Brief Principles of Macroeconomics 8th edition Mankiw Test Bank

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MULTIPLE CHOICE

1 : Which of the following is not correct?
A : Economists use some familiar words in specialized ways.
B : Economics has its own language and its own way of thinking, but few other fields of study do.
C : Supply, demand, elasticity, comparative advantage, consumer surplus, and deadweight loss are all terms that are part of the economists language.
D : The value of the economists language lies in its ability to provide you with a new and useful way of thinking about the world in which you live.

Correct Answer : B

2 : Economists use some familiar terms in specialized ways
A : to make the subject sound more complex than it is.
B : because every respectable field of study has its own language.
C : to provide a new and useful way of thinking about the world.
D : because it was too difficult to come up with new terms.

Correct Answer : C

3 : The language of economics is
A : needlessly arcane.
B : valuable because it provides a new and useful way of learning about the world.
C : easy to learn within a day.
D : unnecessary to learn for a thorough understanding of economics.

Correct Answer : B

4 : Studying which of the following is helpful in learning to think like an economist?
A : theory.
B : case studies.
C : examples of economics in the news.
D : all of the above.

Correct Answer : D

MULTIPLE CHOICE

1 : Economists, like mathematicians, physicists, and biologists,
A : make use of the scientific method.
B : try to address their subject with a scientists objectivity.
C : devise theories, collect data, and then analyze these data in an attempt to verify or refute their theories.
D : All of the above are correct.

Correct Answer : D

2 : The essence of science is
A : the laboratory experiment.
B : the scientific method.
C : the study of nature, but not the study of society.
D : All of the above are correct.

Correct Answer : B

3 : The scientific method is
A : the use of modern technology to understand the way the world works.
B : the use of controlled laboratory experiments to understand the way the world works.
C : the dispassionate development and testing of theories about how the world works.
D : the search for evidence to support preconceived theories about how the world works.

Correct Answer : C

4 : The scientific method is applicable to studying
A : natural sciences, but not social sciences.
B : social sciences, but not natural sciences.
C : both natural sciences and social sciences.
D : None of the above is correct.

Correct Answer : C

5 : Who said, The whole of science is nothing more than the refinement of everyday thinking?
A : Isaac Newton
B : Albert Einstein
C : Adam Smith
D : Benjamin Franklin

Correct Answer : B

6 : Albert Einstein once made the following observation about science:
A : The whole of science is nothing more than the refinement of everyday thinking.
B : The whole of science is nothing more than an interesting intellectual exercise.
C : In order to understand science, one must rely solely on abstraction.
D : In order to understand science, one must transcend everyday thinking.

Correct Answer : A

7 : Sir Isaac Newtons development of the theory of gravity after observing an apple fall from a

tree is an example of
A : a controlled experiment that lead to the formulation of a scientific theory.
B : being in the right place at the right time.
C : an idea whose time had come.
D : the interplay between observation and theory in science.

Correct Answer : D

8 : Which of the following steps does an economist take when studying the economy?
A : devise theories
B : collect data
C : analyze data
D : All of the above are correct.

Correct Answer : D

9 : Which of the following is an example of using the scientific method with a natural experiment?
A : measuring how long it takes a marble to fall from a ten story building
B : comparing plant growth with and without a soil additive
C : tracking the price of oil when a war in the Middle East interrupts the flow of crude oil
D : observing the reaction when two chemicals are mixed together

Correct Answer : C

10 : The goal of an economist who formulates new theories is to
A : provide an interesting framework of analysis, whether or not the framework turns out to be of much use in understanding how the world works.
B : provoke stimulating debate in scientific journals.
C : contribute to an understanding of how the world works.
D : demonstrate that economists, like other scientists, can formulate testable theories.

Correct Answer : C

11 : Suppose an economist develops a theory that higher food prices arise from higher gas prices. According to the scientific method, which of the following is the economists next step?
A : Collect and analyze data.
B : Go to a laboratory and generate data to test the theory.
C : Publish the theory without testing it.
D : Consult with other economists to see they agree with the theory.

Correct Answer : A

12 : Which of the following statements applies to economics, as well as to other sciences such as physics?
A : Experiments are considered valid only when they are conducted in a laboratory.
B : Good theories do not need to be tested.
C : Real-world observations often lead to theories.
D : Economics, as well as other sciences, is concerned primarily with abstract concepts.

Correct Answer : C

13 : With respect to how economists study the economy, which of the following statements is

most accurate?
A : Economists study the past, but they do not try to predict the future.
B : Economists use rules of thumb to predict the future.
C : Economists devise theories, collect data, and analyze the data to test the theories.
D : Economists use controlled experiments in much the same way that biologists and physicists do.

Correct Answer : C

14 : Economists face an obstacle that many other scientists do not face. What is that obstacle?
A : It is often difficult to formulate theories in economics.
B : It is often impractical to perform experiments in economics.
C : Economics cannot be addressed objectively; it must be addressed subjectively.
D : The scientific method cannot be applied to the study of economics.

Correct Answer : B

15 : In conducting their research, economists face an obstacle that not all scientists face; specifically, in economics, it is often impractical to
A : make use of theory and observation.
B : rely upon the scientific method.
C : conduct laboratory experiments.
D : find articles or books that were written before 1900.

Correct Answer : C

16 : The use of theory and observation is more difficult in economics than in sciences such as physics due to the difficulty in
A : performing an experiment in an economic system.
B : applying mathematical methods to economic analysis.
C : analyzing available data.
D : formulating theories about economic events.

Correct Answer : A

17 : Which of the following statements is (are) correct?
A : Relative to some other scientists, economists find it more difficult to conduct experiments.
B : Theory and observation are important in economics as well as in other sciences.
C : To obtain data, economists often rely upon the natural experiments offered by history.
D : All of the above are correct.

Correct Answer : D

18 : Because it is difficult for economists to use experiments to generate data, they generally must
A : do without data.
B : substitute assumptions for data when data are unavailable.
C : rely upon hypothetical data that were previously concocted by other economists.
D : use whatever data the world gives them.

Correct Answer : D

19 : Which of the following statements is correct?

A : Economists almost always find it easy to conduct experiments in order to test their theories.
B : Economics is not a true science because economists are not usually allowed to conduct experiments to test their theories.
C : Economics is a social science rather than a true science because it cannot employ the scientific method.
D : Economists are usually not able to conduct experiments, so they must rely on natural experiments offered by history.

Correct Answer : D

20 : Instead of conducting laboratory experiments to generate data to test their theories, economists often
A : ask winners of the Nobel Prize in Economics to evaluate their theories.
B : argue that data is impossible to collect in economics.
C : gather data from historical episodes of economic change.
D : assume that data would support their theories.

Correct Answer : C

21 : The most common data for testing economic theories come from
A : carefully controlled and conducted laboratory experiments.
B : computer models of economies.
C : historical episodes of economic change.
D : centrally planned economies.

Correct Answer : C

22 : In conducting their research, economists often substitute historical events and historical episodes for
A : theories and observations.
B : laboratory experiments.
C : models.
D : assumptions.

Correct Answer : B

23 : For economists, substitutes for laboratory experiments often come in the form of
A : natural experiments offered by history.
B : untested theories.
C : rules of thumb and other such conveniences.
D : reliance upon the wisdom of elders in the economics profession.

Correct Answer : A

24 : Economists regard events from the past as
A : irrelevant, since history is unlikely to repeat itself.
B : of limited interest, since those events seldom provide any useful economic data.
C : interesting but not particularly valuable, since those events cannot be used to evaluate present-day economic theories.
D : interesting and valuable, since those events are capable of helping us to understand the past, the present, and the future.

Correct Answer : D

25 : For economists, historical episodes
A : are not worthy of study because they offer few insights into current economic events and problems.
B : are not worthy of study because laboratory experiments provide more reliable data.
C : are worthy of study because economists rely entirely on observation, rather than on theory.
D : are worthy of study because they serve as valuable substitutes for laboratory experiments.

Correct Answer : D

26 : Historical episodes are
A : valuable to economists because they allow economists to see how the science of economics has evolved.
B : valuable to economists because they allow economists to evaluate economic theories.
C : not of concern to economists because economics is about predicting the future, not dwelling on the past.
D : not of concern to economists because the exact circumstances of historical episodes are unlikely to be observed again.

Correct Answer : B

27 : One thing economists do to help them understand how the real world works is
A : make assumptions.
B : ignore the past.
C : try to capture every aspect of the real world in the models they construct.
D : All of the above are correct.

Correct Answer : A

28 : Which of the following is not an example of a natural experiment an economist might use to evaluate a theory?
A : Transit ridership increased in Atlanta following an increase in gas prices.
B : Federal tax revenue increased following a decrease in the tax rate.
C : Students in a principles of microeconomics course are asked to play a game with classmates to determine what decisions they make under certain circumstances.
D : Following the imposition of austerity measures, the growth rate of the economy in Greece slowed.

Correct Answer : C

29 : Economists make assumptions to
A : mimic the methodologies employed by other scientists.
B : minimize the number of experiments that yield no useful data.
C : minimize the likelihood that some aspect of the problem at hand is being overlooked.
D : focus their thinking on the essence of the problem at hand.

Correct Answer : D

30 : Economists make use of assumptions, some of which are unrealistic, for the purpose of
A : teaching economics to people who have never before studied economics.
B : advancing their political agendas.
C : developing models when the scientific method cannot be used.
D : focusing their thinking.

Correct Answer : D

31 : For an economist, the idea of making assumptions is regarded generally as a
A : bad idea, since doing so leads to the omission of important ideas and variables from economic models.
B : bad idea, since doing so invariably leads to data-collection problems.
C : good idea, since doing so helps to simplify the complex world and make it easier to understand.
D : good idea, since economic analysis without assumptions leads to complicated results that the general public finds hard to understand.

Correct Answer : C

32 : Economists make assumptions to
A : provide issues for political discussion.
B : make a complex world easier to understand.
C : make it easier to teach economic concepts and analysis.
D : create policy alternatives that are incomplete or subject to criticism.

Correct Answer : B

33 : A circular-flow model and production possibilities frontier are similar in that
A : neither allows economic analysis to occur.
B : neither can be represented visually on a graph.
C : both make use of assumptions.
D : both make use of complex equations to arrive at solutions.

Correct Answer : C

34 : An economic theory about international trade that is based on the assumption that there are only two countries trading two goods
A : is useless, since the real world has many countries trading many goods.
B : can be useful only in situations involving two countries and two goods.
C : can be useful in the classroom, but is useless in the real world.
D : can be useful in helping economists understand the complex world of international trade involving many countries and many goods.

Correct Answer : D

35 : The art in scientific thinking -- whether in chemistry, economics, or biology -- is
A : the design and implementation of laboratory experiments.
B : knowing when to stop collecting data and when to start analyzing the data.
C : deciding which assumptions to make.
D : being able to mathematically model natural phenomena.

Correct Answer : C

36 : The art in scientific thinking is
A : finding the right problem to study.
B : deciding which assumptions to make.
C : the ability to make an abstract subject easy to understand.
D : not something in which economists have to be skilled.

Correct Answer : B

37 : The decision of which assumptions to make is
A : an easy decision for an economist, but a difficult decision for a physicist or a chemist.
B : not a particularly important decision for an economist.
C : usually regarded as an art in scientific thinking.
D : usually regarded as the easiest part of the scientific method.

Correct Answer : C

38 : An example of a price that changes only infrequently is the price of
A : stocks on the New York Stock Exchange.
B : crude oil.
C : residential real estate.
D : magazines sold at newsstands.

Correct Answer : D

39 : When studying the effects of public policy changes, economists
A : always refrain from making assumptions.
B : sometimes make different assumptions about the short run and the long run.
C : consider only the direct effects of those policy changes and not the indirect effects.
D : consider only the short-run effects of those policy changes and not the long-run effects.

Correct Answer : B

40 : When studying the effects of changes in public policy, economists believe that
A : it is important to distinguish between the short run and the long run.
B : the assumptions used in studying those effects should be the same for the short run as for the long run.
C : the short-run effects of those changes are always more beneficial to society than are the long-run effects.
D : the long-run effects of those changes are always more beneficial to society than are the short-run effects.

Correct Answer : A

41 : A model can be accurately described as a
A : theoretical abstraction with very little value.
B : device that is useful only to the people who created it.
C : realistic and carefully constructed theory.
D : simplification of reality.

Correct Answer : D

42 : Which of the following statements about models is correct?
A : The more details a model includes, the better the model.
B : Models assume away irrelevant details.
C : Models cannot be used to explain how the economy functions.
D : Models cannot be used to make predictions.

Correct Answer : B

43 : In building economic models, economists often omit
A : assumptions.
B : theories.
C : details.
D : equations.

Correct Answer : C

44 : Which of the following statements about economic models is correct?
A : Economic models are built to mirror reality exactly.
B : Economic models are useful, but they should not be used for the purpose of improving public policies.
C : Because economic models omit many details, they allow us to see what is truly important.
D : Economic models seldom incorporate equations or diagrams.

Correct Answer : C

45 : Economic models
A : cannot be useful if they are based on false assumptions.
B : were once thought to be useful, but that is no longer true.
C : must incorporate all aspects of the economy if they are to be useful.
D : can be useful, even if they are not particularly realistic.

Correct Answer : D

46 : Which of the following is not correct about most economic models?
A : They are composed of equations and diagrams.
B : They contribute very little to economists understanding of the real world.
C : They omit many features of the real-world economy.
D : In constructing models, economists make assumptions.

Correct Answer : B

47 : Economic models
A : are constructed to mirror reality as closely as possible, and in this respect economic models are no different from other scientific models.
B : are constructed to mirror reality as closely as possible, and in this respect economic models are very different from other scientific models.
C : are simplifications of reality, and in this respect economic models are no different from other scientific models.
D : are simplifications of reality, and in this respect economic models are very different from other scientific models.

Correct Answer : C

48 : Economic models
A : are not useful because they omit many real-world details.
B : are usually composed of diagrams and equations.
C : are useful because they do not omit any real-world details.
D : are usually plastic representations of the economy.

Correct Answer : B

49 : Just like models constructed in other areas of science, economic models
A : incorporate assumptions that contradict reality.
B : incorporate all details of the real world.
C : complicate reality.
D : avoid the use of diagrams and equations.

Correct Answer : A

50 : Which types of models are built with assumptions?
A : economic models, but not models in other disciplines such as physics and biology
B : economic models as well as models in other disciplines such as physics and biology
C : models that are built for teaching purposes but not for research purposes
D : bad models

Correct Answer : B

51 : An assumption an economist might make while studying international trade is
A : there are only two countries.
B : countries only produce two goods.
C : technology does not change.
D : All of the above are possible assumptions.

Correct Answer : D

52 : Economists build economic models by
A : generating data.
B : conducting controlled experiments in a lab.
C : making assumptions.
D : reviewing statistical forecasts.

Correct Answer : C

53 : Economic models are built with
A : recommendations concerning public policies.
B : facts about the legal system.
C : assumptions.
D : statistical forecasts.

Correct Answer : C

54 : In constructing models, economists
A : leave out equations, since equations and models tend to contradict one another.
B : ignore the long run, since models are useful only for short-run analysis.
C : sometimes make assumptions that are contrary to features of the real world.
D : try to include every feature of the economy.

Correct Answer : C

55 : Economic models
A : are people who act out the behavior of firms and households so that economists can study this behavior.
B : are usually detailed replications of reality.

C : incorporate simplifying assumptions that often contradict reality, but also help economists better understand reality.
D : are useful to researchers but not to teachers because economic models omit many details of the real-world economy.

Correct Answer : C

56 : Which of the following statements is correct?
A : Few economic models incorporate assumptions.
B : Different economic models employ different sets of assumptions.
C : Good economic models attempt to mimic reality as closely as possible.
D : Economic models, to be accepted, must be tested by conducting experiments.

Correct Answer : B

57 : Which of these statements about economic models is correct?
A : For economists, economic models provide insights about the world.
B : Economic models are built with assumptions.
C : Economic models are often composed of equations and diagrams.
D : All of the above are correct.

Correct Answer : D

58 : The circular-flow diagram is an example of
A : a laboratory experiment.
B : an economic model.
C : a mathematical model.
D : All of the above are correct.

Correct Answer : B

59 : The circular-flow diagram is a
A : visual model of the economy.
B : visual model of the relationships among money, prices, and businesses.
C : model that shows the effects of government on the economy.
D : mathematical model of how the economy works.

Correct Answer : A

60 : A circular-flow diagram is a model that
A : helps to explain how participants in the economy interact with one another.
B : helps to explain how the economy is organized.
C : incorporates all aspects of the real economy.
D : Both (a) and (b) are correct.

Correct Answer : D

61 : The circular-flow diagram
A : is an economic model.
B : incorporates two types of decision makers: households and firms.
C : represents the flows of inputs, outputs, and dollars.
D : All of the above are correct.

Correct Answer : D

62 : Which of the following statements about the circular-flow diagram is correct?
A : One must imagine that the economy operates without money in order to make sense of the diagram.
B : The diagram leaves out details that are not essential for understanding the economic transactions that occur between households and firms.
C : The government cannot be excluded as a decision maker in a circular-flow diagram.
D : All of the above are correct.

Correct Answer : B

63 : In the simple circular-flow diagram, the participants in the economy are
A : firms and government.
B : households and firms.
C : households and government.
D : households, firms, and government.

Correct Answer : B

64 : Which two groups of decision makers are included in the simple circular-flow diagram?
A : markets and government
B : households and government
C : firms and government
D : households and firms

Correct Answer : D

65 : In the circular-flow diagram, firms produce
A : goods and services using factors of production.
B : output using inputs.
C : factors of production using goods and services.
D : Both (a) and (b) are correct.

Correct Answer : D

66 : Factors of production are
A : the mathematical calculations firms make in determining their optimal production levels.
B : social and political conditions that affect production.
C : the physical relationships between economic inputs and outputs.
D : inputs into the production process.

Correct Answer : D

67 : Factors of production are
A : used to produce goods and services.
B : also called output.
C : abundant in most economies.
D : assumed to be owned by firms in the circular-flow diagram.

Correct Answer : A

68 : In the circular-flow diagram, which of the following is not a factor of production?

A : labor
B : land
C : capital
D : money

Correct Answer : D

69 : In the circular-flow diagram,
A : firms own the factors of production.
B : the factors of production are labor, land, and capital.
C : the factors of production are also called output.
D : All of the above are correct.

Correct Answer : B

70 : Which of these terms are used interchangeably?
A : goods and services and inputs
B : goods and services and factors of production
C : inputs and factors of production
D : land, labor, and capital and goods and services

Correct Answer : C

71 : Another term for factors of production is
A : inputs.
B : output.
C : goods.
D : services.

Correct Answer : A

72 : In economics, capital refers to
A : the finances necessary for firms to produce their products.
B : buildings and machines used in the production process.
C : the money households use to purchase firms output.
D : stocks and bonds.

Correct Answer : B

73 : Which of the following is an example of a capital input?
A : a computer
B : a share of stock
C : an hour of a workers time
D : $50,000

Correct Answer : A

74 : A model that shows how dollars flow through markets among households and firms is called the
A : production possibilities frontier.
B : circular-flow diagram.
C : demand and supply diagram.
D : comparative advantage model.

Correct Answer : B

75 : In the simple circular-flow diagram, households
A : are the only decision makers.
B : own the factors of production.
C : are buyers of inputs.
D : consume only some of the goods and services that firms produce.

Correct Answer : B

76 : In the simple circular-flow diagram,
A : households own the factors of production.
B : households buy all the goods and services that firms produce.
C : land, labor, and capital flow from households to firms.
D : All of the above are correct.

Correct Answer : D

77 : In the simple circular-flow diagram, who buys the factors of production?
A : households only
B : firms only
C : both households and firms
D : neither households nor firms

Correct Answer : B

78 : The simple circular-flow diagram is a model that includes only some key players in the real economy. Which of the following key players are omitted from the simple circular-flow model?
A : households
B : firms
C : government
D : markets for factors of production

Correct Answer : C

79 : In the circular-flow diagram, another name for goods and services produced by firms is
A : factors of production.
B : output.
C : inputs.
D : resources.

Correct Answer : B

80 : Which markets are represented in the simple circular-flow diagram?
A : markets for goods and services and markets for financial assets
B : markets for factors of production and markets for financial assets
C : markets for goods and services and markets for factors of production
D : markets for goods and services and markets for imports and exports

Correct Answer : C

81 : In the markets for goods and services in the circular-flow diagram,

A : households and firms are both buyers.
B : households and firms are both sellers.
C : households are buyers and firms are sellers.
D : households are sellers and firms are buyers.

Correct Answer : C

82 : In the circular-flow diagram, in the markets for
A : goods and services, households and firms are both sellers.
B : goods and services, households are buyers and firms are sellers.
C : the factors of production, households are buyers and firms are sellers.
D : the factors of production, households and firms are both buyers.

Correct Answer : B

83 : In the circular-flow diagram, in the markets for
A : goods and services, households and firms are both sellers.
B : goods and services, households are sellers and firms are buyers.
C : the factors of production, households are sellers and firms are buyers.
D : the factors of production, households and firms are both buyers.

Correct Answer : C

84 : In the markets for goods and services in the circular-flow diagram,
A : households provide firms with savings for investment.
B : households provide firms with labor, land, and capital.
C : firms provide households with output.
D : firms provide households with profit.

Correct Answer : C

85 : In the markets for the factors of production in the circular-flow diagram,
A : households are sellers and firms are buyers.
B : households are buyers and firms are sellers.
C : households and firms are both buyers.
D : households and firms are both sellers.

Correct Answer : A

86 : In the markets for factors of production in the circular-flow diagram,
A : households provide firms with labor, land, and capital.
B : households provide firms with savings for investment.
C : firms provide households with goods and services.
D : firms provide households with revenue.

Correct Answer : A

87 : Which of the following transactions does not take place in the markets for factors of production in the circular-flow diagram?
A : a landowner leases land to a farmer
B : a farmer hires a teenager to help with harvest
C : a construction company rents trucks for its business
D : a woman buys corn for dinner

Correct Answer : D

88 : Which of the following transactions takes place in the markets for the factors of production in the circular-flow diagram?
A : Dylan receives a salary for his work as a financial analyst for an investment firm.
B : Kristin buys two business suits to wear to her job as a Chief Information Officer.
C : Jim receives clean water in his home in exchange for paying his water bill.
D : Caroline owns a nail salon and receives payments from her clients for her services.

Correct Answer : A

89 : In the circular-flow diagram,
A : firms are buyers in the markets for goods and services.
B : households are sellers in the markets for the factors of production.
C : firms are sellers in the markets for factors of production and in the markets for goods and services.
D : dollars that are spent on goods and services flow directly from firms to households.

Correct Answer : B

90 : The two loops in the circular-flow diagram represent
A : the flow of goods and the flow of services.
B : the flow of dollars and the flow of financial assets.
C : the flow of inputs into production processes and the flow of outputs from production processes.
D : the flows of inputs and outputs and the flow of dollars.

Correct Answer : D

91 : The outer loop of the circular-flow diagram represents the flows of dollars in the economy. Which of the following does not appear on the outer loop?
A : wages
B : income
C : capital
D : rent

Correct Answer : C

92 : The inner loop of the circular-flow diagram represents the flows of inputs and outputs. Which of the following does not appear on the inner loop?
A : wages
B : land
C : capital
D : goods and services sold

Correct Answer : A

93 : In the circular-flow diagram,
A : profit flows from households to firms.
B : labor flows from households to firms.
C : services flow from households to firms.
D : All of the above are correct.

Correct Answer : B

94 : In the circular-flow diagram,
A : taxes flow from households to firms, and transfer payments flow from firms to households.
B : income payments flow from firms to households, and sales revenue flows from households to firms.
C : resources flow from firms to households, and goods and services flow from households to firms.
D : inputs and outputs flow in the same direction as the flow of dollars, from firms to households.

Correct Answer : B

95 : In the circular-flow diagram,
A : factors of production flow from government to firms.
B : goods and services flow from households to firms.
C : income paid to the factors of production flows from firms to households.
D : spending on goods and services flows from firms to households.

Correct Answer : C

96 : In the circular-flow diagram, which of the following items does not flow from households to firms?
A : revenue
B : land, labor, and capital
C : factors of production
D : profit

Correct Answer : D

97 : In the circular-flow diagram, which of the following items does not flow from firms to households?
A : goods
B : services
C : capital
D : profit

Correct Answer : C

98 : In the circular-flow diagram, which of the following items flows from households to firms through the markets for goods and services?
A : goods and services
B : dollars paid to land, labor, and capital
C : dollars spent on goods and services
D : wages, rent, and profit

Correct Answer : C

99 : In the circular-flow diagram, which of the following items flows from firms to households through the markets for goods and services?
A : goods and services
B : dollars paid to land, labor, and capital
C : dollars spent on goods and services

D : wages, rent, and profit

Correct Answer : A

100 : In the circular-flow diagram, which of the following items flows from firms to households through the markets for the factors of production?
A : goods and services
B : land, labor, and capital
C : dollars spent on goods and services
D : wages, rent, and profit

Correct Answer : D

101 : In the circular-flow diagram, which of the following items flows from households to firms through the markets for the factors of production?
A : goods and services
B : land, labor, and capital
C : dollars spent on goods and services
D : wages, rent, and profit

Correct Answer : B

102 : In the circular-flow diagram, which of the following items represents a payment for a factor of production?
A : interest
B : capital
C : spending by households on goods
D : spending by households on services

Correct Answer : A

103 : In the simple circular flow diagram, the flow of money from the firms to the markets for factors of production is called
A : spending.
B : revenue.
C : income.
D : wages, rent, and profit.

Correct Answer : D

104 : In the simple circular flow diagram, the flow of money from the markets for goods and services to the firms is called
A : spending.
B : revenue.
C : income.
D : wages, rent, and profit.

Correct Answer : B

105 : Among economic models, the circular-flow diagram is unusual in that it
A : drastically simplifies the real world.
B : features more than one type of market.
C : features flows of dollars.

D : does not involve mathematics.

Correct Answer : D

106 : According to the circular-flow diagram, if Suzy is a worker who delivers flowers for Happy Day Flower Company, she participates
A : in the markets for factors of production exchanging labor for income.
B : in the markets for factors of production exchanging flowers for revenue.
C : in the markets for goods and services exchanging flowers for wages, rent, and profit.
D : in the markets for goods and services exchanging labor for income.

Correct Answer : A

107 : According to the circular-flow diagram, if Denny is the owner of a landscaping business and he just received $50 for mowing Mrs. Pendletons lawn,
A : the $50 represents a cost of production for Dennys firm.
B : the $50 represents wages, rent, and profit to Dennys firm.
C : Denny acts as a firm who interacted in the markets for factors of production with Mrs. Pendleton.
D : Denny acts as a firm who interacted in the markets for goods and services with Mrs. Pendleton.

Correct Answer : D

108 :

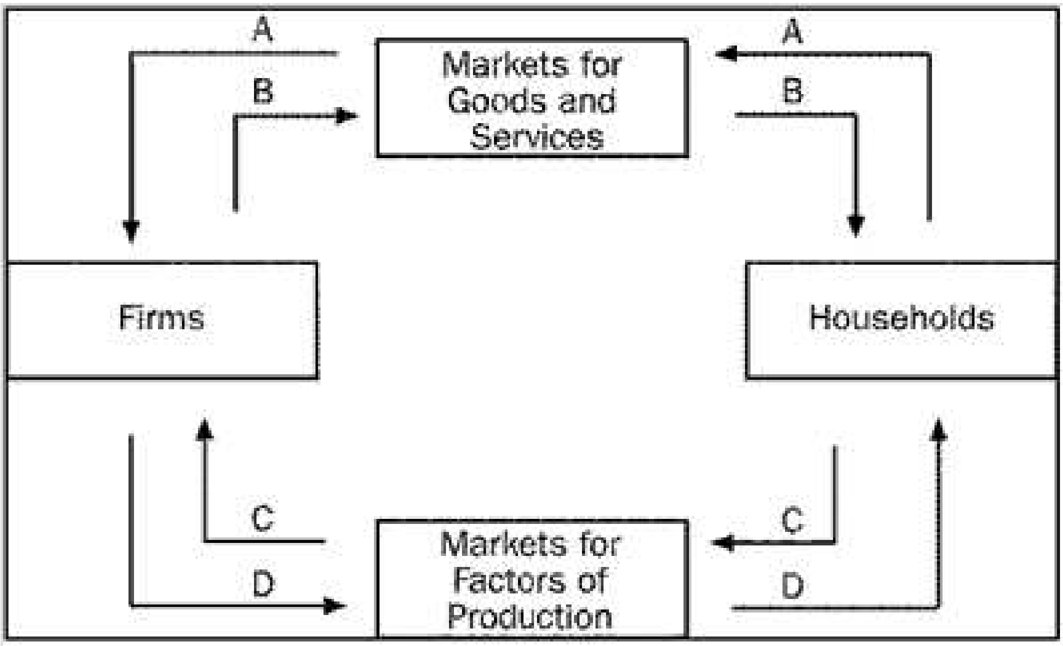


Figure 2-1Refer to Figure 2-1. Which arrow represents the flow of goods and services?
A : A
B : B
C : C
D : D

Correct Answer : B

109 :

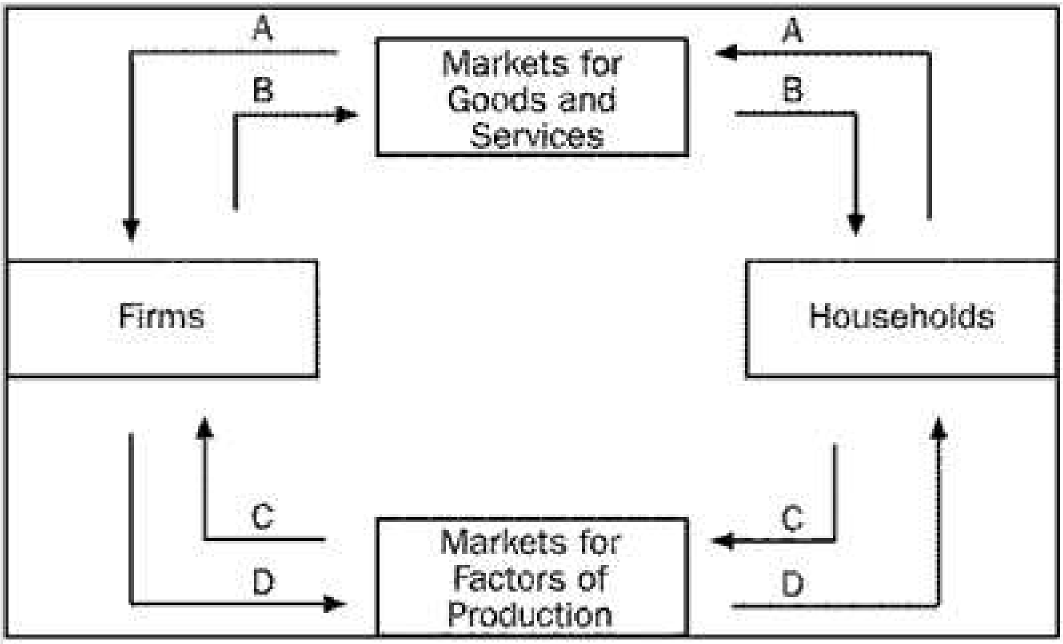


Figure 2-1Refer to Figure 2-1. Which arrow represents the flow of spending by households?
A : A
B : B
C : C
D : D

Correct Answer : A

110 :

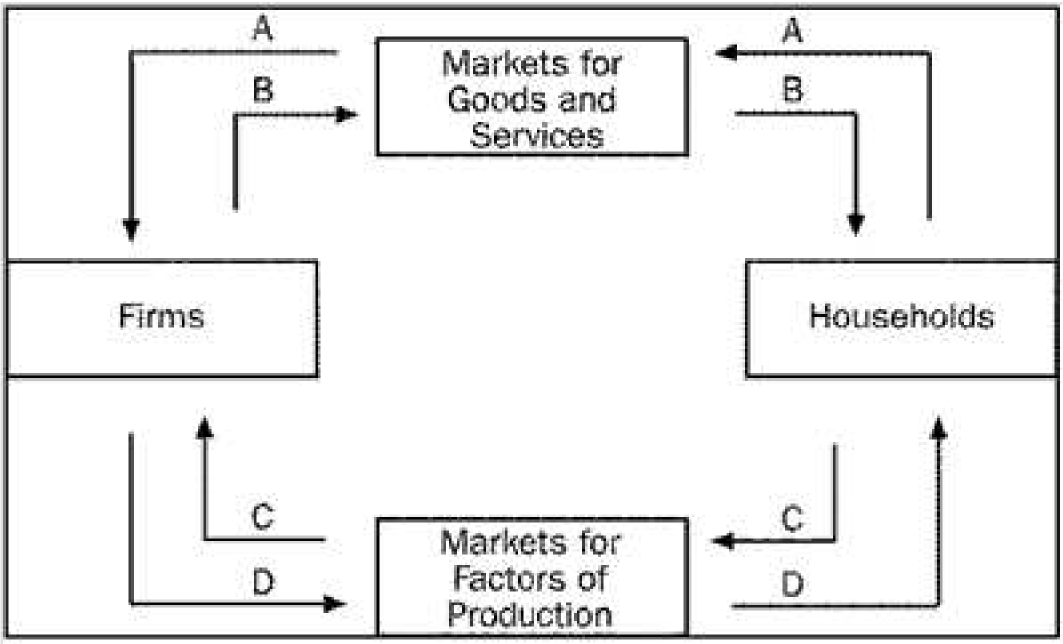


Figure 2-1Refer to Figure 2-1. Which arrow represents the flow of land, labor, and capital?
A : A
B : B
C : C
D : D

Correct Answer : C

111 :

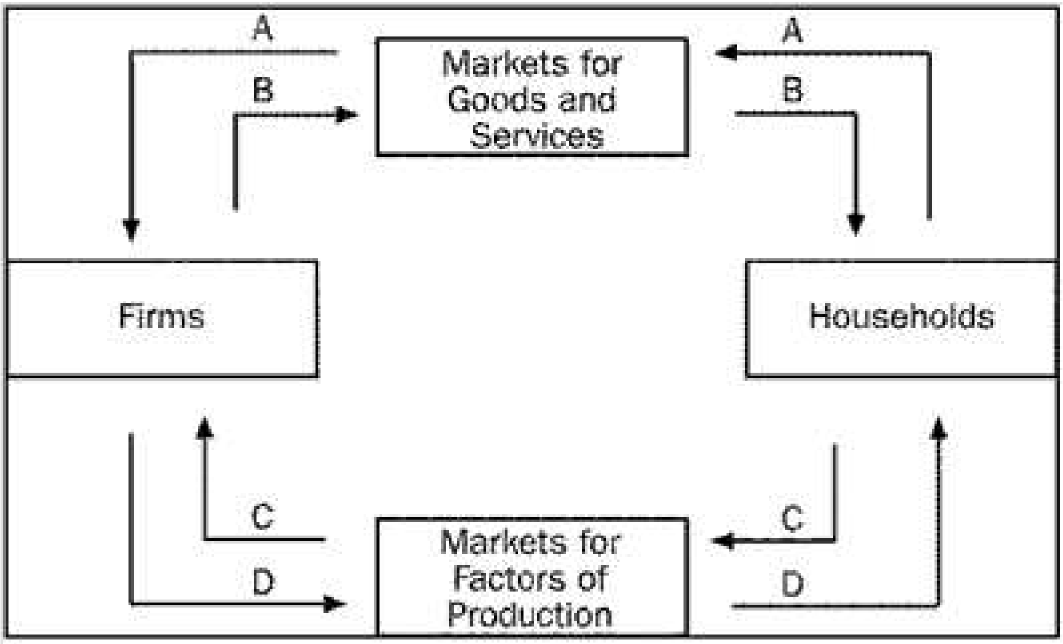


Figure 2-1Refer to Figure 2-1. Which arrow represents the flow of income payments?
A : A
B : B
C : C
D : D

Correct Answer : D

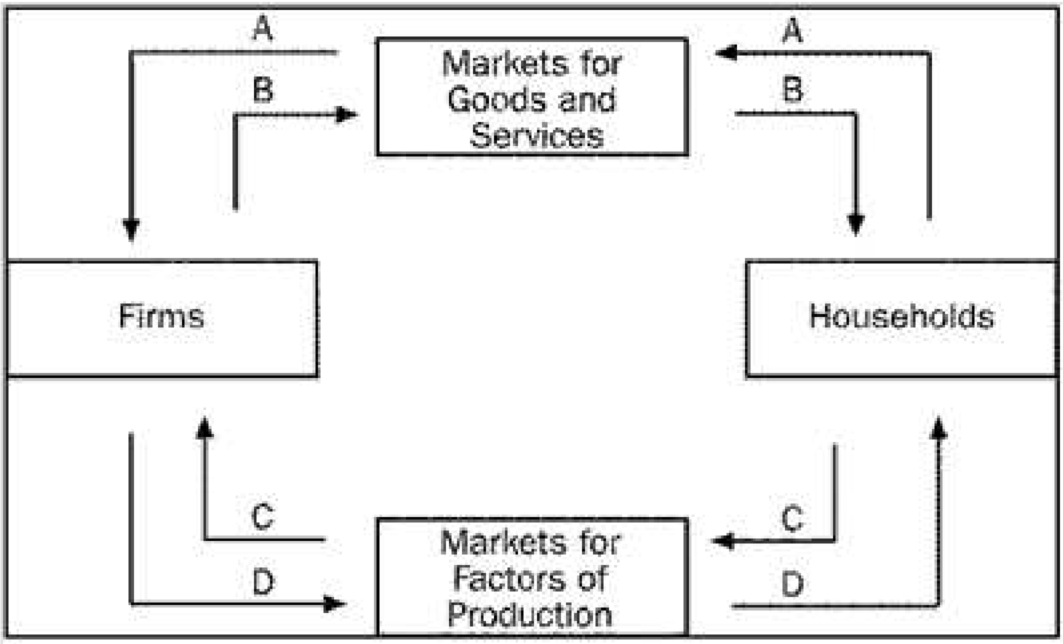
112 : 

Figure 2-1Refer to Figure 2-1. Raymond buys a refrigerator for his new home. To which of the arrows does this transaction directly contribute?
A : A only
B : A and B
C : C only
D : C and D

Correct Answer : B

113 :

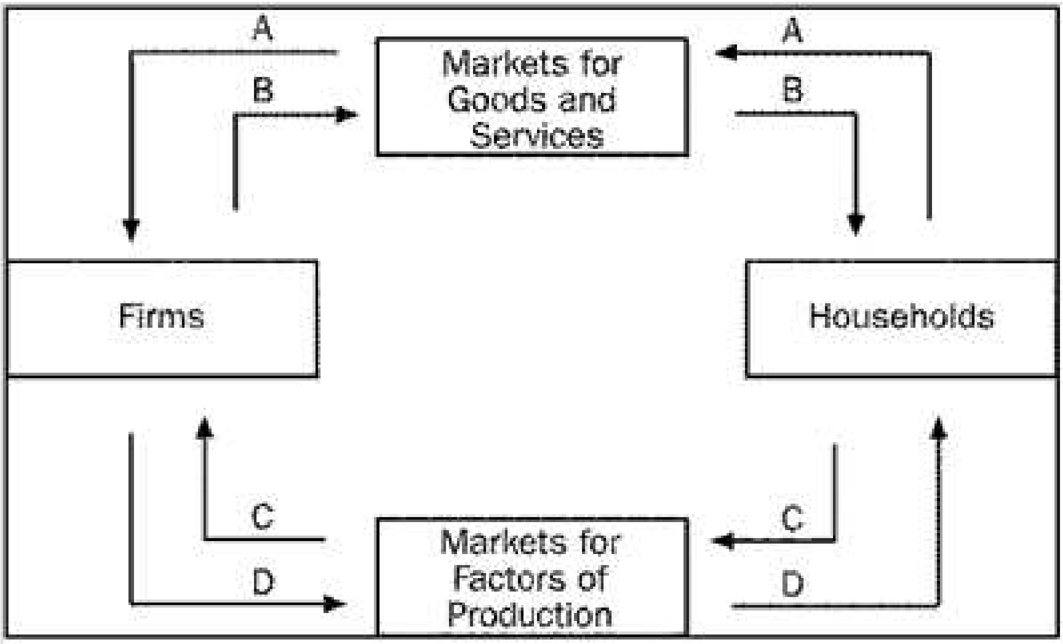


Figure 2-1Refer to Figure 2-1. Harvey receives his first paycheck for working as an ice cream vendor. To which of the arrows does this transaction directly contribute?
A : B only
B : A and B
C : C only
D : C and D

Correct Answer : D

114 :

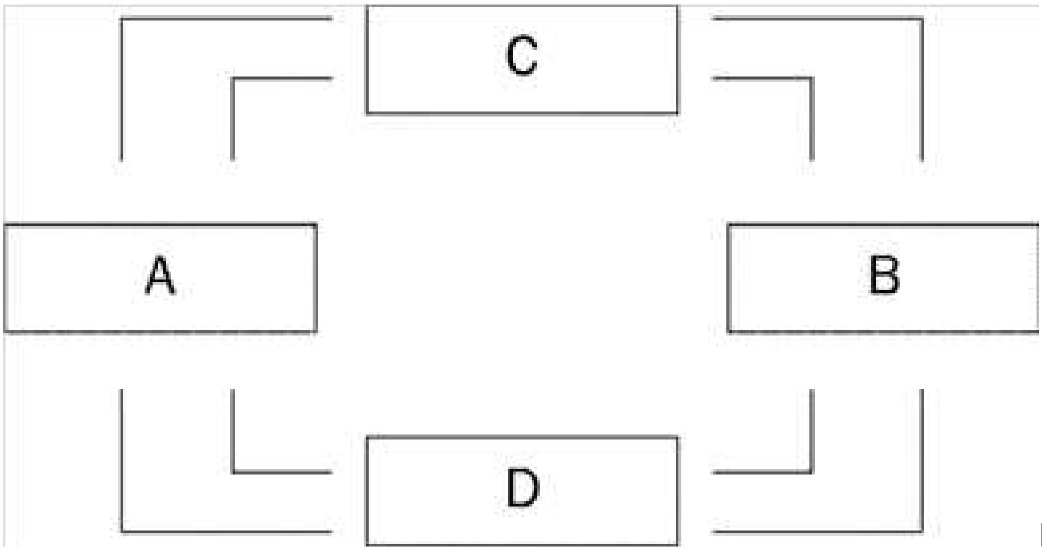


Figure 2-2Refer to Figure 2-2. Boxes A and B of this circular-flow diagram represent
A : firms and households.
B : households and government.
C : the markets for goods and services and the markets for financial assets.
D : the markets for goods and the markets for services.

Correct Answer : A

115 :

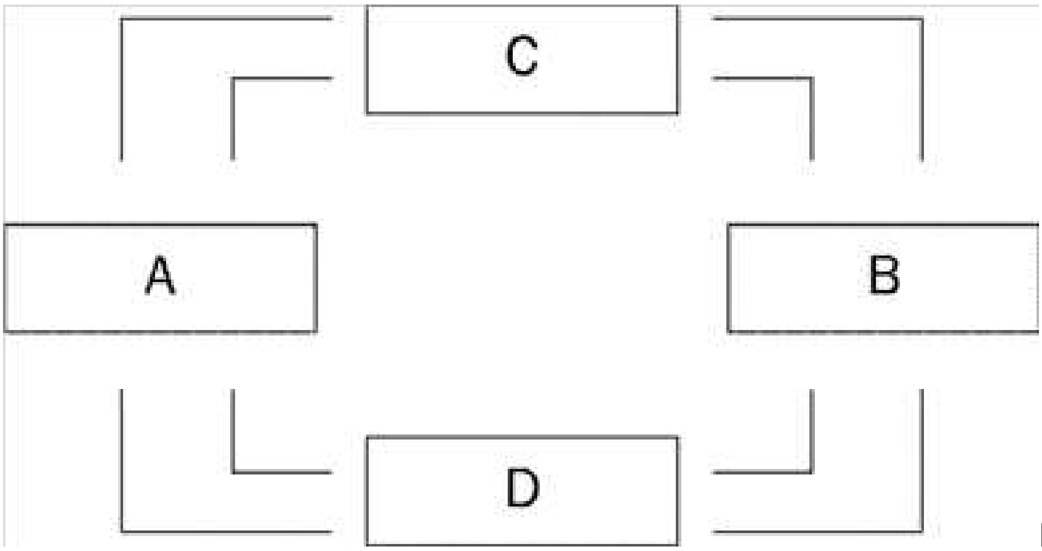


Figure 2-2Refer to Figure 2-2. Boxes C and D of this circular-flow diagram represent
A : households and government.
B : firms and government.
C : the markets for goods and services and the markets for financial assets.
D : the markets for goods and services and the markets for factors of production.

Correct Answer : D

116 :

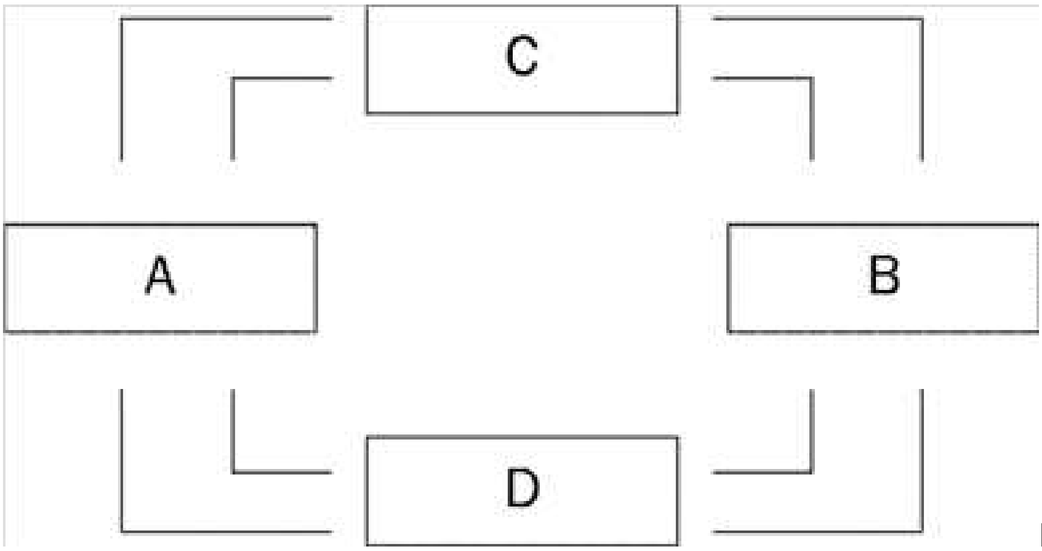


Figure 2-2Refer to Figure 2-2. If Box A of this circular-flow diagram represents firms, then which box represents households?
A : Box B
B : Box C
C : Box D
D : Any one of the other boxes (B, C, or D) could represent households.

Correct Answer : A

117 :

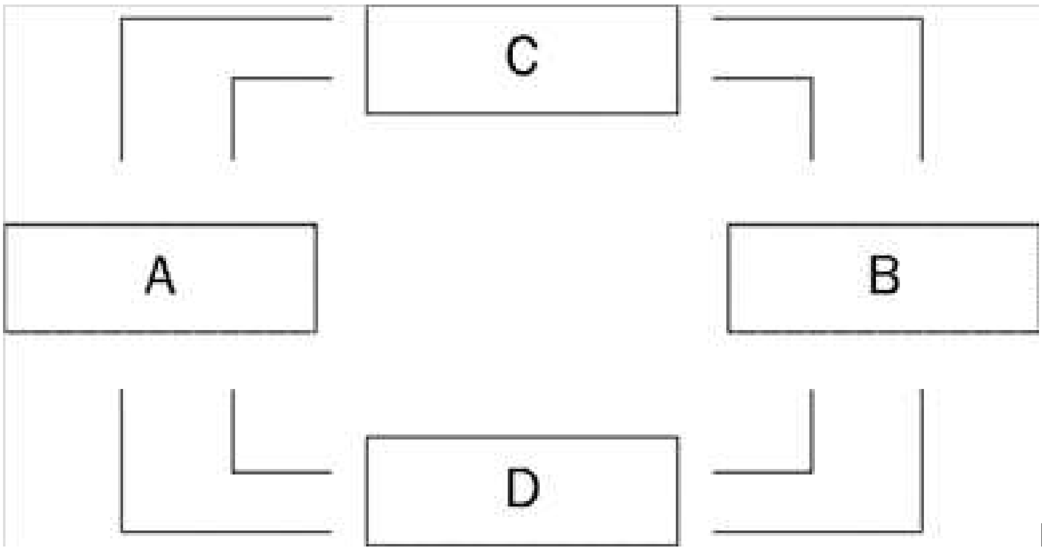


Figure 2-2Refer to Figure 2-2. If households are sellers in the markets represented by Box D of this circular-flow diagram, then
A : Box D must represent the markets for factors of production.
B : Box C must represent the markets for goods and services.
C : firms are buyers in the markets represented by Box D.
D : All of the above are correct.

Correct Answer : D

118 :

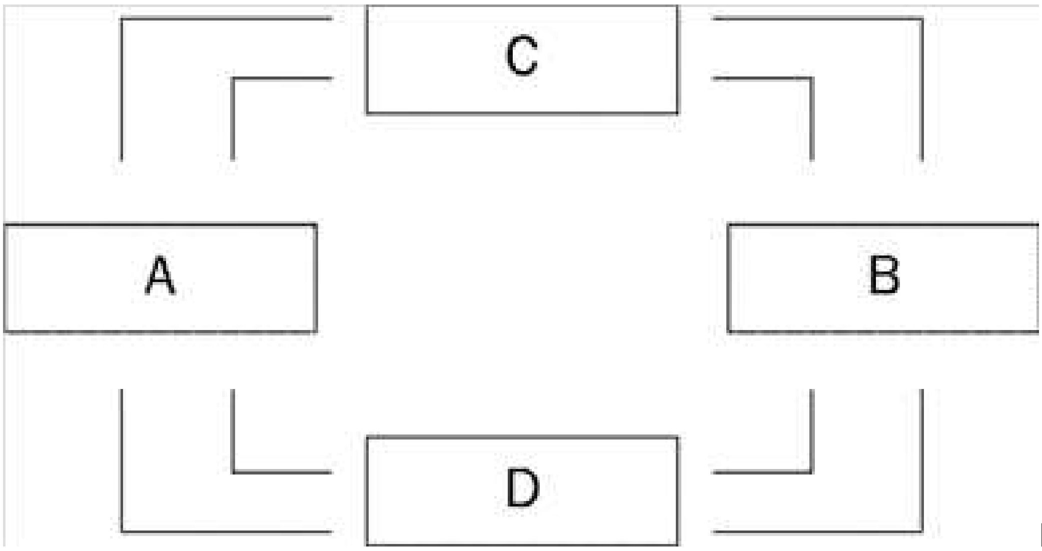


Figure 2-2Refer to Figure 2-2. If households are buyers in the markets represented by Box C of this circular-flow diagram, then
A : Box C must represent the markets for the factors of production.
B : Box D must represent the markets for goods and services.
C : firms are sellers in the markets represented by Box C.
D : All of the above are correct.

Correct Answer : C

119 :

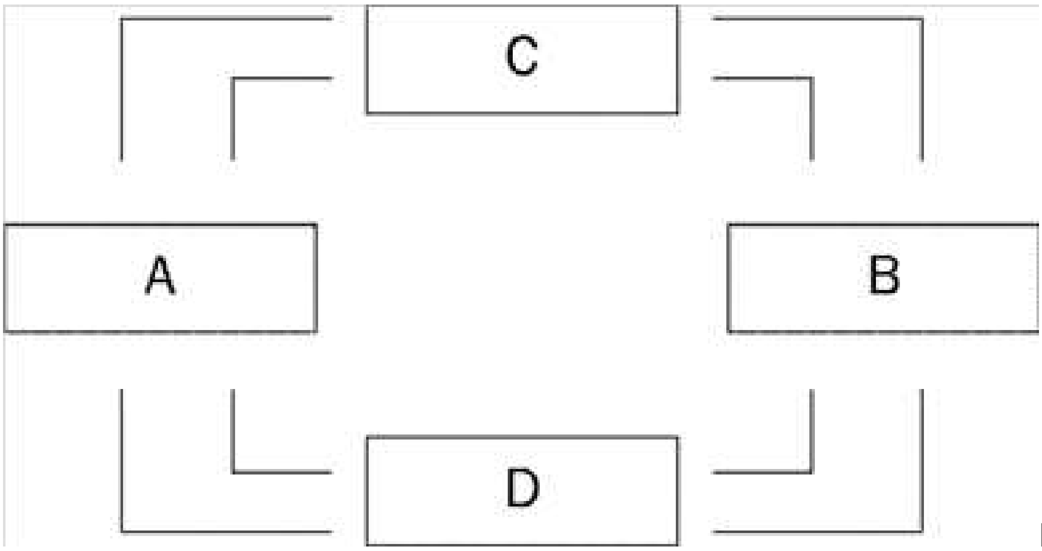


Figure 2-2Refer to Figure 2-2. If the owners of land, labor, and capital are represented by Box B of this circular-flow diagram, then
A : households are represented by Box A.
B : firms are represented by Box C.
C : firms are represented by Box A.
D : firms are sellers in Box B.

Correct Answer : C

120 :

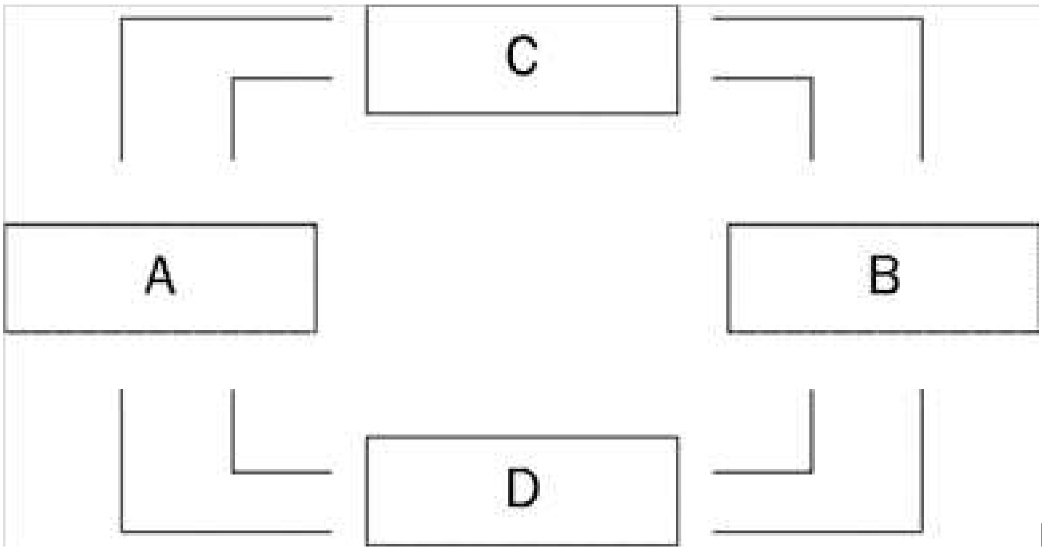


Figure 2-2Refer to Figure 2-2. If the outer loop of this circular-flow diagram represents flows of dollars, then the inner loop includes
A : flows of goods and services from households to firms.
B : flows of inputs from households to firms.
C : flows of rent payments paid to owners of land.
D : flows of wages and salaries paid to workers.

Correct Answer : B

121 :

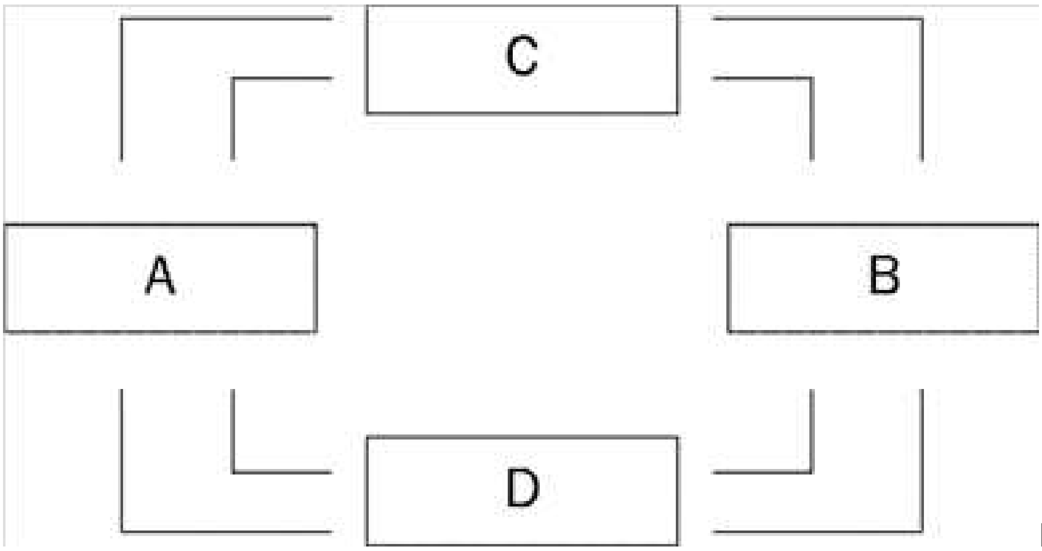


Figure 2-2Refer to Figure 2-2. If the flow of goods and services is part of what is represented by the inner loop of this circular-flow diagram, then
A : the flow of factors of production is also part of what is represented by the inner loop.
B : the flow of income paid to households is also part of what is represented by the inner loop.
C : the flow of revenue to firms is also part of what is represented by the inner loop.
D : households must be sellers of output.

Correct Answer : A

122 :

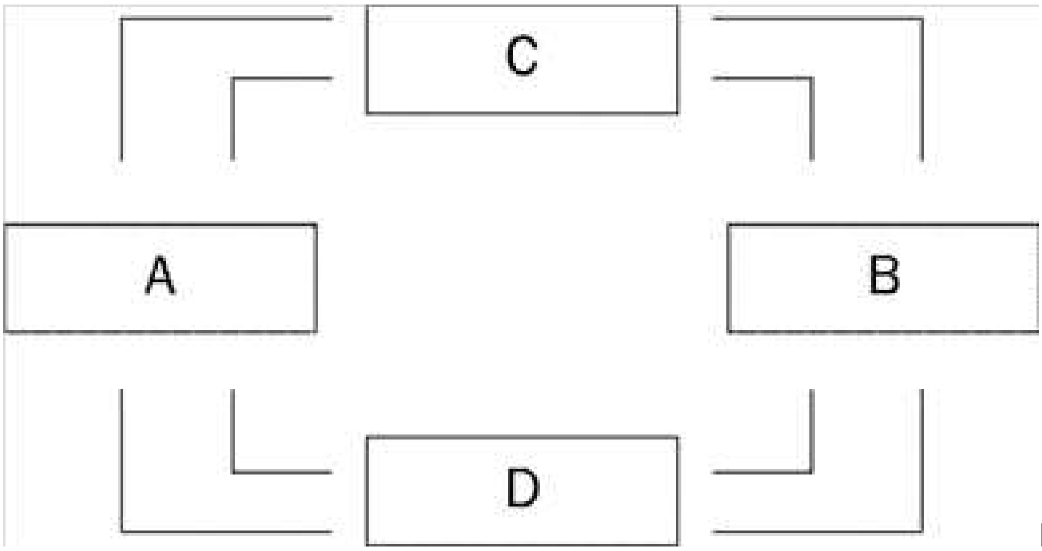


Figure 2-2Refer to Figure 2-2. Devin works as an attorney for a corporation and is paid a salary in exchange for the legal services he performs. Juan owns office buildings and rents his buildings to companies in exchange for rent payments. If Devins income is represented by a flow of dollars from Box D to Box B of this circular-flow diagram, then Juans income is represented by a flow of dollars
A : from Box A to Box C.
B : from Box C to Box A.
C : from Box B to Box D.
D : from Box D to Box B.

Correct Answer : D

123 :

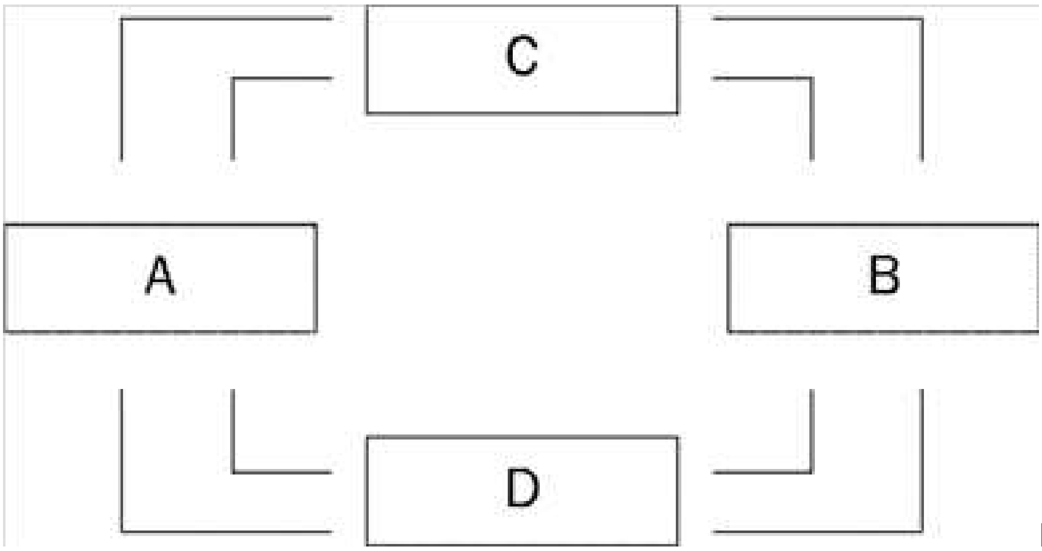


Figure 2-2Refer to Figure 2-2. Carla regularly buys fruits and vegetables at a grocery store. Roberto regularly pays a lawn-care company to mow his lawn. If the flow of fruits and vegetables from the grocery store to Carla is represented by an arrow from Box C to Box B of this circular-flow diagram, then the money paid by Roberto to the lawn-care company is represented by an arrow
A : from Box A to Box D.
B : from Box B to Box C.
C : from Box C to Box B.
D : from Box D to Box A.

Correct Answer : B

124 :

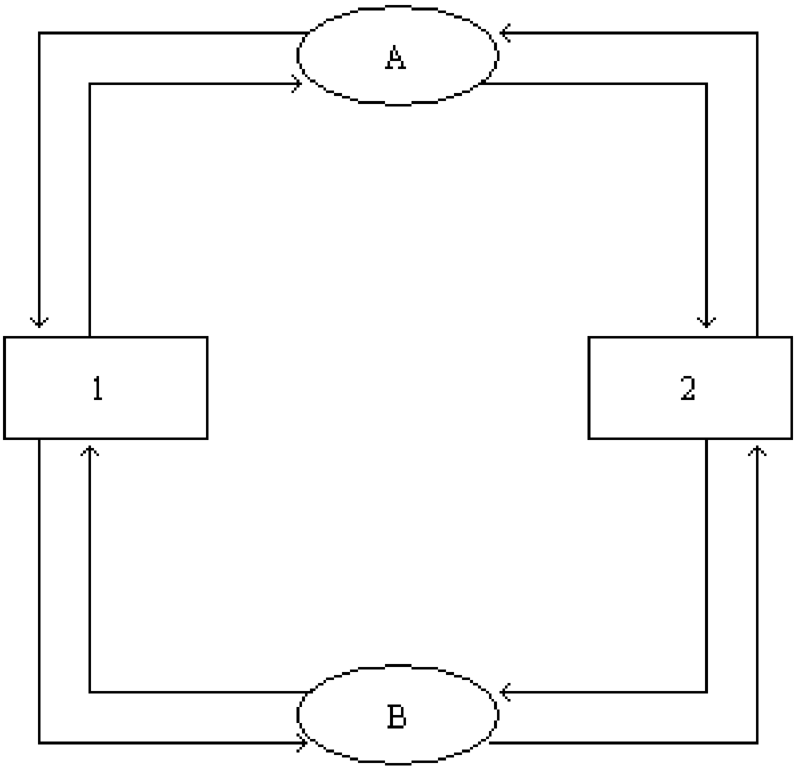


Figure 2-3Refer to Figure 2-3.
Which shape refers to the markets for goods and services?
A : oval A
B : oval B
C : rectangle 1
D : rectangle 2

Correct Answer : A

125 :

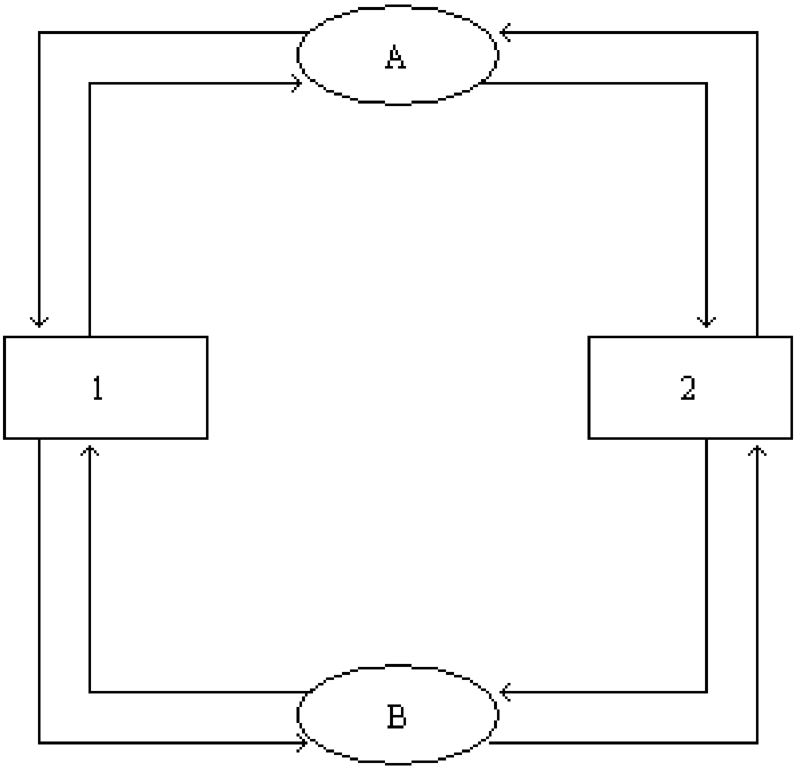


Figure 2-3Refer to Figure 2-3.

What is flowing from rectangle 1 to oval A?

A : revenue
B : goods and services sold
C : factors of production
D : labor, land, and capital

Correct Answer : B

126 :

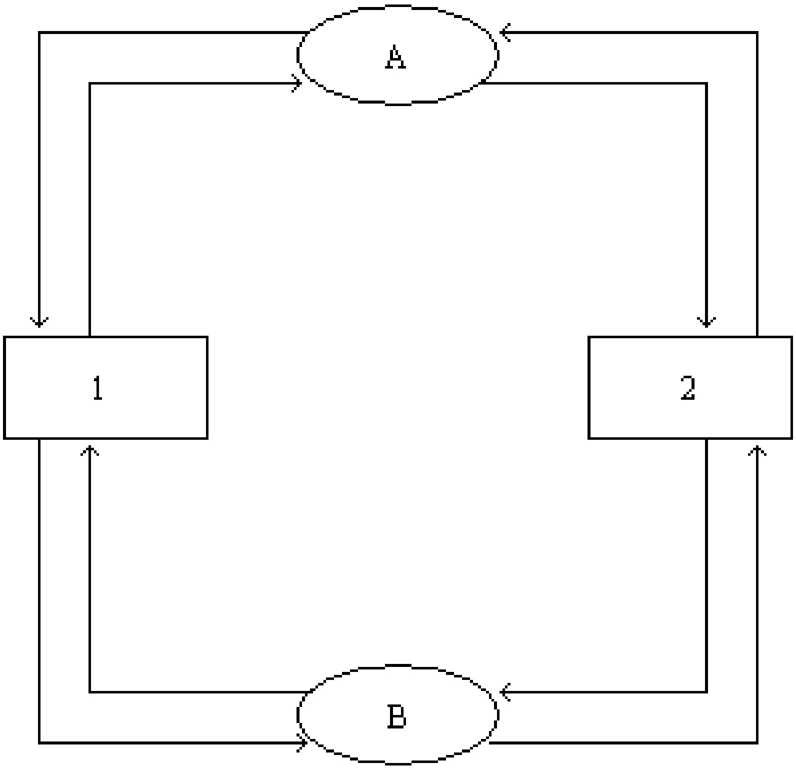


Figure 2-3Refer to Figure 2-3.

Which of the following is an activity undertaken by the actors in rectangle 2?

A : produce and sell goods and services
B : hire and use factors of production
C : own and sell factors of production

D : exchange goods and services between firms and households

Correct Answer : C

127 : The production possibilities frontier is a graph that shows the various combinations of output that an economy can possibly produce given the available factors of production and
A : societys preferences.
B : the available production technology.
C : a fair distribution of the output.
D : the available demand for the output.

Correct Answer : B

128 : The production possibilities frontier is a graph that shows the various combinations of output that an economy
A : should produce.
B : wants to produce.
C : can produce.
D : demands.

Correct Answer : C

129 : When constructing a production possibilities frontier, which of the following assumptions is not made?
A : The economy produces only two goods or two types of goods.
B : Firms produce goods using factors of production.
C : The technology available to firms is given.
D : The quantities of the factors of production that are available are increasing over the relevant time period.

Correct Answer : D

130 : Any point on a countrys production possibilities frontier represents a combination of two goods that an economy
A : will never be able to produce.
B : can produce using all available resources and technology.
C : can produce using some portion, but not all, of its resources and technology.
D : may be able to produce in the future with more resources and/or superior technology.

Correct Answer : B

131 : Which of the following is not an assumption of the productions possibilities frontier?
A : A country produces only two goods or types of goods.
B : Technology does not change.
C : The amount of available resources does not change.
D : There is a fixed quantity of money.

Correct Answer : D

132 : Which of the following is a correct statement about production possibilities frontiers?
A : An economy can produce only on the production possibilities frontier.
B : An economy can produce at any point inside or outside a production possibilities frontier.
C : An economy can produce at any point on or inside the production possibilities frontier, but

not outside the frontier.
D : An economy can produce at any point inside the production possibilities frontier, but not on or outside the frontier.

Correct Answer : C

133 : Where can an economy not produce?
A : inside its production possibilities frontier
B : on its production possibilities frontier
C : outside its production possibilities frontier
D : at the endpoints of its production possibilities frontier

Correct Answer : C

134 : An economic outcome is said to be efficient if the economy is
A : using all of the scarce resources it has available.
B : conserving on resources, rather than using all available resources.
C : getting all it can get from the scarce resources it has available.
D : able to produce more than what is currently being produced without additional resources.

Correct Answer : C

135 : Production is efficient if the economy is producing at a point
A : on the production possibilities frontier.
B : outside the production possibilities frontier.
C : on or inside the production possibilities frontier.
D : inside the production possibilities frontier.

Correct Answer : A

136 : If an economy is producing efficiently, then
A : there is no way to produce more of one good without producing less of another good.
B : it is possible to produce more of both goods without increasing the quantities of inputs that are being used.
C : it is possible to produce more of one good without producing less of another good.
D : it is not possible to produce more of any good at any cost.

Correct Answer : A

137 : An economys production of two goods is efficient if
A : all members of society consume equal portions of the goods.
B : the goods are produced using only some of societys available resources.
C : it is impossible to produce more of one good without producing less of the other.
D : the opportunity cost of producing more of one good is zero.

Correct Answer : C

138 : When an economy is operating at a point on its production possibilities frontier, then
A : consumers are content with the mix of goods and services that is being produced.
B : there is no way to produce more of one good without producing less of the other.
C : equal amounts of the two goods are being produced.
D : All of the above are correct.

Correct Answer : B

139 : Efficiency is illustrated by
A : both the production possibilities frontier and the circular-flow diagram.
B : neither the production possibilities frontier nor the circular-flow diagram.
C : the production possibilities frontier only.
D : the circular-flow diagram only.

Correct Answer : C

140 : Suppose a nation is currently producing at a point inside its production possibilities frontier. We know that
A : the nation is producing beyond its capacity, so inflation will occur.
B : the nation is not using all available resources or is using inferior technology or both.
C : the nation is producing an efficient combination of goods.
D : there will be a large opportunity cost if the nation tries to increase production of any good.

Correct Answer : B

141 : When an economy is operating inside its production possibilities frontier, we know that
A : there are unused resources or inefficiencies in the economy.
B : all of the economys resources are fully employed.
C : economic growth would have to occur in order for the economy to move to a point on the frontier.
D : in order to produce more of one good, the economy would have to give up some of the other good.

Correct Answer : A

142 : It is possible for an economy to increase its production of both goods if the economy
A : moves downward and to the right along its production possibilities frontier and the frontier is bowed outward.
B : moves upward and to the left along its production possibilities frontier and the frontier is bowed outward.
C : moves in either direction along its production possibilities frontier and the frontier is a straight line.
D : moves from a situation of inefficient production to a situation of efficient production.

Correct Answer : D

143 : Unemployment would cause an economy to
A : produce inside its production possibilities frontier.
B : produce on its production possibilities frontier.
C : produce outside its production possibilities frontier.
D : experience an inward shift of its production possibilities frontier.

Correct Answer : A

144 : The production possibilities frontier provides an illustration of the principle that
A : trade can make everyone better off.
B : governments can sometimes improve market outcomes.
C : people face trade-offs.
D : people respond to incentives.

Correct Answer : C

145 : The production possibilities frontier illustrates
A : the trade-off between efficiency and equality.
B : the combination of output that an economy should produce.
C : the combination of output that each member of society should consume.
D : None of the above is correct.

Correct Answer : D

146 : Which of the following trade-offs does the production possibilities frontier illustrate?
A : If an economy wants to increase efficiency in production, then it must sacrifice equality in consumption.
B : Once an economy has reached the efficient points on its production possibilities frontier, the only way of getting more of one good is to get less of the other.
C : For an economy to consume more of one good, it must stop consuming the other good entirely.
D : For an economy to produce and consume goods, it must sacrifice environmental quality.

Correct Answer : B

147 : Which of the following concepts cannot be illustrated by the production possibilities frontier?
A : efficiency
B : opportunity cost
C : equality
D : trade-offs

Correct Answer : C

148 : The opportunity cost of obtaining more of one good is shown on the production possibilities frontier as the
A : amount of the other good that must be given up.
B : market price of the additional amount produced.
C : amount of resources that must be devoted to its production.
D : number of dollars that must be spent to produce it.

Correct Answer : A

149 : The bowed shape of the production possibilities frontier can be explained by the fact that
A : all resources are scarce.
B : economic growth is always occurring.
C : the opportunity cost of one good in terms of the other depends on how much of each good the economy is producing.
D : the only way to get more of one good is to get less of the other.

Correct Answer : C

150 : Economists believe that production possibilities frontiers are often bowed because
A : trade-offs inevitably create unemployment.
B : resources are not completely adaptable.
C : opportunity costs are constant.

D : of improvements in technology.

Correct Answer : B

151 : On a bowed production possibilities frontier, as you move down along the curve
A : more of one good must be given up to receive one unit of the other good.
B : the available production technology does not change.
C : the opportunity cost increases.
D : All of the above are correct.

Correct Answer : D

152 : When a production possibilities frontier is bowed outward, the opportunity cost of producing an additional unit of a good
A : increases as more of the good is produced.
B : decreases as more of the good is produced.
C : does not change as more of the good is produced.
D : may increase, decrease, or not change as more of the good is produced.

Correct Answer : A

153 : Production possibilities frontiers are usually bowed outward. This is because
A : the more resources a society uses to produce one good, the fewer resources it has available to produce another good.
B : the opportunity cost of producing a good decreases as more and more of that good is produced.
C : of the effects of technological change.
D : resources are specialized; that is, some are better at producing particular goods rather than other goods.

Correct Answer : D

154 : Economists believe that production possibilities frontiers
A : never have a bowed shape.
B : rarely have a bowed shape.
C : often have a bowed shape.
D : always have a bowed shape.

Correct Answer : C

155 : Economists believe that production possibilities frontiers
A : 400.
B : 450.
C : 600.
D : 750.

Correct Answer : D

156 : Economists believe that production possibilities frontiers
A : 6000.
B : 5500.
C : 5000.
D : 4500.

Correct Answer : D

157 : A production possibilities frontier can shift outward if
A : government increases the amount of money in the economy.
B : there is a technological improvement.
C : resources are shifted from the production of one good to the production of the other good.
D : the economy abandons inefficient production methods in favor of efficient production methods.

Correct Answer : B

158 : A production possibilities frontier shifts outward when
A : the economy experiences economic growth.
B : the desires of the economys citizens change.
C : at least one of the basic principles of economics is violated.
D : opportunity costs are lessened.

Correct Answer : A

159 : In a certain economy, jam and bread are produced, and the economy currently operates on its production possibilities frontier. Which of the following events would allow the economy to produce more jam and more bread, relative to the quantities of those goods that are being produced now?
A : Unemployed labor is put to work producing jam and bread.
B : The economy puts its idle capital to work producing jam and bread.
C : The economy experiences economic growth.
D : All of the above are correct.

Correct Answer : C

160 : In a certain economy, toys and greeting cards are produced, and the economy currently operates on its production possibilities frontier. Which of the following events would allow the economy to produce more toys and more greeting cards, relative to the quantities of those goods that are being produced now?
A : The economy experiences economic growth.
B : There is a technological advance in the toy industry, but the greeting card industry experiences no such advance.
C : There is a technological advance in the greeting card industry, but the toy industry experiences no such advance.
D : All of the above are correct.

Correct Answer : D

161 : The country of Gerance produces two goods, cars and wine. Last year, it produced 1,000 cars and 15,000 cases of wine. This year, it produced 1,300 cars and 20,000 cases of wine. Given no other information, which of the following events could not explain this change?
A : Gerance experienced a reduction in unemployment.
B : Gerance experienced an improvement in car-making technology.
C : Gerance acquired more resources.
D : Any of these events could explain the change.

Correct Answer : D

162 : Suppose an economy produces two goods, food and machines. This economy always operates on its production possibilities frontier. Last year, it produced 1000 units of food and 47 machines. This year, it is producing 1050 units of food and 52 machines. Which of the following events could not explain the increase in output?
A : a reduction in unemployment
B : an increase in available labor
C : an improvement in technology
D : Any of these events could explain the increase in output.

Correct Answer : A

163 : Suppose an economy produces two goods, food and machines. This economy always operates on its production possibilities frontier. Last year, it produced 1000 units of food and 47 machines. This year it experienced a technological advance in its machine-making industry. As a result, this year the society wants to produce 1050 units of food and 47 machines. Which of the following statements is correct?
A : Because the technological advance occurred in the machine-making industry, it will not be possible to increase food production without reducing machine production below 47.
B : Because the technological advance occurred in the machine-making industry, increases in output can only occur in the machine industry.
C : In order to increase food production in these circumstances without reducing machine production, the economy must reduce inefficiencies.
D : The technological advance reduced the amount of resources needed to produce 47 machines, so these resources could be used to produce more food.

Correct Answer : D

164 : Suppose an economy only produces two goods, robots and ice cream. Last month, the economy produced 10 robots and 200 gallons of ice cream. This month, the same economy produced 15 robots and 240 gallons of ice cream. Which of the following statements could explain this change?
A : This month, the economy reduced the unemployment of its resources.
B : This month, the economy experienced an improvement in technology.
C : This month, the economy experienced an increase in resources
D : All of the above are correct.

Correct Answer : D

165 : A certain production possibilities frontier shows production possibilities for two goods, jewelry and clothing. Which of the following concepts cannot be illustrated by this model?
A : the flow of dollars between sellers of jewelry and clothing and buyers of jewelry and clothing
B : the tradeoff between production of jewelry and production of clothing
C : the opportunity cost of clothing in terms of jewelry
D : the effect of economic growth on production possibilities involving jewelry and clothing

Correct Answer : A

166 : The production possibilities frontier is used to illustrate some basic economic ideas, including
A : scarcity.
B : opportunity cost.
C : economic growth.

D : All of the above are correct.

Correct Answer : D

167 : The production possibilities frontier is used to illustrate some basic economic ideas, including
A : 400 socks
B : 300 socks
C : 200 socks
D : 100 socks

Correct Answer : B

168 : The production possibilities frontier is used to illustrate some basic economic ideas, including
A : The opportunity cost of an additional 200 shoes is constant at 200 socks.
B : The opportunity cost of an additional 200 shoes is constant at 300 socks.
C : Footvilles production possibilities frontier is a straight, downward-sloping line.
D : The opportunity cost of an additional 200 shoes increases as more socks are produced.

Correct Answer : D

169 : The production possibilities frontier is used to illustrate some basic economic ideas, including
A : 150 burgers
B : 225 burgers
C : 300 burgers
D : 450 burgers

Correct Answer : B

170 : The production possibilities frontier is used to illustrate some basic economic ideas, including
A : 150 hotdogs
B : 225 hotdogs
C : 300 hotdogs
D : 450 hotdogs

Correct Answer : D

171 :

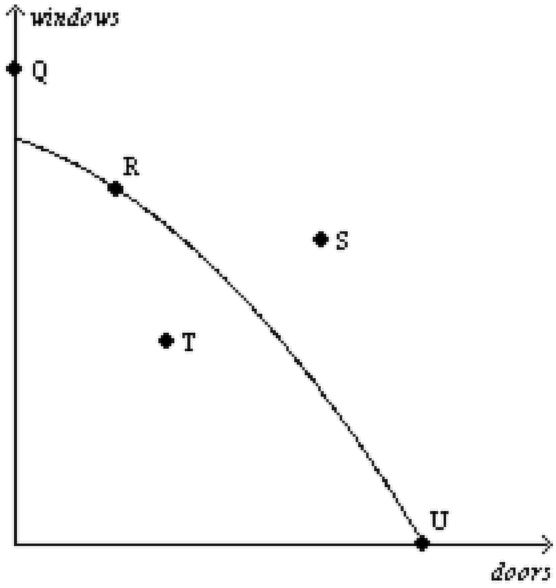


Figure 2-4Refer to Figure 2-4. At which point is this economy producing its maximum possible quantity of doors?
A : R
B : S
C : T
D : U

Correct Answer : D

172 :

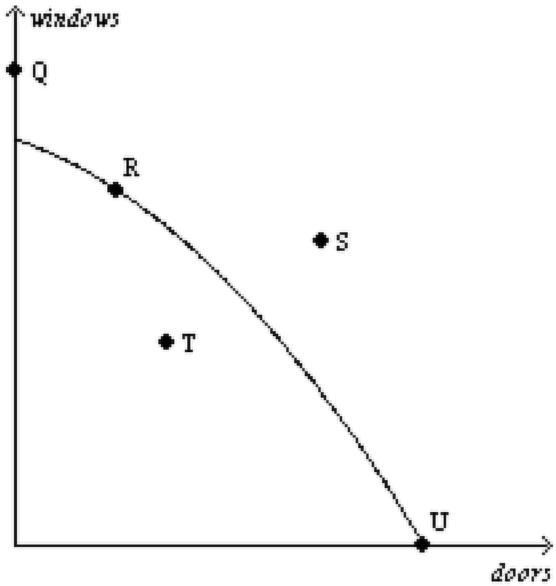


Figure 2-4Refer to Figure 2-4. This economy has the ability to produce at which point(s)?
A : Q, R, T, U
B : R, T, U
C : R, U
D : T

Correct Answer : B

173 :

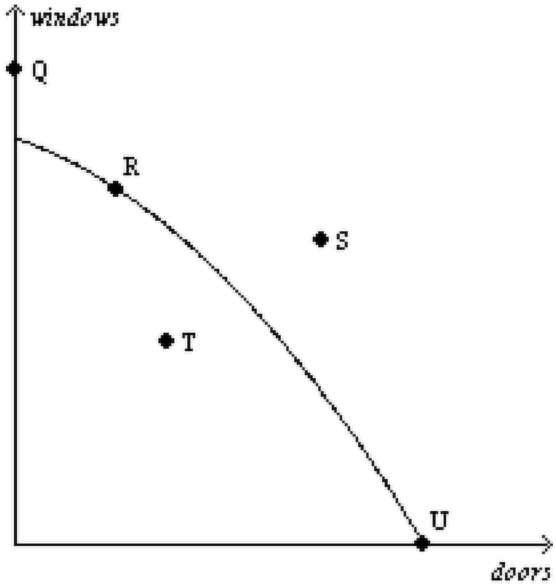


Figure 2-4Refer to Figure 2-4. This economy cannot produce at which point(s)?
A : Q
B : Q, S
C : Q, S, T
D : S

Correct Answer : B

174 :

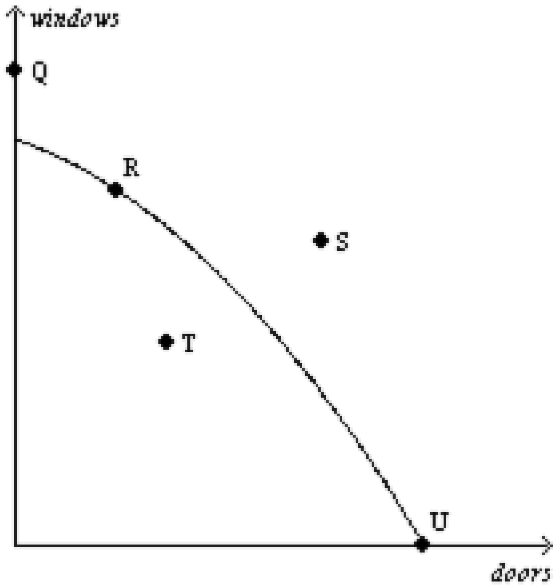


Figure 2-4Refer to Figure 2-4. Efficient production is represented by which point(s)?
A : Q, R, U
B : R, T, U
C : R, U
D : S, T

Correct Answer : C

175 :

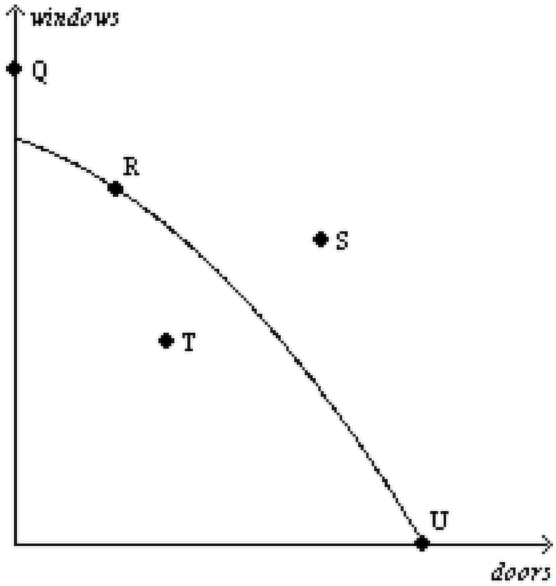


Figure 2-4Refer to Figure 2-4. Inefficient production is represented by which point(s)?
A : Q, S
B : Q, S, T
C : R, U
D : T

Correct Answer : D

176 :

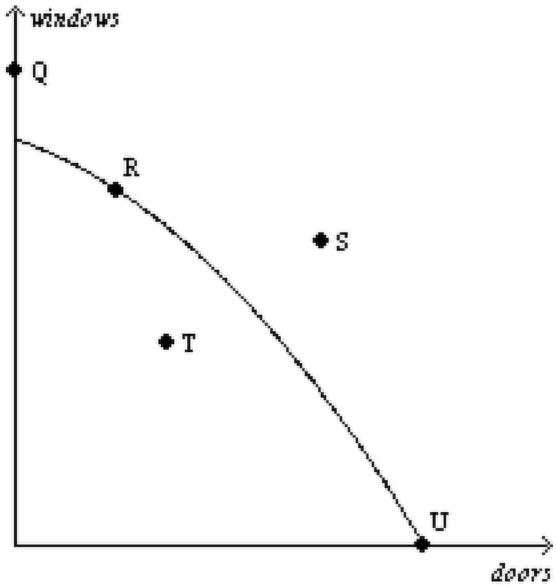


Figure 2-4Refer to Figure 2-4. Unemployment could cause this economy to produce at which point(s)?
A : Q, S
B : Q, S, T
C : R, U
D : T

Correct Answer : D

177 :

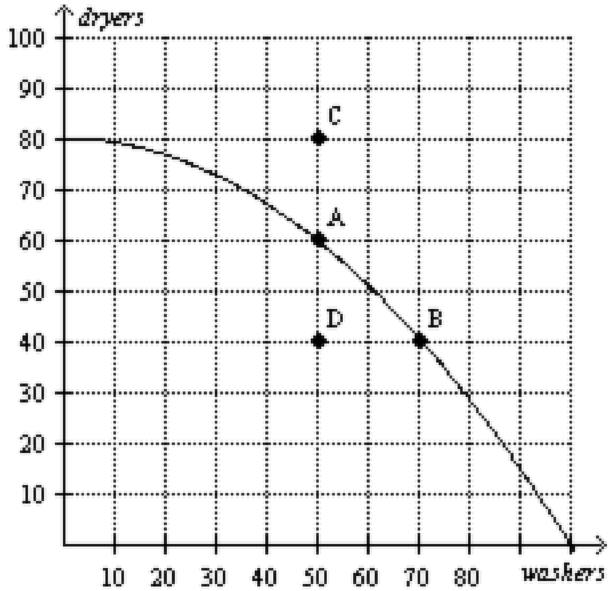


Figure 2-5Refer to Figure 2-5. If this economy devotes all of its resources to the production of dryers, then it will produce
A : 0 dryers and 100 washers.
B : 60 dryers and 50 washers.
C : 80 dryers and 0 washers.
D : 80 dryers and 50 washers.

Correct Answer : C

178 :

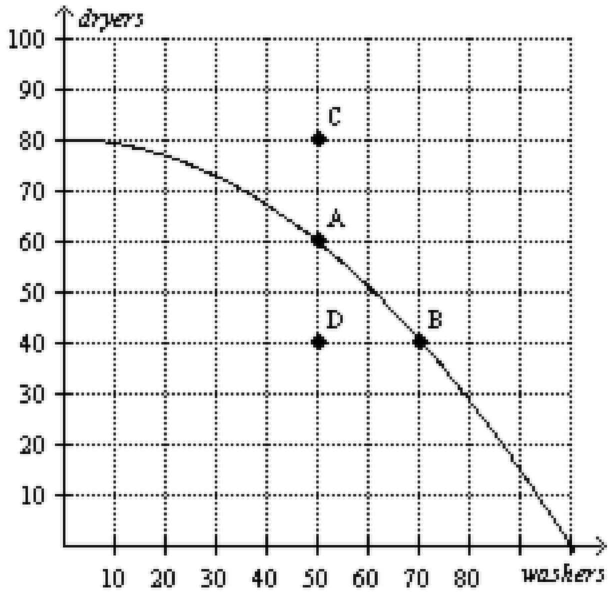


Figure 2-5Refer to Figure 2-5. It is possible for this economy to produce
A : 60 dryers and 50 washers.
B : 60 dryers and 60 washers.
C : 80 dryers and 50 washers.
D : All of the above.

Correct Answer : A

179 :

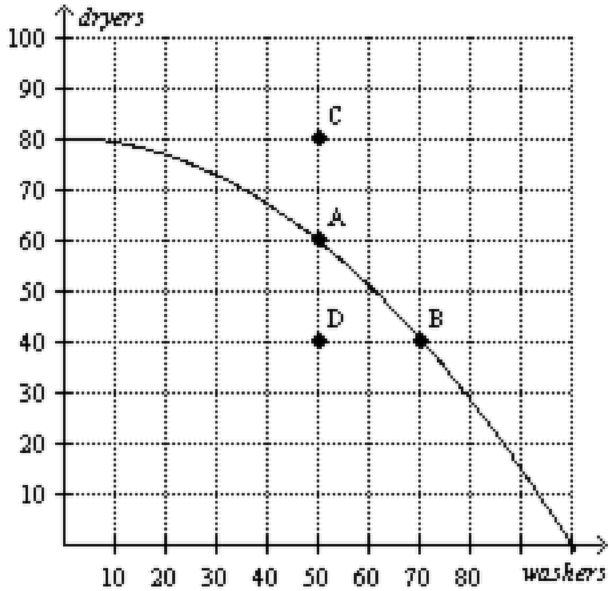


Figure 2-5Refer to Figure 2-5. It is not possible for this economy to produce at point
A : A.
B : B.
C : C.
D : D.

Correct Answer : C

180 :

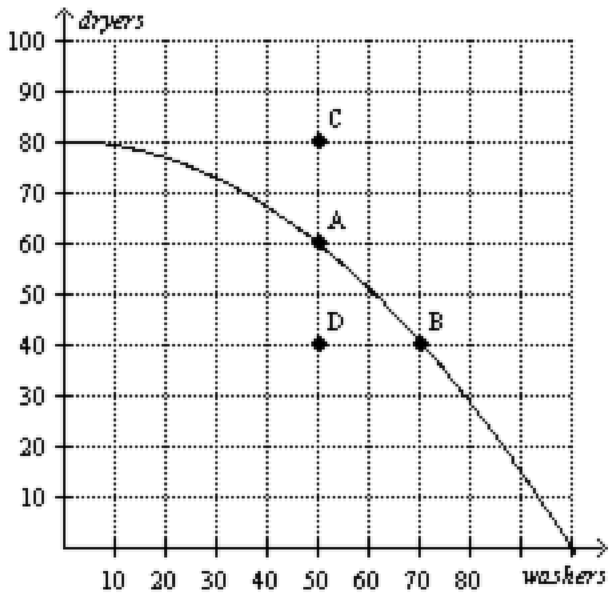


Figure 2-5Refer to Figure 2-5. This economy cannot currently produce 70 washers and 70 dryers because
A : it is not using all of its resources.
B : it is not using the most efficient production process.
C : it does not have the resources and technology to produce that level of output.
D : All of the above are correct.

Correct Answer : C

181 :

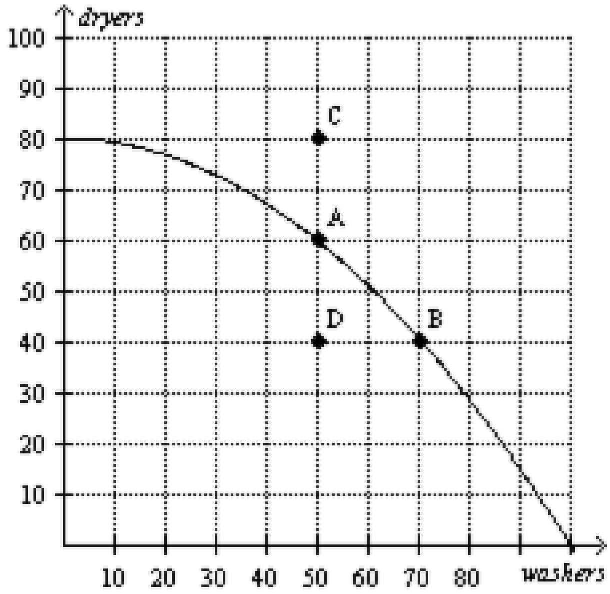


Figure 2-5Refer to Figure 2-5. Suppose this economy is producing at point D. Which of the following statements would best explain this situation?
A : The economy has insufficient resources to produce at a more desirable point.
B : The economys available technology prevents it from producing at a more desirable point.
C : There is widespread unemployment in the economy.
D : Any of the above statements would be a legitimate explanation for this situation.

Correct Answer : C

182 :

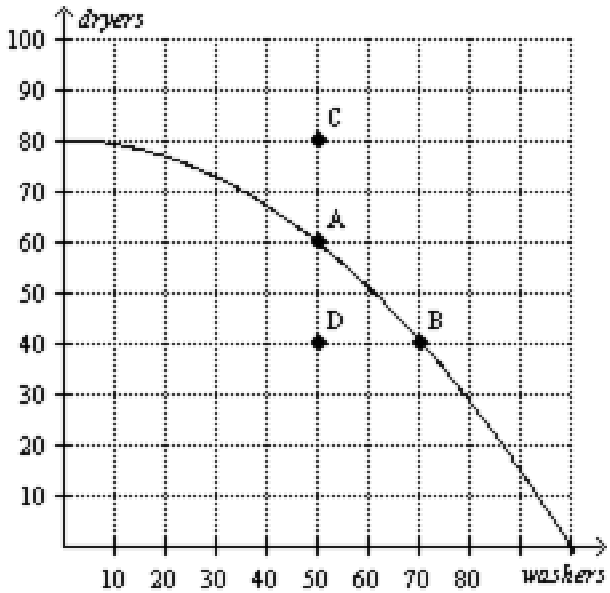


Figure 2-5Refer to Figure 2-5. Efficient production is represented by which point(s)?
A : A, B
B : A, B, D
C : A, B, C
D : C

Correct Answer : A

183 :

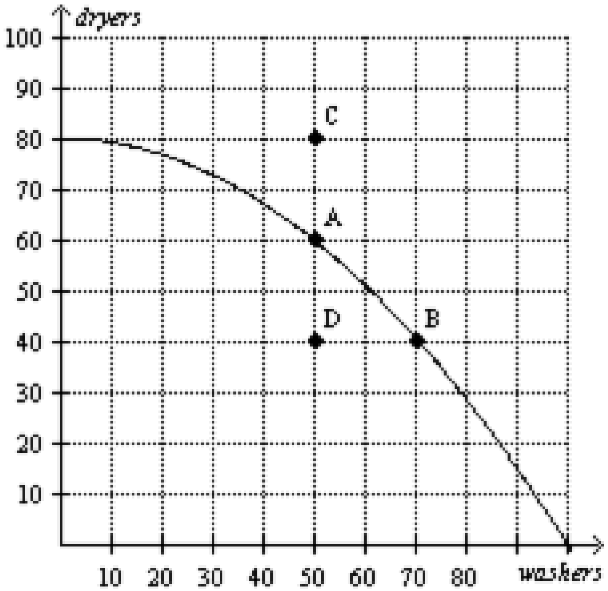


Figure 2-5Refer to Figure 2-5. Inefficient production is represented by which point(s)?
A : A, B
B : C
C : C, D
D : D

Correct Answer : D

184 :

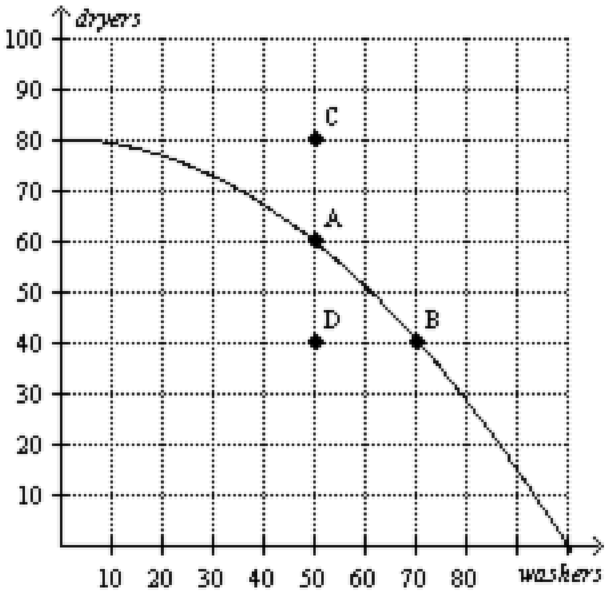


Figure 2-5Refer to Figure 2-5. The opportunity cost of this economy moving from point A to point B is
A : 20 dryers.
B : 20 washers.
C : 20 dryers and 20 washers.
D : 60 dryers.

Correct Answer : A

185 :

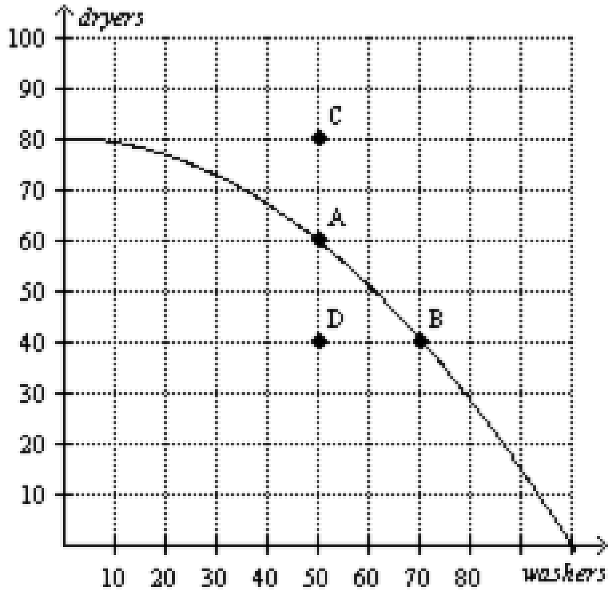


Figure 2-5Refer to Figure 2-5. The opportunity cost of obtaining 40 additional dryers by moving from point D to point C is
A : 0 washers.
B : 20 washers.
C : 40 washers.
D : None of the above; the economy cannot move from point D to point C.

Correct Answer : D

186 :

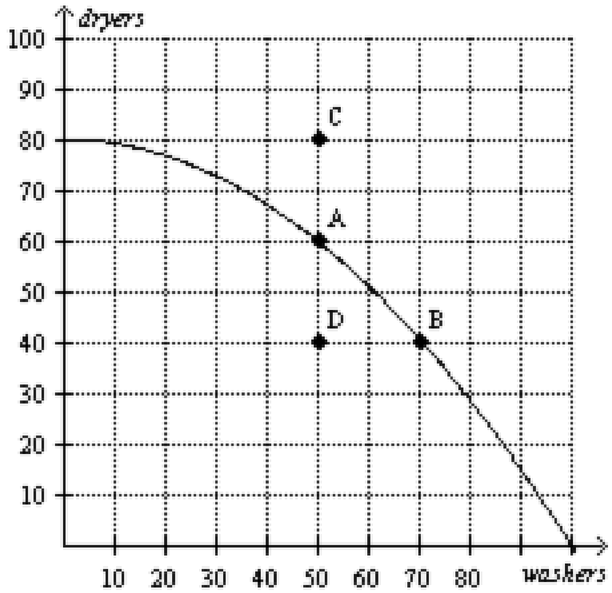


Figure 2-5Refer to Figure 2-5. The opportunity cost of obtaining 20 additional dryers by moving from point D to point A is
A : 0 washers.
B : 20 washers.
C : 40 washers.
D : None of the above; the economy cannot move from point D to point A.

Correct Answer : A

187 :

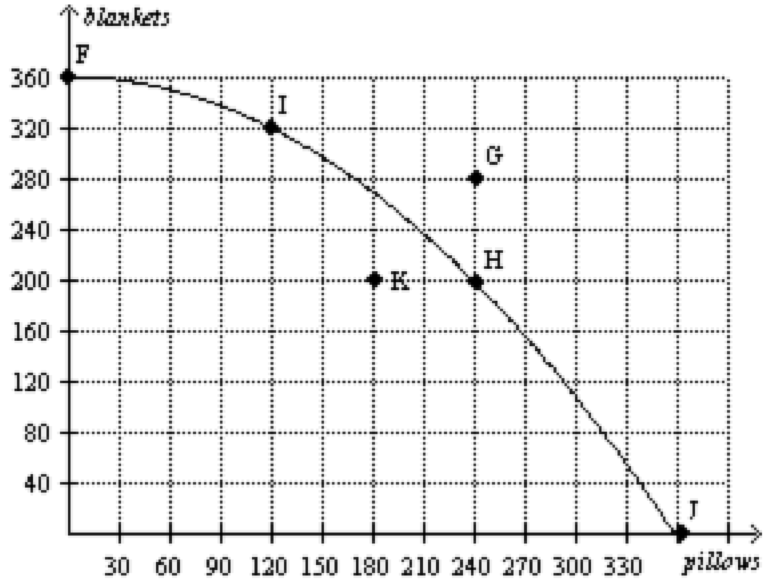


Figure 2-6Refer to Figure 2-6. If this economy devotes all of its resources to the production of blankets, then it will produce
A : 0 blankets and 360 pillows.
B : 200 blankets and 240 pillows.
C : 320 blankets and 120 pillows.
D : 360 blankets and 0 pillows.

Correct Answer : D

188 :

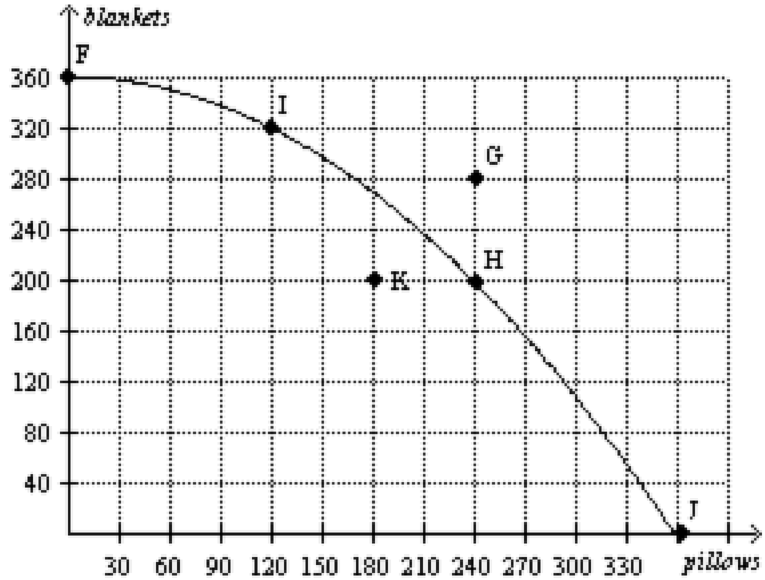


Figure 2-6Refer to Figure 2-6. If this economy devotes one-half of its available resources to the production of blankets and the other half to the production of pillows, it could produce
A : 120 pillows and 320 blankets.
B : 180 pillows and 180 blankets.
C : 240 pillows and 200 blankets.
D : We would have to know the details of this economys technology in order to determine this.

Correct Answer : D

189 :

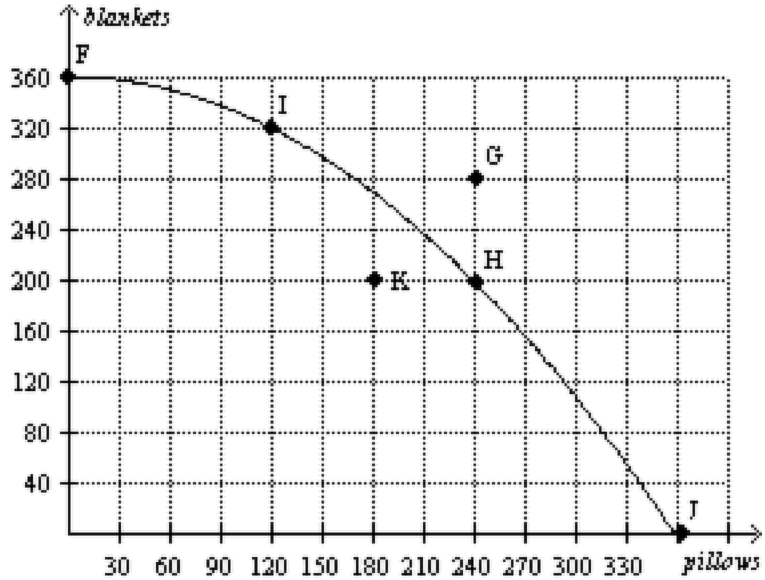


Figure 2-6Refer to Figure 2-6. A movement from point H to point K could be caused by
A : unemployment.
B : a decrease in societys preference for pillows.
C : fewer resources available for production of pillows.
D : All of the above are correct.

Correct Answer : A

190 :

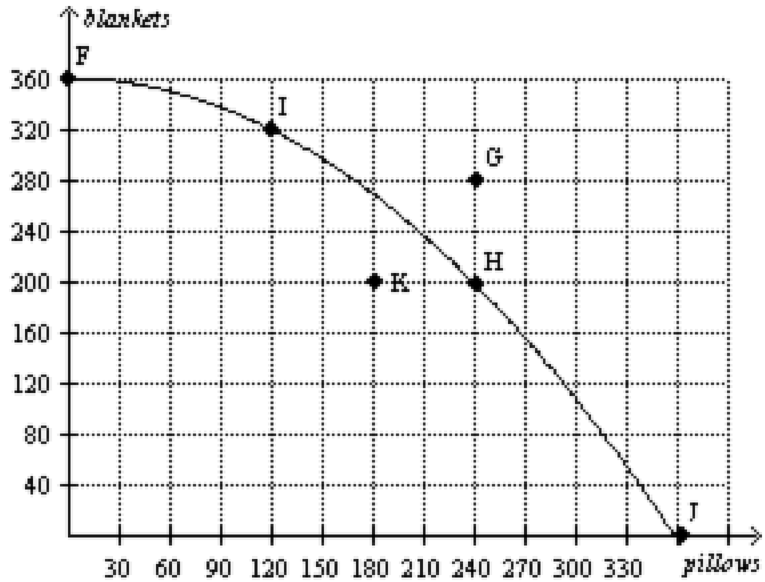


Figure 2-6Refer to Figure 2-6. If this economy moves from point F to point G, then which of the following statements is correct?
A : This economy has moved from a point of inefficient production to a point of efficient production.
B : This economy has experienced economic growth.
C : This economy has experienced an increase in employment.
D : None of the above is correct.

Correct Answer : B

191 :

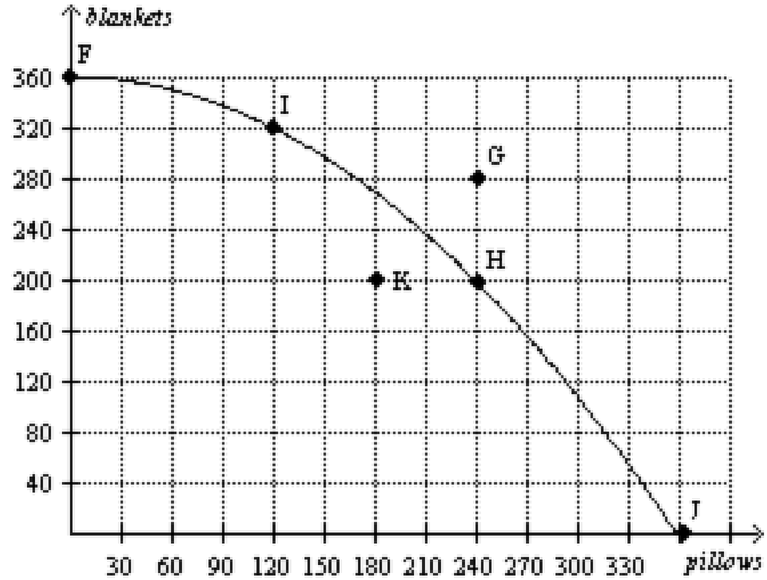


Figure 2-6Refer to Figure 2-6.
The opportunity cost of this economy moving from point I to point H is
A : 120 pillows.
B : 120 blankets.
C : 120 blankets and 120 pillows.
D : 200 blankets.

Correct Answer : B

192 :

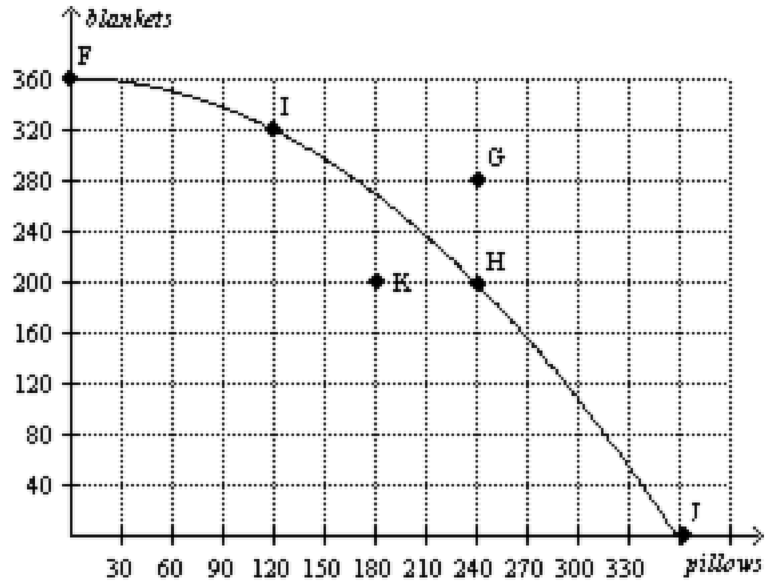


Figure 2-6Refer to Figure 2-6.
The opportunity cost of this economy moving from point I to point F is
A : zero.
B : 40 blankets.
C : 120 pillows.
D : 360 blankets.

Correct Answer : C

193 :

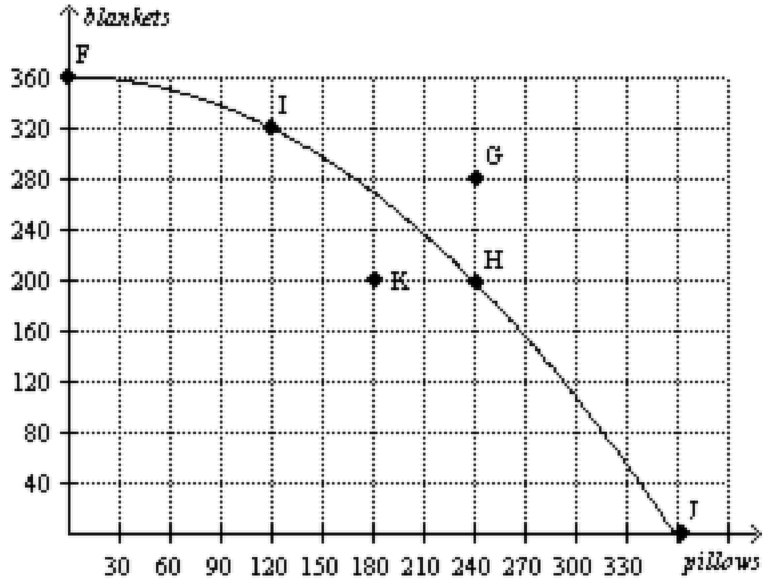


Figure 2-6Refer to Figure 2-6.
The opportunity cost of this economy moving from point K to point H is
A : zero.
B : 50 blankets.
C : 60 pillows.
D : 50 blankets and 60 pillows.

Correct Answer : A

194 :

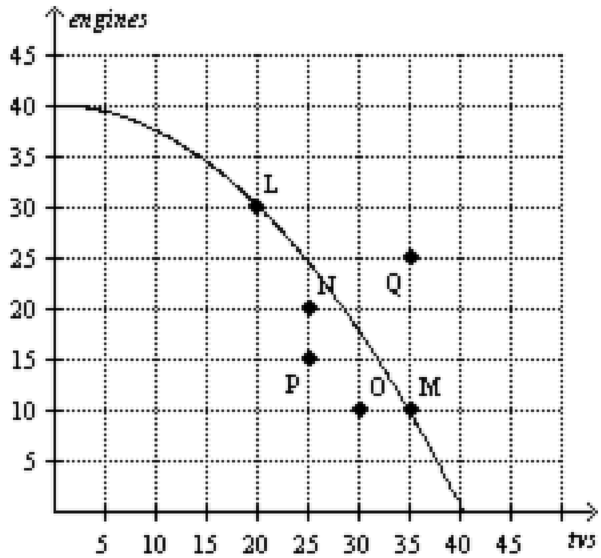


Figure 2-7Refer to Figure 2-7. If this economy devotes all of its resources to the production of engines, then it will produce
A : 0 engines and 40 tvs.
B : 10 engines and 35 tvs.
C : 40 engines and 0 tvs.
D : 40 engines and 40 tvs.

Correct Answer : C

195 :

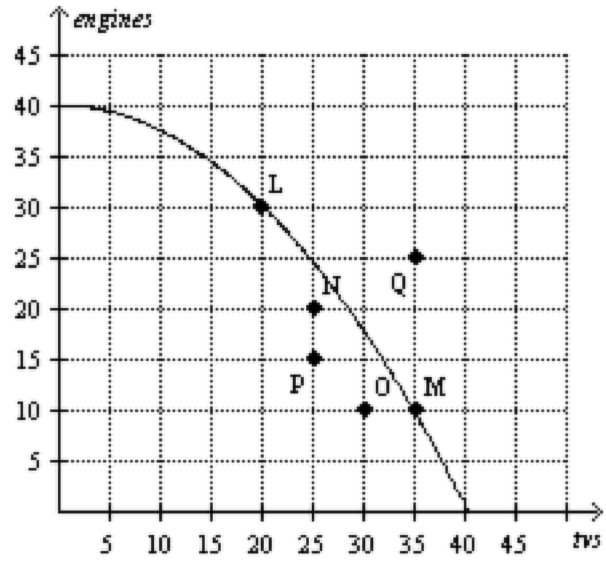


Figure 2-7Refer to Figure 2-7. This economy has the ability to produce at which point(s)?
A : N, O, P
B : L, M
C : L, M, N, O, P
D : L, M, Q

Correct Answer : C

196 :

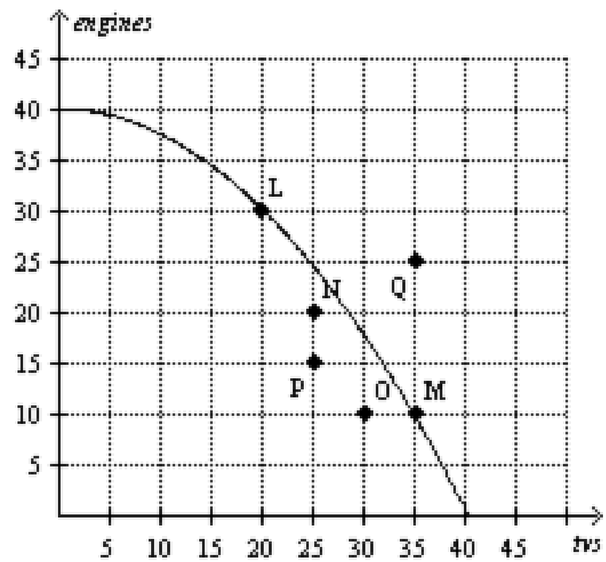


Figure 2-7Refer to Figure 2-7. This economy cannot produce at which point(s)?
A : L, M
B : N, O, P, Q
C : N, O, P
D : Q

Correct Answer : D

197 :

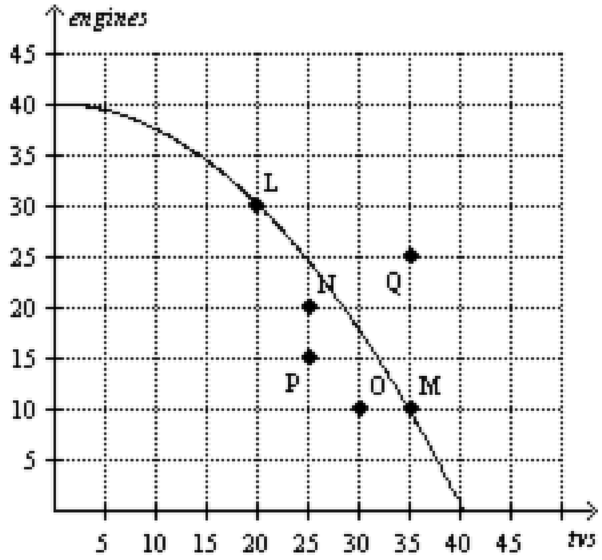


Figure 2-7Refer to Figure 2-7. Efficient production is represented by which point(s)?
A : L, M
B : L, M, N, P, Q
C : N, O, P
D : Q

Correct Answer : A

198 :

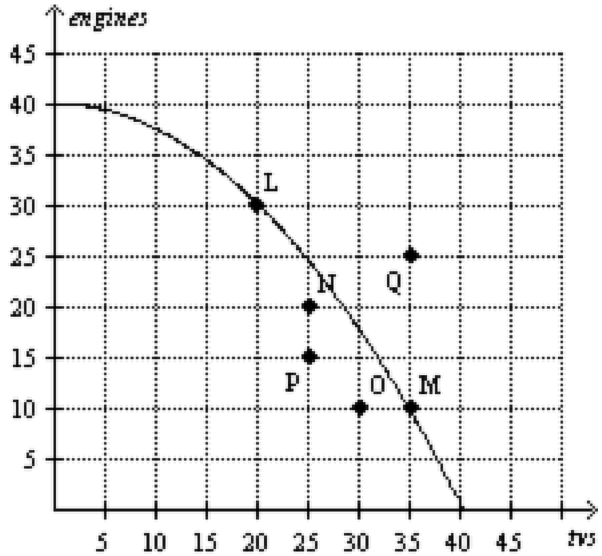


Figure 2-7Refer to Figure 2-7. Inefficient production is represented by which point(s)?
A : L, M
B : N, O, P, Q
C : N, O, P
D : Q

Correct Answer : C

199 :

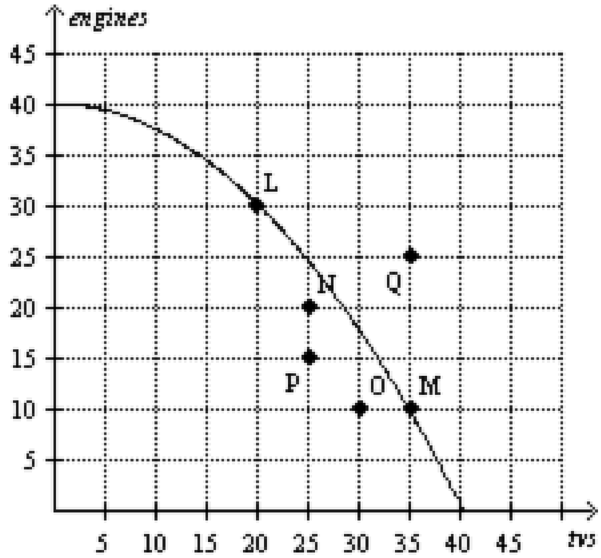


Figure 2-7Refer to Figure 2-7. Unemployment could cause this economy to produce at which point(s)?
A : L, M
B : N, O, P, Q
C : N, O, P
D : Q

Correct Answer : C

200 :

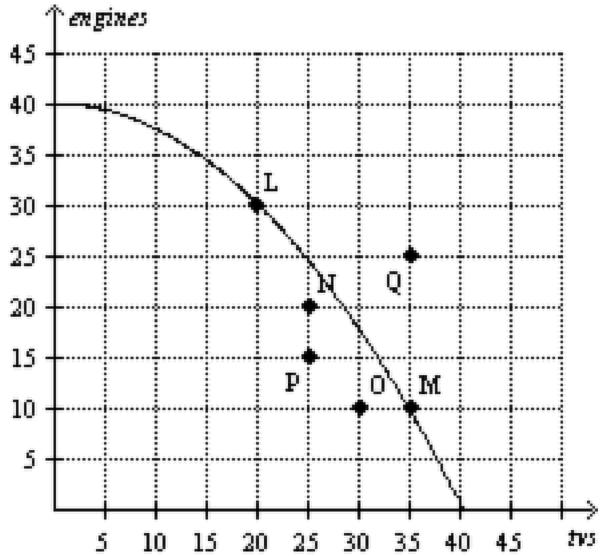


Figure 2-7Refer to Figure 2-7. If this economy moved from point P to point N, then
A : it still would not be producing efficiently.
B : there would be no gain in either engines or tvs.
C : it would be producing more engines and more tvs than at point P.
D : It is not possible for this economy to move from point P to point N without additional resources.

Correct Answer : A

201 :

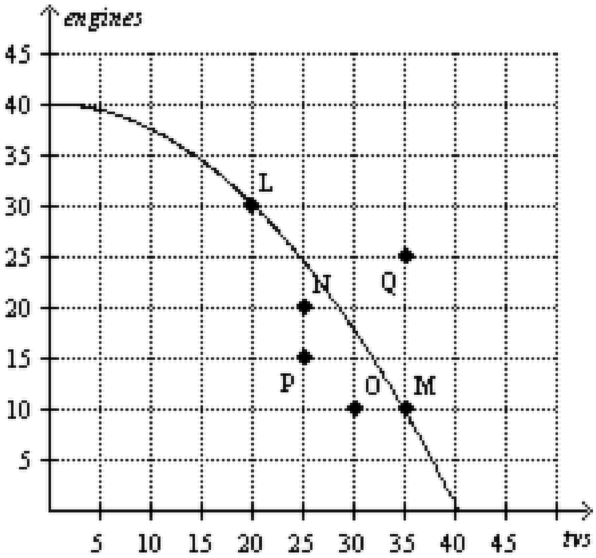


Figure 2-7Refer to Figure 2-7. What is the opportunity cost of moving from point L to point M?

A : zero

B : 15 tvs

C : 20 engines and 15 tvs

D : 20 engines

Correct Answer : D

202 :

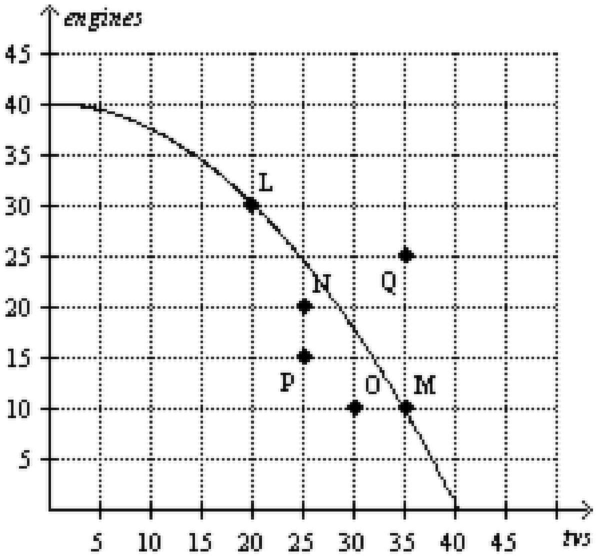


Figure 2-7Refer to Figure 2-7. What is the opportunity cost of moving from point M to point L?

A : zero

B : 15 tvs

C : 20 engines and 15 tvs

D : 20 engines

Correct Answer : B

203 :

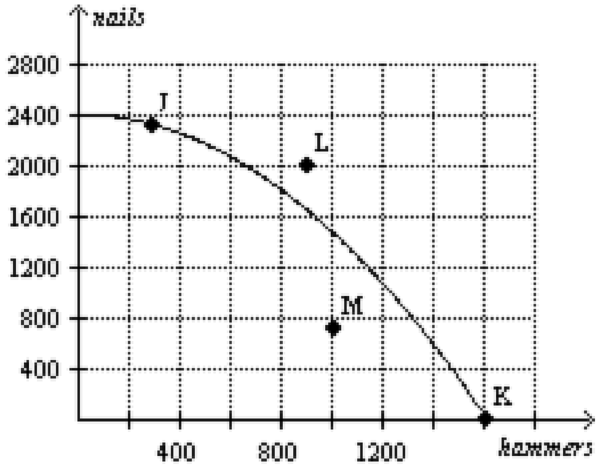


Figure 2-8Refer to Figure 2-8. Point K represents an outcome in which
A : production is inefficient.
B : some of the economys resources are unemployed.
C : the economy is using all of its resources to produce hammers.
D : the economy is using all of its nails to produce hammers.

Correct Answer : C

204 :

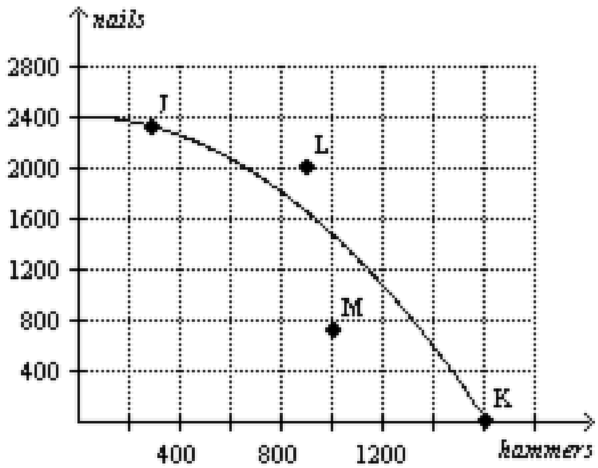


Figure 2-8Refer to Figure 2-8. Which point on the graph best represents the fact that, because resources are scarce, not every conceivable outcome is feasible?
A : point J
B : point K
C : point L
D : point M

Correct Answer : C

205 :

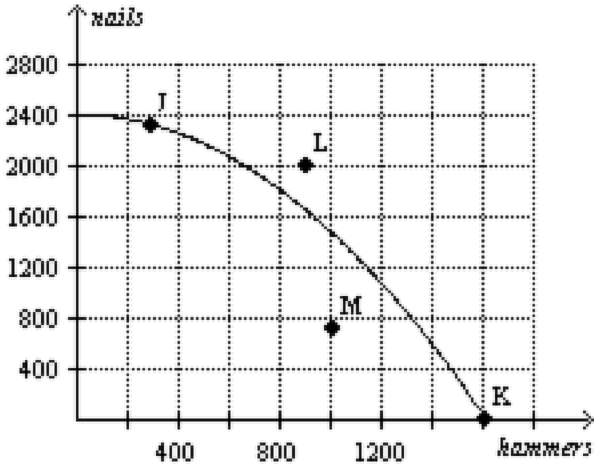


Figure 2-8Refer to Figure 2-8. Efficient production is represented by which point(s)?

A : J

B : J, K

C : J, K, L

D : J, K, M

Correct Answer : B

206 :

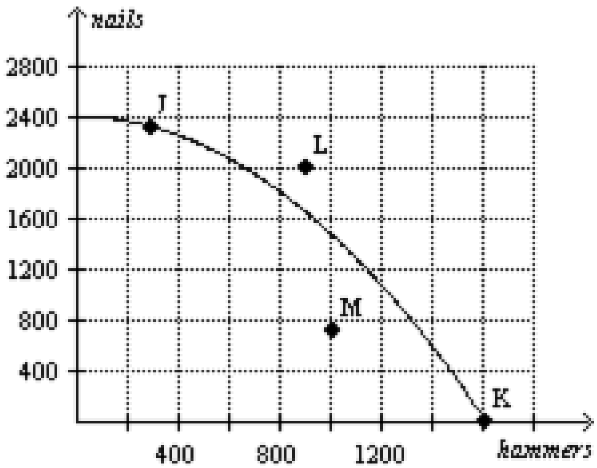


Figure 2-8Refer to Figure 2-8. Inefficient production is represented by which point(s)?

A : K, M

B : L

C : L, M

D : M

Correct Answer : D

207 :

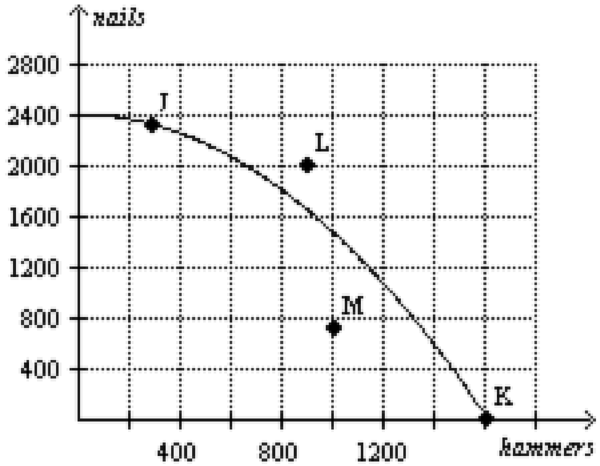


Figure 2-8Refer to Figure 2-8. To reach point L, the economy would have to

A : acquire more resources or experience a technological advance.
B : begin using its available resources more efficiently than it is currently using them.
C : shift resources away from the production of nails and toward the production of hammers.
D : None of the above are correct; the economy will never be able to reach point L.

Correct Answer : A

208 :

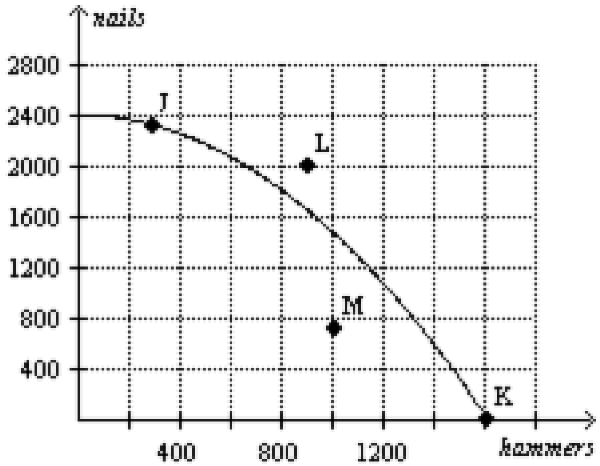


Figure 2-8Refer to Figure 2-8. For this economy, as more and more hammers are produced, the opportunity cost of an additional hammer produced, in terms of nails,

A : remains constant.
B : increases.
C : decreases.
D : This answer cannot be determined from the graph.

Correct Answer : B

209 :

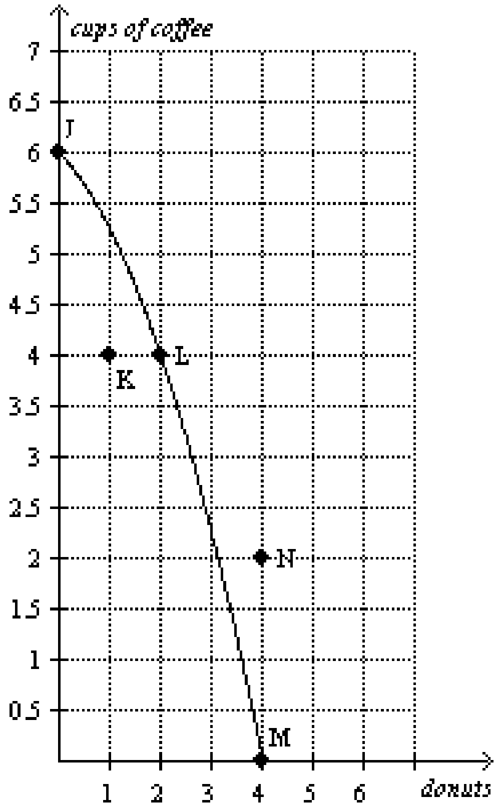


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). Production at point K is

A : possible and efficient.
B : possible but inefficient.
C : impossible but efficient.
D : impossible and inefficient.

Correct Answer : B

210 :

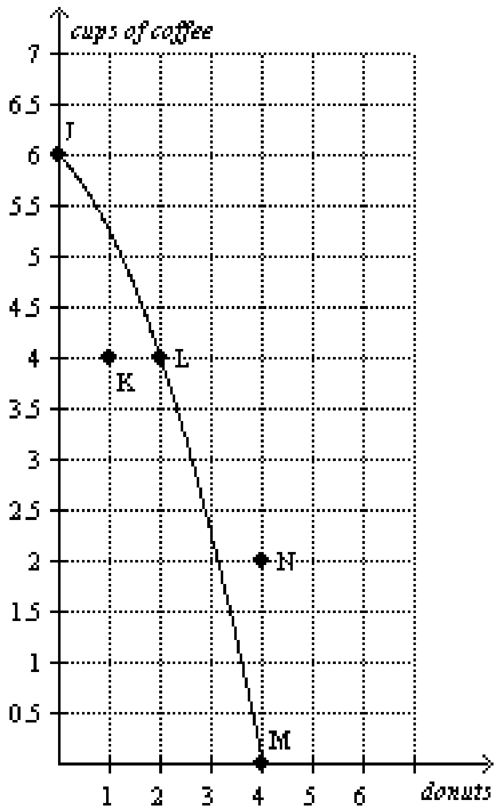


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). Production is
A : possible at points J, K, L, and M, but efficient only at points J, L, and M.
B : possible at points J, K, L, and M, but efficient only at point K.
C : possible at points J, L, M, and N, but efficient only at points J, L, and M.
D : possible at points J, L, M, and N, but efficient only at point N.

Correct Answer : A

211 :

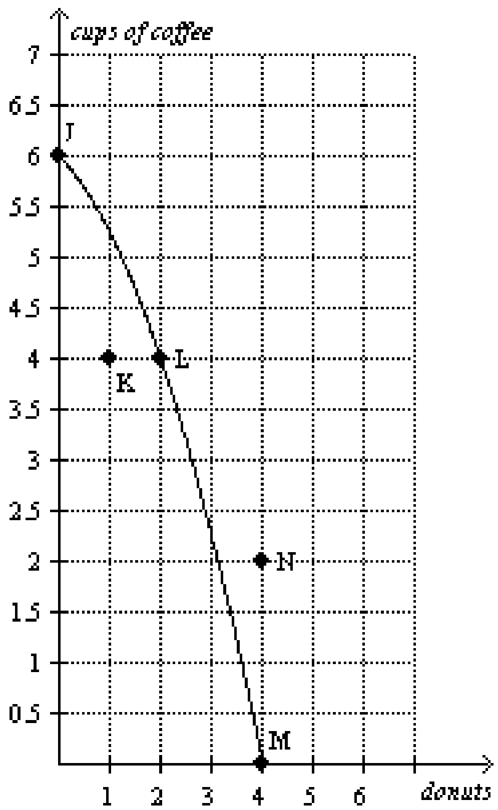


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). The movement from point M to point K could be caused by
A : an advance in production technology.
B : an improvement in efficiency.
C : economic growth.
D : unemployment.

Correct Answer : D

212 :

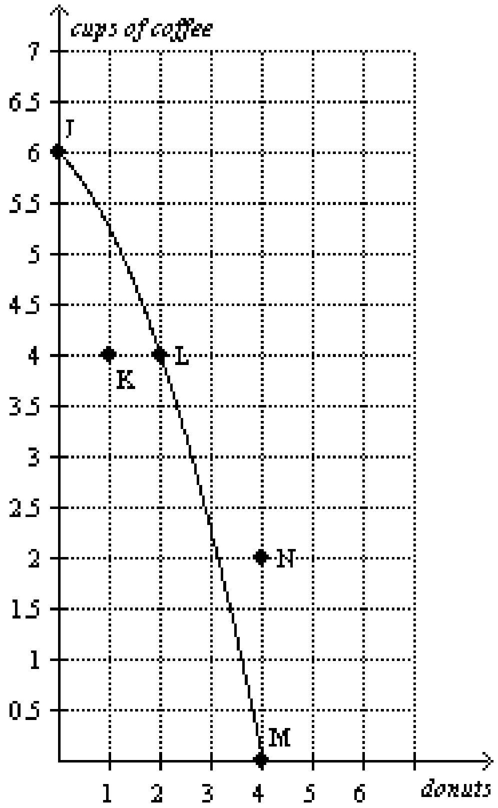


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). The opportunity cost of moving from point J to point L is
A : 2 donuts.
B : 2 donuts and 2 cups of coffee.
C : 2 cups of coffee.
D : 6 cups of coffee.

Correct Answer : C

213 :

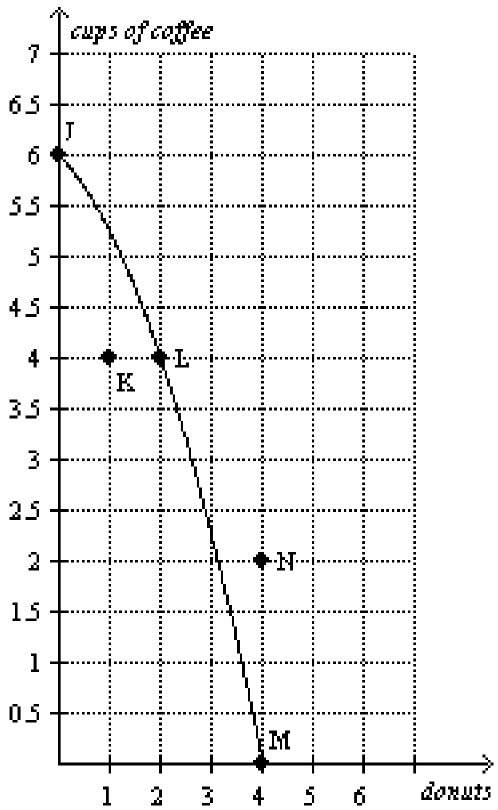


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). The opportunity cost of moving from point M to point L is
A : 2 donuts.
B : 2 donuts and 4 cups of coffee.
C : 4 donuts.
D : 4 cups of coffee.

Correct Answer : A

214 :

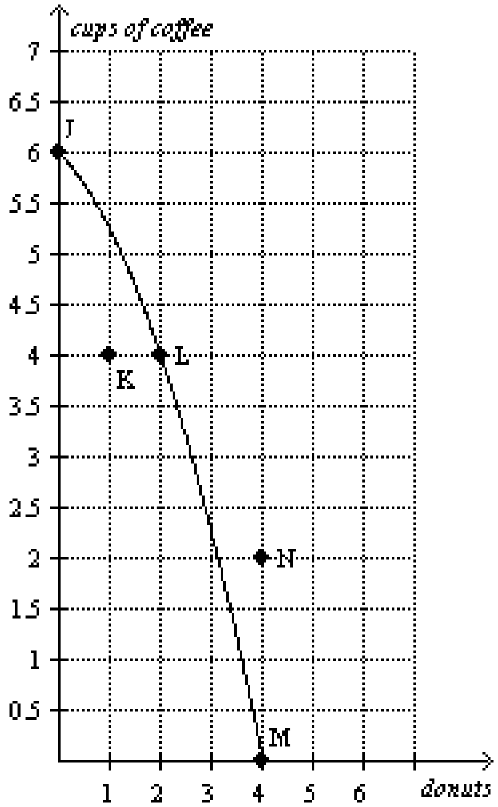


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). The opportunity cost of moving from point K to point L is
A : 0 cups of coffee.
B : 1 donut.
C : 2 donuts.
D : 4 cups of coffee.

Correct Answer : A

215 :

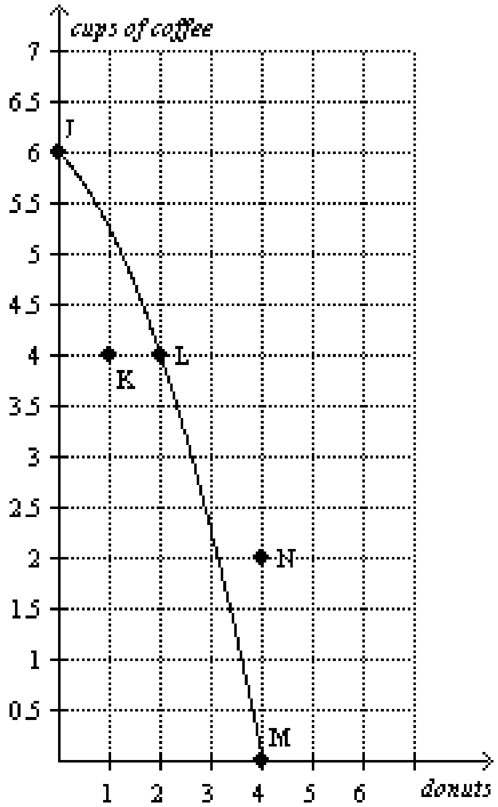


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). The opportunity cost of one cup of coffee is highest when the economy produces
A : 0 cups of coffee.
B : 2 cups of coffee.
C : 4 cups of coffee.
D : 6 cups of coffee.

Correct Answer : D

216 :

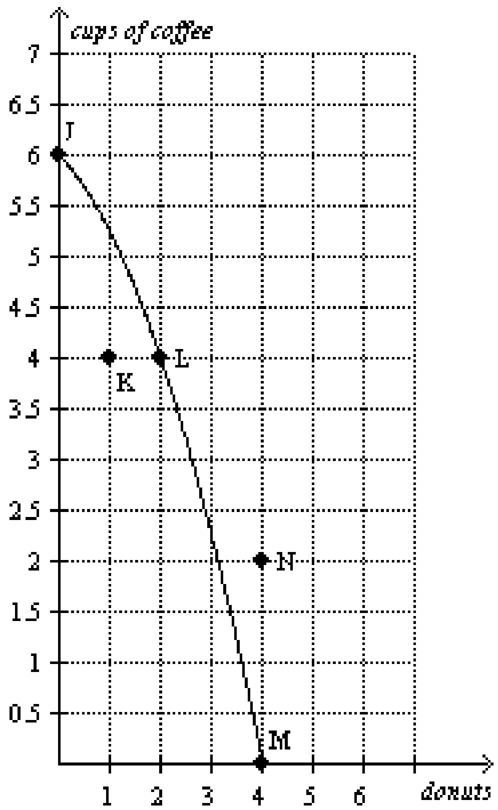


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a). To gain 2 donuts by moving from point L to point M, society must sacrifice
A : efficiency.
B : employment.
C : 4 cups of coffee.
D : More than one of the above is correct.

Correct Answer : C

217 :

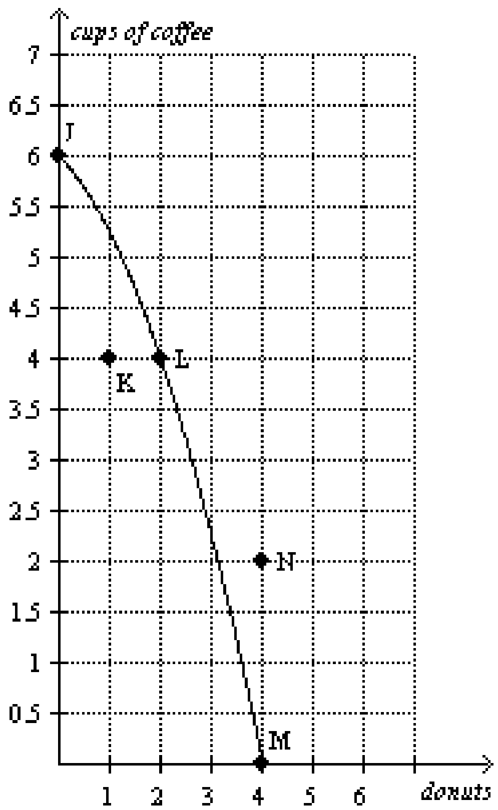


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a) and Panel (b). A shift of the economys production possibilities frontier from Panel (a) to Panel (b) could be caused by
A : unemployment.
B : an improvement in donut production technology.
C : an improvement in coffee production technology.
D : an improvement in both donut and coffee production technology.

Correct Answer : B

218 :

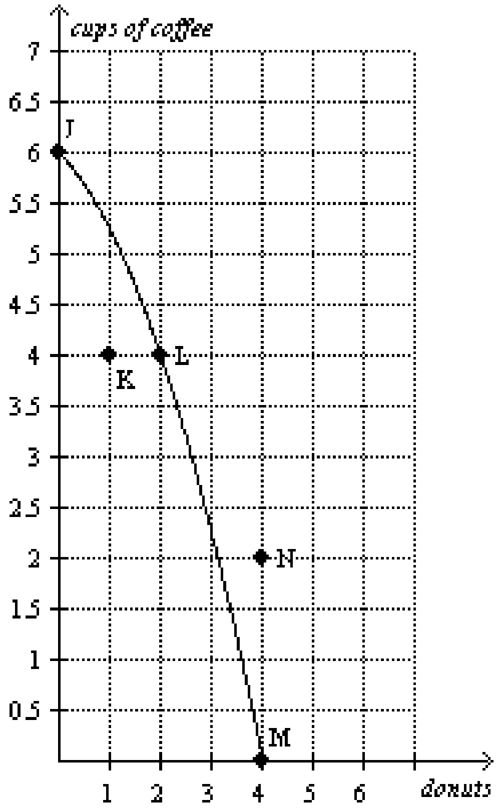


Figure 2-9 Panel (a)

Refer to Figure 2-9, Panel (a) and Panel (b). Which of the following is not a result of the shift of the economys production possibilities frontier from Panel (a) to Panel (b)?

A : the tradeoff between the production of donuts and coffee changes

B : the opportunity cost of a cup of coffee is higher at all levels of coffee production

C : production of 4 donuts and 2 cups of coffee becomes possible

D : production of 1 donut and 4 cups of coffee becomes efficient

Correct Answer : D

219 :

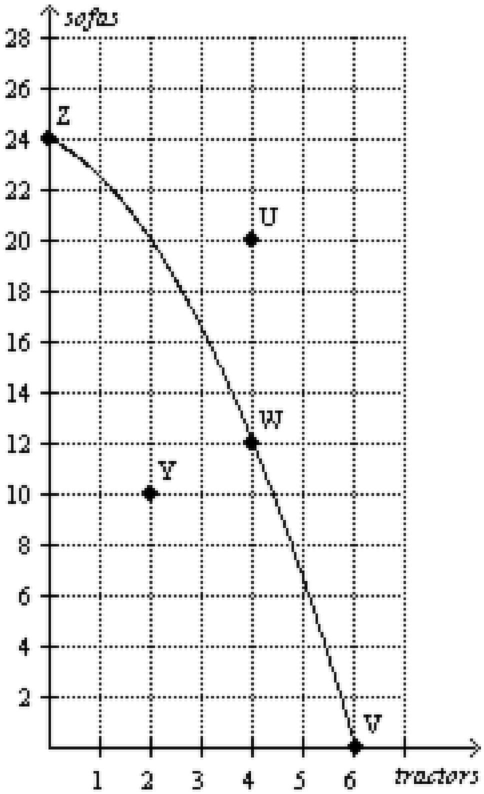


Figure 2-10 Panel (a)

Refer to Figure 2-10, Panel (a).

Production at point Y is
A : impossible and inefficient.
B : impossible but efficient.
C : possible but inefficient.
D : possible and efficient.

Correct Answer : C

220 :

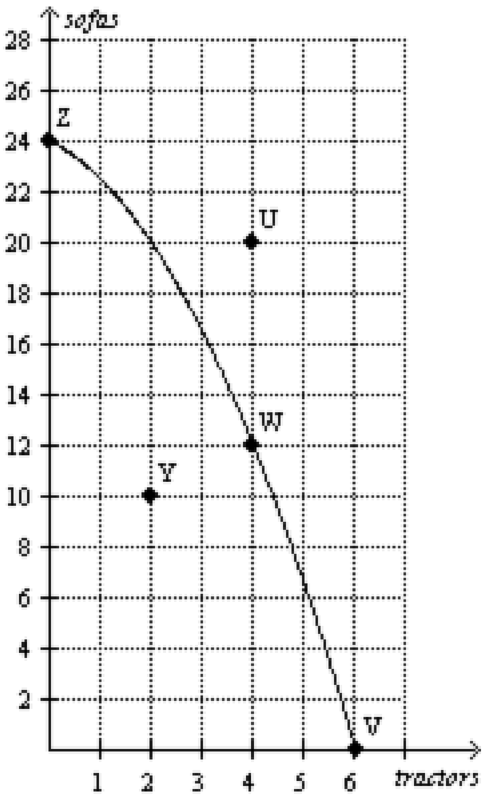


Figure 2-10 Panel (a)

Refer to Figure 2-10, Panel (a).

Production is

A : possible at points V, W, Y, and Z, but efficient only at points V, W, and Z.

B : possible at points V, W, Y, and Z, but efficient only at point Y.

C : possible at points U, V, W, and Z, but efficient only at points V, W, and Z.

D : possible at points U, V, W, and Z, but efficient only at point U.

Correct Answer : A

221 :

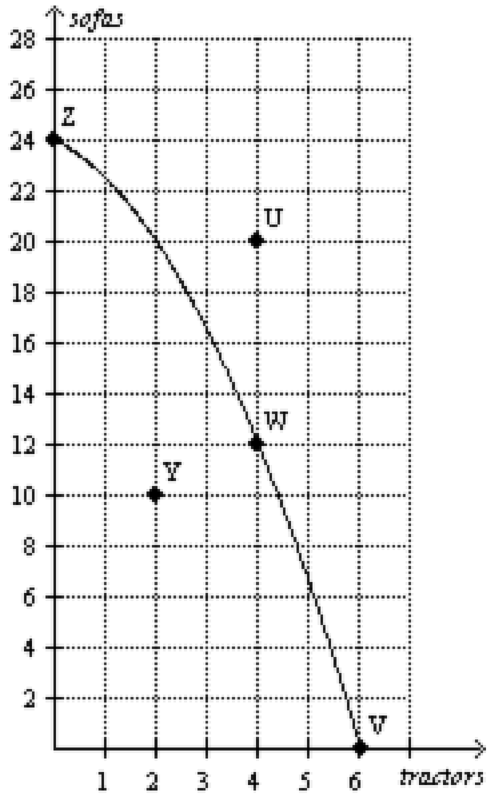


Figure 2-10 Panel (a)

Refer to Figure 2-10, Panel (a). The movement from point W to point Y could be caused by

A : economic growth.

B : unemployment.

C : an improvement in efficiency.

D : an advance in production technology.

Correct Answer : B

222 :

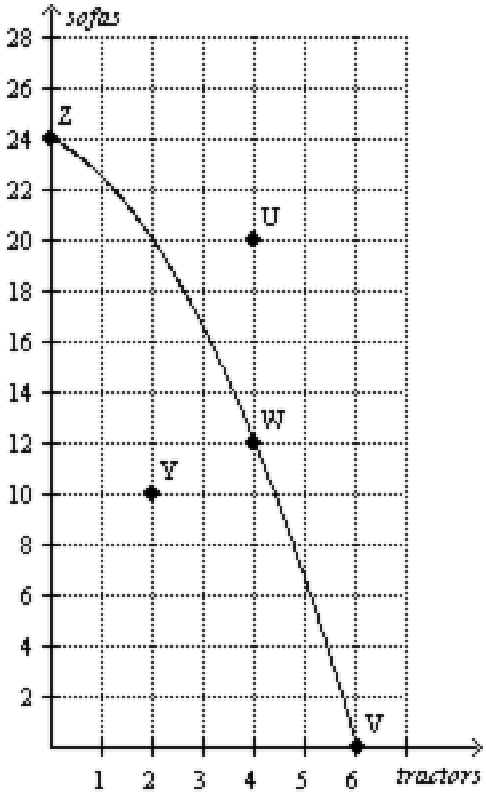


Figure 2-10 Panel (a)

Refer to Figure 2-10, Panel (a). The opportunity cost of one sofa is highest when the economy produces

A : 0 sofas.

B : 12 sofas.

C : 20 sofas.

D : 24 sofas.

Correct Answer : D

223 :

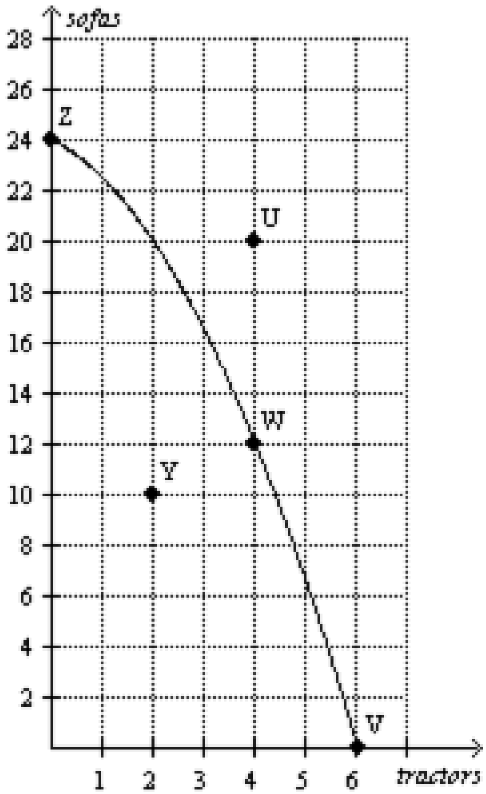


Figure 2-10 Panel (a)

Refer to Figure 2-10, Panel (a). To gain 2 tractors by moving from point W to point V, society must sacrifice
A : 12 sofas.
B : employment.
C : efficiency.
D : More than one of the above is correct.

Correct Answer : A

224 :

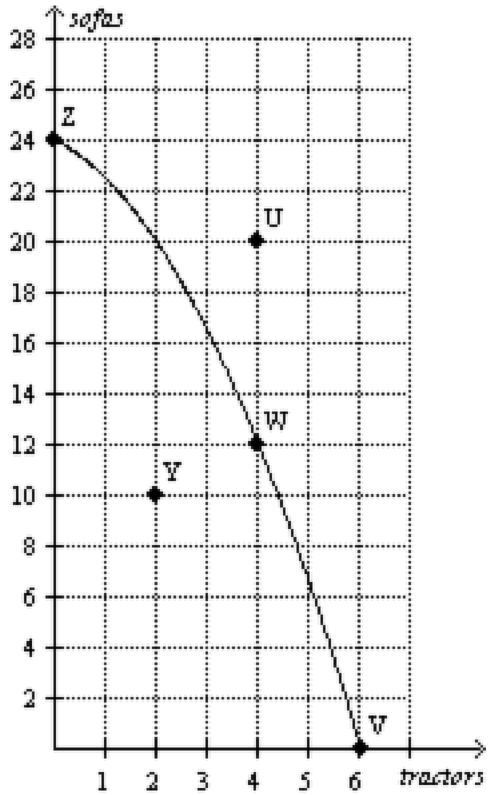


Figure 2-10 Panel (a)

Refer to Figure 2-10, Panel (a) and Panel (b). A shift of the economys production possibilities frontier from Panel (a) to Panel (b) could be caused by
A : unemployment.
B : an improvement in sofa production technology.
C : an improvement in tractor production technology.
D : an improvement in both sofa and tractor production technology.

Correct Answer : C

225 :

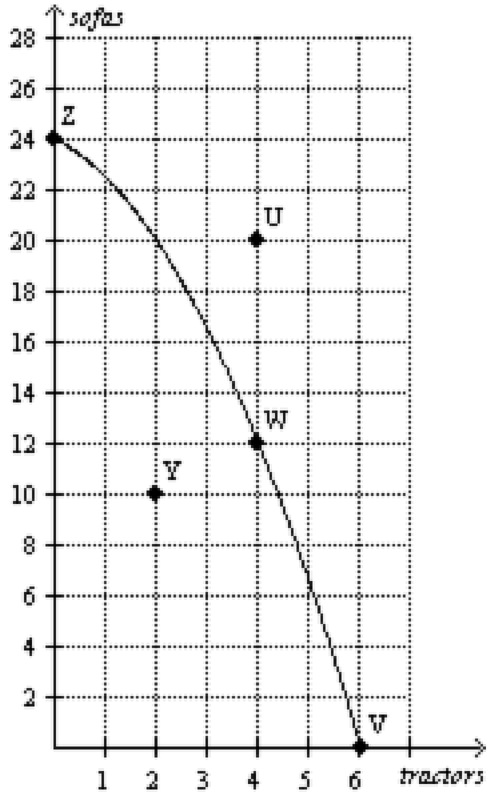


Figure 2-10 Panel (a)

Refer to Figure 2-10, Panel (a) and Panel (b). Which of the following is not a result of the shift of the economys production possibilities frontier from Panel (a) to Panel (b)?
A : The tradeoff between the production of tractors and sofas changes.
B : Production of 2 tractors and 10 sofas becomes efficient.
C : Production of 6 tractors and 14 sofas becomes possible.
D : The opportunity cost of a sofa is higher at all levels of sofa production.

Correct Answer : B

226 :

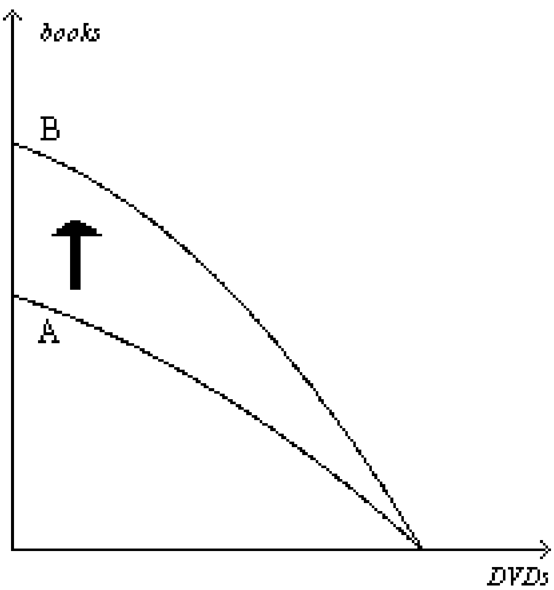


Figure 2-11Refer to Figure 2-11. Which of the following events would explain the shift of the production possibilities frontier from A to B?
A : The economys citizens developed an enhanced taste for books.
B : The economy experienced a technological advance in the production of books.
C : More capital became available in the economy.

D : More labor became available in the economy.

Correct Answer : B

227 :

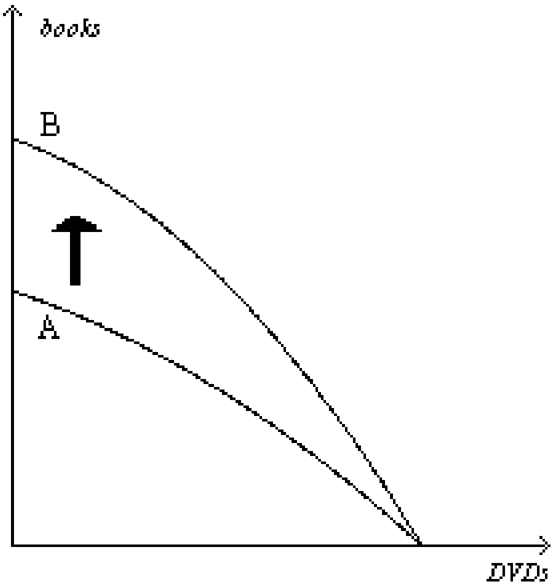


Figure 2-11Refer to Figure 2-11. The shift of the production possibilities frontier from A to B illustrates

A : simultaneous technological advances in the book and DVD industries.
B : a reallocation of resources away from the production of DVDs and toward the production of books.
C : economic growth.
D : All of the above are correct.

Correct Answer : C

228 :

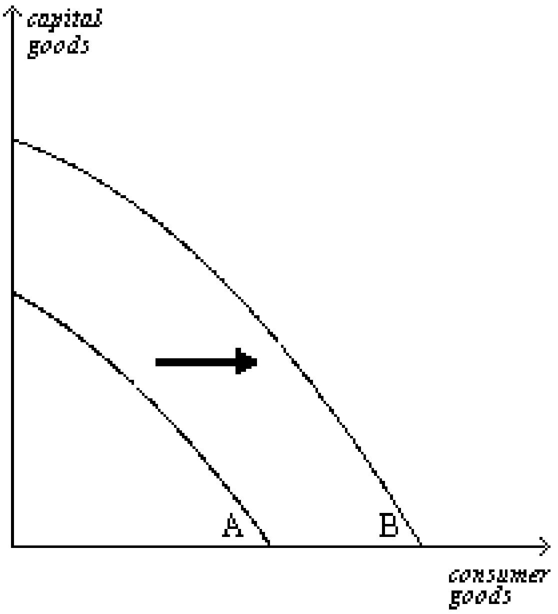


Figure 2-12Refer to Figure 2-12. Which of the following would most likely have caused the production possibilities frontier to shift outward from A to B?

A : a decrease in unemployment
B : a technological advance in the consumer goods industries
C : a general technological advance
D : an increase in the availability of capital-producing resources

Correct Answer : C

229 :

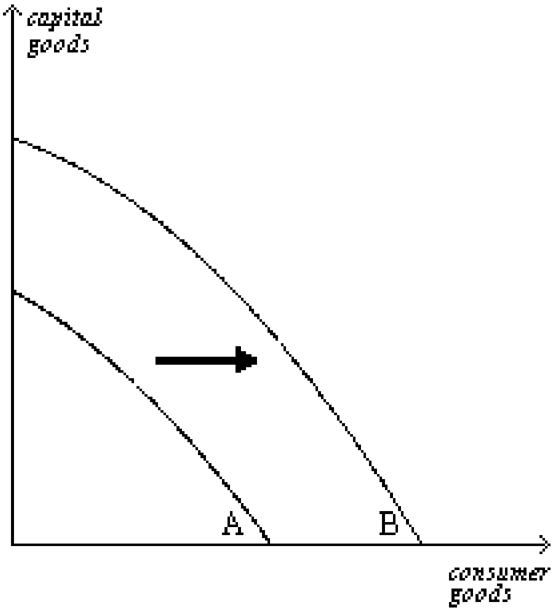


Figure 2-12Refer to Figure 2-12. The shift of the production possibilities frontier from A to B can best be described as
A : a downturn in the economy.
B : economic growth.
C : an enhancement of equality.
D : an improvement in the allocation of resources.

Correct Answer : B

230 :

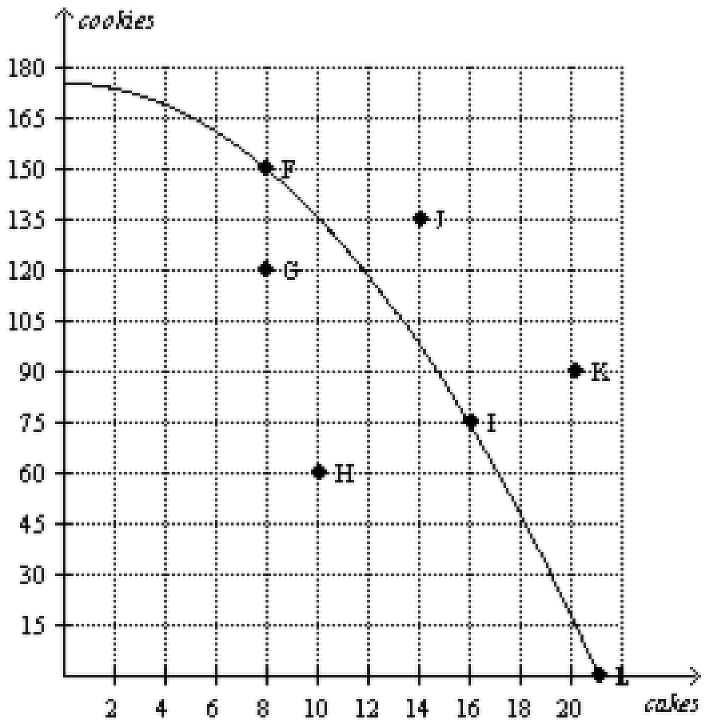


Figure 2-13Refer to Figure 2-13. Which of the following combinations of points are both efficient and attainable for this economy?
A : G, H
B : F, I, L
C : F, G, H, I, L
D : J, K

Correct Answer : B

231 :

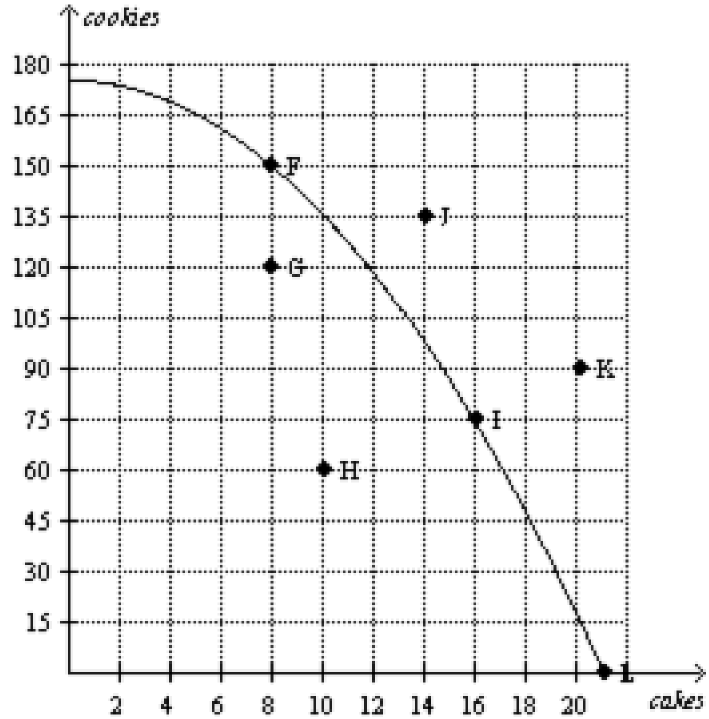


Figure 2-13Refer to Figure 2-13.

Which of the following statements is true about point G for this economy?

A : Point G is currently unattainable.

B : Point G is efficient.

C : At point G, more cakes are produced than cookies.

D : There is unemployment at point G.

Correct Answer : D

232 :

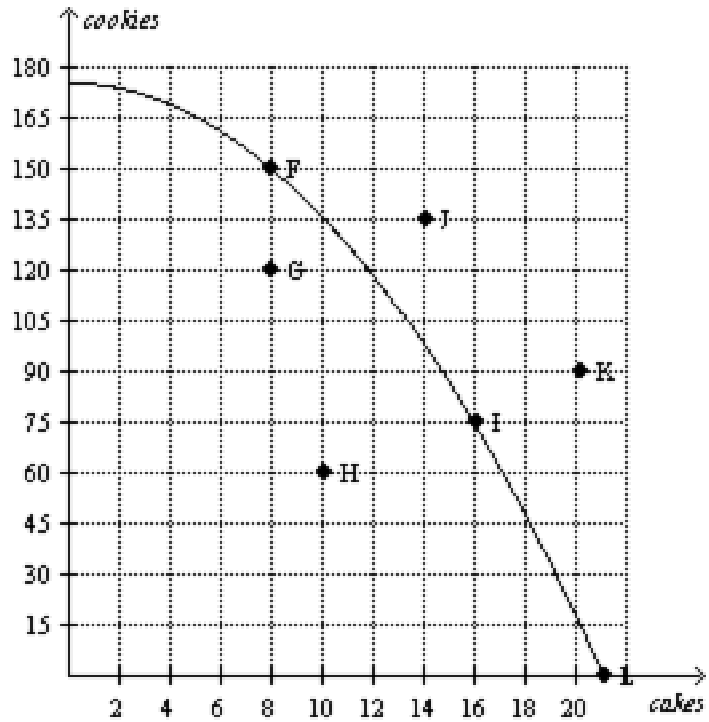


Figure 2-13Refer to Figure 2-13.

Which points are not currently attainable but could become achievable for this economy if there is an improvement in technology?

A : I, L

B : G, H

C : J, K

D : F, G

Correct Answer : C

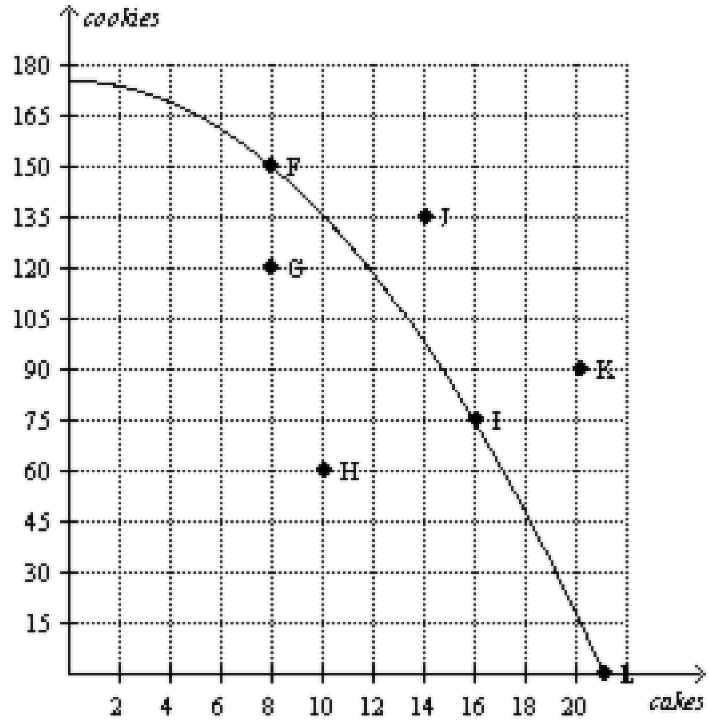
233 : 

Figure 2-13Refer to Figure 2-13. One difference between points F and G is that
A : Point G is unattainable with current resources, but point F is attainable.
B : All resources are fully employed at point F but there is unemployment at point G.
C : More output can be produced at point F but no additional output can be produced at point G.
D : This economy produces more cookies at point G than at point F.

Correct Answer : B

234 : Figure 2-13Refer to Figure 2-13. One difference between points F and G is that
A : 200 bushels of wheat
B : 400 bushels of wheat
C : 600 bushels of wheat
D : 800 bushels of wheat

Correct Answer : B

235 : Figure 2-13Refer to Figure 2-13. One difference between points F and G is that
A : 800 bushels of corn
B : 600 bushels of corn
C : 400 bushels of corn
D : 400 bushels of wheat

Correct Answer : C

236 : Figure 2-13Refer to Figure 2-13. One difference between points F and G is that
A : The opportunity cost of a bushel of corn does not depend on how many bushels of wheat are being produced.
B : The opportunity cost of a bushel of corn increases as more corn is produced.
C : The opportunity cost of a bushel of corn decreases as more corn is produced.

D : The opportunity cost of a bushel of wheat decreases as more wheat is produced.

Correct Answer : B

237 : Figure 2-13Refer to Figure 2-13. One difference between points F and G is that
A : bowed outward indicating increasing opportunity costs.
B : bowed outward indicating decreasing opportunity costs.
C : a straight line indicating constant opportunity costs.
D : bowed inward indicating increasing opportunity costs.

Correct Answer : A

238 : Figure 2-13Refer to Figure 2-13. One difference between points F and G is that
A : 1600 bushels of corn and 300 bushels of wheat
B : 1400 bushels of corn and 800 bushels of wheat
C : 1000 bushels of corn and 2000 bushels of wheat
D : 600 bushels of corn and 1800 bushels of wheat

Correct Answer : C

239 : Home is a country that produces two goods, pears and cellular phones. Last year, Home produced 450 bushels of pears and 1050 cellular phones. This year it produced 450 bushels of pears and 2000 cellular phones. Given no other information, which of the following events could explain this change?
A : Home experienced increased unemployment.
B : Home experienced a decline in pear-producing technology.
C : Home experienced an improvement in cellular phone-making technology.
D : Home experienced a reduction in resources.

Correct Answer : C

240 : Indiadesh is a country that produces two goods, textiles and computers. Last year, Indiadesh produced 50,000 textiles and 1300 computers. This year it produced 45,000 textiles and 1100 computers. Given no further information, which of the following events could explain this change?
A : Indiadesh decreased unemployment.
B : Indiadesh experienced an improvement in textile-making technology.
C : Indiadesh experienced an improvement in computer-making technology.
D : Indiadesh experienced a reduction in resources.

Correct Answer : D

241 :

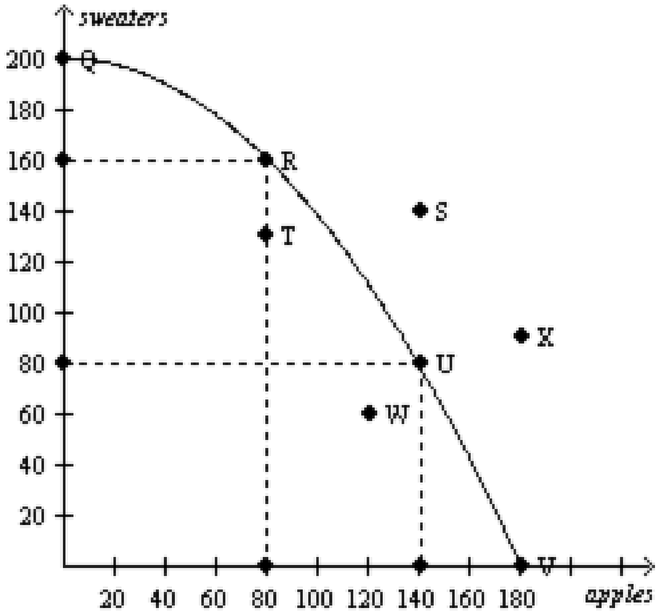


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the twoRefer to Figure 2-14. If this economy devotes all of its available resources to producing apples, then it will produce

A : 0 bushels of apples and 200 sweaters.
B : 80 bushels of apples and 160 sweaters
C : 180 bushels of apples and 200 sweaters.
D : 180 bushels of apples and 0 sweaters.

Correct Answer : D

242 :

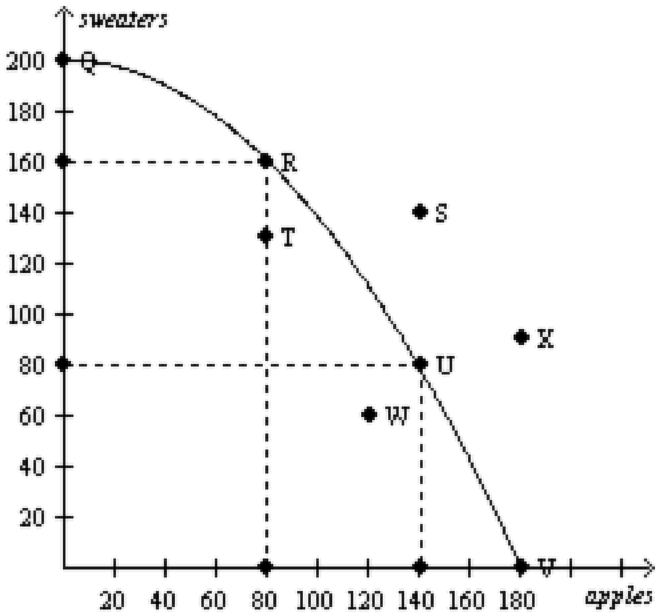


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the twoRefer to Figure 2-14. Which combination of points show production possibilities only achievable with improvements in technology or increases in resources?

A : Q, R, U, and V
B : S and X
C : T and W
D : None of the above is correct.

Correct Answer : B

243 :

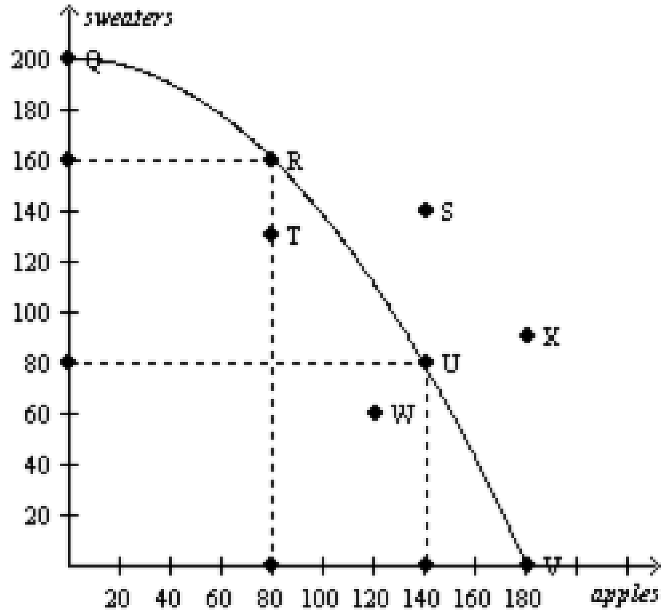


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the twoRefer to Figure 2-14. If this society moves from point U to point V,

A : it gives up 40 bushels of apples to get 80 sweaters.
B : it gives up 140 bushels of apples to get 80 sweaters.
C : it gives up 80 sweaters to get 140 bushels of apples.
D : it gives up 80 sweaters to get 40 bushels of apples.

Correct Answer : D

244 :

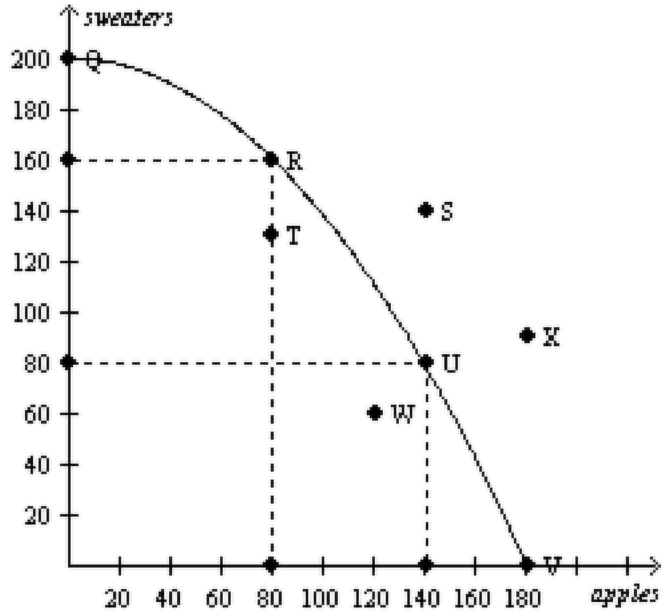


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the twoRefer to Figure 2-14. If this society is producing at point T,

A : there is unemployment.
B : production is efficient.
C : growth can only be achieved through an advancement in technology.
D : the opportunity cost of producing one more sweater is approximately 40 bushels of apples.

Correct Answer : A

245 :

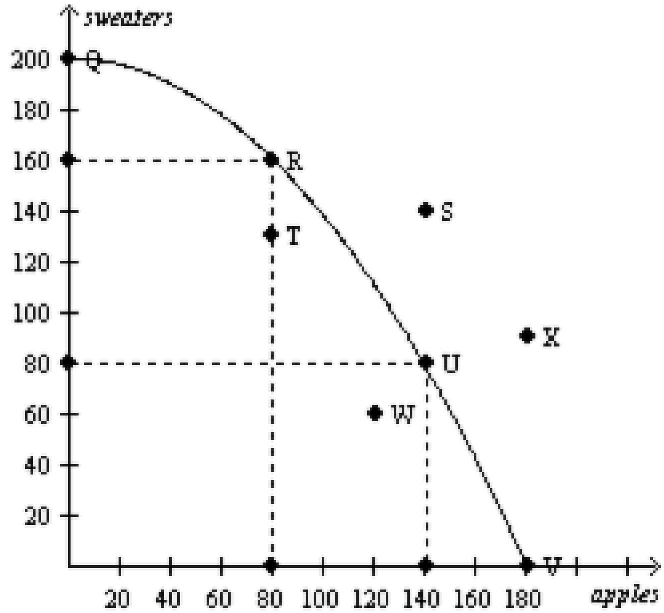


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the twoRefer to Figure 2-14. The opportunity cost of moving from point U to point R is

A : 60 bushels of apples.

B : 80 bushels of apples.

C : 80 sweaters.

D : 160 sweaters.

Correct Answer : A

246 :

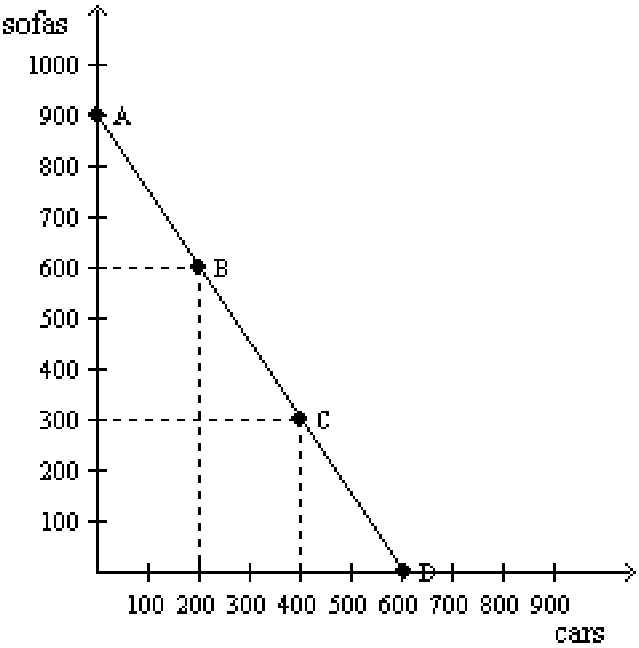


Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of each car is

A : the slope of the production possibilities frontier.

B : 3/2 sofas.

C : 2/3 of a sofa.

D : Both a and b are correct.

Correct Answer : D

247 : sofas

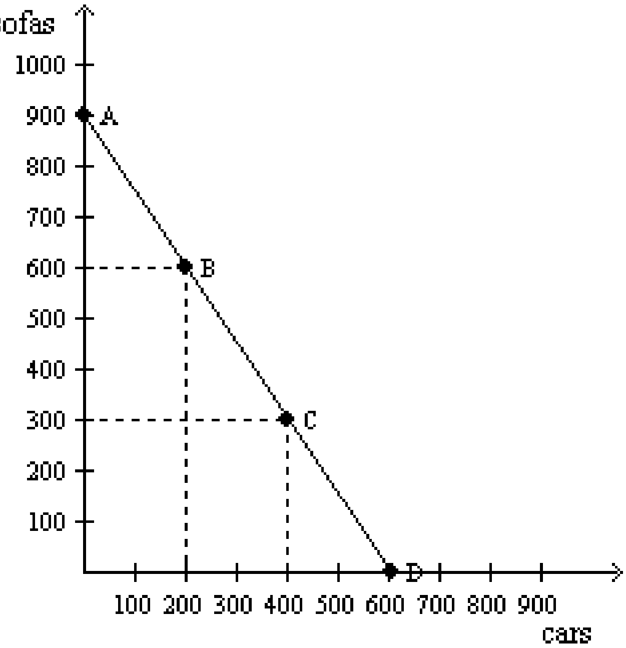


Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. When society moves from point A to point B,
A : the opportunity cost is the same as when society moves from point B to point C.
B : it is giving up cars to get sofas.
C : the opportunity cost is increasing.
D : it moves from an inefficient point to an efficient point.

Correct Answer : A

248 : The field of economics is traditionally divided into two broad subfields,
A : national economics and international economics.
B : consumer economics and producer economics.
C : private sector economics and public sector economics.
D : microeconomics and macroeconomics.

Correct Answer : D

249 : Microeconomics is the study of
A : how money affects the economy.
B : how individual households and firms make decisions.
C : how government affects the economy.
D : how the economy as a whole works.

Correct Answer : B

250 : Macroeconomics is the study of
A : individual decision makers.
B : international trade.
C : economy-wide phenomena.
D : markets for large products.

Correct Answer : C

251 : A microeconomist as opposed to a macroeconomist might study
A : the effect of a national healthcare program on the nations unemployment rate.
B : the effect of new regulations on production in the pulp and paper industry.

C : the effect of changes in interest rates on gross domestic product.
D : the growth rate of production in the economy.

Correct Answer : B

252 : Which of the following areas of study typifies microeconomics as opposed to macroeconomics?
A : the impact of minimum-wage laws on employment in the fast food industry
B : the effect of changes in household saving rates on the growth rate of national income
C : the impact of faster money growth on the rate of inflation
D : a comparison of alternative tax policies and their respective impacts on the rate of the nations economic growth

Correct Answer : A

253 : Which of the following would likely be studied by a microeconomist rather than a macroeconomist?
A : the effect of foreign direct investment on economic growth
B : the effect of a sales tax on the cigarette industry
C : the effect of an investment tax credit on the economys capital stock
D : the effect of a war on government spending

Correct Answer : B

254 : A macroeconomist as opposed to a microeconomist might study the effect of
A : changes in the money supply on the inflation rate.
B : an increase in the gas tax on fuel consumption.
C : a technological advance on the natural gas industry.
D : a hurricane on prices in the orange industry.

Correct Answer : A

255 : A macroeconomist - as opposed to a microeconomist - would study
A : the effects of rent control on housing in New York City.
B : the effects of foreign competition on the US auto industry.
C : the effects of borrowing by the federal government.
D : the effects of raising the gasoline tax on transit ridership.

Correct Answer : C

256 : Which of the following areas of study typifies macroeconomics as opposed to microeconomics?
A : the effects of rent control on the availability of housing in New York City
B : the economic impact of tornadoes on cities and towns in Oklahoma
C : how tariffs on shoes affects the shoe industry
D : the effect on the economy of changes in the nations unemployment rate

Correct Answer : D

257 : Which of the following would likely be studied by a macroeconomist rather than a microeconomist?
A : the effect of an increase in the alcohol tax on the market for beer
B : the effect of foreign competition on the domestic auto industry

C : the effect of a price war in the airline industry
D : the effect of an increase in the minimum wage on an economys overall rate of unemployment

Correct Answer : D

258 : Which of the following statements best captures the relationship between microeconomics and macroeconomics?
A : For the most part, microeconomists are unconcerned with macroeconomics, and macroeconomists are unconcerned with microeconomics.
B : Microeconomists study markets for small products, whereas macroeconomists study markets for large products.
C : Microeconomics and macroeconomics are distinct from one another, yet they are closely related.
D : Microeconomics is oriented toward policy studies, whereas macroeconomics is oriented toward theoretical studies.

Correct Answer : C

259 :

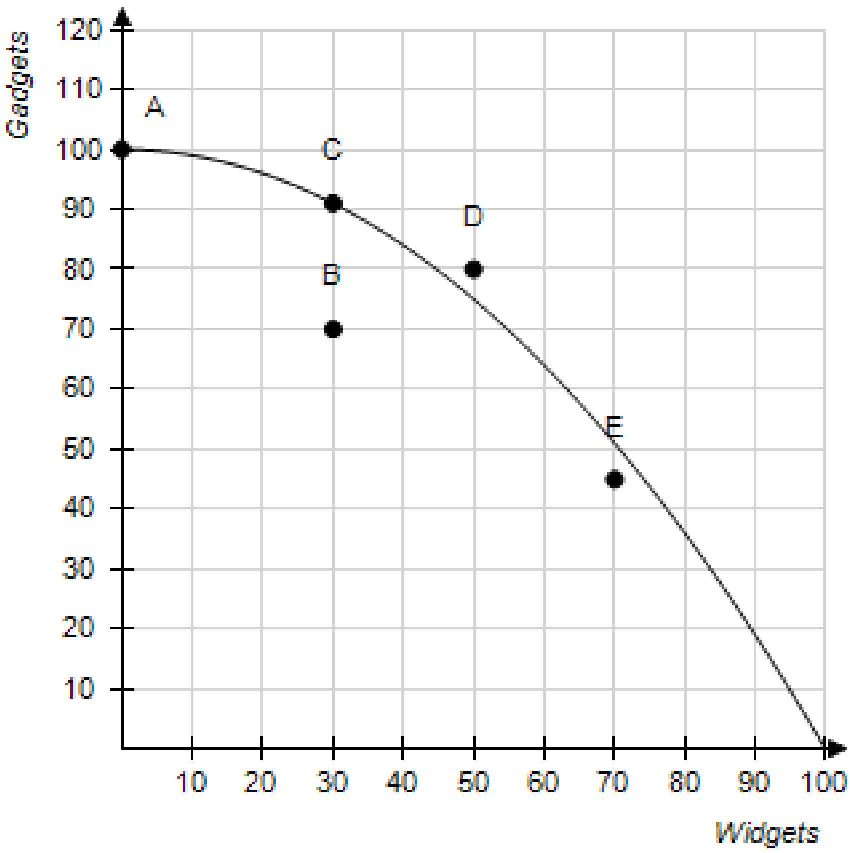


Figure 2-16Refer to Figure 2-16. If this economy devotes all of its resources to the production of gadgets, then it will produce
A : 0 gadgets and 100 widgets.
B : 50 gadgets and 70 widgets.
C : 100 gadgets and 0 widgets.
D : 80 gadgets and 90 widgets.

Correct Answer : C

260 :

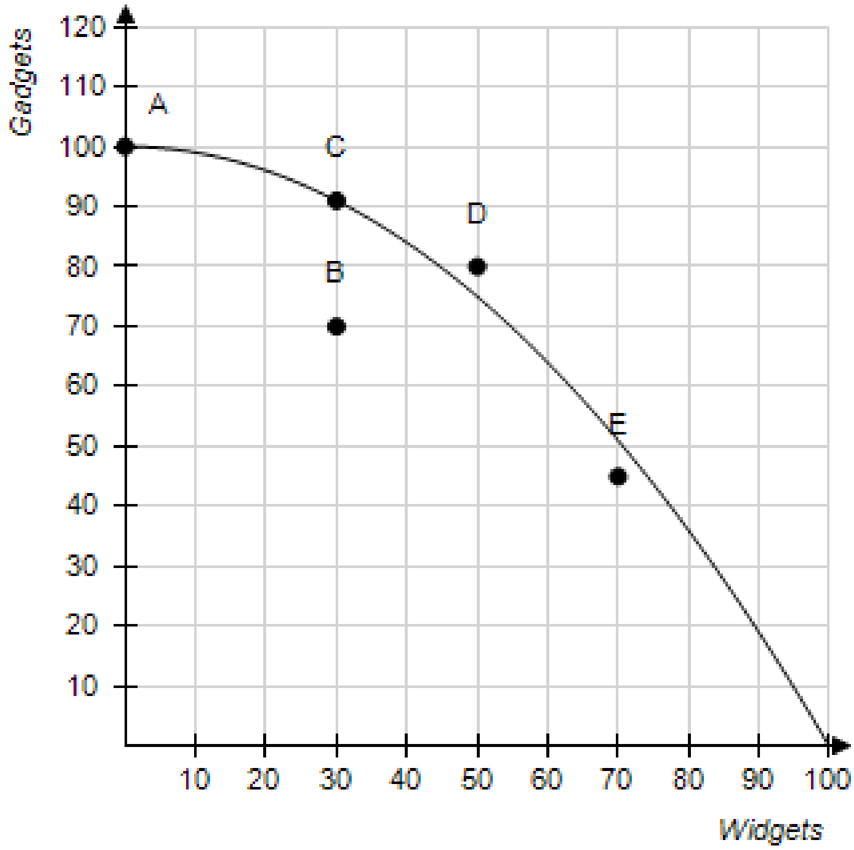


Figure 2-16Refer to Figure 2-16. It is possible for this economy to produce

A : 30 gadgets and 90 widgets.

B : 50 gadgets and 80 widgets.

C : 80 gadgets and 50 widgets.

D : 90 gadgets and 30 widgets.

Correct Answer : D

261 :

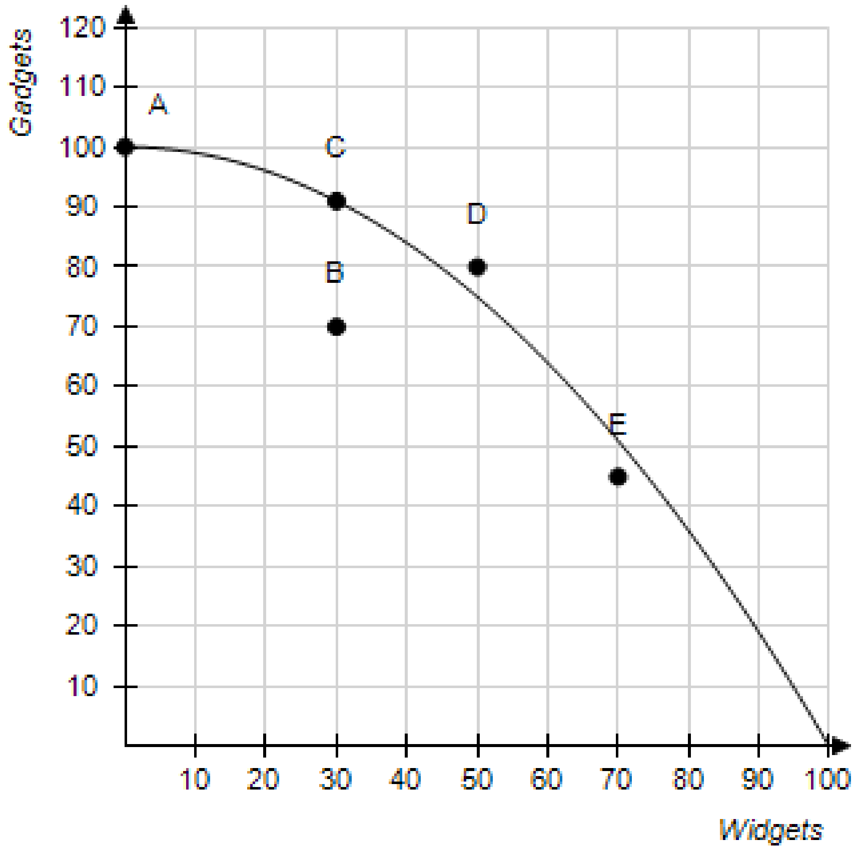


Figure 2-16Refer to Figure 2-16. It is not possible for this economy to produce at point
A : A.
B : B.
C : C.
D : D.

Correct Answer : D

262 :

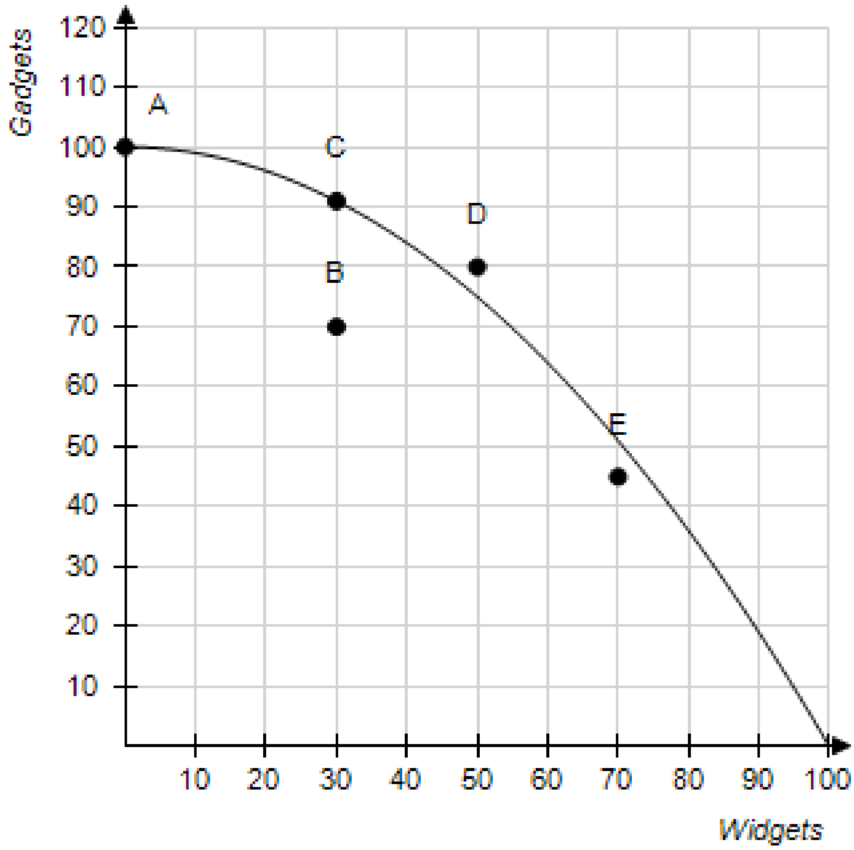


Figure 2-16Refer to Figure 2-16. Suppose this economy is producing at point B. Which of the following statements would best explain this situation?

A : The economy does not have enough resources to produce more of either product.

B : The economys available technology prevents it from producing more of either product.

C : There is widespread unemployment in the economy.

D : The economy is getting all it can from the scarce resources available.

Correct Answer : C

263 :

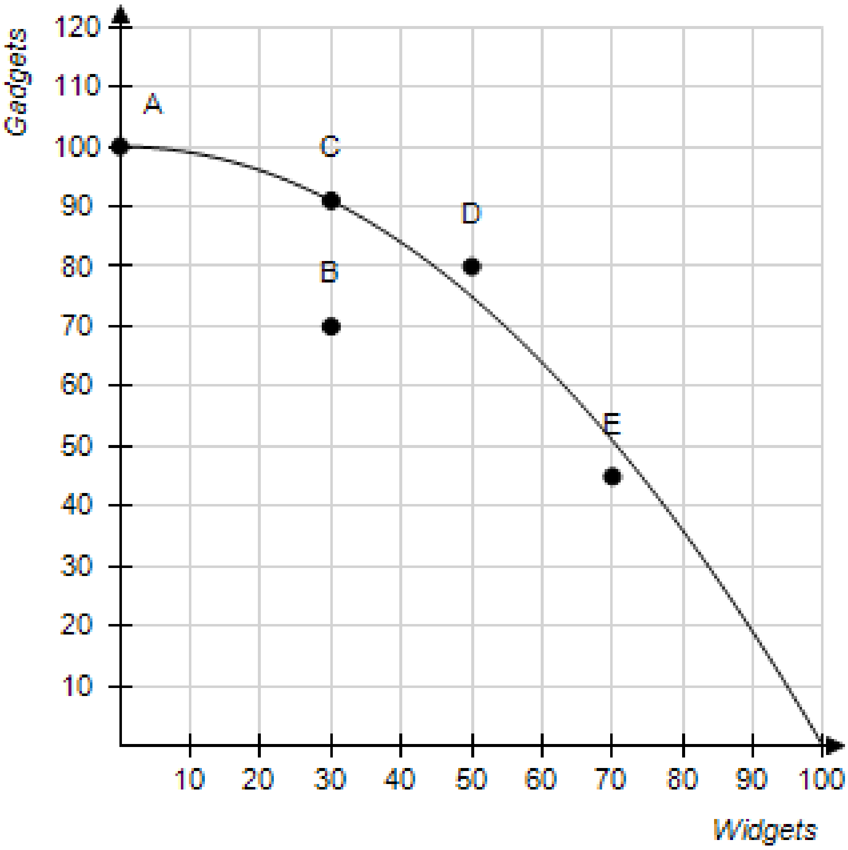


Figure 2-16Refer to Figure 2-16. Efficient production is represented by which point(s)?
A : B, D, E
B : D
C : C, B
D : A, C

Correct Answer : D

264 :

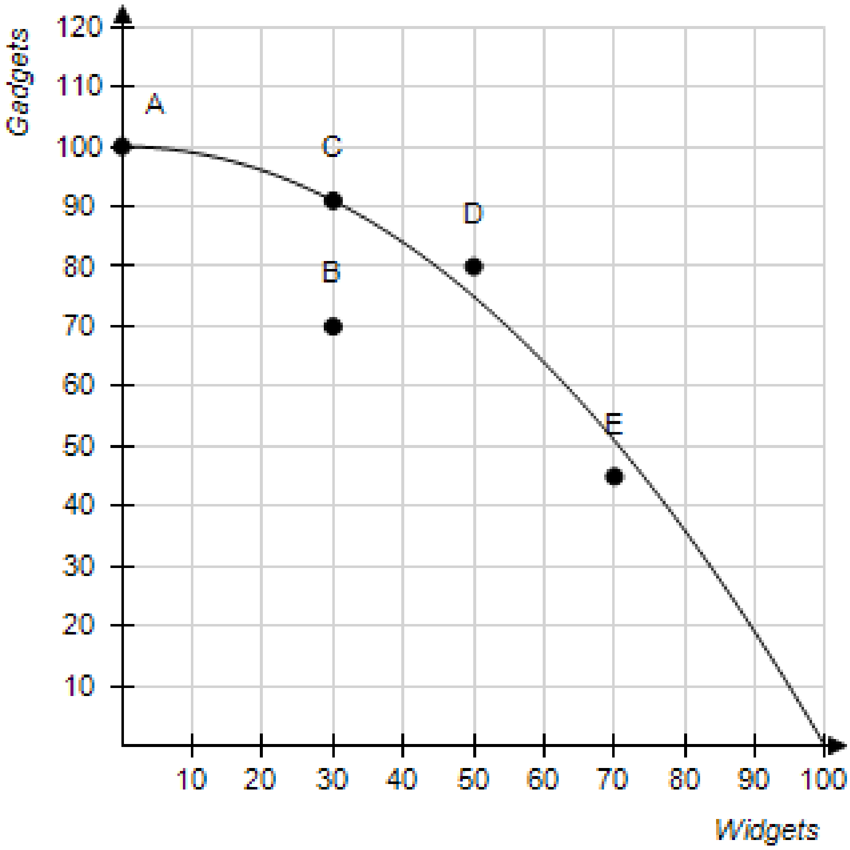


Figure 2-16Refer to Figure 2-16. Inefficient production is represented by which point(s)?
A : A, C
B : B, C
C : B, E
D : D

Correct Answer : C

265 :

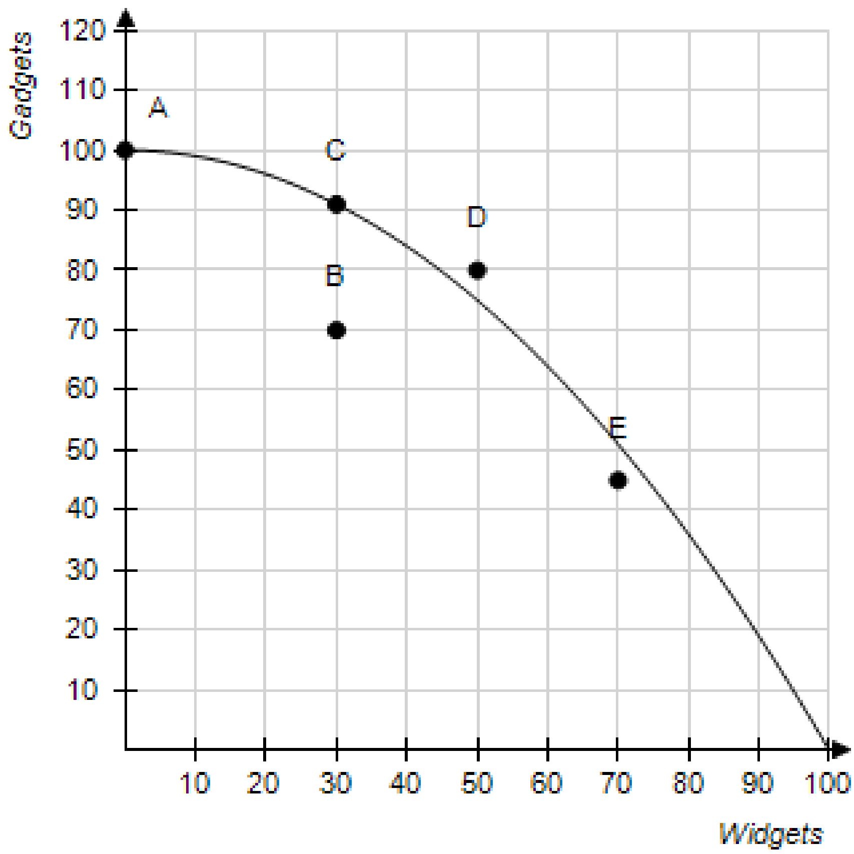


Figure 2-16Refer to Figure 2-16. The opportunity cost of obtaining 30 additional widgets by moving from point A to point C is approximately

A : 10 gadgets.
B : 30 widgets
C : 10 gadgets and 30 widgets.
D : 0 gadgets.

Correct Answer : A

266 :

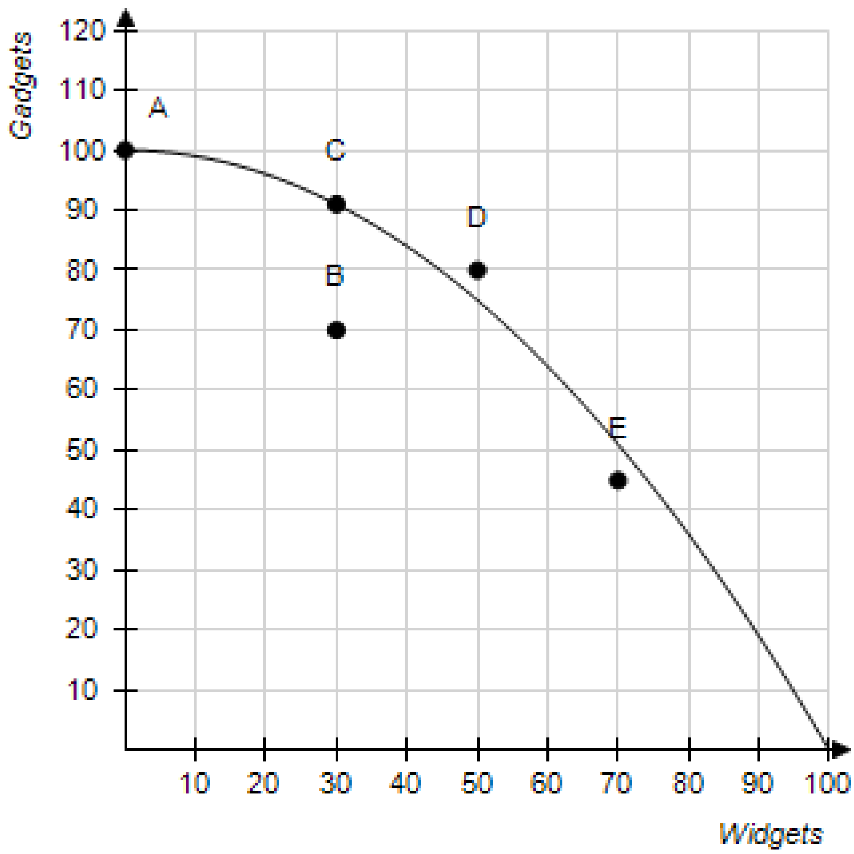


Figure 2-16Refer to Figure 2-16. The opportunity cost of obtaining 20 additional widgets by moving from point C to point D is
A : 0 gadgets.
B : 10 gadgets.
C : 20 gadgets.
D : none of the above; the economy cannot move from point C to point D.

Correct Answer : D

267 :

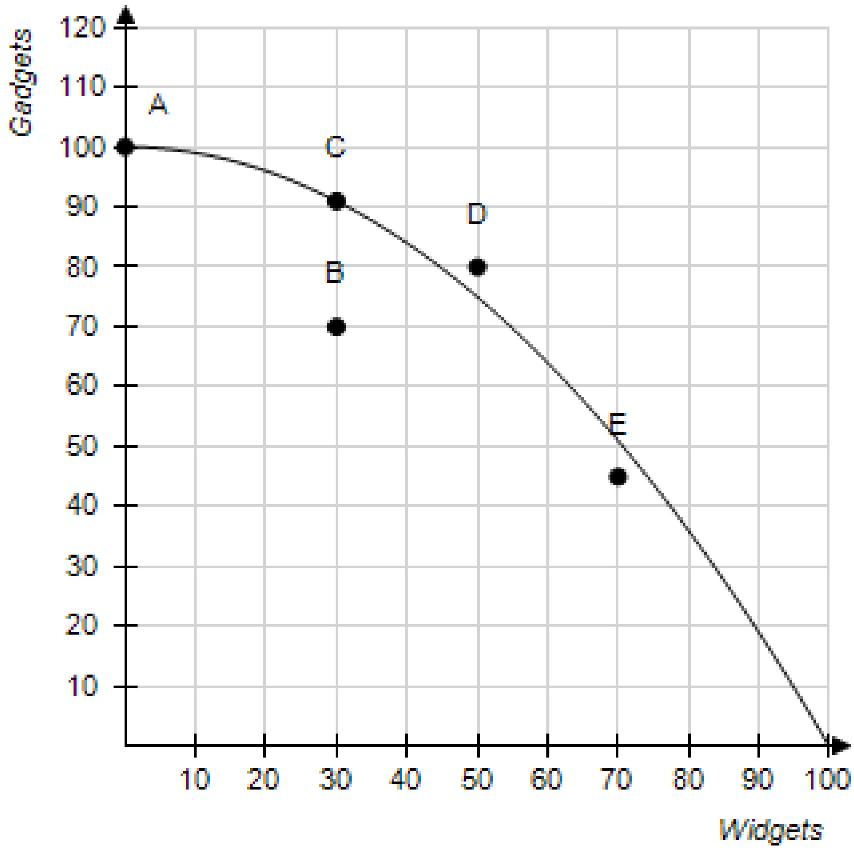


Figure 2-16Refer to Figure 2-16. The opportunity cost of obtaining approximately 20 additional gadgets by moving from point B to point C is
A : 0 widgets.
B : 10 widgets.
C : 20 widgets.
D : none of the above; the economy cannot move from point B to point C.

Correct Answer : A

268 :

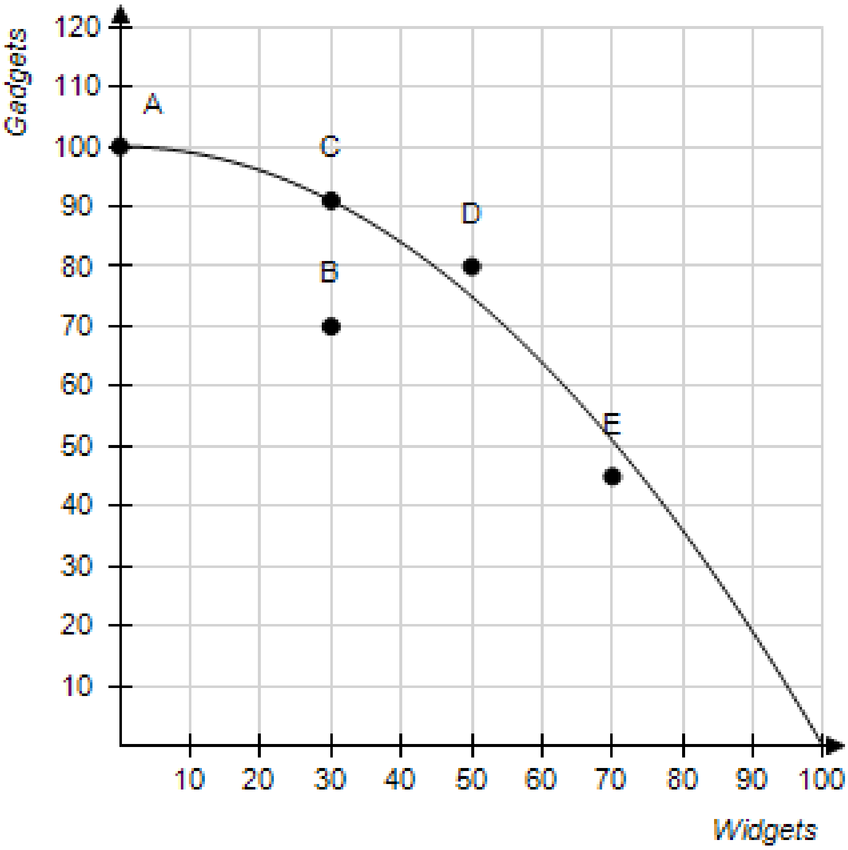


Figure 2-16Refer to Figure 2-16. The opportunity cost of obtaining 30 additional gadgets by moving from point B to point A is

A : 0 widgets.
B : 10 widgets.
C : 20 widgets.
D : 30 widgets.

Correct Answer : D

269 :

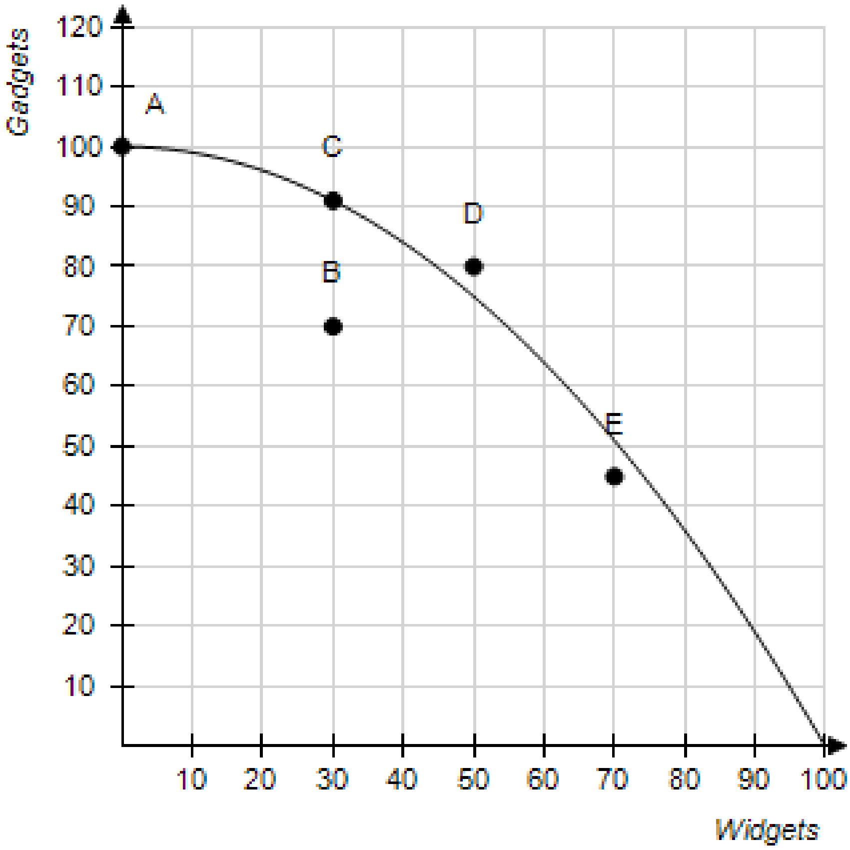


Figure 2-16Refer to Figure 2-16. The opportunity cost of obtaining approximately 10 additional gadgets by moving from point C to point A is

A : 10 gadgets.
B : 30 widgets
C : 10 gadgets and 30 widgets.
D : 0 gadgets.

Correct Answer : B

270 :

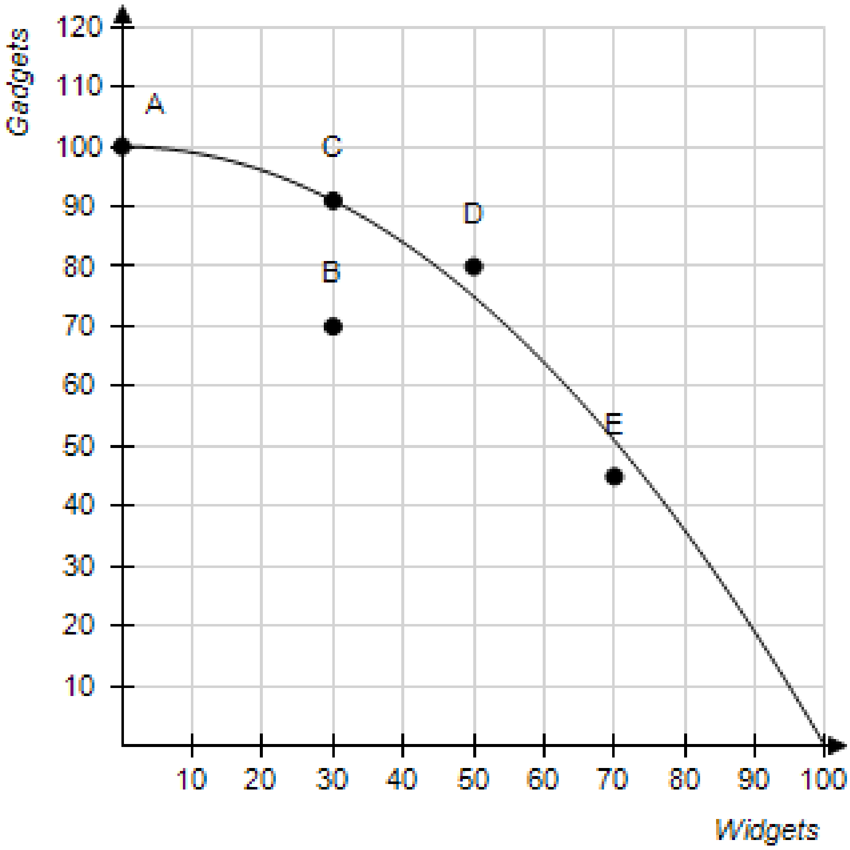


Figure 2-16Refer to Figure 2-16. Which of the following statements is true about the opportunity cost of obtaining approximately 20 additional gadgets by moving from point B to point C?
A : The opportunity cost is the 70 gadgets that are no longer produced.
B : The opportunity cost is zero because the economy does not give up producing widgets to go from producing at point B to point C.
C : The opportunity cost is greater than zero widgets but less than 70 gadgets.
D : The opportunity cost is greater than 70 gadgets.

Correct Answer : B

MULTIPLE CHOICE

1 : When economists are trying to explain the world, they are
A : scientists.
B : policy advisers.
C : in the realm of microeconomics rather than macroeconomics.
D : in the realm of normative economics rather than positive economics.

Correct Answer : A

2 : When economists are trying to help improve the world, they are
A : in the realm of positive economics rather than normative economics.
B : in the realm of macroeconomics rather than microeconomics.
C : scientists.
D : policy advisers.

Correct Answer : D

3 : Which of the following statements is correct about the roles of economists?
A : Economists are best viewed as policy advisers.
B : Economists are best viewed as scientists.
C : In trying to explain the world, economists are policy advisers; in trying to improve the world, they are scientists.
D : In trying to explain the world, economists are scientists; in trying to improve the world, they are policy advisers.

Correct Answer : D

4 : When an economist is asked a question like why is unemployment higher for teenagers than for older workers? the economist
A : is asked to explain the cause of an economic event.
B : is asked to recommend a policy to improve economic outcomes.
C : is asked as a policy adviser.
D : does not have enough information to respond.

Correct Answer : A

5 : The difference between economists speaking as scientists or policy advisers boil down to the difference between
A : assumptions and theories.
B : true statements and false statements.
C : specific statements and general statements.
D : positive statements and normative statements.

Correct Answer : D

6 : Normative statements are
A : prescriptive, whereas positive statements are descriptive.
B : descriptive, whereas positive statements are prescriptive.
C : backward-looking, whereas positive statements are forward-looking.
D : forward-looking, whereas positive statements are backward-looking.

Correct Answer : A

7 : Positive statements are
A : prescriptive.
B : claims about how the world should be.
C : claims about how the world is.
D : made by economists speaking as policy advisers.

Correct Answer : C

8 : Normative statements are
A : not usually made by economists.
B : claims about how the world should be.
C : claims about how variables in the economy normally behave.
D : pessimistic interpretations of the economy.

Correct Answer : B

9 : Positive statements are not
A : descriptive.
B : prescriptive.
C : claims about how the world is.
D : made by economists speaking as scientists.

Correct Answer : B

10 : Normative statements are not
A : descriptive.
B : prescriptive.
C : claims about how the world should be.
D : made by economists speaking as policy advisers.

Correct Answer : A

11 : A statement describing how the world is
A : is a normative statement.
B : is a positive statement.
C : would only be made by an economist speaking as a policy adviser.
D : would only be made by an economist employed by the government.

Correct Answer : B

12 : A statement describing how the world should be
A : is a normative statement.
B : is a positive statement.
C : would only be made by an economist speaking as a scientist.
D : would only be made by an economist employed by the government.

Correct Answer : A

13 : One way to characterize the difference between positive statements and normative statements is as follows:
A : Positive statements tend to reflect optimism about the economy and its future, whereas

normative statements tend to reflect pessimism about the economy and its future.
B : Positive statements offer descriptions of the way things are, whereas normative statements offer opinions on how things ought to be.
C : Positive statements involve advice on policy matters, whereas normative statements are supported by scientific theory and observation.
D : Economists outside of government tend to make normative statements, whereas government-employed economists tend to make positive statements.

Correct Answer : B

14 : Economists view positive statements as
A : affirmative, justifying existing economic policy.
B : optimistic, putting the best possible interpretation on things.
C : descriptive, making a claim about how the world is.
D : prescriptive, making a claim about how the world ought to be.

Correct Answer : C

15 : Economists view normative statements as
A : prescriptive, making a claim about how the world ought to be.
B : descriptive, making a claim about how the world is.
C : statements about the normal condition of the world.
D : pessimistic, putting the worst possible interpretation on things.

Correct Answer : A

16 : Economists speaking like scientists make
A : normative statements.
B : prescriptive statements.
C : claims about how the world is.
D : claims about how the world should be.

Correct Answer : C

17 : Economists speaking like policy advisers make
A : positive statements.
B : descriptive statements.
C : claims about how the world is.
D : claims about how the world should be.

Correct Answer : D

18 : Economists speaking like scientists make
A : positive statements.
B : prescriptive statements.
C : claims about how the world should be.
D : More than one of the above is correct.

Correct Answer : A

19 : Economists speaking like policy advisers make
A : claims about how the world is.
B : descriptive statements.

C : normative statements.
D : More than one of the above is correct.

Correct Answer : C

20 : When economists make positive statements, they are
A : speaking as scientists.
B : speaking as policy advisers.
C : making claims about how the world should be.
D : revealing that they are very conservative in their views of how the world works.

Correct Answer : A

21 : When economists make normative statements, they are
A : speaking as scientists.
B : speaking as policy advisers.
C : making claims about how the world is.
D : revealing that they are very liberal in their views of how the world works.

Correct Answer : B

22 : When economists make
A : positive statements, they are speaking not as policy advisers but as scientists.
B : positive statements, they are speaking not as scientists but as forecasters.
C : normative statements, they are speaking not as policy advisers but as scientists.
D : normative statements, they are speaking not as policy advisers but as model-builders.

Correct Answer : A

23 : When economists make
A : positive statements, they are speaking not as scientists but as policy advisers.
B : positive statements, they are speaking not as scientists but as forecasters.
C : normative statements, they are speaking not as scientists but as policy advisers.
D : normative statements, they are speaking not as policy advisers but as model-builders.

Correct Answer : C

24 : You know an economist has crossed the line from policy adviser to scientist when he or she
A : claims that the problem at hand is widely misunderstood by non-economists.
B : makes positive statements.
C : talks about values.
D : makes a claim about how the world should be.

Correct Answer : B

25 : You know an economist has crossed the line from scientist to policy adviser when he or she
A : claims that the problem at hand is widely misunderstood by non-economists.
B : talks about the evidence.
C : makes normative statements.
D : makes a claim about how the world is.

Correct Answer : C

26 : A positive economic statement such as Pollution taxes decrease the quantity of pollution firms generate
A : would likely be made by an economist acting as a policy adviser.
B : would require values and data to be evaluated.
C : would require data but not values to be evaluated.
D : could not be evaluated by economists acting as scientists.

Correct Answer : C

27 : A normative economic statement such as The minimum wage should be abolished
A : would likely be made by an economist acting as a scientist.
B : would require values and data to be evaluated.
C : would require data but not values to be evaluated.
D : could not be evaluated by economists acting as policy advisers.

Correct Answer : B

28 : In principle, we can
A : ignore positive statements when choosing among various public policy alternatives.
B : ignore normative statements when choosing among various public policy alternatives.
C : confirm or refute positive statements by examining evidence.
D : confirm or refute normative statements by examining evidence.

Correct Answer : C

29 : Which of the following is not correct?
A : Evaluating statements about how the world should be involves values as well as facts.
B : Positive statements can, in principle, be confirmed or refuted by examining evidence.
C : Normative statements can be judged using data alone.
D : Deciding what is good or bad policy is not just a matter of science.

Correct Answer : C

30 : When an economist evaluates a positive statement, he or she is primarily
A : examining evidence.
B : acting as a scientist.
C : concerned with verifying how the world is.
D : All of the above are correct.

Correct Answer : D

31 : Normative conclusions
A : come from positive analysis alone.
B : are based on ignorance of positive analysis.
C : involve value judgments.
D : reflect the economists role as scientist.

Correct Answer : C

32 : Which of the following is an example of a positive, as opposed to normative, statement?
A : Inflation is more harmful to the economy than unemployment is.
B : If welfare payments increase, the world will be a better place.
C : Prices rise when the government prints too much money.

D : When public policies are evaluated, the benefits to the economy of improved equality should be considered more important than the costs of reduced efficiency.

Correct Answer : C

33 : Which of the following is an example of a positive, as opposed to normative, statement?
A : When the minimum wage is increased, unemployment is a predictable consequence.
B : The income tax rate should be increased to offset the budget deficit.
C : Increasing government spending is the best way to help the economy move out of a recession.
D : More than one of the above are positive statements.

Correct Answer : A

34 : Which of the following is a positive, as opposed to a normative, statement?
A : The US Department of Justice should allow a merger between AT&T and T-Mobile because it would have little effect on consumers.
B : Antitrust laws should be used to prevent further concentration in the wireless telephone service market.
C : The US Department of Justice sued AT&T to block its merger with T-Mobile.
D : The wireless telephone service market is too highly concentrated.

Correct Answer : C

35 : Which of the following statements is an example of a positive, as opposed to normative, statement?
A : Americans deserve a cleaner environment.
B : Reducing emissions reduces days missed from school due to asthma.
C : All Americans are entitled to quality health care.
D : Economic policies should focus on improving equality.

Correct Answer : B

36 : Ensuring that Social Security is financially sound for future generations is an important use of taxpayer dollars is an example of a
A : normative economic statement.
B : positive economic statement.
C : statement made by an economist working as a scientist.
D : judgment based on evaluation of evidence, not values.

Correct Answer : A

37 : Prices rise when the quantity of money rises rapidly is an example of a
A : negative economic statement.
B : positive economic statement.
C : normative economic statement.
D : statement that contradicts one of the basic principles of economics.

Correct Answer : B

38 : Which of the following is not an example of a positive, as opposed to normative, statement?
A : Higher gasoline prices will reduce gasoline consumption.
B : Equality is more important than efficiency.

C : Trade restrictions lower our standard of living.
D : If a nation wants to avoid inflation, it will restrict the growth rate of the quantity of money.

Correct Answer : B

39 : Which of the following is an example of a normative, as opposed to positive, statement?
A : Universal health care would be good for U.S. citizens.
B : An increase in the cigarette tax would cause a decrease in the number of smokers.
C : A decrease in the minimum wage would decrease unemployment.
D : A law requiring the federal government to balance its budget would increase economic growth.

Correct Answer : A

40 : Which of the following is an example of a normative, as opposed to positive, statement?
A : Gasoline prices ought to be lower than they are now.
B : The federal government should raise taxes on wealthy people.
C : The social security system is a good system and it deserves to be preserved as it is.
D : All of the above are normative statements.

Correct Answer : D

41 : Which of the following is an example of a normative, as opposed to positive, statement?
A : If the price of a product decreases, peoples willingness to buy that product will increase.
B : Reducing tax rates on the wealthy would benefit the nation.
C : If the national saving rate were to increase, so would the rate of economic growth.
D : The elimination of trade restrictions would increase an economys standard of living.

Correct Answer : B

42 : Which of the following is an example of a normative, as opposed to positive, statement?
A : Following the most recent recession, the economy is recovering at a slower than usual pace.
B : To stimulate the economy during the most recent recession, the federal government increased spending.
C : In response to the most recent recession, the federal government extended the duration of unemployment benefits.
D : The federal governments responses to the most recent recession were insufficient.

Correct Answer : D

43 : Which of the following is an example of a normative - as opposed to a positive - statement?
A : The discount rate is the interest rate the Federal Reserve charges banks to borrow funds.
B : The US income tax rate increases with the amount of income earned.
C : The government should increase the tax on gasoline.
D : The US unemployment rate increased to 10 percent in 2009.

Correct Answer : C

44 : President Truman once said he wanted to find a one-armed economist because when he asked his economists for advice, they always answered, On the one hand, ... On the other hand, ... Trumans observation that economists advice is not always straightforward
A : is rooted in the principle that people face tradeoffs.
B : indicates that economists recognize that there are opportunity costs associated with policy

decisions.
C : confirms that economists are not suited to be presidential advisers.
D : More than one of the above is correct.

Correct Answer : D

45 : Which of the following is the best explanation for why President Harry Truman once said that he wanted to find a one-armed economist?
A : President Truman received input from so many economists that he only wanted one view from each.
B : President Truman thought economists should analyze policies but not make or enforce them.
C : Economists understand that most policy decisions involve trade-offs so they are likely to present multiple views of policies.
D : A one-armed economist would conduct only positive analysis and no normative analysis.

Correct Answer : C

46 : The Council of Economic Advisers
A : was created in 1776 and consists of three members and a staff of several dozen economists.
B : was created in 1776 and consists of thirty members and a staff of a dozen economists.
C : was created in 1946 and consists of three members and a staff of several dozen economists.
D : was created in 1946 and consists of thirty members and a staff of a dozen economists.

Correct Answer : C

47 : The Council of Economic Advisers
A : was created in 1946.
B : advises the president of the United States on economic policy matters.
C : writes the annual Economic Report of the President.
D : All of the above are correct.

Correct Answer : D

48 : Duties of the Council of Economic Advisers include
A : advising the president and writing the annual Economic Report of the President.
B : implementing the presidents tax policies.
C : tracking the behavior of the nations money supply.
D : All of the above are correct.

Correct Answer : A

49 : In addition to advising the president, one duty of the Council of Economic Advisers is to
A : prepare the federal budget.
B : write government regulations.
C : advise Congress on economic matters.
D : write the annual Economic Report of the President.

Correct Answer : D

50 : The Economic Report of the President

A : discusses recent developments in the economy and presents analysis of current policy issues.
B : is written by the Council of Economic Advisers.
C : is the responsibility of the economists at the Office of Management and Budget.
D : Both a and b are correct.

Correct Answer : D

51 : Economists at which of the following offices help formulate spending plans and regulatory policies?
A : Office of Management and Budget
B : Department of the Treasury
C : Congressional Budget Office
D : The Federal Reserve

Correct Answer : A

52 : Economists at the Department of the Treasury
A : design U.S. currency and coins.
B : provide Congress with the annual budget.
C : enforce the U.S. antitrust laws.
D : provide advice on tax policy to the President.

Correct Answer : D

53 : The president of the United States receives tax policy advice from economists in the
A : Federal Reserve.
B : Department of Justice.
C : Department of the Treasury.
D : Congressional Budget Office.

Correct Answer : C

54 : The design of tax policy is one of the responsibilities of economists who work at the
A : Council of Economic Advisers.
B : Federal Reserve.
C : Department of the Treasury.
D : Congressional Budget Office.

Correct Answer : C

55 : A duty of economists at the Department of Labor is to
A : analyze data on workers.
B : schedule federal holidays.
C : enforce the nations antitrust laws.
D : All of the above are correct.

Correct Answer : A

56 : Analysis of data on workers and those looking for work is conducted by economists at the
A : Office of Management and Budget.
B : Department of Labor.
C : Congressional Budget Office.

D : Department of the Treasury.

Correct Answer : B

57 : Economists at the Department of Justice
A : track the behavior of the nations money supply.
B : advise Congress on economic matters.
C : help enforce the nations antitrust laws.
D : prepare the federal budget.

Correct Answer : C

58 : The nations antitrust laws are enforced by economists at the Department of
A : Labor.
B : Health and Human Services.
C : Justice.
D : Treasury.

Correct Answer : C

59 : Some, but not all, government economists are employed within the administrative branch of government. Which of the following government agencies employs economists outside of the administrative branch?
A : the Department of Labor
B : the Department of the Treasury
C : the Congressional Budget Office
D : the Council of Economic Advisers

Correct Answer : C

60 : Economists who are primarily responsible for advising Congress on economic matters work in which agency?
A : the Federal Reserve
B : the Congressional Budget Office
C : the Department of the Treasury
D : the Department of Commerce

Correct Answer : B

61 : Congress relies on economists at the Congressional Budget Office to
A : enforce the nations antitrust laws.
B : set the nations monetary policy.
C : provide evidence that incumbent members of Congress are performing well in their jobs.
D : provide independent evaluations of policy proposals.

Correct Answer : D

62 : The President receives economic policy advice from economists at each of the following except
A : the Council of Economic Advisors.
B : the Department of the Treasury.
C : the Congressional Budget office.
D : the Department of Labor.

Correct Answer : C

63 : The Federal Reserve
A : designs tax policy.
B : enforces the nations antitrust laws.
C : sets the nations monetary policy.
D : analyzes data on workers.

Correct Answer : C

64 : Economists hold many positions advising the president and Congress including
A : being a member of the Council of Economic Advisers.
B : helping to enforce antitrust laws at the Department of Justice.
C : conducting research at the Congressional Budget Office.
D : All of these are possible positions that economists hold.

Correct Answer : D

65 : John Maynard Keynes believed the ideas of economists to be
A : generally incorrect.
B : powerful.
C : academic and without practical application.
D : rantings of madmen.

Correct Answer : B

66 : One difference between a hypothetical benevolent king implementing the best policy and the president implementing the best policy in the real world is the president has to be concerned about
A : any misunderstandings in communicating the policy to the public.
B : whether the policy will affect his standing among different groups in the electorate.
C : what amendments will be suggested by members of Congress.
D : All of the above are correct.

Correct Answer : D

67 : Policymaking in a representative democracy
A : is straightforward and does not involve any disagreement.
B : benefits from the input of economists, even if their advice is not always followed.
C : is conducted without the input of economists.
D : is always based exclusively on the results of economic analysis.

Correct Answer : B

68 : Suppose an economist advises a citys mayor to begin charging drivers a fee to drive on a busy highway during congested times. The mayor does not implement the policy because it would not be popular with voters. Which of the following statements best describes the scenario?
A : This is a common occurrence. The policymaker knows the best policy but chooses not to institute it for other reasons.
B : This is a common occurrence. The policymaker usually disregards an economists advice because they do not believe it is the most efficient policy.

C : This is an unlikely occurrence. Most of the time, policymakers follow the advice of economists and institute the most efficient policies.
D : This would never happen. Policymakers always follow the advice of economists.

Correct Answer : A

69 : Which of the following is an example of a normative, as opposed to positive, statement?
A : The growth rate of the economy last year was higher than any other year in the last decade.
B : The federal government reduced spending in the last quarter of the fiscal year.
C : The Federal Reserve Bank adjusted interest rates in response to the lower-than-expected growth rate of the economy.
D : The federal government should decrease unemployment benefits to stimulate the economy out of the recession.

Correct Answer : D

70 : Which of the following is an example of a positive, as opposed to normative, statement?
A : The federal government should decrease coverage of unemployment benefits to stimulate the economy out of the recession.
B : Congress should agree on lower government spending for the next fiscal year.
C : The Federal Reserve Bank should increase interest rates in response to the higher-than-expected inflation in the economy.
D : The unemployment rate last year was lower than any other year in the last century.

Correct Answer : D

MULTIPLE CHOICE

1 : If all economists were laid end to end, they would not reach a conclusion. Who made this whimsical observation?
A : Harry Truman
B : George Bernard Shaw
C : John Maynard Keynes
D : Ronald Reagan

Correct Answer : B

2 : President Ronald Reagan once joked that a Trivial Pursuit game designed for economists would
A : have no questions but hundreds of answers.
B : have 100 questions and 3,000 answers.
C : have 1,000 questions but no answers.
D : never produce a winner.

Correct Answer : B

3 : Economists sometimes give conflicting advice because
A : graduate students in economics are encouraged to argue with each other.
B : economists have different values and scientific judgment.
C : economists acting as scientists do not like to agree with economists acting as policy advisers.
D : economics is more of a belief system than a science.

Correct Answer : B

4 : The two basic reasons why economists often appear to give conflicting advice to policymakers are differences in
A : opinions and education.
B : opinions and values.
C : scientific judgments and education.
D : scientific judgments and values.

Correct Answer : D

5 : Sometimes economists disagree because their scientific judgments differ. Which of the following instances best reflects this source of disagreement?
A : One economist believes everyone should pay the same percentage of their income in taxes; another economist believes that wealthier citizens should pay a higher percentage of their income in taxes.
B : One economist believes that manufacturing firms should face greater regulation to preserve the environment; another economist believes the government should not intervene in free markets.
C : One economist believes that equality should be valued over efficiency in policy decisions; another economist believes that efficiency should be valued over equality in policy decisions.
D : One economist believes the government should tax a households income; another economist believes the government should tax a households consumption.

Correct Answer : D

6 : Differences in scientific judgment between economists are similar to all of the following except
A : astronomers debating whether the sun or earth was at the center of the solar system.
B : meteorologists debating the existence of global warming.
C : two politicians arguing about the fairness of the tax code.
D : explorers debating whether or not the earth was flat before the time of Christopher Columbus.

Correct Answer : C

7 : Sometimes economists disagree because their values differ. Which of the following instances best reflects this source of disagreement?
A : One economist believes the North American Free Trade Agreement (NAFTA) has led to a loss of American jobs; another economist disputes this claim.
B : One economist believes that when income taxes are cut, people will increase their spending; another economist believes that when income taxes are cut, people will increase their saving.
C : One economist advises against increases in sales taxes because she thinks such increases are unfair to low-income people; another economist disputes the idea that increases in sales taxes are unfair to low-income people.
D : One economist believes that, prior to the Civil War, slavery contributed to economic growth in the South; another economist believes that slavery held back the Souths economic growth.

Correct Answer : C

8 : Joe and Fred are economists. Joe thinks that the wealthiest 10% of the US population should be taxed a rate higher than the rest of society because they can better afford it. Fred thinks that everyone should be taxed at the same rate because that is the fairest scenario and the wealthy should not be penalized for their success. In this example, Joe and Fred
A : disagree about the validity of a positive theory.
B : have different normative views about tax policy.
C : must both be incorrect because tax policy is never that simple.
D : None of the above is correct.

Correct Answer : B

9 : Which of the following is one of the basic reasons why economists often appear to give conflicting advice to policymakers?
A : similar opinions about the validity of economic theories
B : significant differences in education
C : differences in personal values
D : a reliance on normative statement for research theories

Correct Answer : C

10 : Yi and Avik are both economists. Yi thinks that taxing consumption, rather than income, would result in higher household saving because income that is saved would not be taxed. Avik does not think that household saving would respond much to a change in the tax laws. In this example, Yi and Avik
A : hold different normative views about the tax system.
B : disagree about the validity of a positive theory.
C : have a fundamental misunderstanding of the tax system.
D : More than one of the above is correct.

Correct Answer : D

11 : Which of the following statements is correct about the extent of disagreement among economists?
A : There is a great deal of agreement among economists on virtually every economic issue.
B : There is a great deal of agreement among economists on many important economic issues.
C : All disagreements among economists are attributable to differences in their values.
D : All disagreements among economists are attributable to the fact that different economists have different degrees of faith in the validity of alternative economic theories.

Correct Answer : B

12 : A survey which sought the opinion of professional economists on fourteen propositions about economic policy found that
A : the respondents were almost equally divided on the propositions.
B : the respondents favored the propositions by a slight margin.
C : the respondents disagreed with the propositions by a slight margin.
D : there was overwhelming endorsement of the propositions among the respondents.

Correct Answer : D

13 : A survey of professional economists revealed that more than three-fourths of them agreed with a number of statements, including which of the following?
A : Tariffs and import quotas usually reduce general economic welfare.
B : A large federal budget deficit has an adverse effect on the economy.
C : Minimum wage increases unemployment among young and unskilled workers.
D : All of the above are correct.

Correct Answer : D

14 : A survey of professional economists revealed that more than three-fourths of them agreed with fourteen economic propositions. Which of the following is not one of those propositions?
A : The United States should not restrict employers from outsourcing work to foreign countries.
B : The United States should withdraw from the North American Free Trade Agreement (NAFTA).
C : The United States should eliminate agricultural subsidies.
D : Local and state governments should eliminate subsidies to professional sports franchises.

Correct Answer : B

15 : A survey of professional economists revealed that more than three-fourths of them agreed with fourteen economic propositions. Which of the following is not one of those propositions?
A : A ceiling on rents reduces the quantity and quality of housing available.
B : Fiscal policy has a significant stimulative impact on a less than fully employed economy.
C : The gap between Social Security funds and expenditures will become unsustainably large within the next fifty years if current policies remain unchanged.
D : The United States should implement universal health care for its citizens.

Correct Answer : D

16 : Almost all economists agree that rent control
A : has no effect on the rental income of landlords.

B : allows the market for housing to work more efficiently.
C : adversely affects the availability and quality of housing.
D : is a very inexpensive way to help the most needy members of society.

Correct Answer : C

17 : Policies such as rent control and trade barriers persist in spite of the fact that economists are virtually united in their opposition to such policies, probably because
A : economists have not yet convinced the general public that the policies are undesirable.
B : economists engage in positive analysis, not normative analysis.
C : economists have values that are different from the values of most non-economists.
D : economists theories are not easily confirmed or refuted in laboratory analysis.

Correct Answer : A

18 : Policies such as rent control and trade barriers persist
A : because economists are about evenly divided as to the merits of those policies.
B : because almost all economists agree that those policies have no discernible economic effects.
C : because almost all economists agree that those policies are desirable.
D : despite the fact that almost all economists agree that those policies are undesirable.

Correct Answer : D

19 : Almost all economists agree that tariffs and import quotas
A : reduces general economic welfare.
B : increases general economic welfare.
C : have no effect on general economic welfare.
D : stimulate a less than fully employed economy.

Correct Answer : A

20 : Almost all economists agree that local and state governments should
A : eliminate subsidies to professional sports franchises.
B : increase subsidies to professional sports franchises.
C : copy economic policy from Washington, D.C.
D : prevent companies from outsourcing work.

Correct Answer : A

MULTIPLE CHOICE

1 : John Maynard Keynes referred to economics as an easy subject,
A : at which very few excel.
B : but not as easy as philosophy or the pure sciences.
C : which very few can enjoy.
D : which deals primarily with common sense.

Correct Answer : A

2 : How did the influential economist John Maynard Keynes explain his remark that though economics is an easy subject compared with the higher branches of philosophy or pure science, it is a subject at which few excel?
A : Most people who study economics are not very bright.
B : Good economists must possess a rare combination of gifts.
C : Economics is quite boring; hence, people tend to lose interest in it before mastering it.
D : Good thinkers become frustrated with economics because it does not make use of the scientific method.

Correct Answer : B

3 : According to economist John Maynard Keynes, a great economist must also be a(n)
A : mathematician.
B : historian.
C : philosopher.
D : All of the above are correct.

Correct Answer : D

4 : John Maynard Keynes described economics as an easy subject at which very few excel. Which of the following is not one of the reasons Keynes gave for why so few people excel at the study of economics?
A : An economist must also be a mathematician, historian, statesman, and philosopher in some degree.
B : An economist must understand symbols and speak in words.
C : An economist must be purposeful and disinterested in a simultaneous mood.
D : An economist must understand environmental science, regulation, and political science.

Correct Answer : D

5 : Which of the following is not something that John Maynard Keynes used to describe an economist?
A : He must be a mathematician, historian, statesman, and philosopher in some degree.
B : He must understand symbols and speak in words.
C : He must only contemplate in abstract and general terms.
D : He must study the present in light of the past for purposes of the future.

Correct Answer : C

6 : Irregular fluctuations in economic activity are known as the
A : business cycle.
B : broken window fallacy.

C : tradeoff between inflation and unemployment.
D : ten principles of economics.

Correct Answer : A

7 : The broken window fallacy
A : explains why inflation is so high.
B : is a justification for the government to print more money.
C : is illustrated when a government program is justified not on its merits but on the number of jobs it will create.
D : has nothing to do with public policy.

Correct Answer : C

8 : When a government program is justified not on its merits but on the number of jobs it will create,
A : the program is an efficient use of taxpayer dollars.
B : it should be approved only if the unemployment rate is low.
C : taxes should be raised to fund the program.
D : it is known as the broken window fallacy.

Correct Answer : D

9 : Congressman Dearmark justified spending $3 million on a new entertainment complex in his district because it will create 450 new jobs for his residents. As a student of economics, you know that
A : this is a case of the broken window fallacy.
B : this is a great use of taxpayer dollars.
C : this policy diverts money from spending somewhere else in the economy.
D : Both a and c are correct.

Correct Answer : D

MULTIPLE CHOICE

1 : Which of the following is not correct?
A : When developing economic theories, graphs offer a way to visually express ideas that might be less clear if described with equations or words.
B : Graphs are one way of expressing the relationships among variables.
C : When studying the relationship between two economic variables, graphs allow economists to draw indisputable conclusions about causes and effects.
D : When analyzing economic data, graphs provide a powerful way of finding and interpreting patterns.

Correct Answer : C

2 : Which of the following is not an example of a graph of a single variable?
A : a pie chart
B : a bar graph
C : a time-series graph
D : a scatterplot

Correct Answer : D

3 : Graphs such as bar graphs and pie charts are limited in that they
A : can only show variables that are positively related.
B : can only show variables that have a negative correlation.
C : provide information on only one variable.
D : provide information on no more than two variables.

Correct Answer : C

4 : Eva wants to create a graph containing the prices of concert tickets and the corresponding quantities of concert tickets demanded by customers. She should use a(n)
A : pie chart.
B : bar graph.
C : time-series graph
D : coordinate system.

Correct Answer : D

5 : The use of the coordinate system allows
A : for the display of the flows of dollars, goods and services, and factors of production in an economic system.
B : for the display of how labor and other resources are organized in the production process.
C : for the display of two variables on a single graph.
D : for the creation of pie charts and bar graphs.

Correct Answer : C

6 : To display information on two variables, an economist must use
A : a bar graph.
B : a pie chart.
C : the coordinate system.
D : a time-series graph.

Correct Answer : C

7 : Which of the following allows you to provide information about the relationship between two variables?
A : coordinate system.
B : pie chart
C : bar graph
D : time-series graph

Correct Answer : A

8 : An ordered pair is
A : the process of checking calculations twice before placing them on a graph.
B : two numbers that can be represented by a single point on a graph.
C : two numbers that are represented by two points on a graph.
D : two points on a graph that are of equal distance from the origin.

Correct Answer : B

9 : The x-coordinate is the
A : first number of an ordered pair and represents the points horizontal location.
B : second number of an ordered pair and represents the points horizontal location.
C : first number of an ordered pair and represents the points vertical location.
D : second number of an ordered pair and represents the points vertical location.

Correct Answer : A

10 : The x-coordinate of an ordered pair specifies the
A : diagonal location of the point.
B : vertical location of the point.
C : horizontal location of the point.
D : quadrant location in which the point is located.

Correct Answer : C

11 : The first number in any ordered pair is
A : the x-coordinate.
B : the y-coordinate.
C : the vertical location of the point.
D : the slope.

Correct Answer : A

12 : The y-coordinate is the
A : first number of an ordered pair and represents the points horizontal location.
B : second number of an ordered pair and represents the points horizontal location.
C : first number of an ordered pair and represents the points vertical location.
D : second number of an ordered pair and represents the points vertical location.

Correct Answer : D

13 : The y-coordinate of an ordered pair specifies the
A : diagonal location of the point.
B : vertical location of the point.
C : horizontal location of the point.
D : quadrant location in which the point is located.

Correct Answer : B

14 : The second number in any ordered pair is
A : the x-coordinate.
B : the y-coordinate.
C : the horizontal location of the point.
D : the slope.

Correct Answer : B

15 : In the ordered pair (20, 30), 20 is the
A : the x-coordinate.
B : the horizontal location of the point.
C : the y-coordinate.
D : Both a and b are correct.

Correct Answer : D

16 : In the ordered pair (5, 3), 3 is the
A : horizontal location of the point.
B : the slope.
C : the x-coordinate.
D : the y-coordinate.

Correct Answer : D

17 : The point where both x and y are zero is known as the
A : origin.
B : null.
C : zero coordinate.
D : center.

Correct Answer : A

18 : The ordered pair that represents the origin on a graph is
A : (1, 1).
B : (0, 0).
C : (-1, -1).
).

Correct Answer : B

19 : When two variables have a positive correlation,
A : they tend to move in opposite directions.
B : they tend to move in the same direction.
C : one variable will move while the other remains constant.
D : the variables values are never negative.

Correct Answer : B

20 : When two variables have a positive correlation,
A : when the x-variable increases, the y-variable decreases.
B : when the x-variable decreases, the y-variable increases.
C : when the x-variable increases, the y-variable increases.
D : More than one of the above is correct.

Correct Answer : C

21 : When two variables have a negative correlation,
A : they tend to move in opposite directions.
B : they tend to move in the same direction.
C : one variable will move while the other remains constant.
D : the variables values are never positive.

Correct Answer : A

22 : When two variables have a negative correlation,
A : when the x-variable decreases, the y-variable decreases.
B : when the x-variable decreases, the y-variable increases.
C : when the x-variable increases, the y-variable increases.
D : More than one of the above is correct.

Correct Answer : B

23 : When two variables have a negative correlation and the x-variable decreases,
A : the y-variable increases.
B : the y-variable decreases.
C : the y-variable stays the same.
D : the x-variable can never be positive.

Correct Answer : A

24 :

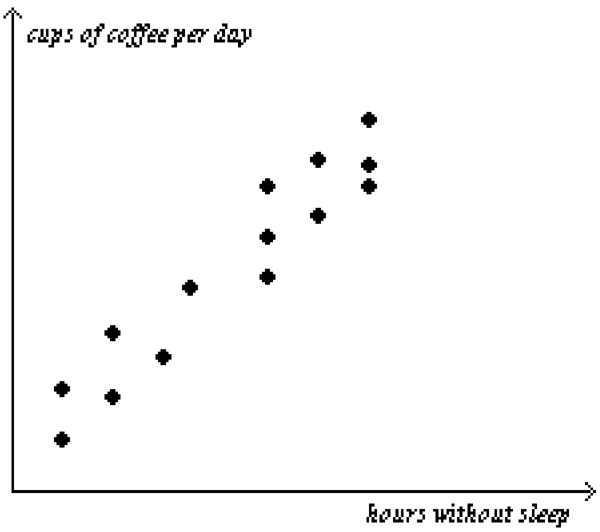


Figure 2-16Refer to Figure 2-16. The graph shown is known as a
A : time-series graph.
B : bar graph.

C : scatterplot.
D : pie chart.

Correct Answer : C

25 :

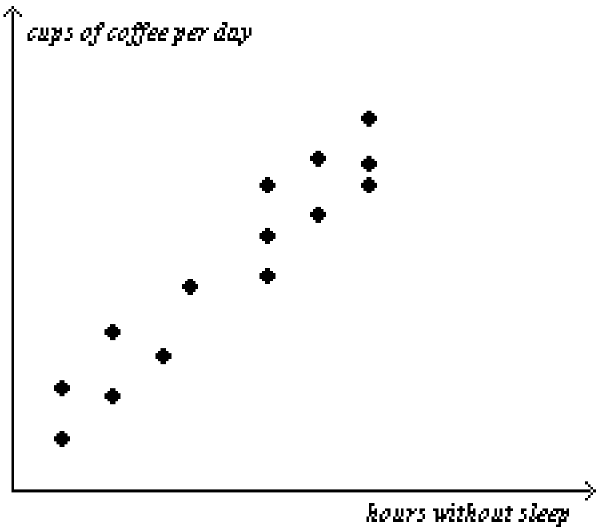


Figure 2-16Refer to Figure 2-16. Cups of coffee per day and the hours that someone can go without sleep appear to have
A : a positive correlation.
B : a negative correlation.
C : a random correlation.
D : no correlation.

Correct Answer : A

26 :

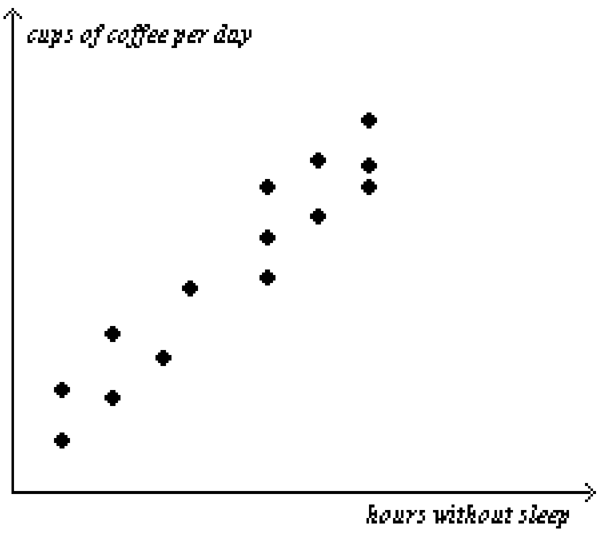


Figure 2-16Refer to Figure 2-16. Taking cause and effect into account, which of the following interpretations would be most reasonable regarding the relationship between coffee and hours without sleep?
A : The less coffee a person drinks per day, the more time he can go without sleep.
B : There is no relationship between how much coffee per day a person drinks and how long he can go without sleep.
C : The more coffee a person drinks per day, the more time he can go without sleep.
D : The more coffee a person drinks per day, the less time he can go without sleep.

Correct Answer : C

27 : When two variables move in opposite directions, the curve relating them is
A : upward sloping, and we say the variables are positively related.
B : upward sloping, and we say the variables are negatively related.
C : downward sloping, and we say the variables are positively related.
D : downward sloping, and we say the variables are negatively related.

Correct Answer : D

28 : When two variables move in the same direction, the curve relating them is
A : upward sloping, and we say the variables are positively related.
B : upward sloping, and we say the variables are negatively related.
C : downward sloping, and we say the variables are positively related.
D : downward sloping, and we say the variables are negatively related.

Correct Answer : A

29 : When a relevant variable that is not named on either axis changes,
A : there will be a movement along the curve.
B : the curve will rotate clockwise.
C : the curve will be unaffected since only the variables on the axis affect the curve.
D : the curve will shift.

Correct Answer : D

30 : Suppose price is measured along the vertical axis on a graph. When price changes, there will be a
A : rotation of the curve.
B : shift of the curve.
C : movement along the curve.
D : change in the slope of the curve.

Correct Answer : C

31 : A demand curve shows the relationship
A : between income and quantity demanded.
B : between price and income.
C : between price and quantity demanded.
D : among income, price, and quantity demanded.

Correct Answer : C

32 : A demand curve shows the relationship between price and
A : income.
B : quantity demanded.
C : production.
D : income and quantity demanded.

Correct Answer : B

33 : A demand curve displaying the relationship between the price of cars and the quantity demanded of cars should have a slope that is
A : less than 0.
B : between zero and 1.

C : between one and infinity.
D : undefined.

Correct Answer : A

34 : Which of the following is not held constant when looking at an individuals demand curve?
A : income
B : price
C : preferences
D : the availability of alternative goods

Correct Answer : B

35 : If Martinas income increases and, as a result, she chooses to buy more lattés per month at each price, then her demand curve will
A : shift to the right.
B : shift to the left.
C : not shift; instead, Martina will move along her demand curve downward and to the right.
D : not shift; instead, Martina will move along her demand curve upward and to the left.

Correct Answer : A

36 :

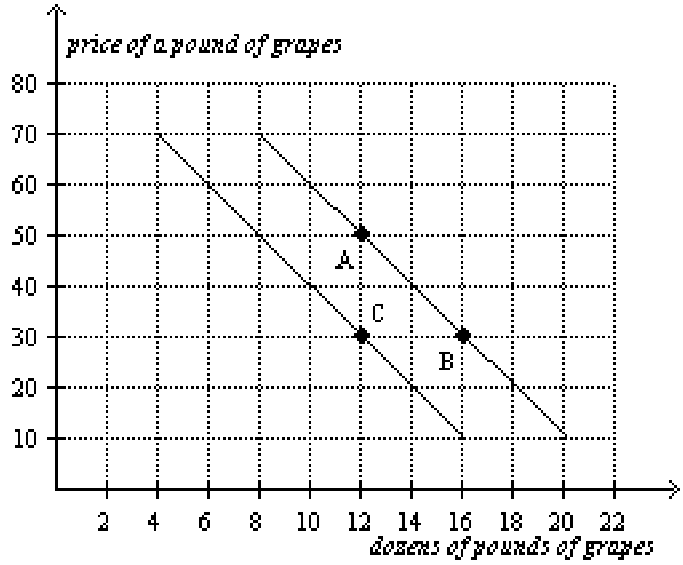


Figure 2-17Refer to Figure 2-17. The curves shown are
A : supply curves.
B : demand curves.
C : preference curves.
D : income-consumption curves.

Correct Answer : B

37 :

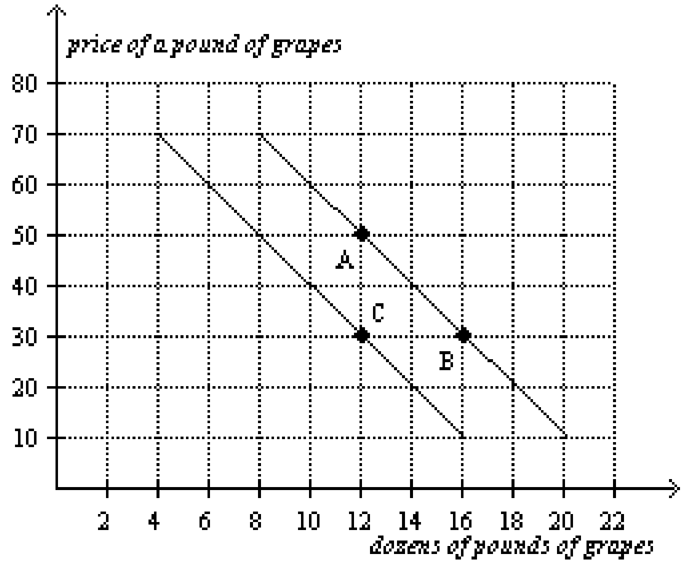


Figure 2-17Refer to Figure 2-17. The movement from point A to point B is a(n)
A : shift of the demand curve.
B : indication of a change in preferences for grapes.
C : movement along the demand curve.
D : indication of an increase in income.

Correct Answer : C

38 :

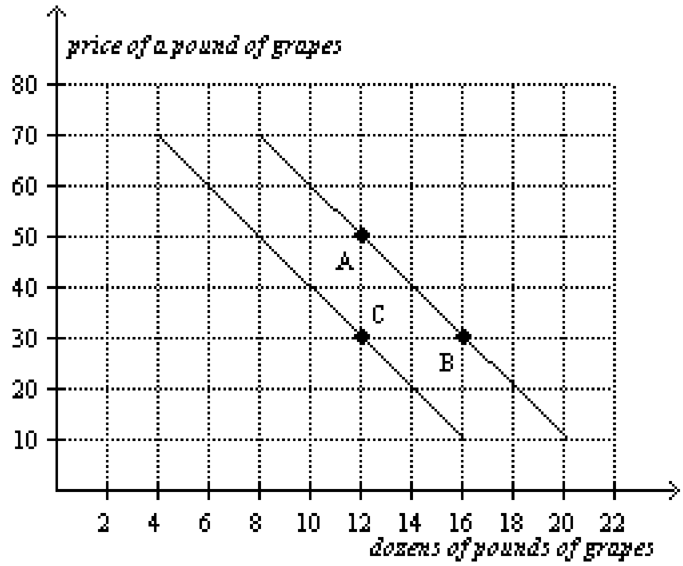


Figure 2-17Refer to Figure 2-17. The movement from point B to point C is a(n)
A : shift of the demand curve.
B : movement along the demand curve.
C : indication that the price of grapes has changed.
D : indication that the costs incurred by firms that produce grapes have changed.

Correct Answer : A

39 :

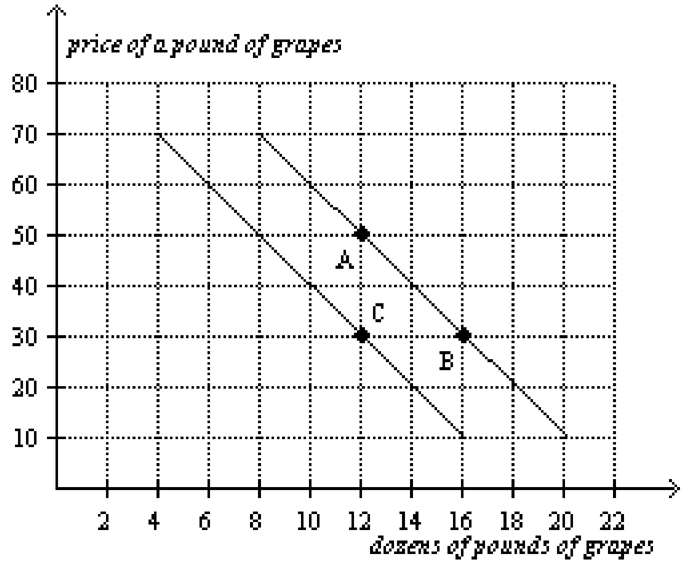


Figure 2-17Refer to Figure 2-17. The movement from point B to point C could have been caused by
A : inflation.
B : a change in income.
C : a change in the price of grapes.
D : a change in the cost of producing grapes.

Correct Answer : B

40 :

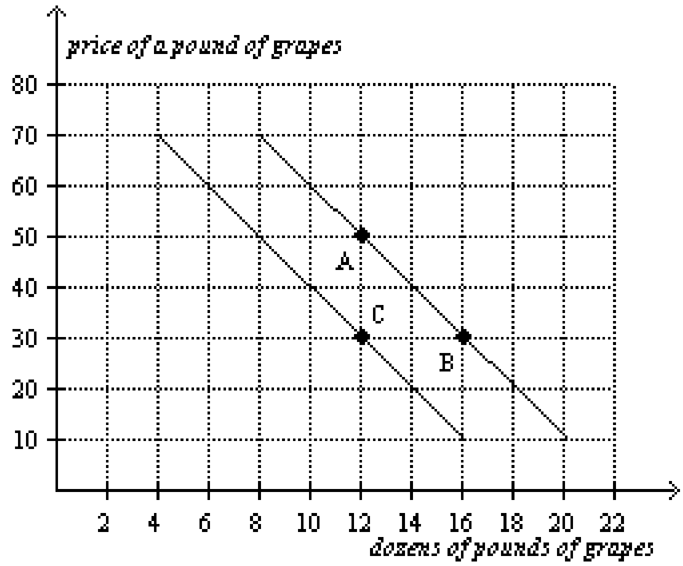


Figure 2-17Refer to Figure 2-17. The slope of the curve between points A and B is
A : -5
B : -1/5
C : 1/5
D : 5

Correct Answer : A

41 : The slope of a line is equal to
A : the change in the value of x divided by the change in the value of y.
B : the change in the value of y divided by the change in the value of x.
C : the horizontal distance divided by the vertical distance.
D : the value of y divided by the value of x.

Correct Answer : B

42 : The slope of a line is equal to
A : rise divided by run.
B : run divided by rise.
C : rise minus run.
D : rise plus run.

Correct Answer : A

43 : Which of the following is not correct?
A : The slope of a line will be a small positive number for a fairly flat upward-sloping line.
B : The slope of a line will be a large positive number for a steep upward-sloping line.
C : The slope of a line will be a negative number for a downward-sloping line.
D : The slope of a line will be infinite for a horizontal line.

Correct Answer : D

44 : Which of the following is correct?
A : A horizontal line has an infinite slope, and a vertical line has a zero slope.
B : A horizontal line has a slope of 1, and a vertical line has a slope of -1.
C : A horizontal line has a zero slope, and a vertical line has an infinite slope.
D : A horizontal line has a slope of -1, and a vertical line has a slope of 1.

Correct Answer : C

45 : The slope of a fairly flat upward-sloping line will be a
A : small positive number.
B : large positive number.
C : small negative number.
D : large negative number.

Correct Answer : A

46 : The slope of a steep upward-sloping line will be a
A : small positive number.
B : large positive number.
C : small negative number.
D : large negative number.

Correct Answer : B

47 : The slope of a line that passes through the points (20, 30) and (40, 14) is
A : -5/4.
B : -4/5.
C : 4/5.
D : 5/4.

Correct Answer : B

48 : The slope of a line that passes through the points (5, 8) and (12, 12) is
A : -7/4.
B : -4/7.
C : 4/7.

D : 7/4.

Correct Answer : C

49 : The slope of a line passing through the points (15, 3) and (10, 6) is
A : -3/5.
B : 3/5.
C : -5/3.
D : 5/3.

Correct Answer : A

50 : A relatively steep demand curve indicates that
A : quantity demanded will adjust only slightly to a price change.
B : quantity demanded will adjust significantly to a price change.
C : quantity demanded will not adjust to a price change.
D : the change in quantity demanded will exactly equal a change in price.

Correct Answer : A

51 : A relatively flat demand curve indicates that
A : quantity demanded will adjust only slightly to a price change.
B : quantity demanded will adjust significantly to a price change.
C : quantity demanded will not adjust to a price change.
D : the change in quantity demanded will exactly equal a change in price.

Correct Answer : B

52 : When income increases the slope of an individuals demand curve, the demand curve
A : turns positive.
B : becomes undefined.
C : remains negative.
D : becomes infinite.

Correct Answer : C

53 :

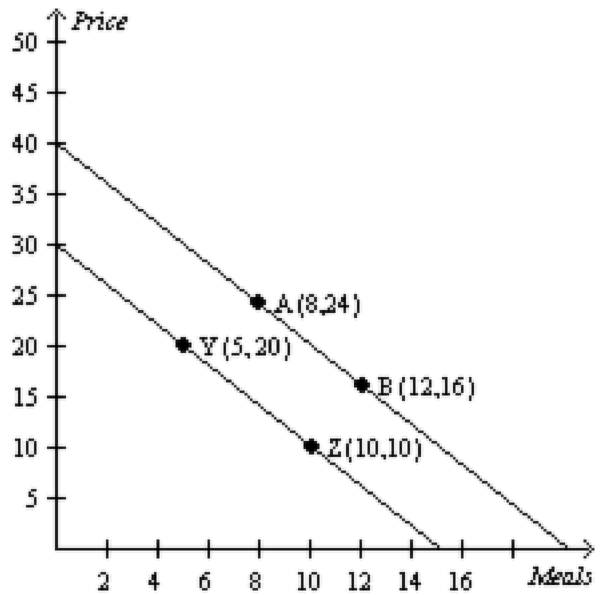


Figure 2-18Relationship between Price and Restaurant MealsRefer to Figure 2-18. In the ordered pair (8, 24)

A : the x-coordinate is 8 and the y-coordinate is 24.
B : the x-coordinate is 24 and the y-coordinate is 8.
C : the numbers tell the location of the origin.
D : the 8 represents the price and the 24 represents the number of restaurant meals.

Correct Answer : A

54 :

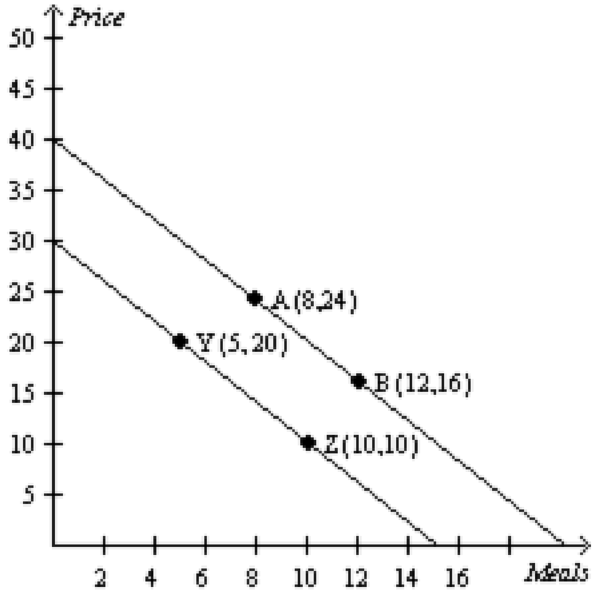


Figure 2-18Relationship between Price and Restaurant MealsRefer to Figure 2-18. The slope of the line containing points Y and Z is
A : -0.5.
B : -1.
C : -2.
D : -4.

Correct Answer : C

55 :

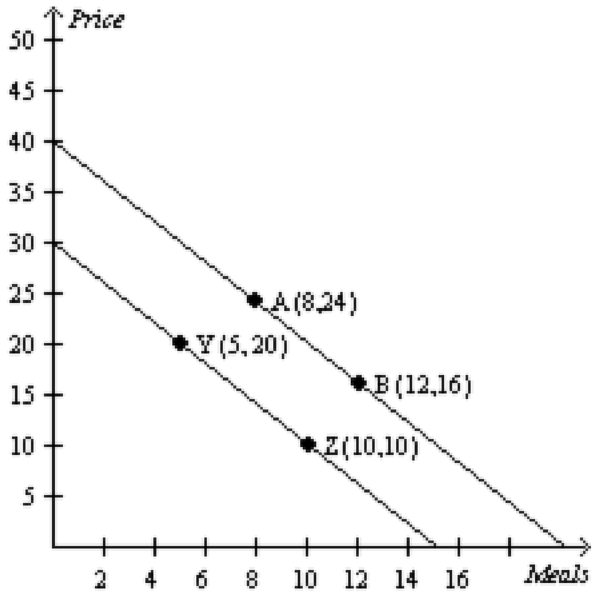


Figure 2-18Relationship between Price and Restaurant MealsRefer to Figure 2-18. The slope of the line containing points A and B is
A : -1/2.
B : -2.
C : 1/2.
D : 2.

Correct Answer : B

56 :

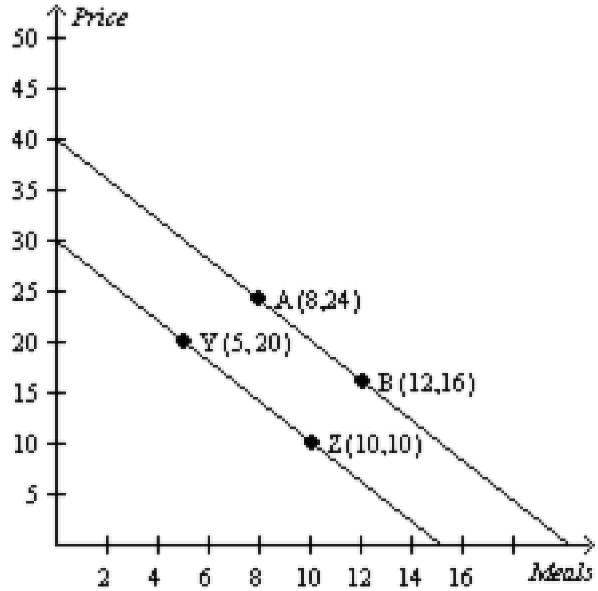


Figure 2-18Relationship between Price and Restaurant MealsRefer to Figure 2-18. A movement from point A to point Z is called
A : a shift in demand.
B : a movement along the demand curve.
C : a shift in supply.
D : a movement along the supply curve.

Correct Answer : A

57 :

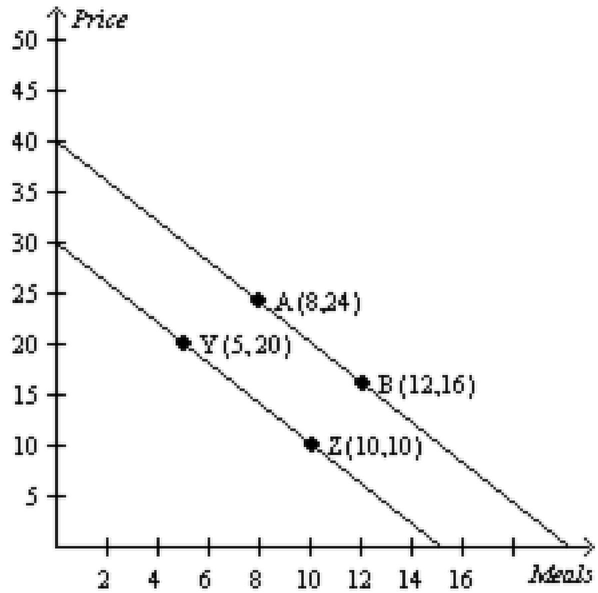


Figure 2-18Relationship between Price and Restaurant MealsRefer to Figure 2-18. A movement from point A to point B is called
A : a shift in demand.
B : a movement along the demand curve.
C : a shift in supply.
D : a movement along the supply curve.

Correct Answer : B

58 :

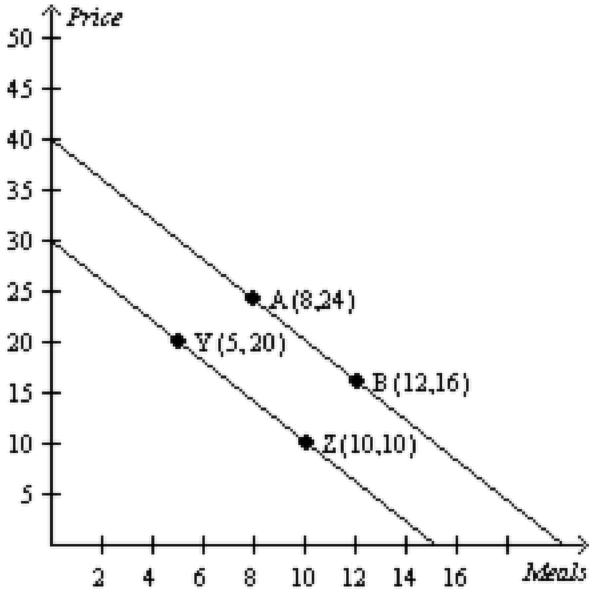


Figure 2-18Relationship between Price and Restaurant MealsRefer to Figure 2-18. Which of the following could result in a movement from point A to point B?
A : a change in income
B : a change in the cost of producing a restaurant meal
C : a change in the price of restaurant meals
D : a change in the price of movies

Correct Answer : C

59 :

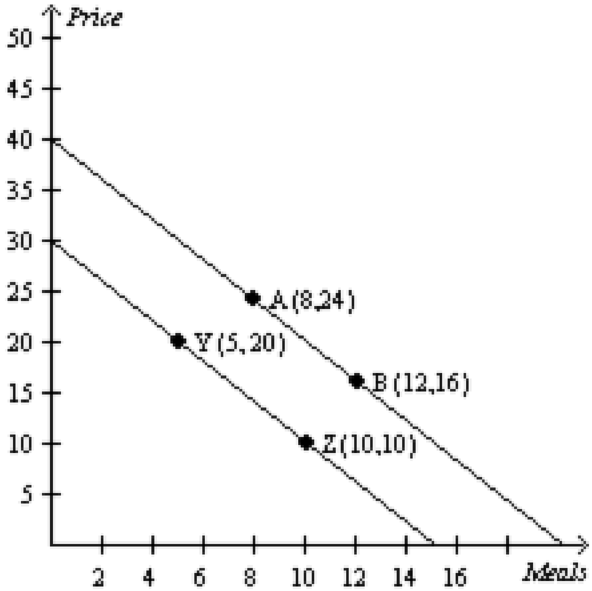


Figure 2-18Relationship between Price and Restaurant MealsRefer to Figure 2-18. Which of the following could result in a movement from point B to point Z?
A : a change in the price of a restaurant meal
B : a change in the number of restaurant meals demanded
C : a change in income
D : Both a and b are correct.

Correct Answer : C

60 : Suppose that someone makes the argument that because empty alcohol containers are found at many accidents, the containers cause accidents. This would be an example of

A : sound logic.
B : reverse causality.
C : omitted variables.
D : bias.

Correct Answer : C

61 : Alfonso has noticed that increases in unemployment insurance claims are associated with recessions, and therefore he advocates limits on unemployment insurance so as to prevent recessions. Mary has noticed that most drug addicts once attended schools, and therefore she advocates getting rid of schools so as to prevent drug addiction.
A : The reasoning of both Alfonso and Mary suffers from the omitted variable problem.
B : The reasoning of both Alfonso and Mary suffers from the reverse causality problem.
C : Alfonsos reasoning suffers from the reverse causality problem, and Marys reasoning suffers from the omitted variable problem.
D : Marys reasoning suffers from the reverse causality problem, and Alfonsos reasoning suffers from the omitted variable problem.

Correct Answer : A

62 : In the early 19th century, the Russian government sent doctors to southern Russian villages to provide assistance during a cholera epidemic. The villagers noticed that wherever doctors appeared, people died. Therefore, many doctors were chased away from villages, and some were even killed. This reaction to the correlation between doctors and deaths is most likely a problem of
A : omitted variables.
B : reverse causality.
C : government propaganda.
D : medical incompetence.

Correct Answer : B

63 : The argument that purchases of minivans cause large families is an example of
A : omitted variables.
B : normative statements.
C : reverse causality.
D : bias.

Correct Answer : C

64 :

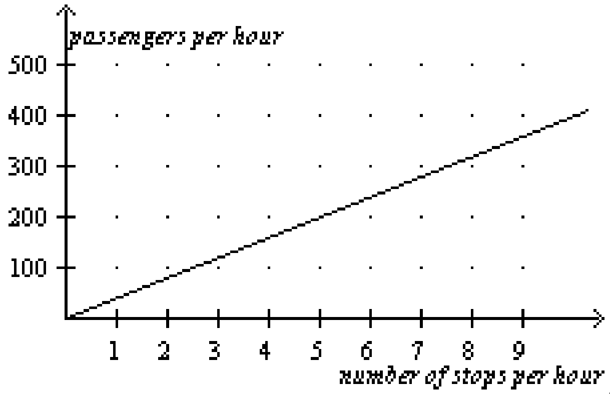


Figure 2-19In the following graph the x-axis shows the number of times a commuter rail train stops at a station per hour and the y-axis shows the number of commuter rail passengers per hour.Commuter Rail Passengers by

Frequency of ServiceRefer to Figure 2-19. Which of the following conclusions should not be drawn from observing this graph?
A : There is a positive correlation between the frequency of service and the number of passengers.
B : When there are 5 stops per hour, there are approximately 200 passengers.
C : More stops per hour is associated with more passengers per hour.
D : No other factors besides the frequency of service affect the number of passengers.

Correct Answer : D

65 :

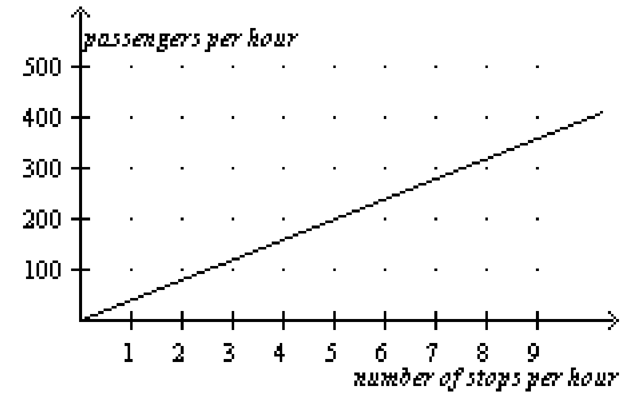


Figure 2-19In the following graph the x-axis shows the number of times a commuter rail train stops at a station per hour and the y-axis shows the number of commuter rail passengers per hour.Commuter Rail Passengers by Frequency of ServiceRefer to Figure 2-19. A policymaker observes this graph and concludes that increasing the frequency of commuter rail service is a certain way to get more commuters to choose the commuter rail instead of driving their own cars. You warn the policymaker about making a reverse causality mistake with which of the following statements?
A : Higher gas prices are causing more people to choose the commuter rail over driving.
B : The service frequency was increased in response to an increase in the number of passengers per hour.
C : There is a positive relationship between frequency of stops and number of passengers.
D : None of the above is correct.

Correct Answer : B

66 :

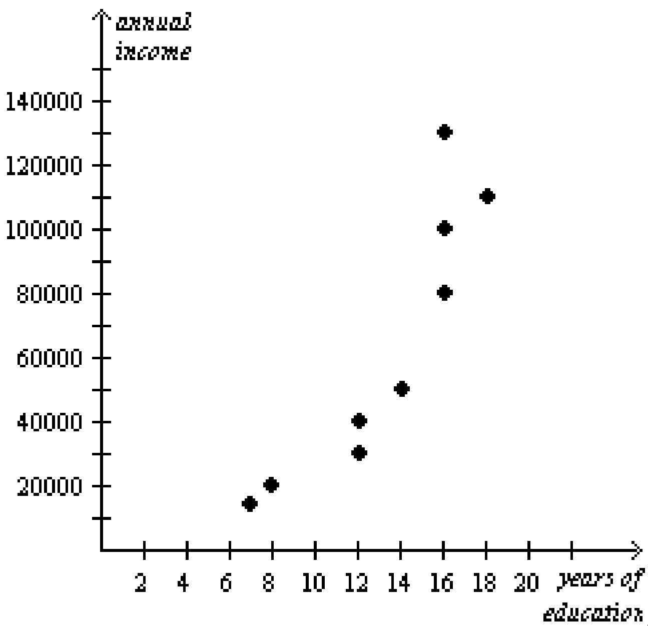


Figure 2-20Relationship Between Years of Education and Annual IncomeRefer to Figure 2-20. The graph above is a
A : bar graph

B : scatterplot
C : pie chart
D : time series analysis

Correct Answer : B

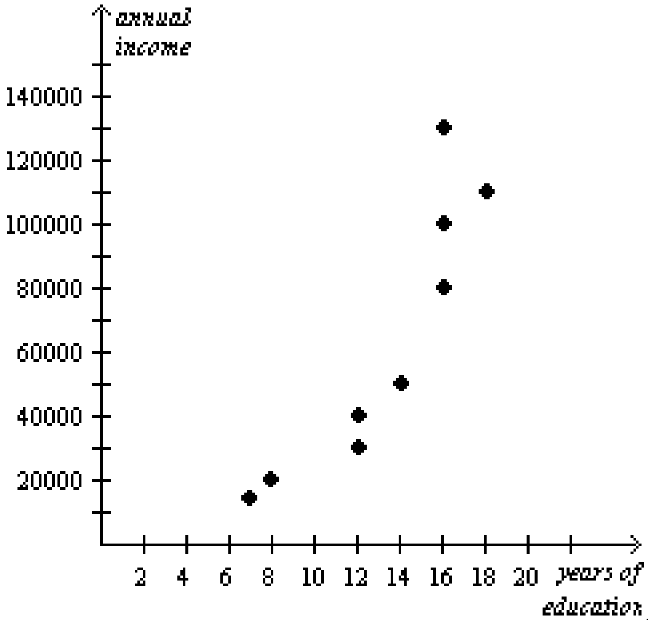
67 : 

Figure 2-20Relationship Between Years of Education and Annual IncomeRefer to Figure 2-20. According to the graph, the correlation between years of education and annual income is
A : positive
B : negative
C : inverse
D : normative

Correct Answer : A

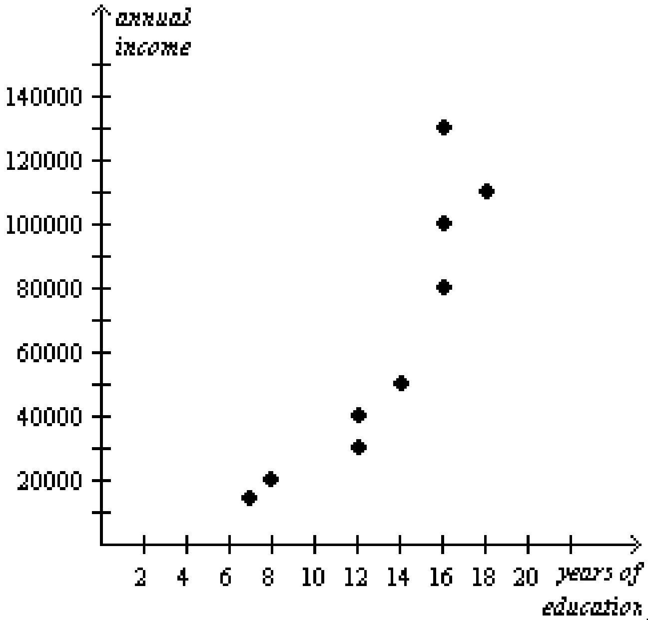
68 : 

Figure 2-20Relationship Between Years of Education and Annual IncomeRefer to Figure 2-20. Senator Smith observes the graph and concludes that people who earn higher incomes attend school for more years. Senator Jones observes the graph and concludes that people who attend school for more years earn higher incomes. Who is correct?
A : Senator Smith is correct.

B : Senator Jones is correct.
C : It is difficult to say which senator might be correct due to the reverse causality problem.
D : It is difficult to say which senator might be correct due to omitted variable bias.

Correct Answer : C

69 : In the ordered pair (3, 6), 3 is the
A : x-coordinate.
B : y-coordinate.
C : origin.
D : slope.

Correct Answer : A

70 : Between the two ordered pairs (3, 6) and (7, 18), the slope is
A : 1/3
B : -1/3.
C : 3.
D : -3.

Correct Answer : C

71 :

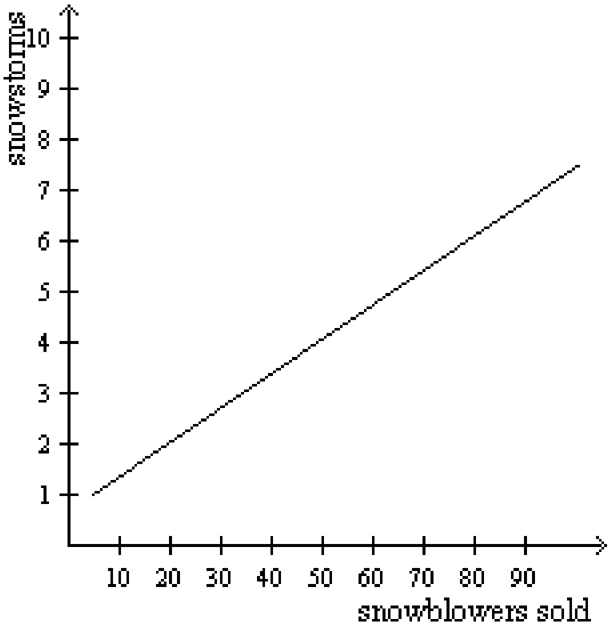


Figure 2-21Refer to Figure 2-21. According to the graph, snowstorms
A : and snowblowers sold are positively correlated.
B : and snowblowers sold are negatively correlated
C : and snowblowers sold are uncorrelated.
D : are caused by more snowblowers being sold.

Correct Answer : A

72 :

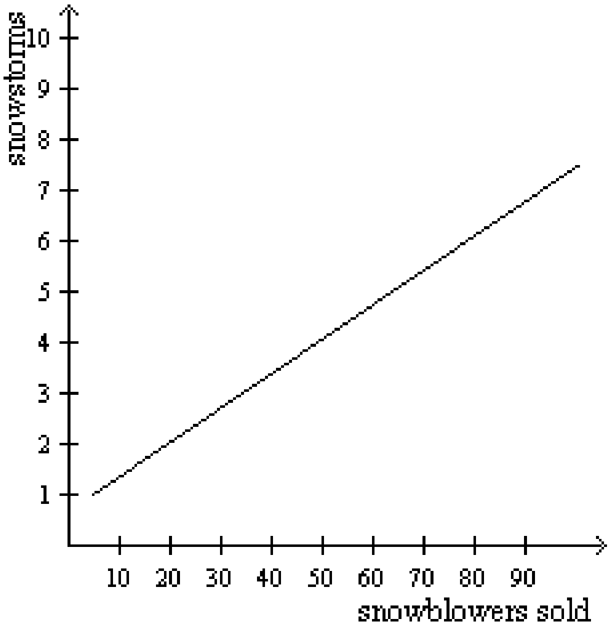


Figure 2-21Refer to Figure 2-21. Your friend John created the graph above to illustrate that snowstorms are caused by more snowblowers being sold. You inform him that his interpretation is incorrect due to
A : omitted variable bias.
B : reverse causality.
C : slope mismatch.
D : shifting versus moving along a curve.

Correct Answer : B

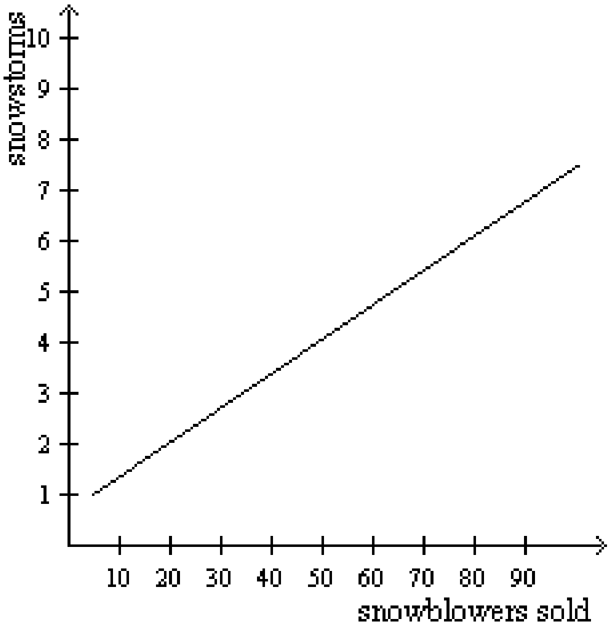
73 : 

Figure 2-21Refer to Figure 2-21. Which of the following could be an omitted variable in the graph?
A : the price of snowblowers
B : a change in consumers incomes
C : a change in the seasons
D : All of the above are correct.

Correct Answer : D

SHORT RESPONSE

1 : Like biologists and physicists, economists use the dispassionate development and testing of how the world works known as the

Correct Answer : scientific method.

2 : As a substitute for laboratory experiments, economists use evidence available through historys

Correct Answer : natural experiments.

3 : Suppose a war in the Middle East interrupts the flow of crude oil and oil prices skyrocket around the world. For economists, this historical episode serves as a

Correct Answer : natural experiment.

4 : Just like other scientific models, economic models simplify reality using

Correct Answer : assumptions.

5 : The three main factors of production, or categories of inputs, used by firms to produce goods and services are

Correct Answer : land, labor, and capital.

6 : In the circular flow diagram, who owns the factors of production and consumes all of the goods and services produced?

Correct Answer : households

7 : In the circular flow diagram, when Brian provides labor through the markets for factors of production to ABC Company, the flow of money he receives in exchange is called

Correct Answer : income.

8 : In the markets for goods and services in the circular flow diagram, households act as

Correct Answer : buyers.

9 : In the circular flow diagram, when Daphne purchases a new mobile phone, she participates in the markets for

Correct Answer : goods and services.

10 :

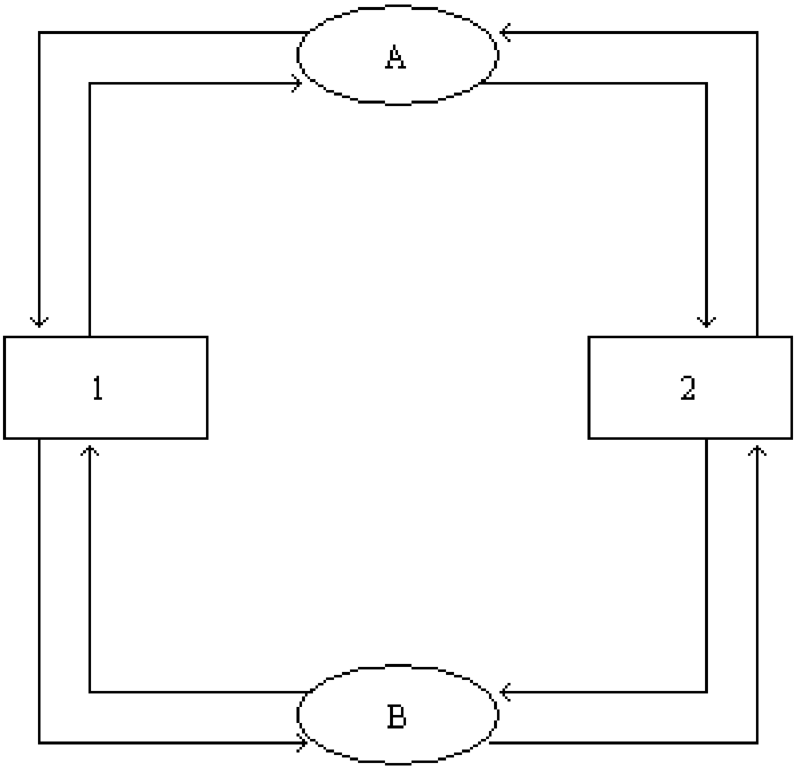


Figure 2-3Refer to Figure 2-3.

What is the name of the model depicted in the figure?

Correct Answer : Circular Flow Model

11 :

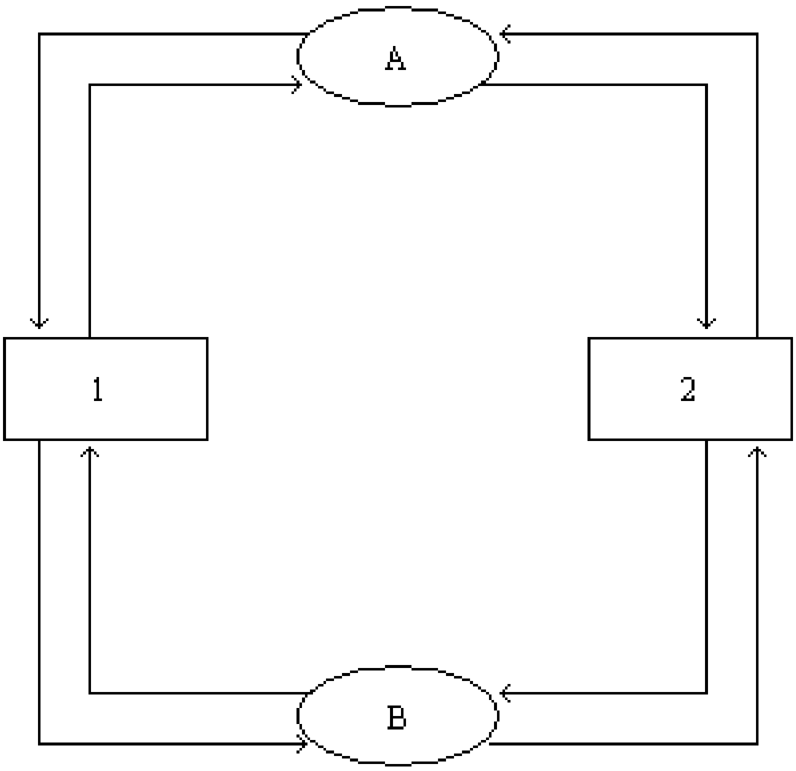


Figure 2-3Refer to Figure 2-3.

What do the ovals represent in the figure?

Correct Answer : Market for Goods and ServicesMarket for Factors of Production

12 :

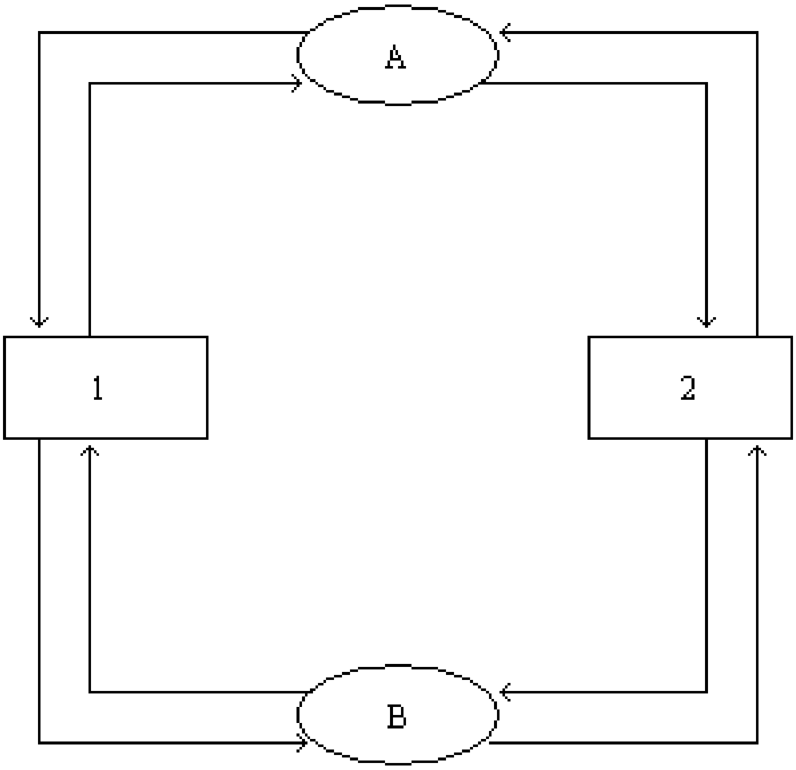


Figure 2-3Refer to Figure 2-3.

What do the rectangles represent in the figure?

Correct Answer : FirmsHouseholds

13 :

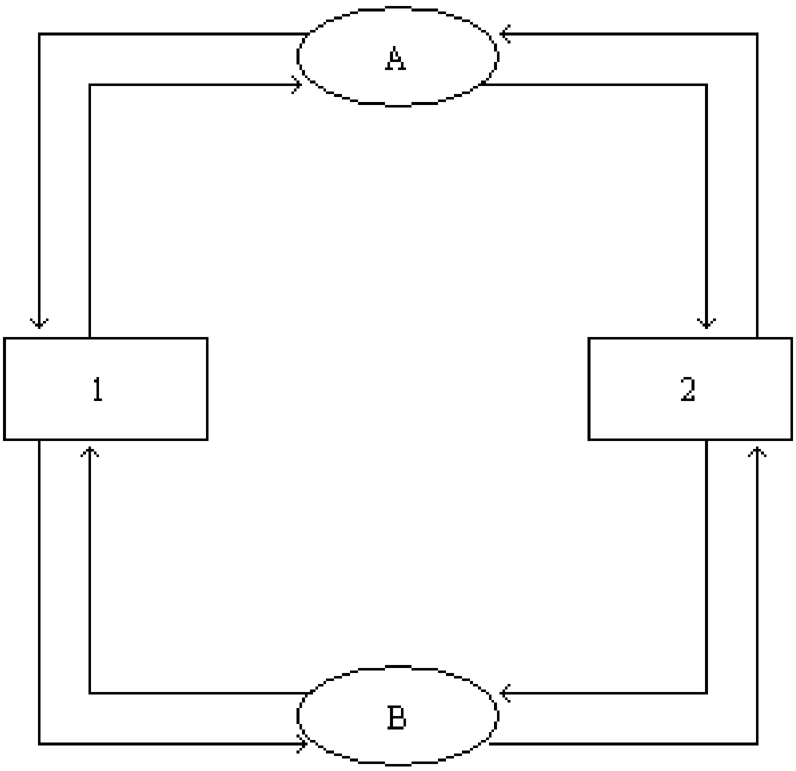


Figure 2-3Refer to Figure 2-3.

What do the outer arrows represent in the figure?

Correct Answer : flow of dollars

14 :

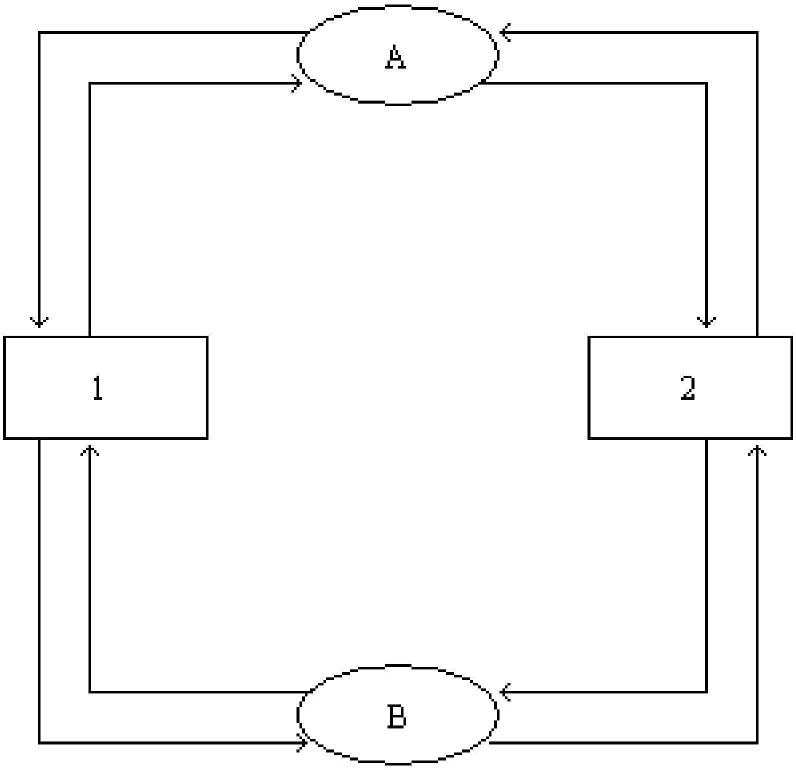


Figure 2-3Refer to Figure 2-3.

What do the inner arrows represent in the figure?

Correct Answer : flow of inputs and outputs

15 :

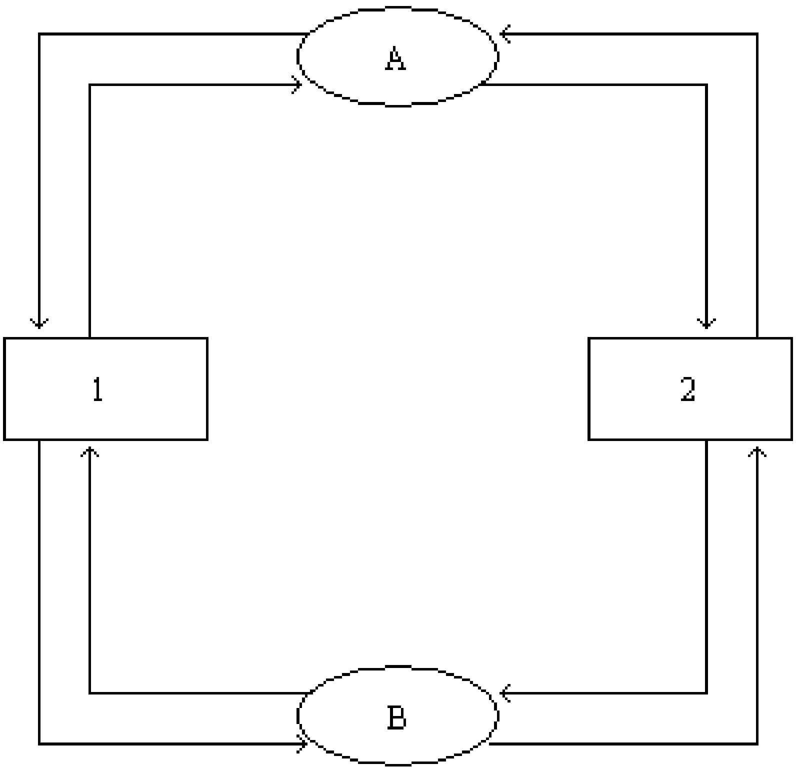


Figure 2-3Refer to Figure 2-3.

What does the arrow going from oval A to rectangle 2 represent in the figure?

Correct Answer : goods and services bought

16 :

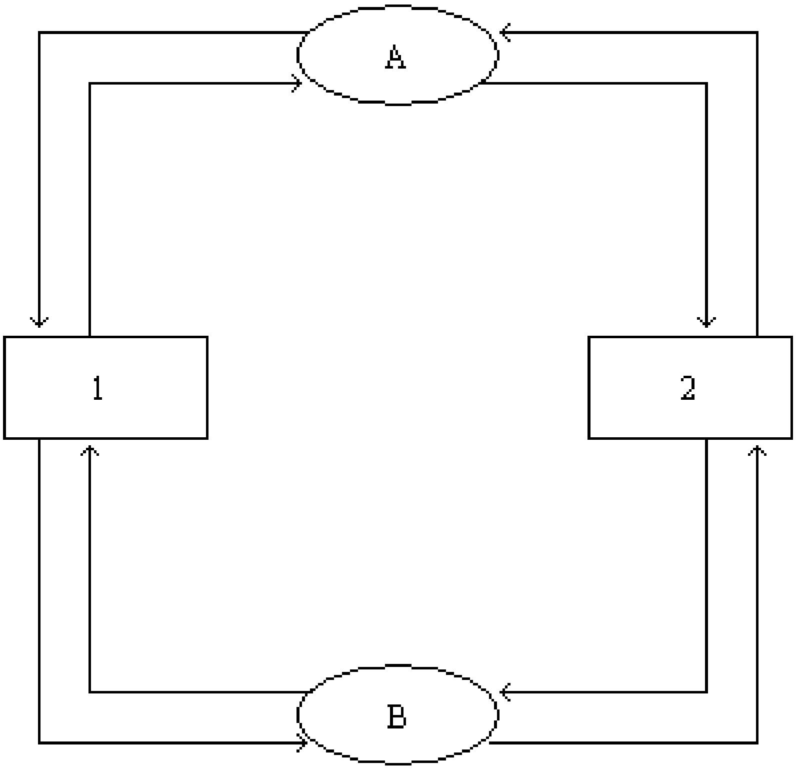


Figure 2-3Refer to Figure 2-3.
What does the arrow going from oval B to rectangle 2 represent in the figure?

Correct Answer : income

17 :

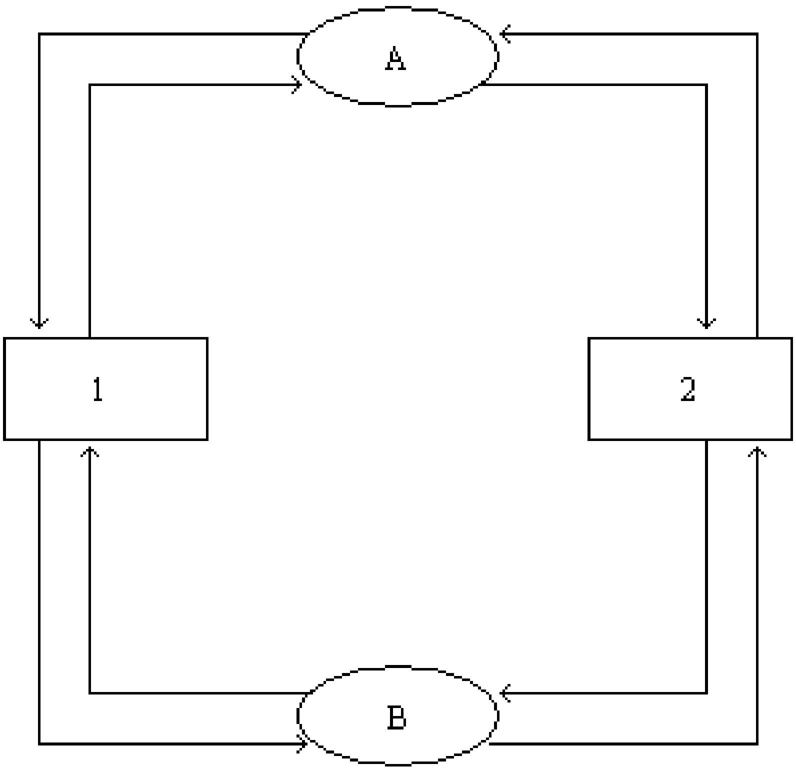


Figure 2-3Refer to Figure 2-3.
What are two elements not included in this figure that could be included in a more complex model?

Correct Answer : governmentinternational trade

18 : What you must give up to get something else is called the

Correct Answer : opportunity cost.

19 :

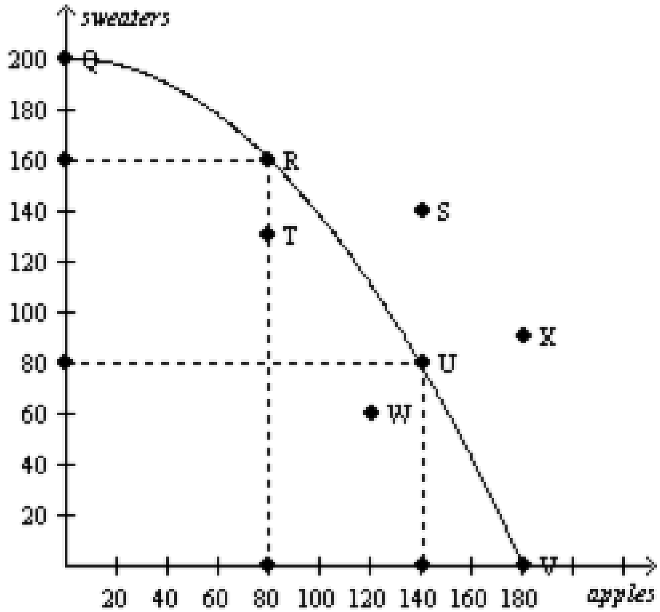


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.Refer to Figure 2-14. The bowed outward shape of the production possibilities curve indicates that opportunity cost of apples in terms of sweaters is

Correct Answer : increasing.

20 :

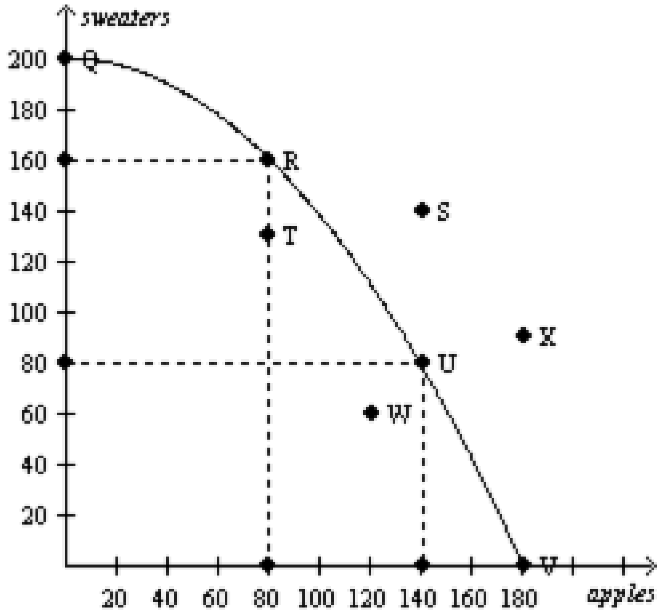


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.Refer to Figure 2-14. Which point(s) on the graph is(are) efficient production possibilities?

Correct Answer : Q, R, U, and V

21 :

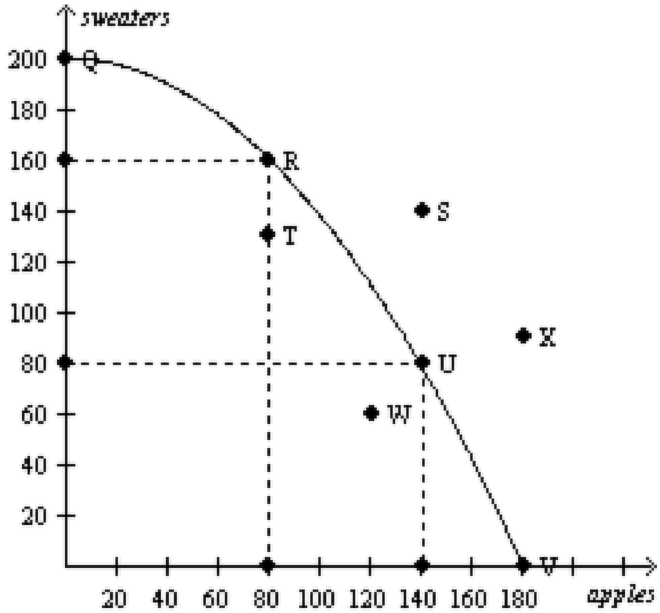


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.Refer to Figure 2-14. Which point(s) on the graph show unemployment of resources?

Correct Answer : T and W

22 :

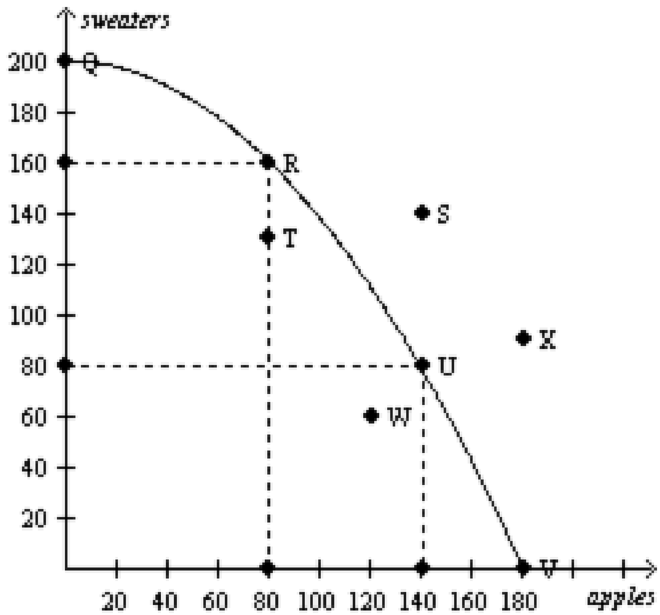


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.Refer to Figure 2-14. Which point(s) on the graph is(are) unattainable given current resources and technology?

Correct Answer : S and X

23 :

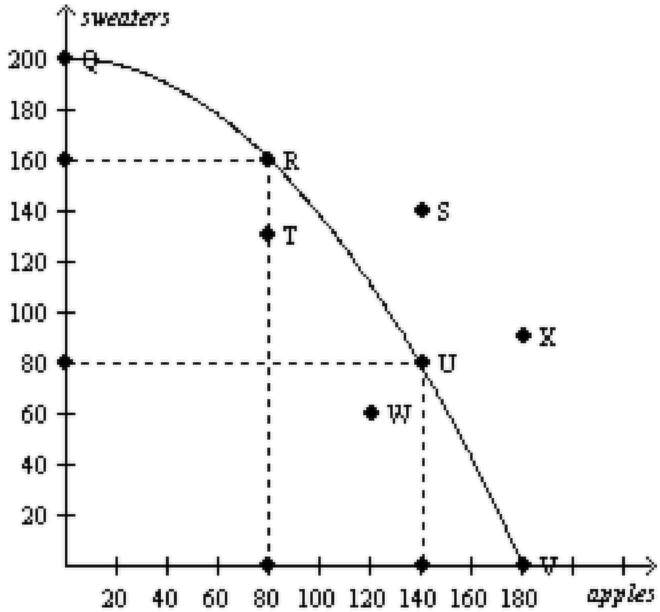


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.Refer to Figure 2-14. What is the opportunity cost of moving from point T to point R?

Correct Answer : zero

24 :

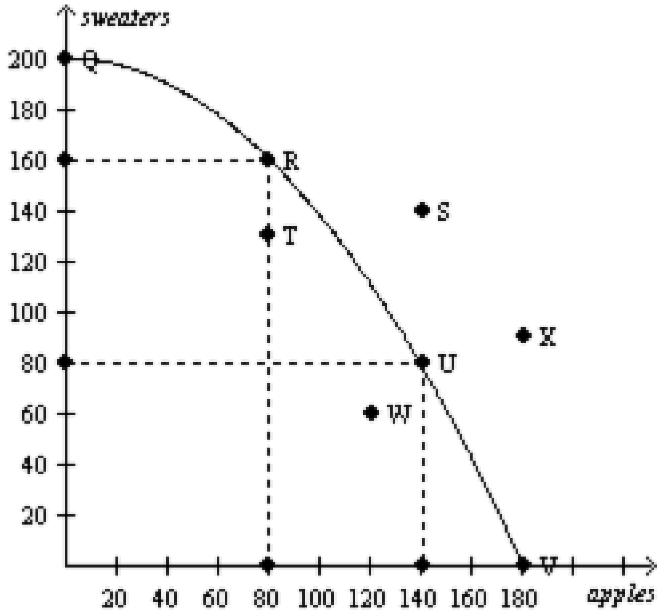


Figure 2-14Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.Refer to Figure 2-14. What is the opportunity cost of moving from point R to point Q?

Correct Answer : 80 bushels of apples

25 :

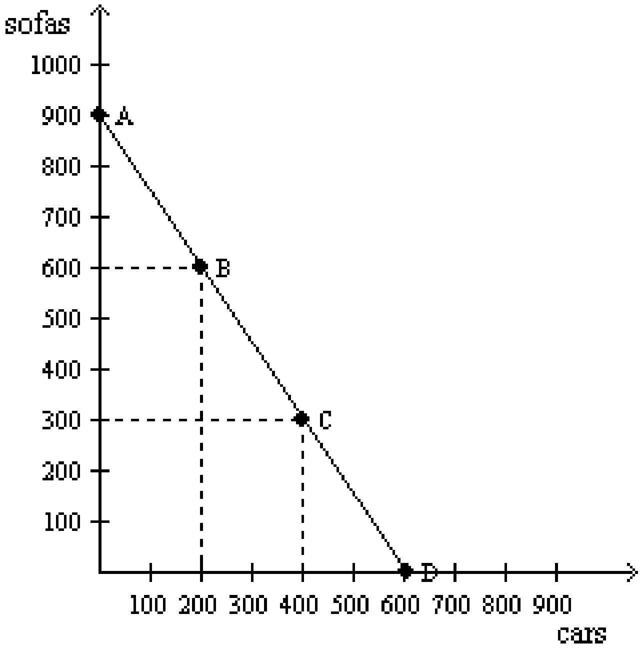


Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. As the economy moves from point A to point D, is the opportunity cost of cars increasing, constant, or decreasing?

Correct Answer : constant

26 :

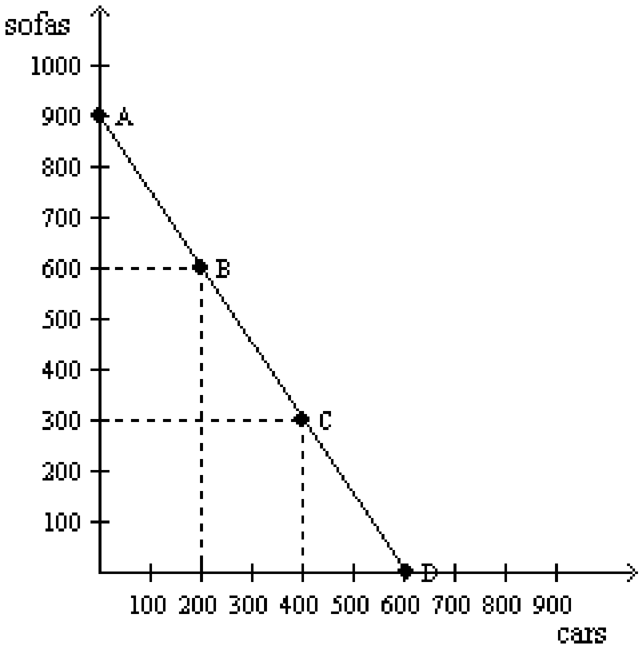


Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one sofa is

Correct Answer : 2/3 of a car.

27 :

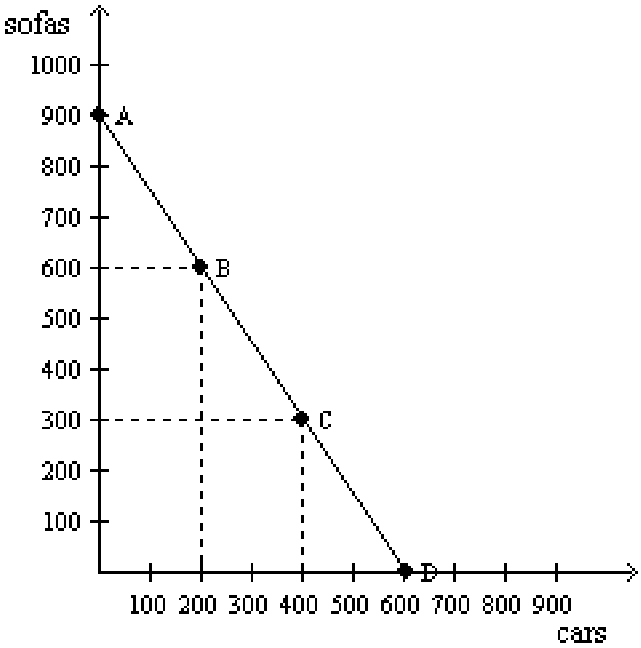


Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : 3/2 sofas.

28 : Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : 2,000 pizzas.

29 : Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : 400 mobile phones.

30 : Figure 2-15Refer to Figure 2-15. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : bowed outward

31 : Who would be more likely to study the effects of government spending on the unemployment rate, a macroeconomist or a microeconomist?

Correct Answer : macroeconomist

32 : Who would be more likely to study the effects of foreign competition on the accounting industry, a macroeconomist or a microeconomist?

Correct Answer : microeconomist

33 : Who would be more likely to study the effects of rent control on housing in New York City, a macroeconomist or a microeconomist?

Correct Answer : microeconomist

34 : Who would be more likely to study the inflation rate in the United States, a macroeconomist

or a microeconomist?

Correct Answer : macroeconomist

35 : When economists are trying to explain the world, they are scientists. When they are trying to improve it, they are

Correct Answer : policy advisers.

36 : What type of statement is a descriptive statement about how the world is?

Correct Answer : positive statement

37 : What type of statement is a prescriptive statement about how the world ought to be?

Correct Answer : normative statement

38 : Which type of statement - positive or negative - can be evaluated by analyzing data alone?

Correct Answer : positive

39 : Is the following a positive or normative statement? The federal minimum wage is lower than many state minimum wages.

Correct Answer : positive

40 : Is the following a positive or normative statement? The Federal Reserve should set an inflation target and employ policies to meet the target.

Correct Answer : normative

41 : Is the following a positive or normative statement? The United States government should mandate that every citizen purchases health insurance.

Correct Answer : normative

42 : Is the following a positive or normative statement? The unemployment rate in Nevada is higher than the unemployment rate in New York.

Correct Answer : positive

43 : Since 1946, the president of the United States has received guidance from a group comprised of three members and a staff of a few dozen economists known as the

Correct Answer : Council of Economic Advisers

44 : Economists at which administrative department help formulate spending plans and regulatory policies?

Correct Answer : Office of Management and Budget

45 : Economists at which administrative department help design tax policy?

Correct Answer : Department of the Treasury

46 : Economists at which administrative department analyze data on workers and those looking for work to help formulate labor-market policies?

Correct Answer : Department of Labor

47 : Economists at which administrative department help enforce the nations antitrust laws?

Correct Answer : Department of Justice

48 : The institution that sets the nations monetary policy is called the

Correct Answer : Federal Reserve.

49 : When economists disagree about whether the government should tax a households income or its consumption, they are expressing a difference in

Correct Answer : scientific judgment.

50 : When economists disagree about whether a policy is fair, they are expressing a difference in

Correct Answer : values.

51 : Most economists agree that a large federal budget deficit has what type of effect on the economy?

Correct Answer : adverse

52 :

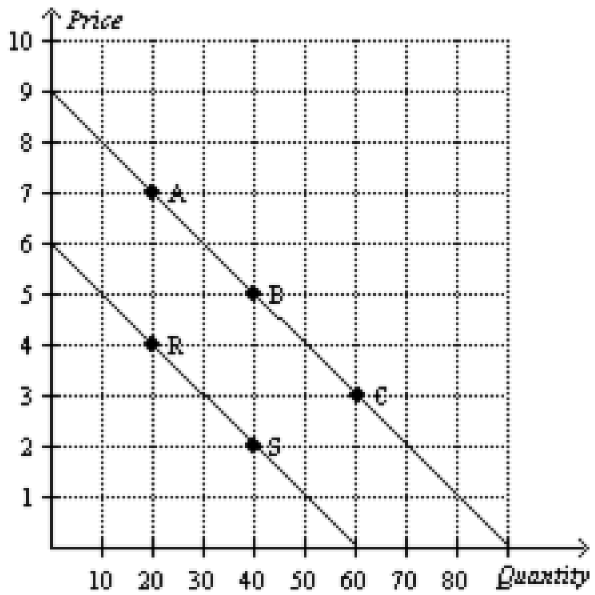


Figure 2-22Refer to Figure 2-22. What are the coordinates of point C?

Correct Answer : (60,3)

53 :

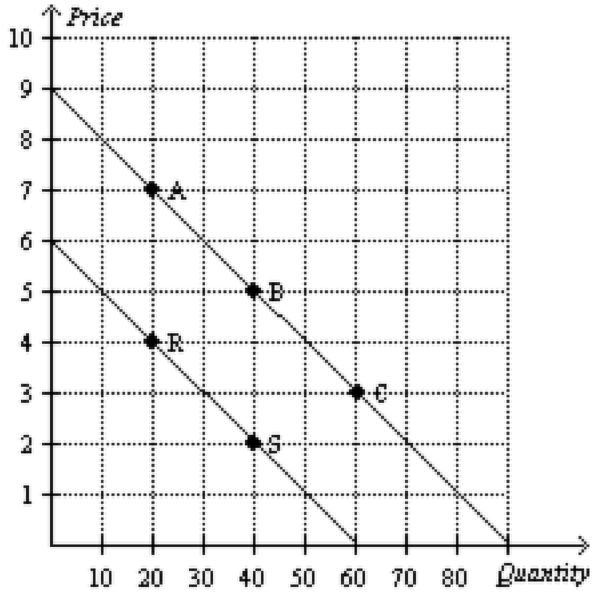


Figure 2-22Refer to Figure 2-22. What is the x-coordinate of point R?

Correct Answer : 20

54 :

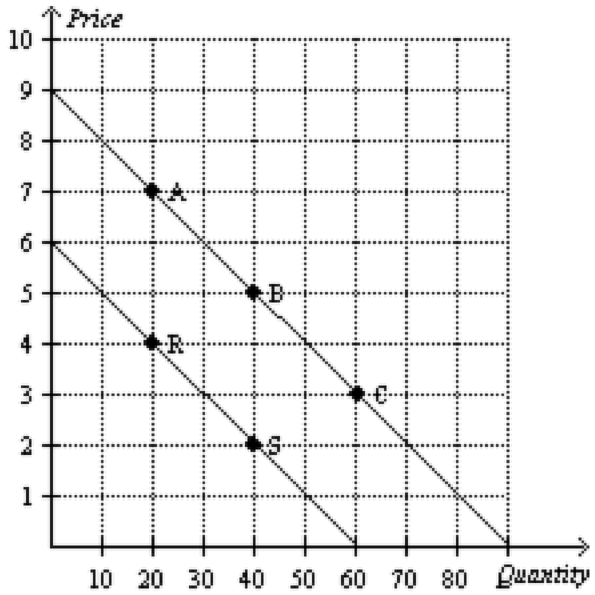


Figure 2-22Refer to Figure 2-22. How are price and quantity related in this graph?

Correct Answer : negatively correlated

55 :

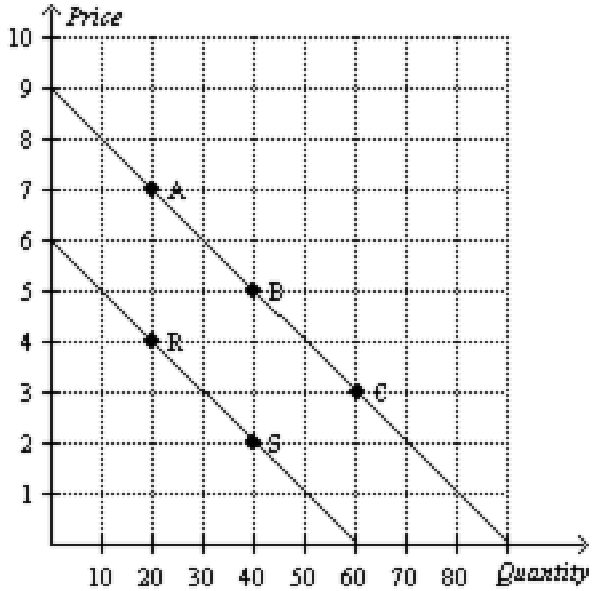


Figure 2-22Refer to Figure 2-22. What is the slope of the line with points A, B, and C?

Correct Answer : -0.1

56 :

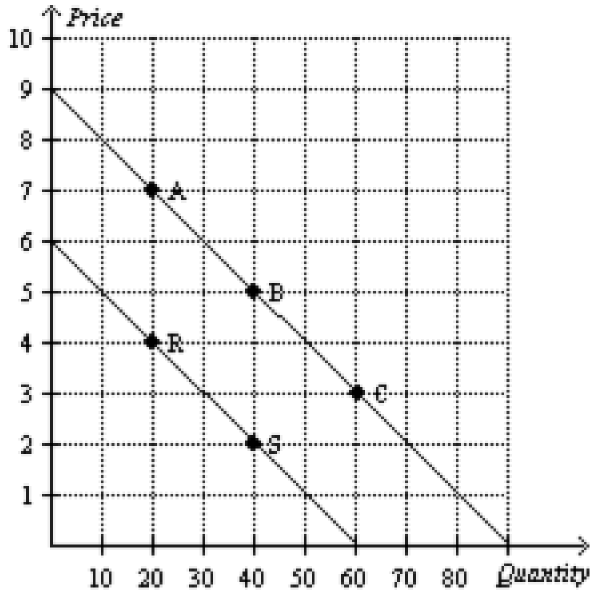


Figure 2-22Refer to Figure 2-22. Is a move from point A to point B considered a shift of the curve or a movement along the curve?

Correct Answer : movement along the curve

57 :

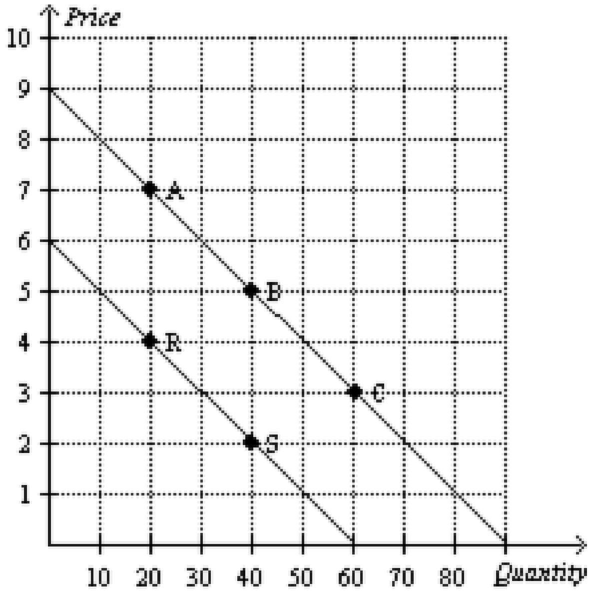


Figure 2-22Refer to Figure 2-22. Is a move from point A to point R considered a shift of the curve or a movement along the curve?

Correct Answer : shift of the curve

58 :

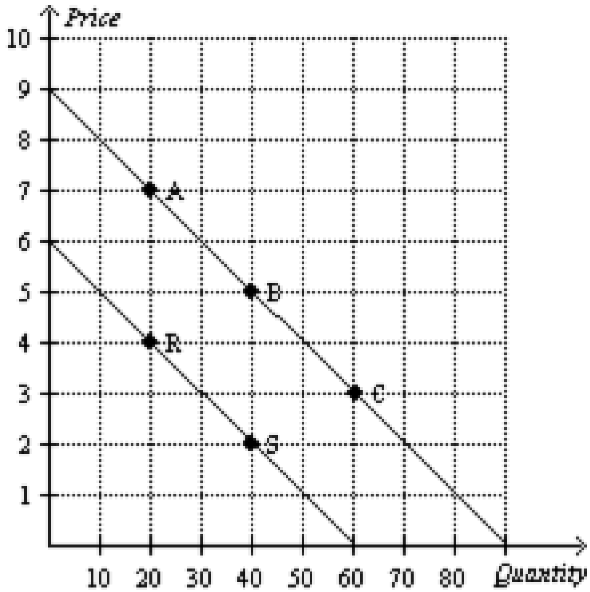
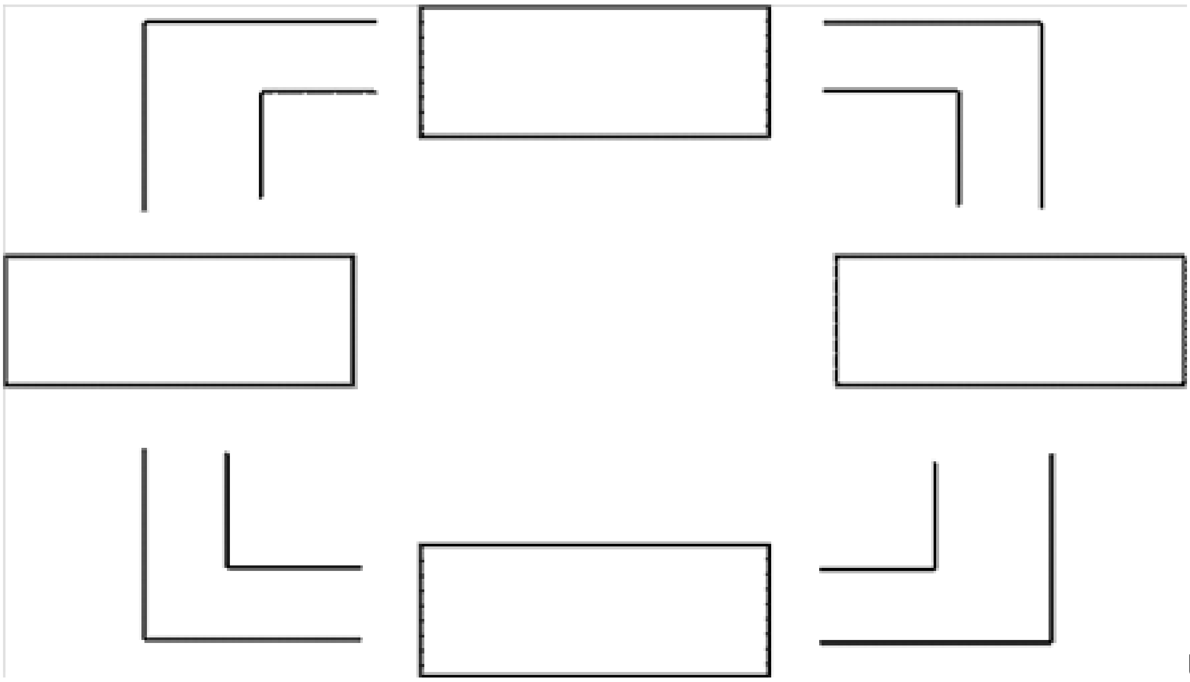


Figure 2-22Refer to Figure 2-22. Given that price is measured on the vertical axis, quantity is measured on the horizontal axis, and that the curves are downward-sloping, what type of curves are depicted here?

Correct Answer : demand curves

59 :



Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.

Correct Answer : This diagram should duplicate the essential characteristics of the diagram in the text, with an explanation of the meaning of each flow and each market. It is important that the student understands that the inner loop represents the flow of real goods and services and that the outer loop represents the corresponding flow of payments.

60 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.

Correct Answer : (a)(b)(c)(d)(e)

61 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.

Correct Answer : (a-c)(d)

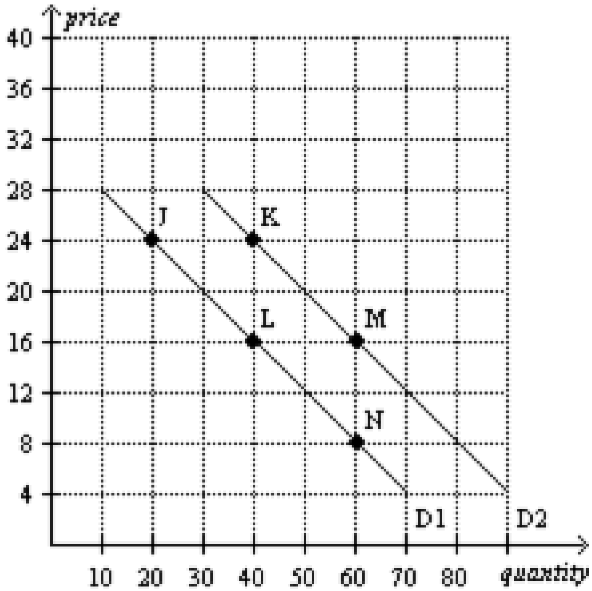
62 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.

Correct Answer : a, b, e, g, h, and j are microeconomic topics. c, d, f, and i are macroeconomic topics.

63 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.

Correct Answer : a, c, e, f, and i are positive statements. b, d, g, h, and j are normative statements.

64 :



Use the following graph to answer the following questions.

a. How would point J be represented as an ordered pair?
b. What type of curve is this?
c. Does this curve show a positive or negative correlation between price and quantity?
d. Compute the slope of D1 between points J and L.
e. What is the slope of D1 between points L and N? Why would you not have to calculate this ans
f. What is it called if we move from D1 to D2?
g. How do you know that the slope of D2 is the same as the slope of D1?

Correct Answer : a.(20,24)b.a demand curvec.a negative correlation between price and quantityd.-8/20 or -2/5e.-2/5; because the slope of a straight line is constantf.an increase in demand.g.because the 2 lines are parallel

TRUE/FALSE

1 : Economists try to address their subject with a scientists objectivity.
A : true
B : false

Correct Answer : A

2 : Economists devise theories, collect data, and then analyze these data in an attempt to verify or refute their theories.
A : true
B : false

Correct Answer : A

3 : The scientific method is the dispassionate development and testing of theories about how the world works.
A : true
B : false

Correct Answer : A

4 : The scientific method can be applied to the study of economics.
A : true
B : false

Correct Answer : A

5 : While the scientific method is applicable to studying natural sciences, it is not applicable to studying a nations economy.
A : true
B : false

Correct Answer : B

6 : For economists, conducting experiments is often difficult and sometimes impossible.
A : true
B : false

Correct Answer : A

7 : Economists usually have to make do with whatever data the world happens to give them.
A : true
B : false

Correct Answer : A

8 : It is difficult for economists to make observations and develop theories, but it is easy for economists to run experiments to generate data to test their theories.
A : true
B : false

Correct Answer : B

9 : Since economists cannot use natural experiments offered by history, they must use carefully constructed laboratory experiments instead.
A : true
B : false

Correct Answer : B

10 : Historical episodes are not valuable to economists.
A : true
B : false

Correct Answer : B

11 : Historical episodes allow economists to illustrate and evaluate current economic theories.
A : true
B : false

Correct Answer : A

12 : Good assumptions simplify a problem without substantially affecting the answer.
A : true
B : false

Correct Answer : A

13 : Assumptions can simplify the complex world and make it easier to understand.
A : true
B : false

Correct Answer : A

14 : Economists often find it worthwhile to make assumptions that do not necessarily describe the real world.
A : true
B : false

Correct Answer : A

15 : Economists use one standard set of assumptions to answer all economic questions.
A : true
B : false

Correct Answer : B

16 : Economic models are most often composed of diagrams and equations.
A : true
B : false

Correct Answer : A

17 : Economic models omit many details to allow us to see what is truly important.

A : true
B : false

Correct Answer : A

18 : Economic models can help us understand reality only when they include all details of the economy.
A : true
B : false

Correct Answer : B

19 : An economic model can accurately explain how the economy is organized because it is designed to include, to the extent possible, all features of the real world.
A : true
B : false

Correct Answer : B

20 : All scientific models, including economic models, simplify reality in order to improve our understanding of it.
A : true
B : false

Correct Answer : A

21 : The circular-flow diagram explains, in general terms, how the economy is organized and how participants in the economy interact with one another.
A : true
B : false

Correct Answer : A

22 : A circular-flow diagram is a visual model of the economy.
A : true
B : false

Correct Answer : A

23 : The circular flow model is not used anymore because it fails to perfectly replicate real world situations.
A : true
B : false

Correct Answer : B

24 : In the circular-flow diagram, households and firms are the decision makers.
A : true
B : false

Correct Answer : A

25 : In the circular-flow diagram, firms produce goods and services using the factors of

production.
A : true
B : false

Correct Answer : A

26 : In the circular-flow diagram, factors of production are the goods and services produced by firms.
A : true
B : false

Correct Answer : B

27 : In the circular-flow diagram, factors of production include land, labor, and capital.
A : true
B : false

Correct Answer : A

28 : In the circular-flow diagram, firms own the factors of production and use them to produce goods and services.
A : true
B : false

Correct Answer : B

29 : In the circular-flow diagram, firms consume all the goods and services that they produce.
A : true
B : false

Correct Answer : B

30 : In the circular-flow diagram, the two types of markets in which households and firms interact are the markets for goods and services and the markets for factors of production.
A : true
B : false

Correct Answer : A

31 : In the markets for goods and services in the circular-flow diagram, households are buyers and firms are sellers.
A : true
B : false

Correct Answer : A

32 : In the markets for the factors of production in the circular-flow diagram, households are buyers and firms are sellers.
A : true
B : false

Correct Answer : B

33 : In the circular-flow diagram, one loop represents the flow of goods, services, and factors of production, and the other loop represents the corresponding flow of dollars.
A : true
B : false

Correct Answer : A

34 : In the circular-flow diagram, one loop represents the flow of goods and services, and the other loop represents the flow of factors of production.
A : true
B : false

Correct Answer : B

35 : In the circular-flow diagram, payments for labor, land, and capital flow from firms to households through the markets for the factors of production.
A : true
B : false

Correct Answer : A

36 : The production possibilities frontier is a graph that shows the various combinations of outputs that the economy can possibly produce given the available factors of production and the available production technology.
A : true
B : false

Correct Answer : A

37 :

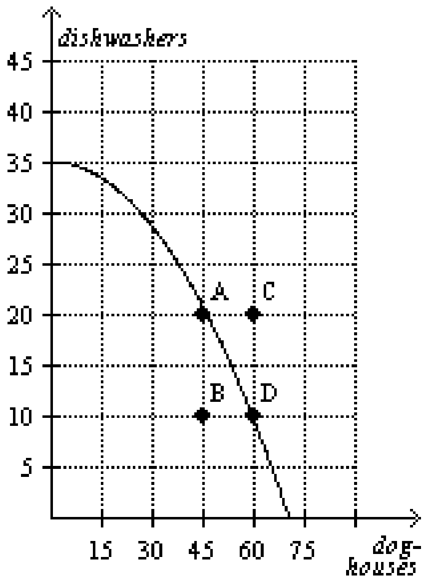


Figure 2-14Refer to Figure 2-14. If this economy uses all its resources in the dishwasher industry, it produces 35 dishwashers and no doghouses.
A : true
B : false

Correct Answer : A

38 :

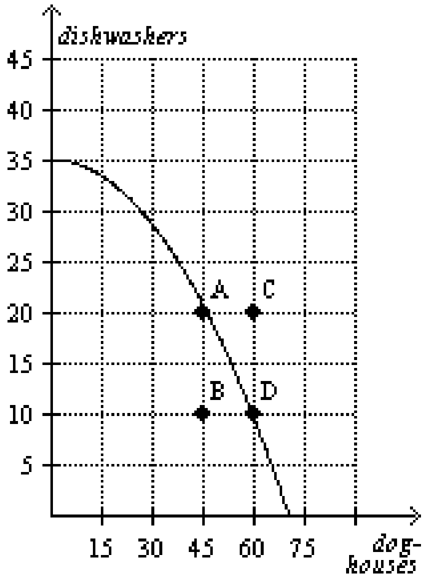


Figure 2-14Refer to Figure 2-14. It is possible for this economy to produce 75 doghouses.
A : true
B : false

Correct Answer : B

39 :

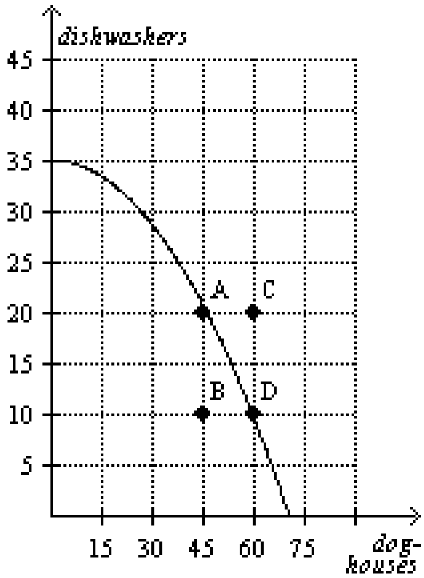


Figure 2-14Refer to Figure 2-14. It is possible for this economy to produce 30 doghouses and 20 dishwashers.
A : true
B : false

Correct Answer : A

40 :

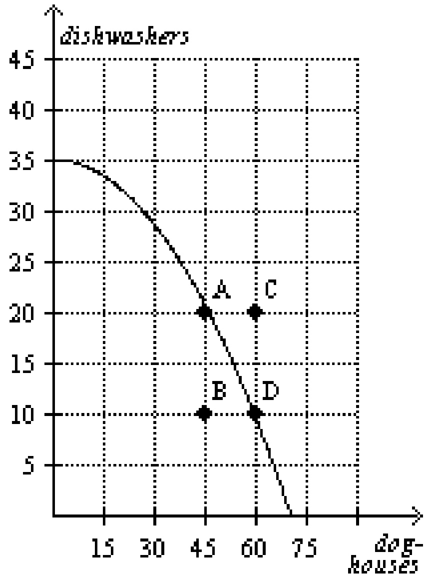


Figure 2-14Refer to Figure 2-14. It is possible for this economy to produce 45 doghouses and 30 dishwashers.

A : true

B : false

Correct Answer : B

41 :

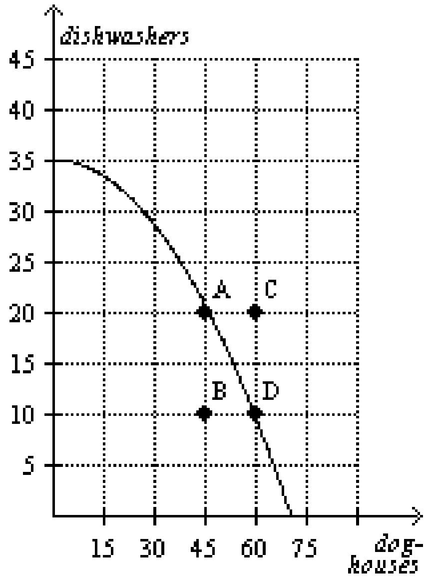


Figure 2-14Refer to Figure 2-14. When this economy produces 30 doghouses and 25 dishwashers there is full employment.

A : true

B : false

Correct Answer : B

42 :

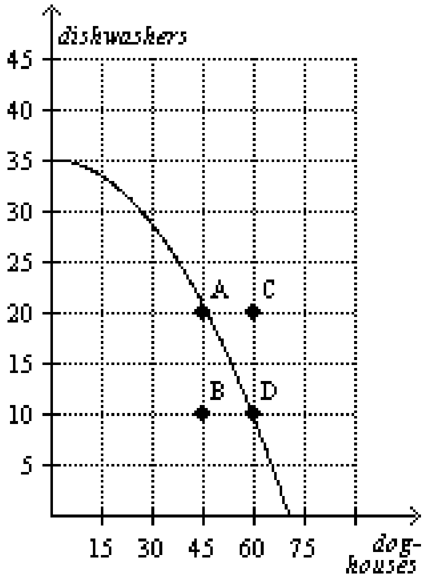


Figure 2-14Refer to Figure 2-14. This economy fully employs its resources when it produces 35 dishwashers and zero doghouses.
A : true
B : false

Correct Answer : A

43 :

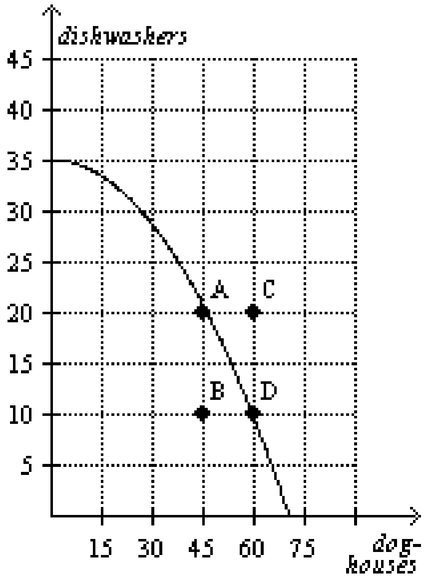


Figure 2-14Refer to Figure 2-14. Given the technology available for manufacturing doghouses and dishwashers, this economy does not have enough of the factors of production to support the level of output represented by point C.
A : true
B : false

Correct Answer : A

44 :

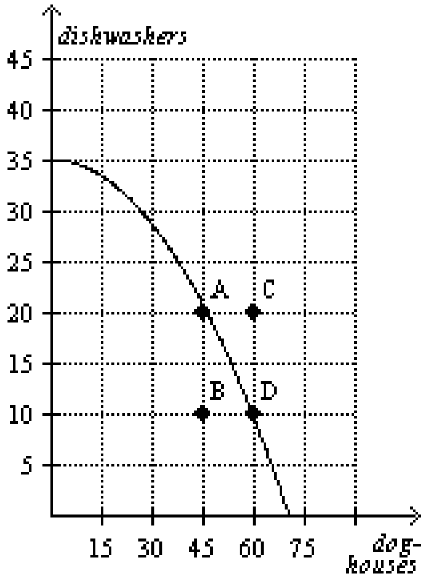


Figure 2-14Refer to Figure 2-14. Points A, B, and D represent feasible outcomes for this economy.

A : true

B : false

Correct Answer : A

45 :

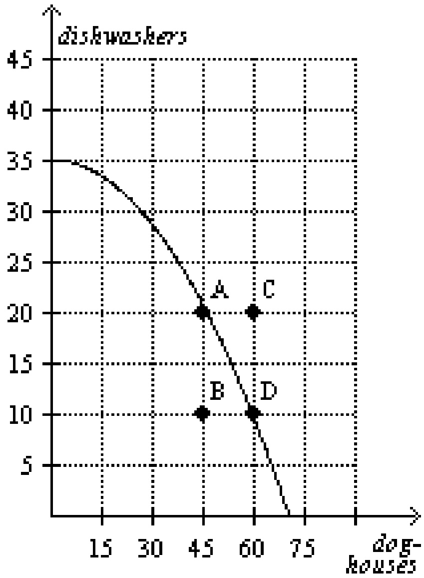


Figure 2-14Refer to Figure 2-14. Points B and C represent infeasible outcomes for this economy.

A : true

B : false

Correct Answer : B

46 :

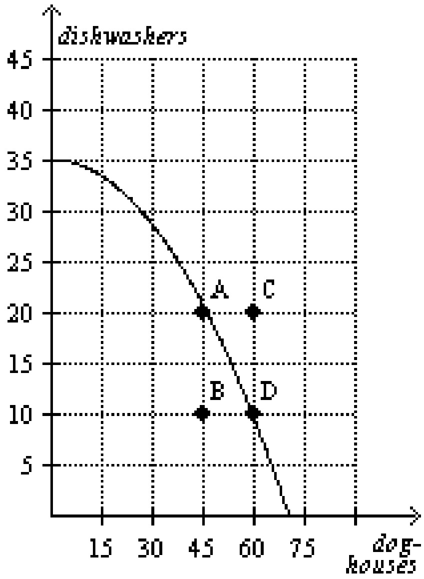


Figure 2-14Refer to Figure 2-14. Points A, B, and D represent efficient outcomes for this economy.
A : true
B : false

Correct Answer : B

47 :

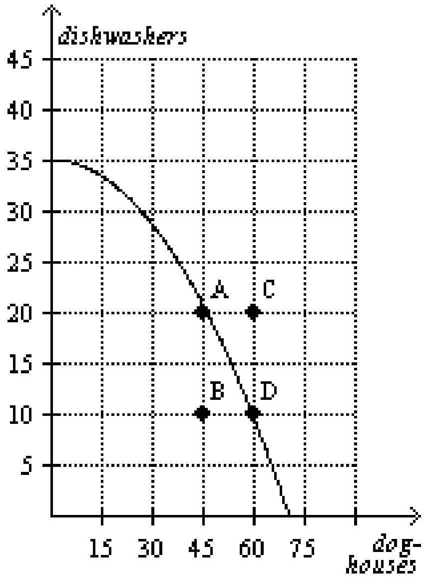


Figure 2-14Refer to Figure 2-14. Point B represents an inefficient outcome for this economy.
A : true
B : false

Correct Answer : A

48 :

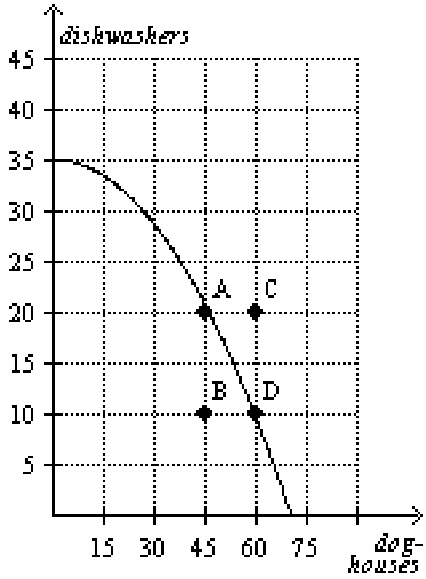


Figure 2-14Refer to Figure 2-14. Unemployment could cause this economy to produce at point B.
A : true
B : false

Correct Answer : A

49 :

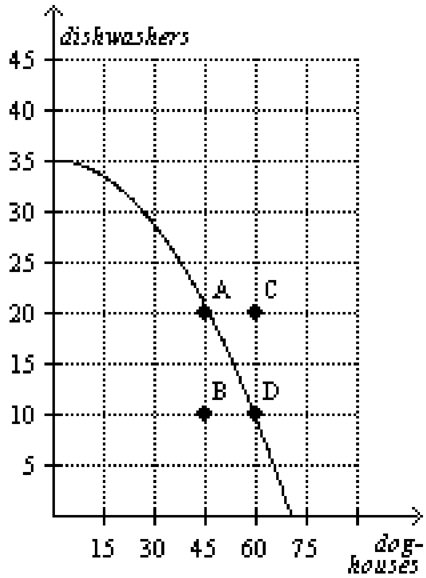


Figure 2-14Refer to Figure 2-14. The opportunity cost of moving from point A to point D is 10 dishwashers.
A : true
B : false

Correct Answer : A

50 :

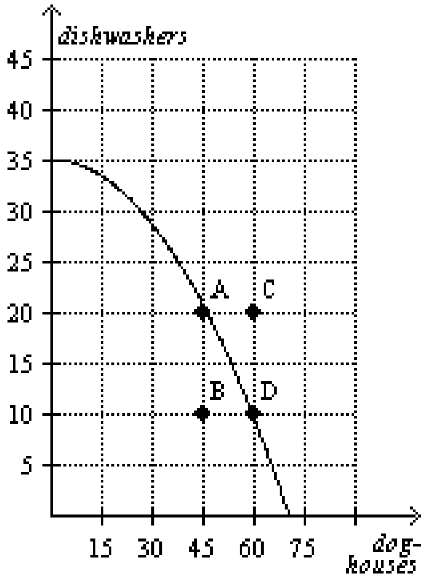


Figure 2-14Refer to Figure 2-14. The opportunity cost of moving from point B to point D is 15 doghouses.
A : true
B : false

Correct Answer : B

51 :

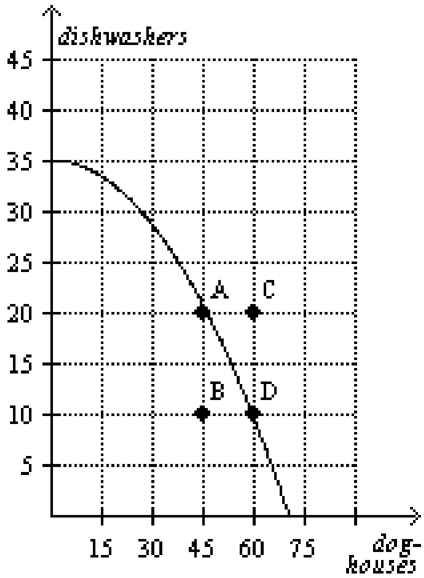


Figure 2-14Refer to Figure 2-14. The opportunity cost of moving from point B to point A is zero.
A : true
B : false

Correct Answer : A

52 :

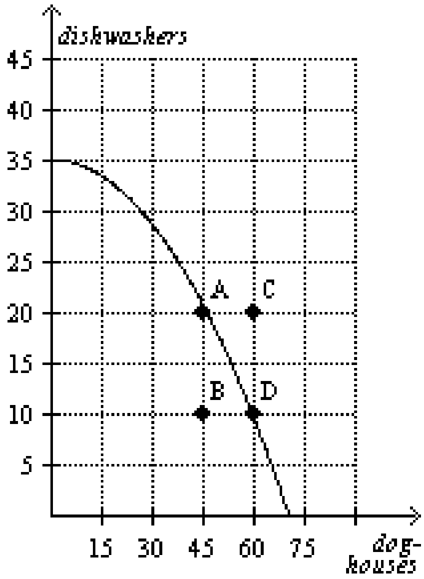


Figure 2-14Refer to Figure 2-14. The opportunity cost of an additional doghouse increases as more doghouses are produced.

A : true

B : false

Correct Answer : A

53 :

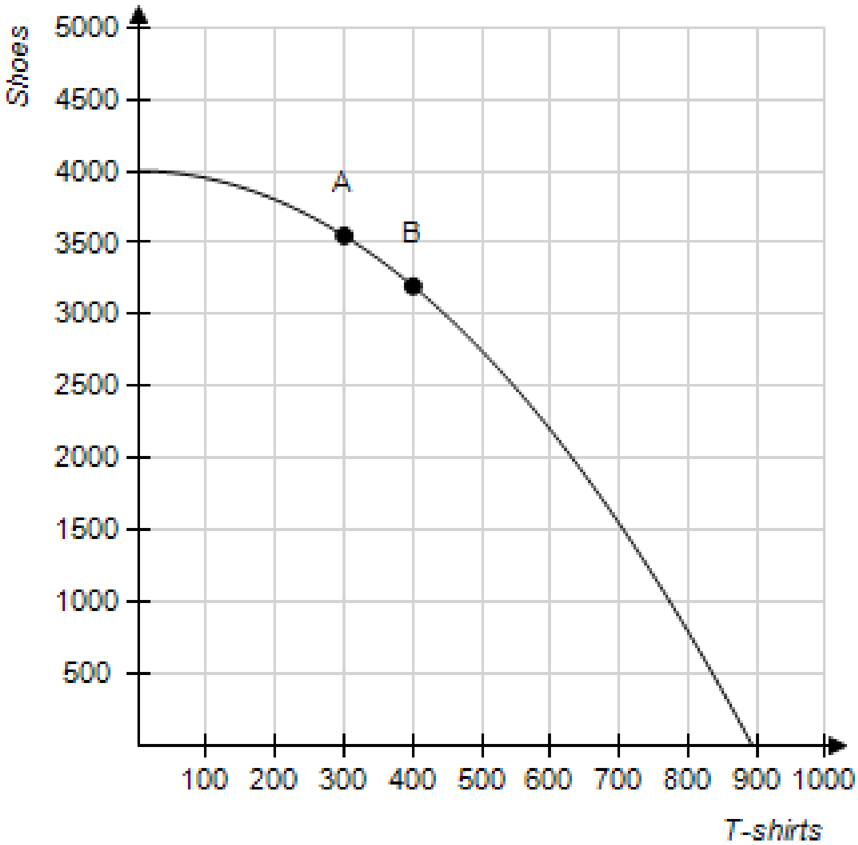


Figure 2-17Refer to Figure 2-17. Point B represents an inefficient outcome for this economy.

A : true

B : false

Correct Answer : B

54 :

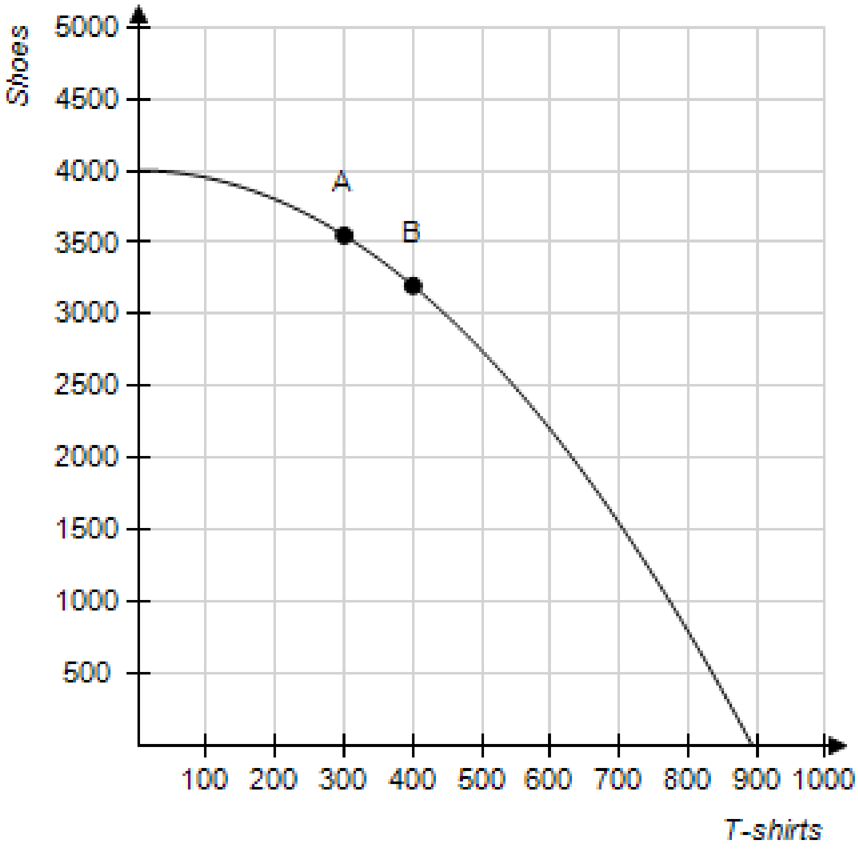


Figure 2-17Refer to Figure 2-17. The opportunity cost of moving from point A to point B is zero.
A : true
B : false

Correct Answer : B

55 :

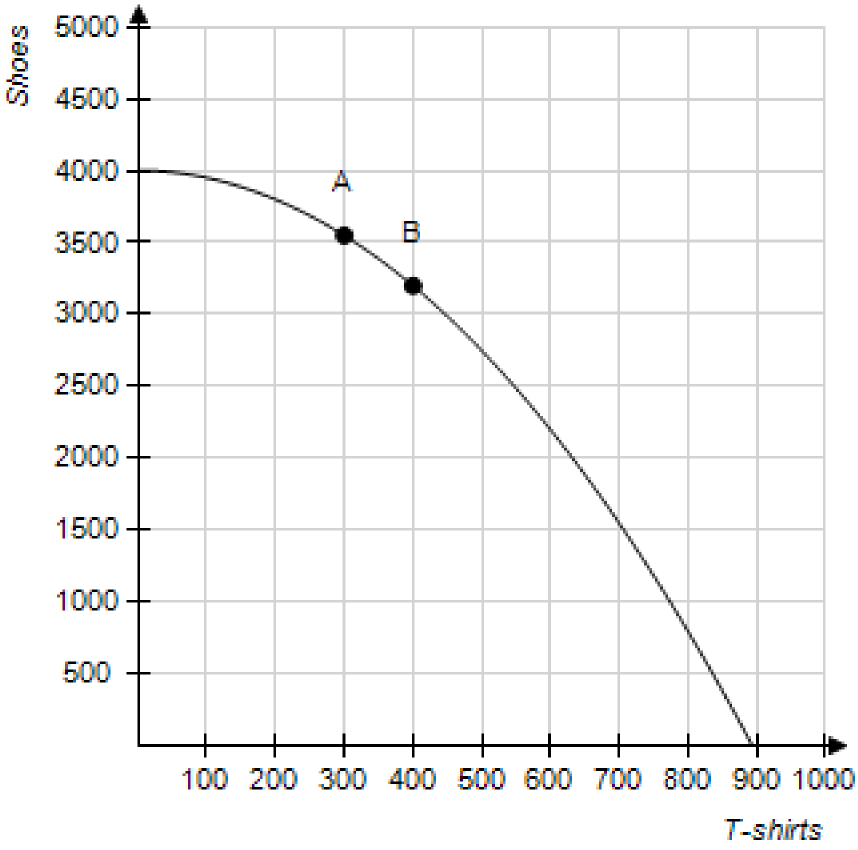


Figure 2-17Refer to Figure 2-17. The opportunity cost of producing an additional pair of shoes increases as more shoes are produced.

A : true

B : false

Correct Answer : A

56 :

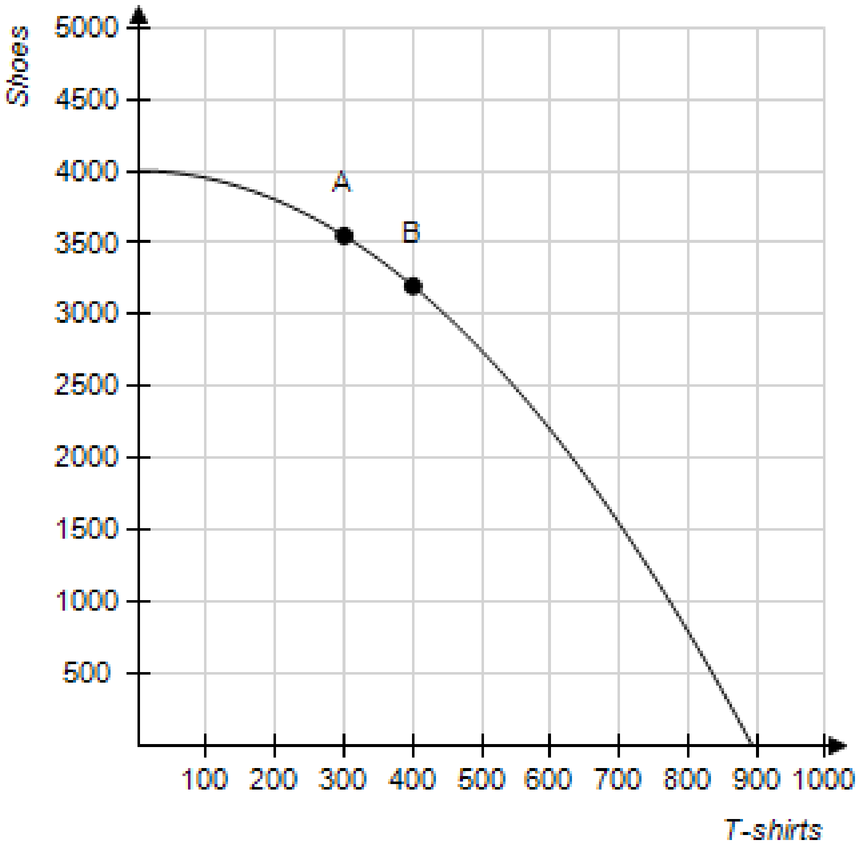


Figure 2-17Refer to Figure 2-17. This economy fully employs its resources when it produces 4000 shoes and zero t-shirts.

A : true

B : false

Correct Answer : A

57 :

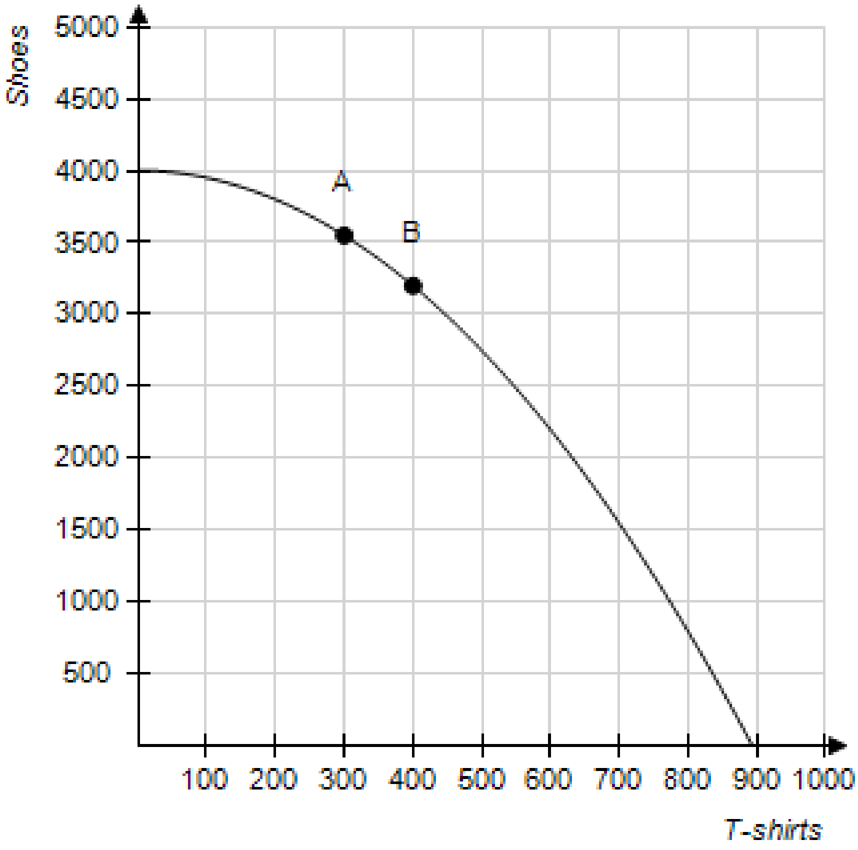


Figure 2-17Refer to Figure 2-17. It is possible for this economy to produce 1000 shoes.
A : true
B : false

Correct Answer : A

58 : With the resources it has, an economy can produce at any point on or outside the production possibilities frontier, but it cannot produce at points inside the frontier.
A : true
B : false

Correct Answer : B

59 : Points inside the production possibilities frontier represent feasible levels of production.
A : true
B : false

Correct Answer : A

60 : Points inside the production possibilities frontier represent inefficient levels of production.
A : true
B : false

Correct Answer : A

61 : Points on the production possibilities frontier represent efficient levels of production.
A : true

B : false

Correct Answer : A

62 : Points outside the production possibilities frontier represent infeasible levels of production.
A : true
B : false

Correct Answer : A

63 : If a major union goes on strike, then the country would be operating inside its production possibilities frontier.
A : true
B : false

Correct Answer : A

64 : An outcome is said to be efficient if an economy is getting all it can from the scarce resources it has available.
A : true
B : false

Correct Answer : A

65 : An outcome is said to be efficient if an economy is conserving the largest possible quantity of its scarce resources while still meeting the basic needs of society.
A : true
B : false

Correct Answer : B

66 : A production point is said to be efficient if there is no way for the economy to produce more of one good without producing less of another.
A : true
B : false

Correct Answer : A

67 : If an economy can produce more of one good without giving up any of another good, then the economys current production point is inefficient.
A : true
B : false

Correct Answer : A

68 : Unemployment causes production levels to be inefficient.
A : true
B : false

Correct Answer : A

69 : The opportunity cost of something is what you give up to get it.
A : true

B : false

Correct Answer : A

70 : The production possibilities frontier shows the opportunity cost of one good as measured in terms of the other good.
A : true
B : false

Correct Answer : A

71 : When a production possibilities frontier is bowed outward, the opportunity cost of one good in terms of the other is constant.
A : true
B : false

Correct Answer : B

72 : When a production possibilities frontier is bowed outward, the opportunity cost of one good in terms of the other depends on how much of each good is being produced.
A : true
B : false

Correct Answer : A

73 : When a production possibilities frontier is bowed outward, the opportunity cost of the first good in terms of the second good increases as more of the second good is produced.
A : true
B : false

Correct Answer : B

74 : When a production possibilities frontier is bowed outward, the opportunity cost of the second good in terms of the first good increases as more of the second good is produced.
A : true
B : false

Correct Answer : A

75 : A production possibilities frontier has a bowed shape if the opportunity cost is constant at all levels of output.
A : true
B : false

Correct Answer : B

76 : Economists believe that production possibilities frontiers rarely have a bowed shape.
A : true
B : false

Correct Answer : B

77 : A production possibilities frontier will be bowed outward if some of the economys resources

are better suited to producing one good than another.
A : true
B : false

Correct Answer : A

78 : The trade-off between the production of one good and the production of another good can change over time because of technological advances.
A : true
B : false

Correct Answer : A

79 : A technological advance in the production of the first good increases the opportunity cost of the first good in terms of the second good.
A : true
B : false

Correct Answer : A

80 : While the production possibilities frontier is a useful model, it cannot be used to illustrate economic growth.
A : true
B : false

Correct Answer : B

81 : Economic growth causes a production possibilities frontier to shift outward.
A : true
B : false

Correct Answer : A

82 : If new government regulations designed to protect wetlands remove very productive farmland from production, then the production possibilities frontier will shift inward.
A : true
B : false

Correct Answer : A

83 : Production possibilities frontiers can be used to illustrate scarcity, trade-offs, opportunity cost, efficiency, unemployment, technological advances, and economic growth.
A : true
B : false

Correct Answer : A

84 : Microeconomics is the study of how households and firms make decisions and how they interact in specific markets.
A : true
B : false

Correct Answer : A

85 : Macroeconomics is the study of economy-wide phenomena.
A : true
B : false

Correct Answer : A

86 : The effects of borrowing by the federal government would be studied by a microeconomist rather than a macroeconomist.
A : true
B : false

Correct Answer : B

87 : The effects of foreign competition on the U.S. textile industry would be studied by a microeconomist rather than a macroeconomist.
A : true
B : false

Correct Answer : A

88 : A macroeconomist, rather than a microeconomist, would study the effects on a market from two firms merging.
A : true
B : false

Correct Answer : B

89 : Microeconomics and macroeconomics are closely intertwined.
A : true
B : false

Correct Answer : A

90 : When economists are trying to explain the world, they are scientists, and when they are trying to help improve the world, they are policy advisers.
A : true
B : false

Correct Answer : A

91 : Economists acting as scientists make positive statements, while economists acting as policy advisers make normative statements.
A : true
B : false

Correct Answer : A

92 : Normative statements describe how the world is, while positive statements prescribe how the world should be.
A : true
B : false

Correct Answer : B

93 : Positive statements are descriptive, while normative statements are prescriptive.
A : true
B : false

Correct Answer : A

94 : Positive statements can be evaluated using data alone, but normative statements cannot.
A : true
B : false

Correct Answer : A

95 : Evaluating normative statements involves values as well as facts.
A : true
B : false

Correct Answer : A

96 : Society would be better off if the welfare system were abolished is a normative statement, not a positive statement.
A : true
B : false

Correct Answer : A

97 : Other things equal, an increase in supply causes a decrease in price is a normative statement, not a positive statement.
A : true
B : false

Correct Answer : B

98 : Minimum wage laws result in unemployment is a normative statement, while the minimum wage should be higher is a positive statement.
A : true
B : false

Correct Answer : B

99 : The US should not restrict employers from outsourcing work to foreign countries is a normative statement.
A : true
B : false

Correct Answer : A

100 : Trade-offs are involved in most policy decisions.
A : true
B : false

Correct Answer : A

101 : Since 1946, the president of the United States has received guidance from the Council of Economic Advisers.
A : true
B : false

Correct Answer : A

102 : The Council of Economic Advisers consists of thirty members and a staff of several dozen economists.
A : true
B : false

Correct Answer : B

103 : The duties of the Council of Economic Advisers are to advise the president of the United States and to determine U.S. monetary policy.
A : true
B : false

Correct Answer : B

104 : The Council of Economic Advisers Economic Report of the President discusses recent developments in the economy and presents the councils analysis of current policy issues.
A : true
B : false

Correct Answer : A

105 : The President counts among his economic advisors the Congressional Budget Office.
A : true
B : false

Correct Answer : B

106 : Economists at the U.S. Department of the Treasury help design U.S. coins and paper money.
A : true
B : false

Correct Answer : B

107 : Economists at the U.S. Department of Justice help enforce the nations antitrust laws.
A : true
B : false

Correct Answer : A

108 : Economists work both inside and outside the administrative branch of the U.S. government.
A : true
B : false

Correct Answer : A

109 : The Congressional Budget Office, which is staffed by economists, provides Congress with independent evaluations of policy proposals.
A : true
B : false

Correct Answer : A

110 : There is only one explanation for why economists give conflicting advice on policy issues, and it is that they have different values about what policy should try to accomplish.
A : true
B : false

Correct Answer : B

111 : Economists may disagree about the validity of alternative positive theories about how the world works.
A : true
B : false

Correct Answer : A

112 : Different values are not a reason for disagreement among economists.
A : true
B : false

Correct Answer : B

113 : In surveys of professional economists, fourteen propositions were endorsed by an overwhelming majority of respondents.
A : true
B : false

Correct Answer : A

114 : Because almost all economists oppose policies that restrict trade among nations, policymakers do not restrict imports of certain goods.
A : true
B : false

Correct Answer : B

115 : According to John Maynard Keynes, an economist must possess a rare combination of skills including being a mathematician, historian, statesman, and philosopher.
A : true
B : false

Correct Answer : A

116 : In economics, graphs serve two purposes: they offer a way to visually express ideas, and they provide a way of finding and interpreting patterns when analyzing economic data.
A : true

B : false

Correct Answer : A

117 : Examples of graphs of a single variable include pie charts, bar graphs, and time-series graphs.
A : true
B : false

Correct Answer : A

118 : A pie chart is a way to display information regarding two variables.
A : true
B : false

Correct Answer : B

119 : In the ordered pair (10,30), 10 is the y-coordinate and 30 is the z-coordinate.
A : true
B : false

Correct Answer : B

120 : In the ordered pair (10,30), 10 is the horizontal location of the point and 30 is the vertical location of the point.
A : true
B : false

Correct Answer : A

121 : Two variables that have a positive correlation move in the same direction.
A : true
B : false

Correct Answer : A

122 : Two variables that have a negative correlation move in opposite directions.
A : true
B : false

Correct Answer : A

123 : When two variables move in opposite directions, the curve relating them is upward sloping, and we say the variables are positively related.
A : true
B : false

Correct Answer : B

124 : When two variables move in the same direction, the curve relating them is downward sloping, and we say the variables are negatively related.
A : true
B : false

Correct Answer : B

125 : When a variable that is named on an axis of a graph changes, the curve shifts.
A : true
B : false

Correct Answer : B

126 : When a variable that is not named on either axis of a graph changes, we read the change as a movement along the curve.
A : true
B : false

Correct Answer : B

127 : The concept of slope can be used to answer questions about how much one variable responds to changes in another variable.
A : true
B : false

Correct Answer : A

128 : The slope of a line is equal to the change in the x-variable divided by the change in the y-variable.
A : true
B : false

Correct Answer : B

129 : The slope of an upward-sloping line is positive, and the slope of a downward-sloping line is negative.
A : true
B : false

Correct Answer : A

130 : The slope of a horizontal line is infinite, and the slope of a vertical line is zero.
A : true
B : false

Correct Answer : B

131 : The slope of a line is the ratio of the vertical distance covered to the horizontal distance covered along the line.
A : true
B : false

Correct Answer : A

132 : If a line passes through the points (20,5) and (10,10), then the slope of the line is 1/2.
A : true
B : false

Correct Answer : B

133 : If a line passes through the points (20,5) and (10,10), then the slope of the line is -2.
A : true
B : false

Correct Answer : B

134 : Changes in one variable on a graph might be caused by the other variable on the graph or by a third omitted variable.
A : true
B : false

Correct Answer : A

135 : Deciding that A causes B when in fact B causes A is a mistake called omitted variable bias.
A : true
B : false

Correct Answer : B

136 : The broken window fallacy states that when a window breaks and someone spends money to repair it, they have created new economic activity that would not have otherwise taken place.
A : true
B : false

Correct Answer : A