further their own self-interest will end up, as though guided by an invisible hand, promoting the public interest.

31) ______

- true
- false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

32) The problems of central planning become less complex as an economy expands over time.

32) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

33) Profits are the primary "success indicator" for firms in a centrally planned economy.

33) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

34) Quantitative measures of managerial success, such as production targets or quotas, are highly foolproof and are thus ideal to use in increasing economic efficiency.

34) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

35) In the circular flow model, households act as buyers in the resource markets.

35) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

36) In a market system, entrepreneurs start businesses in order to earn a high salary.

36) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

37) In a market system, the income earned by owners of natural resources is called interest income.

37) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

38) A corporation is a type of business firm where the debt of the firm is considered its owners' personal responsibility.

38) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

39) According to the circular flow model of the market system, firms get their ability to pay for their costs of production from the revenues that they receive for their products.

39) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

40) According to the circular flow model of the market system, when resource-owners' money income is rising, then the costs to business firms that employ their resources must be falling.

40) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

41) Having a high fixed salary is what motivates entrepreneurs to make prudent decisions in dealing with business risk.

41) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

42) Government bailouts of failing businesses, like banks during the 2008 financial crisis, will tend to reduce the motivation among entrepreneurs to make prudent decisions in dealing with business risk.

42) ______

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

43) College graduates who dislike business risk will mostly seek to be hired by firms as labor, rather than starting their own firms as entrepreneurs.

43) ______

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

44) When somebody buys an insurance policy, that person is seeking to transfer risk away from herself and pass it on to the insurance company.

44) ______

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
AACSB : Reflective Thinking
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

45) (Consider This) Low-cost production is not important for Bitcoin miners since Bitcoin is intangible and exists only in cyberspace.

45) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible

46) (Consider This) South Korea has always been more prosperous than North Korea, even before 1953.

46) ______

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible

47) (Consider This) Without government subsidized property insurance, people are more likely to be cognizant of the risks of building and living in fire-prone or flood-prone areas because their insurance costs will be higher.

47) ______

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
AACSB : Reflective Thinking
Topic : How the Market System Deals with Risk
Accessibility : Screen Reader Compatible

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

48) Which of the following is a distinguishing feature of a command system?

48) ______

A) private ownership of all capital
B) central planning
C) heavy reliance on markets
D) widespread dispersion of economic power

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

49) Which of the following is a distinguishing feature of laissez-faire capitalism?

49) ______

A) public ownership of all capital
B) central planning
C) minimal government intervention
D) a circular flow of goods, resources, and money

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

50) Examples of command economies are

50) ______

A) the United States and Japan.
B) Sweden and Norway.
C) Mexico and Brazil.
D) Cuba and North Korea.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

51) Of the following countries, which one best exhibits the characteristics of a market economy?

51) ______

A) Canada
B) Cuba
C) North Korea
D) Belarus

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

52) The French term "laissez-faire" means

52) ______

A) "there is no free lunch."
B) "let it be."
C) "circular flow."
D) "public ownership."

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

53) An economic system

53) ______

A) requires a grouping of private markets linked to one another.
B) is a particular set of institutional arrangements and a coordinating mechanism used to respond to the economizing problem.
C) requires some sort of centralized authority (such as government) to coordinate economic activity.
D) is a plan or scheme that allows a firm to make money at some other firm's expense.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

54) The term "laissez-faire" suggests that

54) ______

A) land and other natural resources should be privately owned, but capital should be publicly owned.

B) land and other natural resources should be publicly owned, but capital should be privately owned.

C) government should not interfere with the operation of the economy.

D) government action is absolutely necessary if the economy is to achieve full employment and full production.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

55) Economic systems differ according to which two main characteristics?

55) ______

A) who owns the factors of production and the methods used to coordinate economic activity

B) the technology used in production and the quantity and quality of natural resources

C) how goods are produced and who gets them

D) the political system in place and the degree of scarcity facing the economy

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

56) Command systems are also known as

56) ______

A) market systems.
B) pure capitalism.
C) laissez-faire capitalism.
D) communism.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

57) A fundamental difference between the command system and laissez-faire capitalism is that, in command systems,

57) ______

A) the division of output is decided by central planning rather than by individuals operating freely through markets.
B) all economic decisions are made by the government, whereas there is no government in laissez-faire capitalism.
C) scarcity does not exist, whereas it does in laissez-faire capitalism.
D) money is not used, whereas it is in laissez-faire capitalism.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : I
Accessibility : Screen Reader Compatible

58) Which of the following is *not* a typical characteristic of a market system?

58) ______

A) private property
B) freedom of enterprise
C) government ownership of most property resources
D) competition in product and resource markets

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

59) Which of the following is a fundamental characteristic of the market system?

59) ______

A) property rights
B) central planning by government
C) unselfish behavior
D) government-set wages and prices

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

60) Property rights are important because they

60) ______

A) ensure an equal distribution of income.
B) encourage cooperation by improving the chances of mutually agreeable transactions.
C) guarantee that any exchange will make all parties better off than prior to the exchange.
D) allow the government to control how resources are allocated.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

61) Private property

61) ______

A) discourages cooperation because people don't want to part with what they own.
B) discourages innovation, as people are often afraid to risk losing their own property.
C) encourages owners to maintain or improve their property to preserve or enhance value.
D) does everything indicated by the other answers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

62) Copyrights and trademarks are examples of

62) ______

A) capital goods.
B) human capital.
C) property rights.
D) public goods.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

63) Freedom of enterprise

63) ______

A) is a characteristic that is common to most economic systems.

B) in a market system means that entrepreneurs can obtain and use economic resources without any legal restraint.

C) allows businesses, within broad limits, to choose what goods to produce.

D) refers primarily to the right of consumers to purchase what they want.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

64) The main mechanism that regulates the market system is

64) ______

A) self-interest.

B) private property.

C) competition.

D) freedom of enterprise and choice.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

65) Broadly defined, competition involves

65) ______

A) private property and freedom of expression.
B) independently acting buyers and sellers and freedom to enter or leave markets.
C) increasing opportunity costs and diminishing marginal utility.
D) capital goods and division of labor.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

66) Competition means that

66) ______

A) sellers can manipulate market price by causing product scarcities.
B) there are independently acting buyers and sellers in each market.
C) a product can be purchased at a number of different prices.
D) there is more than one seller in a market.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

67) The division of labor means that

67) ______

A) labor markets are geographically segmented.
B) unskilled workers outnumber skilled workers.
C) workers specialize in various production tasks.
D) each worker performs a large number of tasks.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

68) Specialization in production is important primarily because it

68) ______

A) results in greater total output.
B) allows society to avoid the coincidence-of-wants problem.
C) allows society to trade by barter.
D) allows society to have fewer capital goods.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

69) Specialization—the division of labor—enhances productivity and efficiency by

69) ______

A) allowing workers to take advantage of existing differences in their abilities and skills.
B) avoiding the time loss involved in shifting from one production task to another.
C) allowing workers to develop skills by working on one, or a limited number, of tasks.
D) all of the means identified in the other answers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

70) Specialization in production is economically beneficial primarily because it

70) ______

A) allows everyone to have a job that he or she likes.
B) permits the production of a larger output with fixed amounts of resources.
C) facilitates trade by bartering.
D) guarantees full employment.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

71) On the basis of the information, and assuming trade occurs between the three states, we can expect

71) ______

A) Washington to exchange apples with Texas and receive money in return.
B) Washington to exchange apples with Michigan and receive money in return.
C) Texas to exchange lettuce with Michigan and receive autos in return.
D) Texas to trade lettuce directly for Washington apples.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

72) On the basis of the information, it can be said that

72) ______

A) no coincidence of wants exists between any two states.
B) a coincidence of wants exists between Michigan and Washington.
C) a coincidence of wants exists between Texas and Washington.
D) a coincidence of wants exists between Michigan and Texas.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

73)
Given the information, and assuming trade occurs between the three states, we can expect
73) ______

A) that there is no means by which Michigan can obtain lettuce while specializing in the production of autos.
B) that money will not be needed to accomplish the desired exchanges.
C) money to flow counter-clockwise from Michigan to Texas to Washington.
D) money to flow clockwise from Michigan to Washington to Texas.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

74) Barter

74) ______

A) is the major means of exchange in centrally planned economies.
B) accounts for over 30 percent of the dollar volume of all exchange in the U.S. economy.
C) entails the exchange of goods for goods.
D) is used to circumvent the problem of a lack of coincidence of wants among potential buyers and sellers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

75) The "coincidence of wants" problem associated with barter refers to the fact that

75) ______

A) for exchange to occur, each seller must have a product that some buyer wants.
B) money must be used as a medium of exchange or trade will never occur.
C) specialization is restricted by the size or scope of a market.
D) buyers in resource markets and sellers in product markets can never engage in exchange.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

76) The use of money contributes to economic efficiency because

76) ______

A) governmental direction of the production and distribution of output can be avoided by using money.
B) roundabout production could not occur without the availability of money.
C) it is necessary for the creation of capital goods.
D) it promotes specialization by overcoming the problems with barter.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

77) The presence of market failures implies that

77) ______

A) money is not an effective tool for exchange in a market system.
B) there is an active role for government, even in a market system.
C) individuals and firms should strive to be self-sufficient rather than specialize.
D) command systems are superior to market systems in the allocation of resources.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

78) Which of the following characteristics is *least* unique to a market system?

78) ______

A) private ownership of property resources
B) competition among buyers and sellers pursuing monetary returns
C) the widespread use of money
D) freedom of enterprise and choice

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : I
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

79) Which of the following is one of the Five Fundamental Questions?

79) ______

A) Which products will be in scarce supply and which in excess supply?
B) Who should appoint the head of the central bank?
C) How much should society save?
D) What goods and services will be produced?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

80) If competitive industry Z is making substantial economic profit, output will

80) ______

A) fall in industry Z and firms will likely leave the market.
B) fall in all industries except industry Z.
C) expand in industry Z, as more resources will move to that industry.
D) expand in industry Z, but no new firms will enter the market.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

81) From society's point of view, the economic function of profits and losses is to

81) ______

A) promote the equal distribution of real assets and wealth.
B) achieve full employment and price level stability.
C) contribute to a more equal distribution of income.
D) reallocate resources from less-desired to more-desired uses.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

82) In a market economy, a significant change in consumers' desire for product X will

82) ______

A) alter the profits or losses received by suppliers of product X.
B) cause a reallocation of scarce resources.
C) cause some industries to expand and others to contract.
D) do all the things mentioned in the other answers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

83) Economic profits in an industry suggest the industry

83) ______

A) can earn more profits by increasing product price.
B) should be larger to better satisfy consumers' desire for the product.
C) has excess production capacity.
D) is the size that consumers want it to be.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

84) Economic profits and losses

84) ______

A) are both considered by economists to be a part of production costs.
B) are essential to the reallocation of resources from less desired to more desired goods.
C) have no influence on the composition of domestic output.
D) equalize the distribution of income in the long run.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

85) If consumer desire for product X increases, all of the following will occur *except*

85) ______

A) an increase in the profits of industry X.
B) an increase in the quantity of resources employed by industry X.
C) an increase in the output of industry X.
D) a decrease in the quantity of resources employed in industry X.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

86) An increase in consumer desire for strawberries is most likely to

86) ______

A) increase the number of strawberry pickers needed by farmers.
B) reduce the supply of strawberries.
C) reduce the number of people willing to pick strawberries.
D) reduce the need for strawberry pickers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

87) If competitive industry Y is incurring substantial losses, output will

87) ______

A) expand as resources move toward industry Y.
B) contract as resources move toward industry Y.
C) contract as resources move away from industry Y.
D) expand as resources move away from industry Y.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

88) The economic function of profits and losses is to

88) ______

A) bring about a more equal distribution of income.
B) signal that resources should be reallocated.
C) eliminate small firms and reduce competition.
D) tell government which industries need to be subsidized.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : Five Fundamental Questions
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

89) If a competitive industry is neither expanding nor contracting, we would expect

89) ______

A) total revenue to be zero.
B) economic profits to be zero.
C) total opportunity cost to be zero.
D) more resources to flow to that industry.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

90) The competitive market system

90) ______

A) encourages innovation because government provides tax breaks and subsidies to those who develop new products or new productive techniques.
B) discourages innovation because it is difficult to acquire additional capital in the form of new machinery and equipment.
C) discourages innovation because firms want to get all the profits possible from existing machinery and equipment.
D) encourages innovation because successful innovators are rewarded with economic profits.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

91) In a market economy, the distribution of output will be determined primarily by

91) ______

A) consumer needs and preferences.
B) the quantities and prices of the resources that households supply.
C) government regulations that provide a minimum income for all.
D) a social consensus as to which distribution of income is most equitable.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

92) The most efficient combination of resources in producing a given output is the combination that

92) ______

A) comes closest to using the same quantities of land, labor, capital, and entrepreneurial ability.
B) minimizes the cost per unit of output.
C) uses the smallest total quantity of all resources.
D) conserves most on the use of labor.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

93) Firms are motivated to minimize production costs because

93) ______

A) it is the most environmentally friendly way to produce goods.
B) least-cost production techniques use the smallest total quantity of resources.
C) competitive pressures in the market will drive out higher-cost producers.
D) the government provides tax credits and subsidies to low-cost producers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

94) Answer the question using the following data, which show all available techniques for producing 20 units of a particular commodity.

Resource	Resource prices	Possible Production Techniques				
		#1	#2	#3	#4	#5
Land	$ 4	2	4	2	4	4
Labor	3	1	2	4	1	3
Capital	3	5	2	3	1	2
Entrepreneurial Ability	2	3	1	1	4	1

In view of the indicated resource prices, the economically most efficient production technique(s) is (are) technique(s)

94) ______

A) 1.
B) 2 and 4.
C) 3.
D) 1 and 3.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

95) Answer the question using the following data, which show all available techniques for producing 20 units of a particular commodity.

Resource	Resource prices	Possible Production Techniques				
		#1	#2	#3	#4	#5
Land	$ 4	2	4	2	4	4
Labor	3	1	2	4	1	3
Capital	3	5	2	3	1	2
Entrepreneurial Ability	2	3	1	1	4	1

Assuming the firm is motivated by self-interest and that the 20 units that can be produced with each technique can be sold for $2 per unit, the firm will

95) ______

A) realize an economic profit of $10.
B) realize an economic profit of $4.
C) not earn any economic profit.
D) shut down rather than incur a loss by producing.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

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Resource	Resource prices	Possible Production Techniques				
		#1	#2	#3	#4	#5
Land	$ 4	2	4	2	4	4
Labor	3	1	2	4	1	3
Capital	3	5	2	3	1	2
Entrepreneurial Ability	2	3	1	1	4	1

If a new production technique is developed that enables a firm to produce 20 units of output with 3 units of land, 3 of labor, 1 of capital, and 2 of entrepreneurial ability, this technique would

96) ______

A) not be adopted because, although it reduces production costs, it does not increase profit.
B) be adopted because it would lower production costs and increase economic profit.
C) not be adopted because it entails higher production costs than other available techniques.
D) be adopted, even though economic profits would be reduced slightly.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

97) Answer the question based on the following information: Suppose 30 units of product A can be produced by employing just labor and capital in the four ways shown below. Assume the prices of labor and capital are $2 and $3, respectively.

	Production Techniques			
	1	**2**	**3**	**4**
Labor	4	3	2	5
Capital	2	3	5	1

Which technique is economically most efficient in producing A?

97) ______

A) 1
B) 2
C) 3
D) 4

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

98) Answer the question based on the following information: Suppose 10 units of product X can be produced by employing just labor and capital in the three ways shown below. Assume the prices of labor and capital are as shown.

	Resource price	**Production Technique I**	**Production Technique II**	**Production Technique III**
Labor	$ 2	4	3	2
Capital	$ 3	2	3	5

Which technique is the most economically efficient?

98) ______

A) Technique I with total costs of $14
B) Technique II with total costs of $15
C) Technique III with total costs of $14
D) Technique I with total costs of $19

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible

99) Answer the question based on the following information: Suppose 30 units of product A can be produced by employing just labor and capital in the four ways shown below. Assume the prices of labor and capital are $2 and $3, respectively.

	Production Techniques			
	1	**2**	**3**	**4**
Labor	4	3	2	5
Capital	2	3	5	1

If the price of product A is $0.50, the firm will realize

99) ______

A) an economic profit of $4.
B) an economic profit of $2.
C) an economic profit of $6.
D) a loss of $3.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

100) In a competitive market economy, firms select the least-cost production technique because

100) ______

A) such choices will result in full employment of available resources.
B) to do so will maximize the firms' profits.
C) this will prevent new firms from entering the industry.
D) "dollar voting" by consumers mandates such a choice.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

101) The market system's answer to the fundamental question "What will be produced?" is essentially

101) ______

A) "Goods and services that are profitable."
B) "Low-cost goods and services."
C) "Goods and services that can be produced using large amounts of capital."
D) "Goods and services that possess lasting value."

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

102) The market system's answer to the fundamental question "How will the goods and services be produced?" is essentially

102) ______

A) "With as much machinery as possible."
B) "Using the latest technology."
C) "By exploiting labor."
D) "In ways that minimize the cost per unit of output."

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

103) The market system's answer to the fundamental question "Who will get the goods and services?" is essentially

103) ______

A) "Those most willing and able to pay for them."
B) "Those who physically produced them."
C) "Those who most need them."
D) "Those who get utility from them."

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

104) The market system's answer to the fundamental question "How will the system accommodate change?" is essentially

104) ______

A) "Through government leadership and direction."
B) "Through the guiding function of prices and the incentive function of profits."
C) "Through training and retraining programs."
D) "Through trial and error."

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

105) The market system's answer to the fundamental question "How will the system promote progress?" is essentially

105) ______

A) "Through government-funded research programs."
B) "Through redistribution of income to promote greater equality."
C) "Through training and retraining programs."
D) "Through the profit potential that encourages development of new technology."

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

106) The advent of Netflix movie streaming and Redbox kiosks renting DVD and Blu-ray movies have virtually demolished the market for video rentals from brick and mortar stores such as Blockbuster. This is an example of

106) ______

A) creative destruction.
B) derived demand.
C) capital accumulation.
D) the difference between normal and economic profits.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

107) "Consumer sovereignty" refers to the

107) ______

A) fact that resource prices are higher than product prices in capitalistic economies.
B) idea that the pursuit of self-interest is in the public interest.
C) idea that the decisions of producers must ultimately conform to consumer demands.
D) fact that a federal agency exists to protect consumers from harmful and defective products.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

108) The dollar votes of consumers ultimately determine the composition of output and the allocation of resources in a market economy. This statement best describes the concept of

108) ______

A) derived demand.
B) consumer sovereignty.
C) the invisible hand.
D) market failure.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

109) Which of the following is *not* one of the five fundamental questions?

109) ______

A) What prices will be charged for goods and services?
B) Who will get the goods and services?
C) What goods and services will be produced?
D) How will the system promote progress?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

110) "Consumer sovereignty" means that

110) ______

A) buyers can dictate the prices at which goods and services will be offered.
B) advertising is ineffective because consumers already know what they want.
C) buyers control the quality of goods and services through regulatory agencies.
D) buyers determine what will be produced based on their "dollar votes" for the goods and services offered by sellers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : I
Accessibility : Screen Reader Compatible

111) Which of the following best describes the invisible-hand concept?

111) ______

A) The desires of resource suppliers and producers to further their own self-interest will automatically further the public interest.
B) The inability to substitute resources creates a conflict between private and public interests and calls for government intervention.
C) The market system is the best system for overcoming the scarce resources-unlimited wants problem.
D) Central direction by the government will improve resource allocation in a capitalistic economy.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

112) The invisible hand refers to the

112) ______

A) fact that the U.S. tax system redistributes income from rich to poor.
B) notion that, under competition, decisions motivated by self-interest promote the social interest.
C) tendency of monopolistic sellers to raise prices above competitive levels.
D) fact that government controls the functioning of the market system.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

113) The invisible hand concept suggests that

113) ______

A) market failures imply the need for a national economic plan.
B) big businesses are inherently more efficient than small businesses.
C) the competitiveness of a capitalistic market economy invariably diminishes over time.
D) assuming competition, private and public interests will coincide.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

114) Two major virtues of the market system are that it

114) ______

A) allocates resources efficiently and allows economic freedom.
B) results in an equitable personal distribution of income and always maintains full employment.
C) results in price-level stability and a fair personal distribution of income.
D) eliminates discrimination and minimizes environmental pollution.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

115) The market system

115) ______

A) produces considerable inefficiency in the use of scarce resources.
B) effectively harnesses the incentives of workers and entrepreneurs.
C) is not consistent with freedom of choice in the long run.
D) has slowly lost ground to emerging command systems.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

116) According to the concept of the "invisible hand," if Susie opens and operates a profitable childcare center, then

116) ______

A) government should regulate the business to ensure quality.
B) the profit Susie earns indicates that she is overcharging for her services.
C) she has served society's interests by providing a desired good or service.
D) this demonstrates that consumer sovereignty is not present in this market.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

117) The invisible hand promotes society's interests because

117) ______

A) individuals pursuing their self-interest will try to produce goods and services that people in society want and are willing to purchase.
B) individuals will produce goods for others out of concern for their fellow human beings.
C) it makes sure that everyone wins from competition in the market.
D) government regulation pushes business into producing the right mix of goods and services.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

118) The coordination problem in the centrally planned economies refers to the idea that

118) ______

A) planners had to direct required inputs to each enterprise.
B) the price level and the level of employment were inversely related.
C) the immediate effect of more investment was less consumption.
D) exports had to be equal to imports for a central plan to work.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

119) "Under central planning, some group has to decide how to get the necessary inputs produced in the right amounts and delivered to the right places at the right time. This is a nearly impossible task without markets and profits." This quotation best identifies the

119) ______

A) incentive problem under central planning.
B) coordination problem under central planning.
C) self-sufficiency dilemma under communism.
D) resource overcommitment problem under communism.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

120) "Because the outputs of many industries are the inputs to other industries, the failure of any single industry to fulfil the output quantities specified in the central plan caused a chain reaction of adverse repercussions on production." This quotation best identifies the

120) ______

A) incentive problem under central planning.
B) self-sufficiency dilemma under communism.
C) resource overcommitment problem under communism.
D) coordination problem under central planning.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

121) The incentive problem under communist central planning refers to the idea that

121) ______

A) planners had to direct required inputs to each enterprise.
B) workers, managers, and entrepreneurs could not personally gain by responding to shortages or surpluses or by introducing new and improved products.
C) the immediate effect of more investment was less consumption.
D) exports had to be equal to imports for a central plan to work.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

122) Suppose that an individual sees a tremendous opportunity to produce and sell a new product but dismisses the idea because there is no way to exploit this opportunity for personal gain. This situation best identifies the

122) ______

A) coordination problem under communist central planning.
B) self-sufficiency dilemma under communism.
C) asymmetric information problem under communism.
D) incentive problem under communist central planning.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

123) Innovation lagged in the centrally planned economies because

123) ______

A) there was too much domestic business competition.
B) there was too much competition from foreign firms.
C) enterprises resisted innovation in fear that their production targets would be raised.
D) exports had to equal imports for the plan to work.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

124) The fact that the major indicator of enterprise success in the Soviet Union and pre-reform China was the quantity of output implied that

124) ______

A) product quality was neglected.
B) production costs were minimized.
C) product mix met consumer needs.
D) technological advance was too rapid.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

125) Enterprise managers and workers in the Soviet Union often resisted innovations in production methods because

125) ______

A) production targets were often increased when innovation occurred.
B) there was a chronic shortage of computers.
C) workers could not be reallocated geographically.
D) innovations ordinarily increased dependence on world markets.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

126) If products were in short or surplus supply in the Soviet Union,

126) ______

A) price and profit signals eliminated those shortages and surpluses.
B) price and profit signals intensified those shortages and surpluses.
C) producers would not react because no price or profit signals occurred.
D) the planners would immediately adjust production to achieve equilibrium.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : I
Accessibility : Screen Reader Compatible

127) In what type of business do the owners bear no personal financial responsibility for the company's debts and obligations?

127) ______

A) partnerships
B) corporations
C) sole proprietorships
D) in all the businesses listed in the other answers

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

128) The simple circular flow model shows that

128) ______

A) households are on the buying side of both product and resource markets.
B) businesses are on the selling side of both product and resource markets.
C) households are on the selling side of the resource market and on the buying side of the product market.
D) businesses are on the buying side of the product market and on the selling side of the resource market.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

129) The two basic markets shown by the simple circular flow model are

129) ______

A) capital goods and consumer goods.
B) competitive and regulated.
C) product and resource.
D) household and business.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

130) In the resource market,

130) ______

A) businesses borrow financial capital from households.
B) businesses sell services to households.
C) households sell resources to businesses.
D) firms sell raw materials to households.

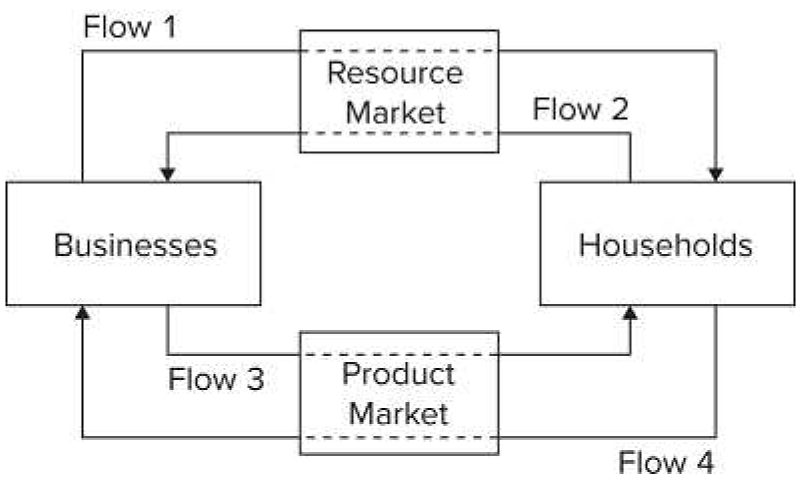
Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

131) In the simple circular flow model,

131) ______

A) households are buyers of resources.
B) businesses are sellers of final products.
C) households are sellers of final products.
D) there are real flows of goods, services, and resources, but not money flows.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

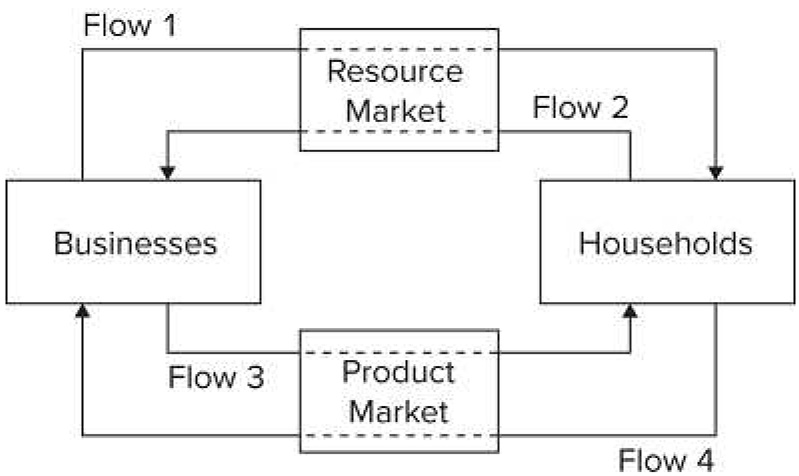


132)
Refer to the diagram. Flow 1 represents

132) ______

A) wage, rent, interest, and profit income.
B) land, labor, capital, and entrepreneurial ability.
C) goods and services.
D) consumer expenditures.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

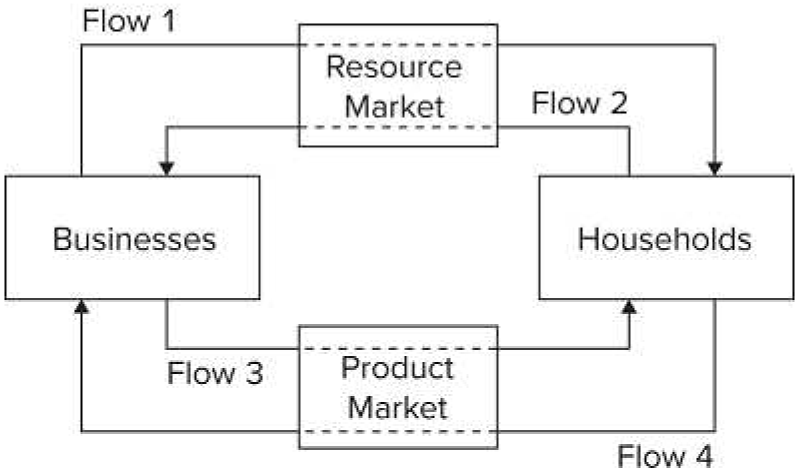


133)
Refer to the diagram. Flow 2 represents

133) ______

A) wage, rent, interest, and profit income.
B) land, labor, capital, and entrepreneurial ability.
C) goods and services.
D) consumer expenditures.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible



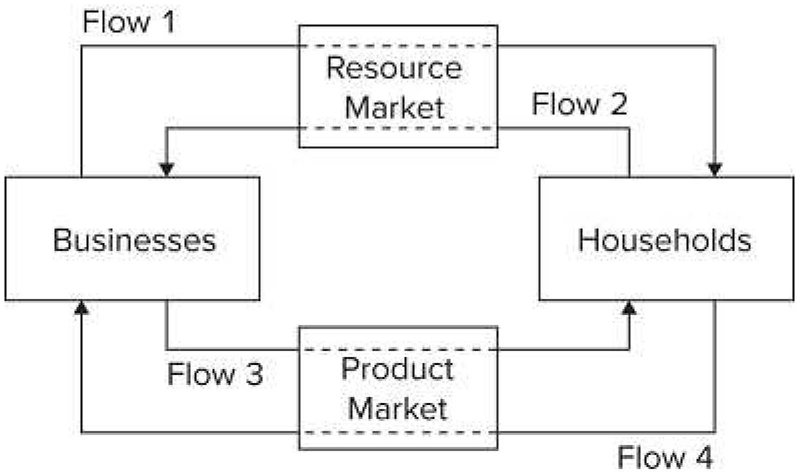
134)

Refer to the diagram. Flow 3 represents

134) ______

A) wage, rent, interest, and profit income.
B) land, labor, capital, and entrepreneurial ability.
C) goods and services.
D) consumer expenditures.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible



135)

Refer to the diagram. Flow 4 represents

135) ______

A) wage, rent, interest, and profit income.
B) land, labor, capital, and entrepreneurial ability.
C) goods and services.
D) consumer expenditures and business revenue.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

136) In terms of the circular flow diagram, households make expenditures in the _____ market and receive income through the _____ market.

136) ______

A) product; financial
B) resource; product
C) product; resource
D) capital; product

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

137) In terms of the circular flow diagram, businesses obtain revenue through the _____ market and make expenditures in the _____ market.

137) ______

A) product; financial
B) resource; product
C) product; resource
D) capital; product

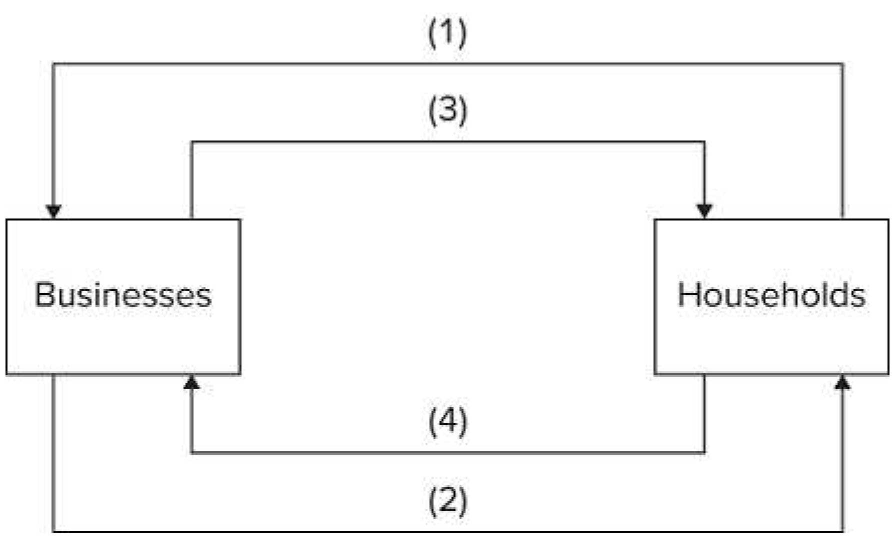
Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

138) Households and businesses are

138) ______

A) both buyers in the resource market.
B) both sellers in the product market.
C) sellers in the resource and product markets respectively.
D) sellers in the product and resource markets respectively.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

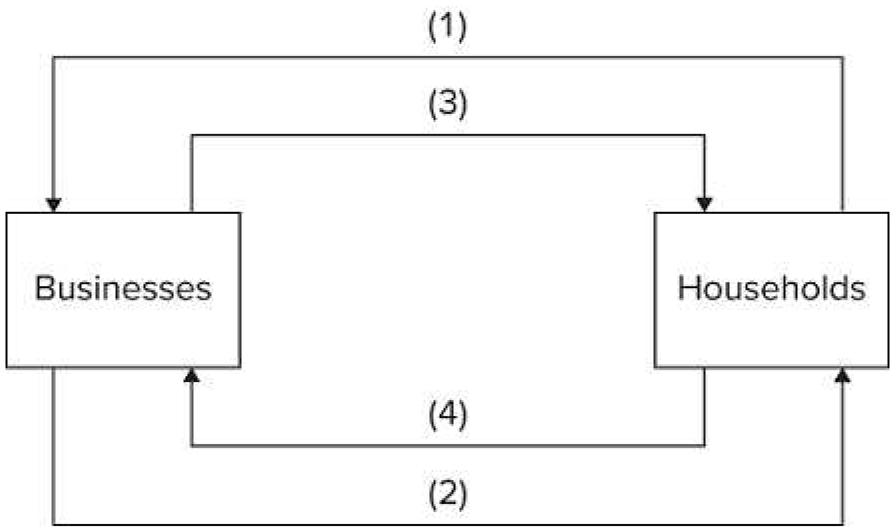


139)
Refer to the diagram. Arrows (1) and (2) represent

139) ______

A) goods and resources, respectively.
B) money incomes and output, respectively.
C) output and money incomes, respectively.
D) resources and goods, respectively.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

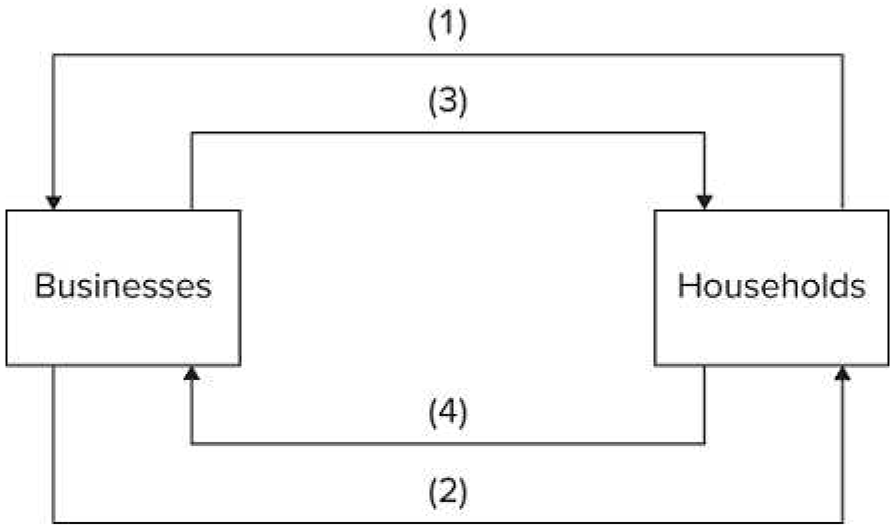


140)
Refer to the diagram. Arrows (3) and (4) represent

140) ______

A) goods and services, respectively.
B) incomes and consumer expenditures, respectively.
C) resources and goods, respectively.
D) consumer expenditures and income, respectively.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible



141)
Refer to the diagram. Arrows (1) and (3) are associated with

141) ______

A) the money market.
B) the resource market.
C) the product market.
D) international trade.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

142) Which of the following best illustrates the circular flow model in action?

142) ______

A) Bobbie goes to work and builds cars; she uses the income she receives to buy food at the grocery store.

B) Evan buys a new couch; the owner of the furniture store uses some of the money from the sale to pay her supplier and uses the rest to take her family out to dinner.

C) Boeing experiences a surge in orders for new airplanes, prompting the company to hire more workers.

D) All of these answers illustrate the workings of the circular flow model.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : I
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

143) In a market system,

143) ______

A) firm owners and employees share business risk more or less equally.

B) a firm's employees and suppliers are largely shielded from risk, relative to business owners.

C) employees and suppliers face the greatest risks, because firms can shut down without notice and leave them unpaid.

D) a firm's owners are largely shielded from risk because they can walk away from the business at any time.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : I
Accessibility : Screen Reader Compatible

144) In a market system, employees and suppliers

144) ______

A) are usually shielded from risk, but at the cost of not sharing in the profits of the firm.
B) are usually shielded from risk and share in the profits of the firm.
C) are generally subject to as much risk as firm owners but get to share in the profits.
D) bear as much risk as firm owners but don't get to share in the profits.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : I
Accessibility : Screen Reader Compatible

145) A market system tends to restrict business risk to owners and investors. This results in which of the following benefits?

145) ______

A) a more stable macroeconomy with fewer recessions
B) Firms are better able to attract inputs, as these inputs do not have to share the risk.
C) Government agencies are better prepared to help when businesses fail.
D) consistently lower prices for consumers

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : I
Accessibility : Screen Reader Compatible

146) A market system tends to restrict business risk to owners and investors. This results in which of the following benefits?

146) ______

A) It encourages more people to become entrepreneurs.
B) Firms have to pay more to attract inputs, as these inputs have to share the risk.
C) Firms focus attention on prudent risk management, as it is profitable to manage risk.
D) Income becomes more equally distributed.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : I
Accessibility : Screen Reader Compatible

147) Economic systems differ from one another based on who owns the factors of production and

147) ______

A) how many resources are available in the economy and where they are located.
B) how economic activities are coordinated and directed.
C) what kinds of products are produced in the economy and how they are sold.
D) how big the population is and the makeup of the population.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

148) The market system is an economic system that

148) ______

A) produces more consumer goods than capital goods.
B) produces more capital goods than consumer goods.
C) gives private individuals the right to own resources used in production.
D) emphasizes the government's power to control markets and direct economic activity.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

149) The market system is also known as ___, while the command system is also known as _____.

149) ______

A) capitalism; socialism
B) socialism; communism
C) central planning; laissez faire
D) a production system; a planning system

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

150) Laissez-faire capitalism limits the government's economic functions to the following, *except*

150) ______

A) protecting private property rights.
B) establishing a legal environment to enforce contracts among individuals.
C) preventing individuals and firms from coercing others.
D) setting prices of individual goods and services.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

151) One major element of the command system is

151) ______

A) an emphasis on private ownership of resources.
B) individual decentralized decision making.
C) reliance on supply-and-demand forces to guide economic activity.
D) central planning conducted by the government.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

152) The government may impose industrial safety regulations and occupational licensing requirements in which of the following economic systems?

152) ______

A) the laissez-faire economy
B) pure capitalism
C) a mixed-market economy
D) macroeconomic systems

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

153) In a command system,

153) ______

A) self-interest motivates and commands each business firm's decisions and actions.
B) the head of each family decides and commands what to do with the family's resources.
C) a government-appointed planning board makes production and allocation decisions.
D) market traders command what outputs are produced and how they are allocated.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

154) Which of the following would *not* be emphasized in a capitalist economy?

154) ______

A) private ownership of capital and other resources
B) competition and decentralized decisions regarding production and consumption
C) reliance on market forces to coordinate economic activity
D) prevention of firms from exposing themselves to financial risk

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

155) The government may not implement policies intended to redistribute income in which of the following economic systems?

155) ______

A) laissez-faire capitalism
B) command systems
C) a mixed economy
D) the market system

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

156) The economies of North Korea and Cuba are

156) ______

A) similar in that they are both basically command systems.
B) similar in that they are both basically market systems.
C) different in that North Korea has a command system, while Cuba has a market system.
D) different in that Cuba has a command system, while North Korea has a market system.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

157) *Laissez-faire* capitalism is characterized by

157) ______

A) a very limited government role in the economy.
B) active government intervention in the economy.
C) individuals and firms abiding by a government economic plan.
D) the economic system of the United States today.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Test Bank : II
Accessibility : Screen Reader Compatible

158) By freedom of enterprise, we mean that individual

158) ______

A) workers are free to look for jobs and work in whichever firm will hire them.
B) firms are free to employ resources, to produce output, and to sell products.
C) producers are free to produce whatever the government decides is needed by the society.
D) consumers are free to buy whatever products will satisfy their needs the most.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

159) Capitalism gets its name from the fact that capital resources are mostly

159) ______

A) owned by the state or government.
B) given the highest priority in the economy's income distribution.
C) treated as private property.
D) in the form of money and financial resources.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

160) The main characteristics of a modern market system include all of the following *except*

160) ______

A) entrepreneurs are free to obtain and use resources to produce goods and services.
B) consumers are free to buy goods and services that their budgets allow.
C) economic power is diffused by competition among economic units.
D) government is restricted to national defense and does not intervene at all in various markets.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

161) In a market system, self-interest is the motivating force that

161) ______

A) makes individuals unwilling to deliver anything of value to others.
B) makes owners of resources always want to use their resources themselves.
C) leads the economy to chaos and confusion, especially the larger economies.
D) coordinates and creates consistency in the operations of various parts of the economy.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

162) Which of the following statements about self-interest in a market system is false?

162) ______

A) Self-interest usually motivates an individual to deliver something of value to others.
B) Self-interest of entrepreneurs implies seeking maximum profits or minimum losses.
C) Self-interest applies only to capitalists and entrepreneurs, not to workers employed by others.
D) In a market system, consumers are just like firms: self-interest is what motivates them.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

163) Consumers express self-interest when they

163) ______

A) seek the lowest price for a product.
B) reduce business losses.
C) collect economic profits.
D) exclude others in their thinking.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

164) Private property and freedom of choice in a market system have the following implications, *except*

164) ______

A) individuals are free to take on the financial risks involved in a business.
B) trades that take place in the economy are mutually agreeable transactions among individuals.
C) economic agents can act in their own self-interest.
D) large firms are allowed to coerce other firms and individuals.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

165) Which of the following statements about the right to private ownership is false?

165) ______

A) It enables individuals to obtain, use, and dispose of land and capital resources as they see fit.
B) It encourages investment and innovation, and thus fosters economic growth.
C) It extends to intangibles such as pieces of music and computer programs.
D) It weakens the incentive to maintain the property that one already owns.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

166) Competition is more likely to exist when

166) ______

A) there is easy entry into and exit out of industries.
B) a government-issued license is required to set up a firm in an industry.
C) the government purchases most goods and services.
D) economic power is concentrated among a few large firms.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

167) Competition in a market system denotes a condition where

167) ______

A) the diffusion of economic power limits its potential abuse.
B) any given product can be purchased at a wide range of prices.
C) contractual agreements among individual firms are restricted and avoided.
D) a few large, dominant sellers are constantly jostling for market share.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

168) Which of the following statements about markets and prices is correct?

168) ______

A) In a market system, buyers and sellers must be in face-to-face contact with each other.
B) Prices affect the distribution of goods in a market system, but not the allocation of resources.
C) In a market system, prices serve to ration goods and services to consumers.
D) The operation of a market system has little, if any, effect on the distribution of income in the economy.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

169) In a capitalist system, the decisions and actions of millions of consumers and firms are highly coordinated by

169) ______

A) the state governments.
B) markets and prices.
C) a central planning agency.
D) an international organization.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

170) All of the following statements describe a market economy *except*

170) ______

A) government prescribes the market prices for goods and services.
B) prices provide important signals to buyers and sellers.
C) the allocation of resources is determined by their prices.
D) the actions of buyers and sellers establish a product's price.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

171) A characteristic of the market system is

171) ______

A) extensive use of direct or manual methods of production.
B) a focus on labor, as opposed to capital resources.
C) reliance on the use of capital goods in indirect modes of production.
D) avoidance of producing goods that do not satisfy consumer wants directly.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

172) Which of the following does not foster innovation and technological advance?

172) ______

A) competition in markets
B) freedom of choice and enterprise
C) self-interest and personal rewards
D) fear and avoidance of risk

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

173) The Heritage Foundation in 2018 ranked which of the following economies to have the highest economic freedom?

173) ______

A) the United States
B) Germany
C) Japan
D) Hong Kong

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

174) A production system where various workers concentrate on different specialized tasks to contribute toward a whole product is referred to as

174) ______

A) a coincidence of wants.
B) roundabout production.
C) freedom of enterprise.
D) division of labor.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

175) How does human specialization contribute toward increasing an economy's output?

175) ______

A) It exploits the differences in abilities.
B) It is a process of creative destruction.
C) It pushes each worker to master the whole product.
D) It encourages people to be a "jack-of-all-trades."

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

176) With specialization in a market economy, individual

176) ______

A) firms produce a wide range of products.
B) producers consume little or none of the products they produce.
C) producers consume most of the output that they produce.
D) consumers have to produce most of what they consume.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

177) Which of the following is *not* a reason why specialization and trade are beneficial to society?

177) ______

A) The total output of economic goods may be increased even without any increase in resources.
B) Scarce resources are utilized more efficiently by exploiting differences among them.
C) Specialization fosters learning by doing, thus lowering the unit-costs of products.
D) Firms and workers become less dependent on others for producing goods and services.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

178) A required element for specialization to lead to an increase in the satisfaction of society's wants is

178) ______

A) a capitalist economy.
B) exchange and trade.
C) the use of money.
D) a central plan.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

179) Specialization is beneficial

179) ______

A) at the individual firm level, but not at the national and international levels.
B) at the individual, regional, and even international levels.
C) only if there are differences in the abilities of resources.
D) only as long as money and capital goods are employed.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

180) Which is an example of barter?

180) ______

A) a person trades a desk for a box of tools
B) a person buys clothes at a used clothing store
C) a gift of tuition money from parents to their children
D) the purchase of stock on the New York Stock Exchange

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

181) An economic system in which money is *not* used as a medium of exchange is a

181) ______

A) planned economy.
B) market economy.
C) mixed economy.
D) barter economy.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

182) Which of the following is necessary to make a trade in a barter economy?

182) ______

A) money
B) unlimited wants
C) a medium of exchange
D) a coincidence of wants

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

183) The use of money for exchange and trade

183) ______

A) increases the importance of barter.
B) fosters more specialization in production.
C) reduces consumer sovereignty.
D) raises the need for a coincidence of wants.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

184) Anything that is generally acceptable in trading for goods and services is a

184) ______

A) medium of exchange.
B) capital good.
C) store of value.
D) resource.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

185) Which of the following is the main problem with the barter system of exchange?

185) ______

A) It encourages self-interest.
B) It fosters the division of labor.
C) It requires a coincidence of wants.
D) It undermines the right to bequeath.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

186) International specialization and trade

186) ______

A) must be done on a barter system.
B) often requires the exchange of currencies.
C) does not illustrate the division of labor.
D) requires active government regulation.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

187) Why might a company use barter rather than money to make a trade?

187) ______

A) Barter trade is generally more efficient than money-based trade.
B) Barter can enable two firms to trade when their cash flows are limited.
C) Money requires a coincidence of wants; barter is more direct.
D) Money is efficient only for large transactions, so barter is preferred for smaller transactions.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

188) Which of the following is assumed to be most limited in scope under a market system?

188) ______

A) entrepreneurship
B) self-interest
C) specialization
D) government

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

189) If a nation restricts trade with other nations, then the most likely effect is

189) ______

A) lower prices of goods and services in the nation.
B) increased specialization of production.
C) expanded economic wealth of the nation.
D) consumers in the nation are made worse off.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Test Bank : II
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible

190) Which is one of the five fundamental questions that need to be dealt with in any economic system?

190) ______

A) What makes the rate of unemployment low?
B) Who will be the richest group in the economy?
C) How will goods and services be produced?
D) How high should the prices of goods and services be?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

191) Which of the following is *not* one of the five fundamental questions that an economy must deal with?

191) ______

A) How will the goods and services be produced?
B) Why should the goods and services be produced?
C) Who is to receive the goods and services produced in the economy?
D) In what ways will progress be promoted?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

192) Consumer sovereignty and "dollar votes" guide the market system in dealing with which fundamental economic question?

192) ______

A) Which output will be produced?
B) How is the output to be produced?
C) How can the system accommodate change?
D) Who is to receive the output?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

193) The term *consumer sovereignty* means that

193) ______

A) government is responsible for protecting consumers' interests.
B) what is produced is ultimately determined by what consumers buy.
C) there are no limits on what consumers may buy in a market system.
D) producers have strong control over what consumers buy.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

194) The market system is said to be characterized by "consumer sovereignty." This is because

194) ______

A) a sovereign government determines which consumer goods will be produced.
B) the prices of consumer goods are regulated by a sovereign government.
C) firms must match their production decisions to the consumers' choices.
D) consumer goods are considered to be more important than capital goods.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

195) The term *dollar votes* in a market system means

195) ______

A) inflation will occur if consumers don't spend wisely.
B) voters may be offered dollars to help elect certain political candidates.
C) government is responsible for determining what will be considered legal tender.
D) consumers "vote" for certain products to be produced by how they spend their incomes.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

196) In a market system, the "What will be produced?" question is ultimately decided by

196) ______

A) profitability of products.
B) costs of production.
C) workers in the firms.
D) industry analysts.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

197) Payments that a firm makes to obtain needed resources comprise its

197) ______

A) costs.
B) profits.
C) capital.
D) revenues.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

198) In a market system, more resources will move toward an industry and expand its production if the industry has

198) ______

A) positive revenues.
B) positive costs.
C) TC < TR.
D) TC > TR.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

199) In a market system, if firms in an industry persistently earn total revenues that are less than total costs, then that industry will

199) ______

A) have some firms go out of business.
B) attract more resources toward it.
C) experience entry of new firms.
D) get government protection from failure.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

200) In a market system, which of the following will eliminate high-cost producers and allow only the low-cost producers to survive?

200) ______

A) competition
B) money
C) a sovereign government
D) specialization

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

201) If the total costs of producing 1,500 units of output is $15,000 and this output sold to consumers for a total of $16,500, then the firm would earn economic profits of

201) ______

A) $31,500.
B) $16,500.
C) $1,500.
D) $15,000.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

202) The production technique that is most efficient is the one that produces a given amount of output

202) ______

A) using the least amount of labor resources.
B) at the highest price per unit.
C) at the lowest cost per unit.
D) that yields the highest revenues.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

203) Economic efficiency is the primary guide in answering which of the fundamental questions in a market economy?

203) ______

A) What will be produced?
B) How will the output be produced?
C) How can the system accommodate change?
D) Who is to receive the output?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

204) Suppose a firm can produce 70 units of a product, Zenia, by combining labor, land, capital, and entrepreneurial ability, as in the four alternative techniques shown in the table below. Assume further that the firm can hire labor at $3 per unit, land at $3 per unit, capital at $6 per unit, and entrepreneurship at $9 per unit.

	Techniques			
	A	**B**	**C**	**D**
Labor	4	10	6	5
Land	5	3	3	3
Capital	5	2	4	4
Entrepreneurship	1	1	1	1

Refer to the provided table. Which technique is the most economically efficient way of producing Zenia?

204) ______

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

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

205) Suppose a firm can produce 70 units of a product, Zenia, by combining labor, land, capital, and entrepreneurial ability, as in the four alternative techniques shown in the table below. Assume further that the firm can hire labor at $3 per unit, land at $3 per unit, capital at $6 per unit, and entrepreneurship at $9 per unit.

	Techniques			
	A	**B**	**C**	**D**
Labor	4	10	6	5

Land	5	3	3	3
Capital	5	2	4	4
Entrepreneurship	1	1	1	1

Refer to the provided table, and suppose that the firm uses production technique D. If each of the 70 units of Zenia that are produced sells for $1 apiece, then how much will be the total profits of the firm from 70 units of Zenia?

205) ______

A) $70
B) $57
C) $13
D) $83

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

206) Suppose a firm can produce 70 units of a product, Zenia, by combining labor, land, capital, and entrepreneurial ability, as in the four alternative techniques shown in the table below. Assume further that the firm can hire labor at $3 per unit, land at $3 per unit, capital at $6 per unit, and entrepreneurship at $9 per unit.

	Techniques			
	A	**B**	**C**	**D**
Labor	4	10	6	5
Land	5	3	3	3
Capital	5	2	4	4
Entrepreneurship	1	1	1	1

Refer to the provided table. If the price of labor declines from $3 to $2 per unit, then what is the least costly way of producing Zenias?

206) ______

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

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

207) The following table illustrates alternative production techniques for producing 18 widgets that can be sold for $1 each, for a total revenue of $18.

Resource	Price Per Unit of Resource	Techniques (# of Units of Each Resource Required)			
		A	B	C	D
Labor	$ 2	3	2	1	2
Land	1	2	1	3	1
Capital	4	1	2	2	3
Entrepreneurship	3	1	2	1	1

Based on the data given in the table, the most economically efficient production technique is
207) ______

A) A.
B) B.
C) C.
D) D.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

208) The following table illustrates alternative production techniques for producing 18 widgets that can be sold for $1 each for a total revenue of $18.

Resource	Price Per Unit of Resource	Techniques (# of Units of Each Resource Required)			
		A	B	C	D
Labor	$ 2	3	2	1	2
Land	1	2	1	3	1
Capital	4	1	2	2	3
Entrepreneurship	3	1	2	1	1

Using technique A will result in an

208) ______

A) economic loss of $2.
B) economic profit of $1.
C) economic profit of $2.
D) economic profit of $3.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

Microeconomics 22nd Edition by McConnell CH02B

209) The following table illustrates alternative production techniques for producing 18 widgets that can be sold for $1 each for a total revenue of $18.

Resource	Price Per Unit of Resource	Techniques (# of Units of Each Resource Required)			
		A	B	C	D
Labor	$ 2	3	2	1	2
Land	1	2	1	3	1
Capital	4	1	2	2	3
Entrepreneurship	3	1	2	1	1

If the price per unit of labor were to increase from $2 to $3, the most efficient production technique would then be

209) ______

A) A.
B) B.
C) C.
D) D.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

210) The following table illustrates alternative production techniques for producing 18 widgets that can be sold for $1 each for a total revenue of $18.

Resource	Price Per Unit of resource	Techniques (# of Units of Each Resource Required)			
		A	B	C	D
Labor	$ 2	3	2	1	2
Land	1	2	1	3	1
Capital	4	1	2	2	3
Entrepreneurship	3	1	2	1	1

If the price of labor increases from $2 to $3, then the results of using Technique C will change from an economic

210) ______

A) loss of $2 to a loss of $1.
B) profit of $2 to a profit of $1.
C) profit of $1 to a profit of $2.
D) loss of $1 to a loss of $2.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

211) In a market system, the distribution of goods and services among consumers is largely determined by

211) ______

A) the willingness and ability of consumers to pay the prices.
B) whoever needs the goods and services the most.
C) whoever has the closest connection to firms and the government.
D) a random factor that is almost impossible to predict.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

212) "For whom is a given mix of goods and services to be produced? How, in other words, are the society's outputs to be distributed among its members?" In a market economy, this question is resolved primarily in the

212) ______

A) public sector through the mechanism of central planning.
B) business sector through the mechanism of advertising.
C) private sector through the earning and spending of income.
D) money market through borrowing and saving by households and businesses.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

213) The distribution of income in a market system is a primary factor that resolves which of the following fundamental economic questions?

213) ______

A) What will be produced?
B) How will the output be produced?
C) How will the system accommodate change?
D) Who will get the output?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

214) In a market economy, the incomes of consumers depend primarily upon

214) ______

A) government policies in setting wages and interest rates.
B) the quantity and prices of resources that they possess.
C) the amount of savings that they have accumulated.
D) how closely connected they are to government and business leaders.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Test Bank : II
Accessibility : Screen Reader Compatible

215) If economic profits in a particular industry increase, then we would expect

215) ______

A) resources to be diverted away from that industry.
B) firms in that industry to produce less output.
C) firms to enter that industry, thus expanding it.
D) consumers to buy less from that industry.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

216) In a market system, resources will move away from an industry when

216) ______

A) profits of firms in the industry are rising.
B) demand for the industry's product is decreasing.
C) the production of output in the industry is rising.
D) profits of firms in other industries are falling.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

217) "Creative destruction" in a market system is brought about by

217) ______

A) entrepreneurship.
B) striking workers.
C) regulation by the government.
D) money-based trade.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

218) An increase in the demand for a product and a reduction in its costs of production would

218) ______

A) decrease the profits of producers.
B) encourage firms to leave an industry.
C) encourage firms to enter an industry.
D) cause a shortage of the product.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

219) In a market system, as one industry expands while another contracts, resources will flow

219) ______

A) away from the expanding industry toward the contracting one.
B) across industries, driven by the changes in resource prices paid by firms.
C) toward the industry where the product demand is declining.
D) because resource allocation will have to equalize between the two industries.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

220) The market system communicates changes in market conditions and elicits appropriate responses from businesses and resource suppliers through changes in prices. This is known as the

220) ______

A) guiding function of prices.
B) monetary function of prices.
C) circular flow of income.
D) market determination of prices.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

221) The development of the digital video camera, which replaced film video cameras, is an example of

221) ______

A) roundabout production.
B) derived demand.
C) creative destruction.
D) specialization.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

222) Which of the following does *not* illustrate the idea of *creative destruction*?

222) ______

A) Digital downloads have shrunk the market for CDs and DVDs.
B) Online retail sales have increased, while brick-and-mortar sales have slowed down.
C) The opening of a new mall reduces the traffic in another mall.
D) A firm has to destroy some of the expired products in its inventory.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

223) The idea that the desires of resource suppliers and firms to further their own self-interest will automatically further the public interest is known as

223) ______

A) consumer sovereignty.
B) the invisible hand.
C) derived demand.
D) creative destruction.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

224) Which of the following best describes the "invisible hand" concept?

224) ______

A) Ample regulation of business by the government will maximize the public's best interests.
B) The market system works best when resources are free to move from one use to another.
C) The problem of scarcity can best be overcome in a system of mixed capitalism.
D) Self-interest in a market system will automatically promote the public interest as well.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

225) The highly influential book by Adam Smith, who brought up the "invisible hand" notion, is titled

225) ______

A) *Freakonomics.*
B) *The Principles of Economics.*
C) *The Age of the Economist.*
D) *The Wealth of Nations.*

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

226) The "invisible hand" concept refers to the

226) ______

A) guiding function of prices in a market system.
B) implicit influence that the government has on the actions of firms.
C) regulatory structure that markets must operate in.
D) underlying money flows that promote the trading of goods and services.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

227) Businesses seeking higher profits and resource suppliers seeking higher incomes lead to changes in the allocation of resources among different firms and end up with

227) ______

A) consumers at the losing end.
B) output that society wants.
C) unnecessary conflict and turmoil.
D) a need for government action.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

228) The major virtues of the market system include all of the following, *except*

228) ______

A) it promotes an efficient allocation of resources.
B) it leads to equality in the distribution of income.
C) it provides incentives for greater production and higher incomes.
D) it emphasizes the freedom to pursue self-interest.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

229) The market economy is regarded as "efficient" in that

229) ______

A) it achieves the lowest rate of unemployment.
B) it leads to the lowest level of poverty in the society.
C) it directs resources toward products that the society wants most.
D) it puts the best people in government positions.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

230) One basic problem faced by central planners, but hardly present in a market system, has to do with

230) ______

A) determining the production goals or targets in a factory.
B) having limited resources and trying to match them with unlimited wants.
C) coordinating production in various industries so that bottlenecks do not develop.
D) providing financial resources for increasing the real flows of products in the economy.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

231) The major "success indicator" for business managers in command economies like the Soviet Union and China *in the past* was

231) ______

A) the quantity or volume of production.
B) product quality and variety.
C) the amount of profits a producer makes.
D) morale of workers in a firm.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

232) A characteristic of centrally planned economies is that

232) ______

A) the price is relatively unimportant in allocating resources.
B) profits are the main measure of success of a firm.
C) entrepreneurship is quite prevalent and highly rewarded.
D) there are many incentives for innovation and hard work.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

233) Which of the following is true of an economy that operates entirely through central planning?

233) ______

A) An individual's success in business is based on political savvy rather than economic profitability.
B) There is relative ease in matching resource allocation to consumer demand by the central planners.
C) Central planners receive market information and coordinate economic activity through the price mechanism.
D) The system adapts easily to technological change, because there is a healthy entrepreneurial spirit.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

234) In a command economy like the old Soviet Union, one is able to improve one's lot and get ahead in society largely through

234) ______

A) entrepreneurship and risk-taking.
B) innovation and profits.
C) participating in the political hierarchy.
D) getting high prices for one's products and resources.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Test Bank : II
Accessibility : Screen Reader Compatible

235) In the circular flow model of the market system, households' major role is to

235) ______

A) buy both products and resources.
B) sell both products and resources.
C) buy products and sell resources.
D) sell products and buy resources.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

236) In the circular flow model of the market system, business's major role is to

236) ______

A) buy products and resources.
B) sell products and resources.
C) buy products and sell resources.
D) sell products and buy resources.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

237) The circular flow model illustrates

237) ______

A) the importance of having a central plan for the economy.
B) how capital and other resources are created.
C) how money is created by the banking system.
D) the interdependence of businesses and consumers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

238) The simple circular flow model shows that workers and capital owners offer their services to firms through the

238) ______

A) product markets.
B) resource markets.
C) money markets.
D) financial markets.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

239) In the circular flow model, households earn their incomes in the

239) ______

A) resource markets.
B) product markets.
C) capitalist markets.
D) money markets.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

240) According to the circular flow model, product markets are where

240) ______

A) households earn their money incomes.
B) households acquire economic resources from businesses.
C) businesses acquire their inputs from households.
D) businesses earn their revenues from households.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

241) The money income of households consists of all the following, *except*

241) ______

A) wages.
B) profits.
C) interest.
D) revenues.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

242) Which of the following would be primarily determined in the resource markets?

242) ______

A) the airfares charged by airlines for family vacations
B) the wage rates for computer programmers and engineers
C) the number of home-Internet connections installed
D) the amount of money in circulation issued by the government

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

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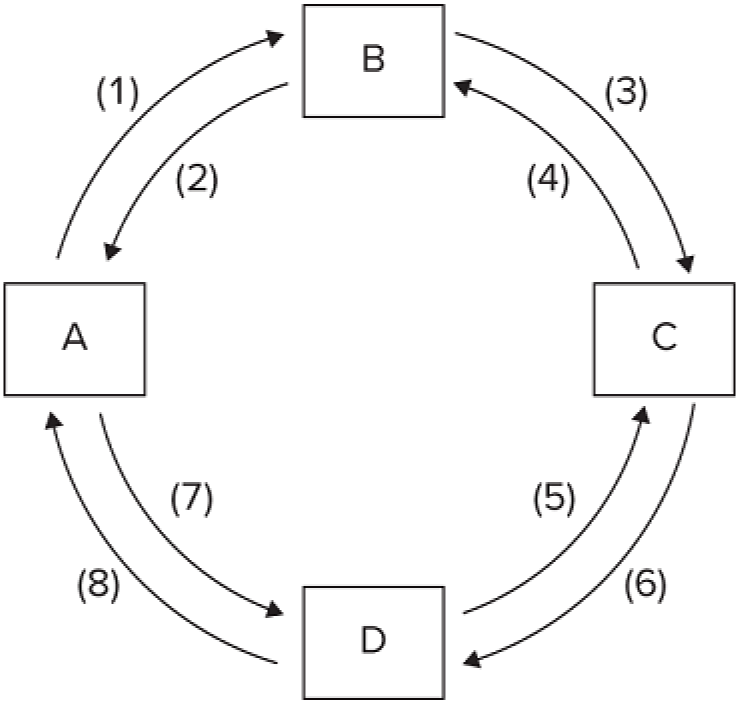
243) Refer to the provided figure. If box A represents households, B the product market, and C businesses, and if flow (3) represents revenues, then flow (1) would represent



243) ______

A) costs.
B) money income.
C) consumption expenditures.
D) resources.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

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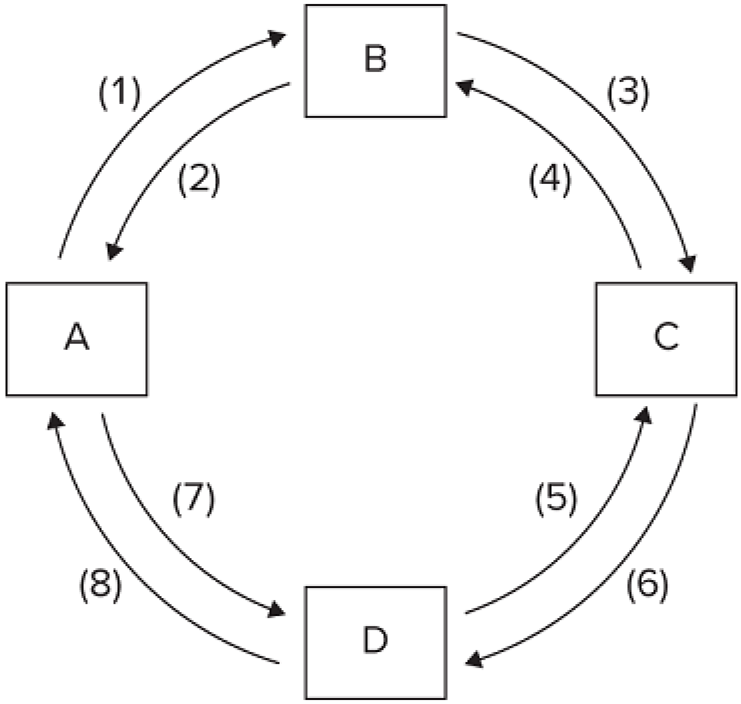
244) Refer to the provided figure. If box A represents households, D the resource market, and C businesses, then flow (8) would represent ___, while flow (7) would represent ___.



244) ______

A) goods and services; consumption expenditures
B) consumption expenditures; goods and services
C) resources; money income
D) money income; resources

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

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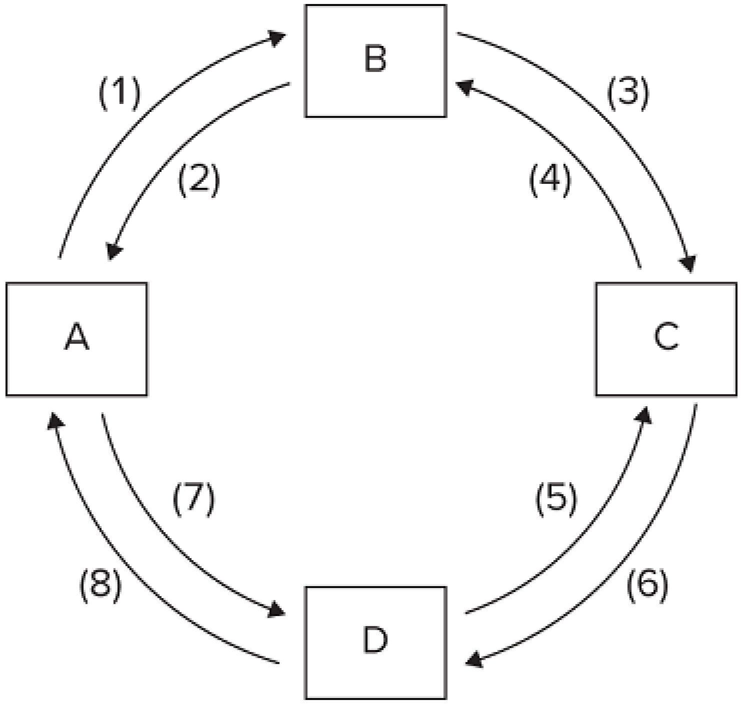
245) Refer to the provided figure. If box A represents households, B the product market, and C businesses, then flow (2) and flow (4) would represent



245) ______

A) the flow of labor and other resources.
B) the flow of goods and services.
C) business spending revenues.
D) money incomes and consumer spending.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

246) Which of the following is not a major category of business structure?

246) ______

A) sole proprietorship
B) partnership
C) public agency
D) corporation

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

247) In the circular flow diagram, households get their ability to pay for their consumption expenditures from the

247) ______

A) revenues they receive for their products.
B) costs they incur for resources.
C) incomes they earn for their resources.
D) goods and services they get in the product markets.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

248) In the circular flow diagram, firms get their ability to pay for the costs of production from the

248) ______

A) revenues they receive for their products.
B) resources they acquire in the resource markets.
C) incomes they earn for their resources.
D) goods and services they get in the product markets.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Test Bank : II
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible

249) In a market system, the task of assessing and managing the business risk of a firm is taken on by the firm's

249) ______

A) labor.
B) capital suppliers.
C) entrepreneurs.
D) customers.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

250) Which of the following guides sensible decisions regarding the management of business risk in a market system?

250) ______

A) the profit and loss system
B) the "invisible hand"
C) taxes and subsidies
D) consumer sovereignty

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

251) In a market system, a firm's employees are typically shielded from business risk by

251) ______

A) profit-sharing agreements.
B) wage contracts.
C) the Social Security program.
D) paid vacation leaves.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

252) One essential trade-off involving business risk in a market system is reflected in which of the following statements?

252) ______

A) Access to the firm's profits and gains are open only to those who take on the business risk of the firm.
B) Those who receive guaranteed payments from the firm are also guaranteed a share of the firm's profits.
C) Those who make bad decisions regarding risk will suffer losses; those who decide wisely will gain profits.
D) Those who bear the business risk of the firm are guaranteed to always gain profits.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

253) In a market system, which of the following is a major benefit of making the firm's owners and investors exclusively shoulder the business risk?

253) ______

A) Those who deeply dislike business risk will not have anything to do with the business.
B) This allows firms to more easily attract labor and other suppliers of inputs.
C) This reduces the business risk in the economy.
D) It makes it easier for the government to monitor and manage the business risk.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
Topic : How the Market System Deals with Risk
Test Bank : II
Accessibility : Screen Reader Compatible

254) (Consider This) The Bitcoin currency is issued by

254) ______

A) the United States Federal Reserve.
B) the United States Treasury.
C) the World Bank.
D) no government of any country.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible

255) (Consider This) Bitcoin mining operations tend to maximize profits by

255) ______

A) paying their labor minimum wage.
B) using super computers.
C) using low-cost electricity.
D) operating in areas with little regulation.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible

256) (Consider This) Today, South Korea's economy

256) ______

A) produces a GDP per capita of $1,700.
B) is considered a command economy.
C) has a lower GDP per capita than North Korea's economy.
D) is more developed and prosperous, producing an average annual income of $39,500.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 03 Hard
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Accessibility : Screen Reader Compatible

257) (Consider This) Which of the following is *not* a consequence of government subsidized flood insurance?

257) ______

A) More people will choose to live in areas susceptible to flooding.
B) Taxpayers will have to help pay for the rebuilding of flooded properties.
C) It makes actual risks of flooding look artificially low.
D) More people will choose to live and work on higher ground.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-06 Explain how the market system deals with risk.
AACSB : Reflective Thinking
Topic : How the Market System Deals with Risk
Accessibility : Screen Reader Compatible

258) (Last Word) Today, Venezuela's economy is

258) ______

A) thriving, thanks to Bolivarian Socialism.
B) expanding due to the clever idea of printing money to pay the government's bills.
C) considered a laissez-faire economic system.
D) ruined due to actions of incompetent political leaders.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible

259) (Last Word) Which of the following helps explain why the economy of Venezuela has collapsed?

259) ______

A) increased oil production due to government nationalization of the industry
B) government price controls that increase competition among small businesses
C) a substantial crackdown on corruption caused many companies to be put out of business
D) hyperinflation caused by printing money to pay for government spending

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
AACSB : Reflective Thinking
Accessibility : Screen Reader Compatible

260) Which of the following is a characteristic of a sole proprietorship?

260) ______

A) The owner bears no personal responsibility for the debts of the business.
B) It is owned and managed by two or more people.
C) It is an independent legal entity on its own.
D) It is owned and managed by one person.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 03 Hard
AACSB : Knowledge Application
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible
Bloom's : Apply

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ESSAY. Write your answer in the space provided or on a separate sheet of paper.

261) Define the term economic system. Discuss the two ways in which economic systems can differ.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Bloom's : Remember
Difficulty : 01 Easy
Accessibility : Screen Reader Compatible
Test Bank : III

262) Explain the term "laissez faire capitalism."

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Bloom's : Remember
Difficulty : 01 Easy
Accessibility : Screen Reader Compatible
Test Bank : III

263) Explain what is meant by a command economy.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 02-01 Define and explain laissez-faire capitalism, the command system, and the m
Topic : Economic Systems
Bloom's : Remember
Difficulty : 01 Easy
Accessibility : Screen Reader Compatible
Test Bank : III

264) List nine characteristics of the market system.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-02 List the main characteristics of the market system.
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

265) Why is the right of private property an essential characteristic of a market system?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Learning Objective : 02-02 List the main characteristics of the market system.
Bloom's : Understand
Difficulty : 02 Medium
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

266) What role does freedom play in capitalism? How important is it to the operation of a competitive market economy?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Learning Objective : 02-02 List the main characteristics of the market system.
Bloom's : Understand
Difficulty : 02 Medium
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

267) Explain the importance of self-interest in the operation of a market system.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Learning Objective : 02-02 List the main characteristics of the market system.
Bloom's : Understand
Difficulty : 02 Medium
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

268) What conditions are necessary for economic competition to exist?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Learning Objective : 02-02 List the main characteristics of the market system.
Bloom's : Understand
Difficulty : 02 Medium
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

269) Describe two types of specialization in production.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Learning Objective : 02-02 List the main characteristics of the market system.
Bloom's : Understand
Difficulty : 02 Medium
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

270) Describe three ways that human specialization contributes to society's output.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Learning Objective : 02-02 List the main characteristics of the market system.
Bloom's : Understand
Difficulty : 02 Medium
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

271) What advantage does a money economy have over a barter economy?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Learning Objective : 02-02 List the main characteristics of the market system.
Bloom's : Understand
Difficulty : 02 Medium
Topic : Characteristics of the Market System
Accessibility : Screen Reader Compatible
Test Bank : III

272) What are the Five Fundamental Questions that every economy must answer?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Accessibility : Screen Reader Compatible
Test Bank : III

273) How does ‘consumer sovereignty’ determine the types and quantities of the goods produced in an economy?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-03 Explain how the market system answers the five fundamental questions of wh
Topic : Five Fundamental Questions
Accessibility : Screen Reader Compatible
Test Bank : III

274) Adam Smith in his 1776 book the *Wealth of Nations* describes the concept of "an invisible hand." Explain what he means by an "invisible hand."

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Accessibility : Screen Reader Compatible
Test Bank : III

275) Describe the three major virtues of a market system.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Accessibility : Screen Reader Compatible
Test Bank : III

276) What are the two main problems that have caused the demise of the command systems?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Accessibility : Screen Reader Compatible
Test Bank : III

277) (Consider This) Explain the differences in economic systems between North and South Korea and the economic outcomes of the two systems.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-04 Explain the operation of the "invisible hand."
Topic : The "Invisible Hand"
Accessibility : Screen Reader Compatible
Test Bank : III

278) What is the relationship between businesses and households in the circular flow diagram?

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible
Test Bank : III

279) Explain the main characteristics of a corporation.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible
Test Bank : III

280) Discuss the benefits of restricting business risk to the owners.

Question Details
Accessibility : Keyboard Navigation
AACSB : Knowledge Application
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 02-05 Describe the mechanics of the circular flow model.
Topic : The Circular Flow Model
Accessibility : Screen Reader Compatible
Test Bank : III

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Answer Key

Test name: CH02B

1) TRUE
2) TRUE
3) FALSE
4) TRUE
5) TRUE
6) FALSE
7) TRUE
8) TRUE
9) FALSE
10) FALSE
11) TRUE
12) TRUE
13) TRUE
14) FALSE
15) FALSE
16) FALSE
17) FALSE
18) FALSE
19) FALSE
20) FALSE
21) FALSE
22) FALSE
23) TRUE
24) FALSE
25) FALSE
26) FALSE

27) FALSE
28) TRUE
29) TRUE
30) FALSE
31) TRUE
32) FALSE
33) FALSE
34) FALSE
35) FALSE
36) FALSE
37) FALSE
38) FALSE
39) TRUE
40) FALSE
41) FALSE
42) TRUE
43) TRUE
44) TRUE
45) TRUE
46) FALSE
47) TRUE
48) B
49) C
50) D
51) A
52) B
53) B
54) C
55) A
56) D

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57) A
58) C
59) A
60) B
61) C
62) C
63) C
64) C
65) B
66) B
67) C
68) A
69) D
70) B
71) A
72) A
73) C
74) C
75) A
76) D
77) B
78) C
79) D
80) C
81) D
82) D
83) B
84) B
85) D
86) A

87) C
88) B
89) B
90) D
91) B
92) B
93) C
94) B
95) A
96) B
97) D
98) A
99) B
100) B
101) A
102) D
103) A
104) B
105) D
106) A
107) C
108) B
109) A
110) D
111) A
112) B
113) D
114) A
115) B
116) C

117) A
118) A
119) B
120) D
121) B
122) D
123) C
124) A
125) A
126) C
127) B
128) C
129) C
130) C
131) B
132) A
133) B
134) C
135) D
136) C
137) C
138) C
139) D
140) B
141) B
142) D
143) B
144) A
145) B
146) C

147) B
148) C
149) A
150) D
151) D
152) C
153) C
154) D
155) A
156) A
157) A
158) B
159) C
160) D
161) D
162) C
163) A
164) D
165) D
166) A
167) A
168) C
169) B
170) A
171) C
172) D
173) D
174) D
175) A
176) B

177) D
178) B
179) B
180) A
181) D
182) D
183) B
184) A
185) C
186) B
187) B
188) D
189) D
190) C
191) B
192) A
193) B
194) C
195) D
196) A
197) A
198) C
199) A
200) A
201) C
202) C
203) B
204) D
205) C
206) B

207) A
208) D
209) C
210) B
211) A
212) C
213) D
214) B
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216) B
217) A
218) C
219) B
220) A
221) C
222) D
223) B
224) D
225) D
226) A
227) B
228) B
229) C
230) C
231) A
232) A
233) A
234) C
235) C
236) D

237) D
238) B
239) A
240) D
241) D
242) B
243) C
244) D
245) B
246) C
247) C
248) A
249) C
250) A
251) B
252) A
253) B
254) D
255) C
256) D
257) D
258) D
259) D
260) D
261) An economic system is a particular set of institutional arrangements and a coordinating mechanism for solving the economizing problem. Economic systems differ as to who owns the factors of production and the method used to motivate, coordinate, and direct economic activity.

262) This is a hypothetical economic system in which the government's economic role is limited to protecting private property and establishing a legal environment appropriate to the operation of markets in which only mutually agreeable transactions would take place between buyers and sellers. It is sometimes referred to as "pure capitalism."

263) A method of organizing an economy in which property resources are publicly owned and government uses central economic planning to direct and coordinate economic activities. It is also known as socialism or communism.

264) The nine key features are: (1) private property, (2) freedom of enterprise and choice, (3) self-interest, (4) competition, (5) markets and prices, (6) technology and capital goods, (7) specialization, (8) use of money, (9) active, but limited government.

265) This right of private property, along with the freedom to negotiate binding legal contracts, enables individuals and businesses to obtain, use, and dispose of property resources as they see fit. Property rights encourage investment, innovation, maintenance of property, and economic growth. Nobody would stock a store, build a factory, or clear land for farming if someone else, or the government, could take it away. Also, property rights encourage owners to maintain or improve their property to preserve or increase its value. Finally, property rights enable people to use their time and resources to produce more goods and services, rather than having to use them to protect and retain the property they already own.

266) Within legal limitations, freedom of enterprise and freedom of choice play a role in capitalism. Freedom of enterprise is important because it ensures that entrepreneurs and private businesses are free to obtain and use economic resources to produce their choice of goods and services and to sell them in their chosen markets. Freedom of choice is important because it allows owners to employ or dispose of their property and money as they see fit. It also allows workers to try to enter any line of work for which they are qualified. Finally, it ensures that consumers are free to buy the goods and services that best satisfy their wants and that their budgets allow.

267) Self-interest is important because it is the motivating force in a market system. Self-interest simply means that each economic unit tries to achieve its own particular goal. Entrepreneurs try to maximize profit or minimize loss. Property owners try to get the highest price for the sale or rent of their resources. Workers try to maximize their utility (satisfaction) by finding jobs that offer the best combination of wages, hours, benefits, and working conditions. Consumers try to obtain products at the lowest possible price. Self-interest provides direction and consistency to what might otherwise be a chaotic economy.

268) Broadly defined, competition requires two or more buyers and two or more sellers acting independently in a particular product or resource market. (Usually there are many more than two buyers and two sellers.) Also, necessary is the freedom of sellers and buyers to enter or leave (exit) markets, based on their economic self-interest.

269) One type of specialization is human specialization, which is sometimes referred to as the division of labor. This means the work required to produce a product has been divided into a number of different tasks. Then the workers that are best suited to each task will be assigned to it. Geographic specialization works on a regional or international basis when producers concentrate on producing only one or a few products that they are best suited for and exchanging their surplus to another region that has also specialized in production that they are best suited for. Both kinds of specialization increase efficiency in the use of limited resources.

270) Human specialization makes use of differences in abilities, which means that individuals can take advantage of the differences in their abilities and skills; fosters learning by doing, which means that as individuals devote time to a single task, they develop the skills required; and saves time, which means that as a person devotes time to a single task, that person avoids the loss of time incurred in shifting from one job to another.

271) In economies where people use money as the medium of exchange, trade is easier. Money is a convenient social invention that facilitates the exchange of goods and services. To serve as money, an item needs to pass only one test: Sellers must be willing to accept it as payment for their goods and services. Barter is the direct exchange of one good or service for another good or service. This is a problem because it requires a coincidence of wants between the buyer and the seller, the seller has to have what the buyer wants and the buyer has to have what the seller wants; if this coincidence of wants is missing, no trade takes place.

272) There are five fundamental questions that every economy must answer. What goods and services will be produced? How will the goods and services be produced? Who will get the output? How will the system accommodate change? How will the system promote progress?

273) Consumers register their preferences for the type and quantity of goods and services they want in the market when they buy something. The dollars spent are like voting for that product to continue to be produced. If the dollar votes for a certain product are great enough to create a profit, businesses will produce and sell that product. In contrast, if the dollar votes do not create sufficient revenues to cover costs, businesses will not produce the product. Thus, consumers collectively direct resources to industries that are meeting their wants and away from industries that are not meeting their wants.

274) Firms and resource suppliers, seeking to further their own self-interests and operating within the framework of a highly competitive market system, will simultaneously, as though guided by an "invisible hand," promote the public interest. Firms and resource suppliers have their own interests in mind, but competition forces them to consider other people's interests. The invisible hand of competition ensures that when firms maximize their own profits and resource suppliers maximize their own incomes, they also help to maximize society's output and income.

275) The three major virtues of the market system are efficiency, incentives, and freedom. Efficiency is realized as the market system promotes the efficient use of resources by guiding them into the production of the goods and services most wanted by society. It encourages the development and adoption of new and more efficient production techniques. Incentives found in the market system encourage skill acquisition, hard work, innovation, and entrepreneurship. Greater work skills and effort mean greater production and higher incomes, which usually translate into a higher standard of living. Successful innovations generate economic rewards. Lower-cost production raises profits while freeing up resources to be used elsewhere. Freedom is the major noneconomic argument for the market system in its emphasis on personal freedom. Unlike central planning, the market system coordinates economic activity without coercion. Entrepreneurs and workers are free to further their own self-interest, subject to the rewards and penalties imposed by the market system itself.

276) The first difficulty was the coordination problem. The central planners had to coordinate the millions of individual decisions by consumers, resource suppliers, and businesses. A lack of a reliable success indicator added to the coordination problem in the Soviet Union and China prior to its market reforms. The command economies also faced an incentive problem. Central planners determined the output mix. When they misjudged how many automobiles, shoes, shirts, and chickens were wanted at the government-determined prices, persistent shortages and surpluses of those products arose. Thus, many products were unavailable or in short supply, while other products were overproduced and sat for months or years in warehouses.

277) North Korea, under the influence of the Soviet Union, established a command economy that emphasized government ownership and central government planning. South Korea, protected by the United States, established a market economy based upon private ownership and the profit motive. Today, South Korea is far more prosperous, with South Koreans enjoying an average annual income (GDP per capita) of $39,500 per year versus $1,700 in North Korea. That differential is especially startling when you find out that North Korea was richer and more highly industrialized when the countries were separated in 1953.

278) Households buy the goods and services that businesses make available in the product market. Households obtain the income needed to buy those products by selling resources in the resource market. Businesses sell goods and services in the product market in order to obtain revenue, and they incur costs in the resource market when they purchase the labor, land, capital, and entrepreneurial ability that they need to produce their goods and services.

279) A corporation is an independent legal entity that can, on its own behalf, acquire resources, own assets, produce and sell products, incur debts, extend credit, sue and be sued, and otherwise engage in any legal business activity. The fact that a corporation is an independent legal entity means that its owners bear no personal financial responsibility for the corporation's debts and obligations. For instance, if a corporation has failed to repay a loan to a bank, the bank can sue the corporation but not its owners. Professional managers run most corporations. They are hired and supervised by a board of directors that is elected annually by the corporation's owners.

280) Many people deeply dislike risk and would not be willing to participate in a business venture if they were exposed to the possibility of losing money. Many workers just want to do their jobs and get paid twice a month without having to worry about whether their employer is doing well or not. The same is true for most suppliers, whose only concern is receiving full and prompt payment for the inputs they supply to businesses. This makes it much easier for firms to attract labor and other inputs, which in turn helps the economy innovate and grow. The profit system helps to achieve prudent risk management by focusing owners on the responsibility and the rewards for successfully managing risk. Owners can provide the risk-managing input of entrepreneurial ability themselves or hire it by paying a skilled manager. But either way, some individual's full-time job includes the specialized task of managing business risk.