Pool Canvas

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

Add Calculated Formula GO | Creation Settings

Name TestBanks Chapter 1 Exploring Economics
Description Question pool for TestBanks Chapter 1 Exploring Economics
Instructions

Modify

Add Question Here

Question 1 **Multiple Choice** **0 points** Modify Remove

Question
In which of the following can economic analysis be applied?

Answer
- global environmental policies
- choice of study time versus leisure activities
- local government spending choices
- ✓ Economic analysis can be applied to all these situations.

Add Question Here

Question 2 **Multiple Choice** **0 points** Modify Remove

Question
Macroeconomics deals with which of the following?

Answer
- ✓ inflation
- prices Tropicana charges for its orange juice
- regulation of specific markets such as the auto industry
- inflation and prices Tropicana charges for its orange juice

Add Question Here

Question 3 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is *not* true of economic model building?

Answer
- There may be exceptions to economic models.
- Adding more complexity to models does not always provide greater insights.
- ✓ Economic models always reach verifiable results.
- Economic models provide generalizations about economic behavior.

Add Question Here

Question 4 **Multiple Choice** **0 points** Modify Remove

Question
The _____ assumption applies to model building in which some important variables are held constant.

Answer
- scarcity
- opportunity cost
- ✓ *ceteris paribus*
- simplicity

Add Question Here

Question 5 **Multiple Choice** **0 points** Modify Remove

Question
The *ceteris paribus* assumption:

Answer
- provides little insight into economic behavior.
- ✓ provides insight into economic behavior that leads to economic theories.
- measures the amount you give up when you make an alternate choice.
- is never used in building economic models.

Add Question Here

Question 6 **Multiple Choice** **0 points** Modify Remove

Question
Tax policy and its impact on income distribution is an example of a possible collision between efficiency and equity because:

Answer
- some people believe that taxation will not be fair to all income groups.
- tradeoffs cannot be made between efficient and equitable policies.
- ✓ taxation is always inequitable.
- taxation is always inefficient.

Add Question Here

Question 7 **Multiple Choice** **0 points** Modify Remove

Question
Rational behavior requires “thinking at the margin.” Which of the following is an example of this type of thinking?

Answer
- deciding whether or not a second burger is worth the extra $2
- deciding whether or not your overtime pay is worth working on Saturday (your day off)
- deciding whether to pay a fine for polluting the local harbor or installing antipollution machinery
- ✓ All of these are examples of “thinking at the margin.”

Add Question Here

Question 8 **Multiple Choice** **0 points** Modify Remove

Question
What drives and disciplines markets?

Answer
- equity
- ✓ prices and profits
- *ceteris paribus* assumptions
- efficiency

Add Question Here

Question 9 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following leads to higher standards of living?

Answer
- lower per capita income
- ✓ investments in research and education
- lack of skilled labor
- lack of unskilled labor

Add Question Here

Question 10 **Multiple Choice** **0 points** Modify Remove

Question
What indicator is *not* generally associated with highly productive countries?

Answer
- Income inequality is low.
- Inflation is low.
- ✓ More restrictions on trade.
- Property rights are more secure.

Add Question Here

Question 11 **Multiple Choice** **0 points** Modify Remove

Question
What indicator is *not* generally associated with highly productive countries?

Answer
- ✓ Income inequality is high.
- Inflation is low.
- Fewer restrictions on trade.
- Property rights are more secure.

Add Question Here

Question 12 **Multiple Choice** **0 points** Modify Remove

Question
What indicator is *not* generally associated with highly productive countries?

Answer
- Income inequality is low.
- Inflation is low.
- Fewer restrictions on trade.
- ✓ Property rights are less secure.

Add Question Here

Question 13 **Multiple Choice** **0 points** Modify Remove

Question
What indicator is generally associated with highly productive countries?

Answer
- Income inequality is high.
- Inflation is high.
- ✓ Fewer restrictions on trade.
- Property rights are less secure.

Add Question Here

Question 14 **Multiple Choice** **0 points** Modify Remove

Question
Current economic growth:

Answer
- ✓ affects future generations because higher growth rates today translates to even higher standards of living for our children.
- affects future generations because higher growth rates today lower the standard of living for our children.
- does not affect future generations because our children must produce what they consume.
- does not affect future generations because what our generation produces is all consumed today.

Add Question Here

Question 15 **Multiple Choice** **0 points** Modify Remove

Question
If the U.S. economy grew at 1 percent less since the Great Depression then:

Answer
- it would make little difference today because the Depression was so long ago.
- the economy would be double the size it actually is today.
- it cannot be accurately calculated what a one percent difference growth would mean.
- ✓ the economy would be half the size it actually is.

Add Question Here

Question 16 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is *not* a characteristic of countries with high economic growth?

Answer
- a literate population
- a strong legal system
- ✓ strong dictatorship
- open to outside trade

Add Question Here

Question 17 **Multiple Choice** **0 points** Modify Remove

Question
Why is it important for students to study economics?

Answer
- Most students will work as professional economists.
- It helps us reduce our personal income taxes.
- ✓ We all live in the economic environment and make economic decisions.
- There is no long-term benefit to studying economics.

Add Question Here

Question 18 **Multiple Choice** **0 points** Modify Remove

Question
According to John Kay, which one of the following characteristics do highly productive countries have?

Answer
- high degree of income inequality
- high inflation rates
- ✓ more open trade policies
- high rates of population growth

Add Question Here

Question 19 **Multiple Choice** **0 points** Modify Remove

Question
Economic analysis:

Answer
- can help you make decisions in a less rational manner.
- is a way of analyzing decisions that are only “economic” in nature.
- can only be applied by economic policymakers.
- ✓ can be used in evaluating government deficits and the public debt.

Add Question Here

Question 20 **Multiple Choice** **0 points** Modify Remove

Question
If economics is a way of thinking about how people make rational decisions, then:

Answer
- higher costs of a choice don't affect a person's decision.
- lower costs of a choice don't affect a person's decision.
- higher costs of a choice increase the probability of a person selecting that choice.
- ✓ lower costs of a choice increase the probability of a person selecting that choice.

Add Question Here

Question 21 **Multiple Choice** **0 points** Modify Remove

Question
Why is the rate of economic growth important?

Answer
- ✓ Lower rates of economic growth lead to lower standards of living.
- Rapid economic growth reduces inflation.
- Low rates of economic growth create problems with educational standards.
- Low rates of economic growth reduce the unemployment problem.

Add Question Here

Question 22 **Multiple Choice** **0 points** Modify Remove

Question
Currently, output in the United States is approximately:

Answer
- ✓ $15 trillion.
- $15 billion.
- $150 million.
- $15 million.

Add Question Here

Question 23 **Multiple Choice** **0 points** Modify Remove

Question
One of the best measures of a country's standard of living is:

Answer
- ✓ real GDP per capita.
- the level of government corruption.
- the unemployment rate among teenagers.
- the number of environmental organizations.

Add Question Here

Question 24 **Multiple Choice** **0 points** Modify Remove

Question
According to John Kay, highly productive countries:

Answer
have higher population growths.
have higher inflation.
✓ are mostly democracies.
are English-speaking.

Add Question Here

Question 25 **Multiple Choice** **0 points** Modify Remove

Question
Countries with high standards of living tend to:

Answer
✓ be democracies.
have low literacy rates.
have high inflation rates.
have widespread corruption.

Add Question Here

Question 26 **Multiple Choice** **0 points** Modify Remove

Question
Important determinants of rapid economic growth and improved living standards include all the following *except*:

Answer
the enforcement of property rights.
the need to realize higher levels of educational attainment.
✓ the need to erect tariff barriers to protect firms from foreign companies.
the freedom to express oneself.

Add Question Here

Question 27 **Multiple Choice** **0 points** Modify Remove

Question
Scarcity exists because:

Answer
technology has not advanced to the point where it can eliminate scarcity.
the world is not large enough.
✓ human desires are greater than what can be produced with the limited resources available at zero cost.
people are far too greedy and do not share their wealth.

Add Question Here

Question 28 **Multiple Choice** **0 points** Modify Remove

Question
In economics we use the term *technology* to mean:

Answer
computers and jumbo jets.
resources like land, labor, or physical capital.
✓ the pool of knowledge of how to produce goods and services.
things that use electricity.

Add Question Here

Question 29 **Multiple Choice** **0 points** Modify Remove

Question
The opportunity cost of more consumption of goods today is:

Answer
✓ less consumption of goods in the future.
more capital goods today.
more unemployment both today and in the future.
less production of goods in the future.

Add Question Here

Question 30 **Multiple Choice** **0 points** Modify Remove

Question
The opportunity cost of more consumption of goods today is:

Answer
✓ less consumption of goods in the future.
more capital goods today.
more unemployment both today and in the future.
less production of goods in the future.

Add Question Here

Question 31 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements is *not* true?

Answer
Economics is a social science.
Economics is an empirical science.
✓ Opportunity cost only affects the wealthy.
Economics is the study of how people use their limited resources to satisfy their unlimited wants.

Add Question Here

Question 32 **Multiple Choice** **0 points** Modify Remove

Question
Reasons to study economics include all of the following *except*:

Answer
you will always live in a world of scarcity and choices.
✓ you will understand more about how governments and businesses interact.
you may become a better prepared voter.

knowing exactly how to invest your cash short-term for the highest return on investment.

Add Question Here

Question 33 **Multiple Choice** **0 points** Modify Remove

Question
The _____ has the largest economy in the world, with _____ a close second.

Answer
- European Union; the United States
- ✓ United States; the European Union
- European Union; China
- United States; China

Add Question Here

Question 34 **Multiple Choice** **0 points** Modify Remove

Question
Highly productive countries have the following characteristics *except*:

Answer
- most are democracies.
- most have high environmental standards.
- ✓ most have warm climates.
- most enjoy freedom of expression.

Add Question Here

Question 35 **Multiple Choice** **0 points** Modify Remove

Question
Ice cream sales and violent crimes both increase during the summer. Neither activity causes the other, so this is an example of:

Answer
- ✓ correlation does not imply causation.
- summertime economic slowdowns.
- inner-city economic activity.
- supply and demand.

Add Question Here

Question 36 **Multiple Choice** **0 points** Modify Remove

Question
Highly productive countries have the following characteristics:

Answer
- ✓ population is taller.
- income inequality is higher.
- most have more restrictions on trade.
- population growth is higher.

Add Question Here

Question 37 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements about economics is correct?

Answer
- Economists do not believe that criminals behave rationally.
- Economics has little to say about social issues.
- ✓ Economists assume that people rationally compare costs and benefits.
- Economists assume that people don't respond to incentives.

Add Question Here

Question 38 **Multiple Choice** **0 points** Modify Remove

Question
The field of economics that focuses on decision-making by individuals, businesses, industries, and government is called:

Answer
- macroeconomics.
- decision science.
- mini-economics.
- ✓ microeconomics.

Add Question Here

Question 39 **Multiple Choice** **0 points** Modify Remove

Question
The field of economics that is concerned about the broader issues in the economy such as inflation, unemployment, and national output of goods and services is called:

Answer
- ✓ macroeconomics.
- microeconomics.
- national economics.
- labor force economics.

Add Question Here

Question 40 **Multiple Choice** **0 points** Modify Remove

Question
Economic analysis is:

Answer
- widely understood by all in our society.
- important for problem solving in developing and socialist societies but of little use in Western capitalist societies.
- a set of mathematical rules to ensure a society's happiness and prosperity.
- ✓ a framework for making decisions in a rational manner.

Add Question Here

Question 41 **Multiple Choice** **0 points** Modify Remove

Question
Economics is best defined as the study of how:

Answer
- to classify resources used to produce final goods and services.
- resources are apportioned to satisfy human wants.
- ✓ people make rational decisions.
- technology can be used to change scarce resources into free resources.

Add Question Here

Question 42 **Multiple Choice** **0 points** Modify Remove

Question
Microeconomics is concerned with issues such as:

Answer
- inflation.
- unemployment.
- ✓ which job to take.
- interest rates.

Add Question Here

Question 43 **Multiple Choice** **0 points** Modify Remove

Question
According to the book, what is the present value, or the value on the day you graduate, of a college degree?

Answer
- $2,500
- $25,000
- ✓ $250,000
- $2,500,000

Add Question Here

Question 44 **Multiple Choice** **0 points** Modify Remove

Question
Macroeconomics is concerned with issues such as:

Answer
- which orange juice to buy.
- ✓ unemployment.
- which job to take.
- what price to charge for goods.

Add Question Here

Question 45 **Multiple Choice** **0 points** Modify Remove

Question
Rationality means:

Answer
- ✓ paying attention to both incentives and costs.
- paying attention only to costs.
- paying attention only to incentives.
- paying attention to neither costs nor incentives.

Add Question Here

Question 46 **Multiple Choice** **0 points** Modify Remove

Question
The main difference between macroeconomics and microeconomics is that:

Answer
- microeconomics largely deals with the fallacy of composition, and macroeconomics does not deal with the fallacy of composition.
- ✓ macroeconomics focuses on the aggregate economy, and microeconomics focuses on small components of that economy.
- macroeconomics looks at how individuals make choices, and microeconomics looks at the aggregate of those choices.
- macroeconomics is concerned with economic policy, and microeconomics is concerned with international policies.

Add Question Here

Question 47 **Multiple Choice** **0 points** Modify Remove

Question
_____ is an assumption used in economics in which other relevant factors or variables are held constant.

Answer
- *Caveat emptor*
- *Habeas corpus*
- *Montani semper liberi*
- ✓ *Ceteris paribus*

Add Question Here

Question 48 **Multiple Choice** **0 points** Modify Remove

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

Answer
- ✓ Production efficiency; allocative efficiency
- Production possibilities; allocative possibilities
- Allocative possibilities; production possibilities
- Allocative efficiency; production efficiency

Add Question Here

Question 49 **Multiple Choice** **0 points** Modify Remove

Question
_____ is how well resources are used and allocated.

Answer
- Equity
- ✓ Efficiency
- Choice
- Scarcity

Add Question Here

Question 50 **Multiple Choice** **0 points** Modify Remove

Question
_____ is the fairness of various issues and policies.

Answer
- ✓ Equity
- Efficiency
- Choice
- Scarcity

Add Question Here

Question 51 **Multiple Choice** **0 points** Modify Remove

Question
Microeconomics is concerned with issues such as:

Answer
- inflation.
- unemployment.
- ✓ which job to take.
- interest rates.

Add Question Here

Question 52 **Multiple Choice** **0 points** Modify Remove

Question
Macroeconomics is concerned with issues such as:

Answer
- which orange juice to buy.
- ✓ unemployment.
- which job to take.
- what price to charge for goods.

Add Question Here

Question 53 **Multiple Choice** **0 points** Modify Remove

Question
The main difference between macroeconomics and microeconomics is that:

Answer
- microeconomics largely deals with the fallacy of composition, and macroeconomics does not deal with the fallacy of composition.
- ✓ macroeconomics focuses on the aggregate economy, and microeconomics focuses on small components of that economy.
- macroeconomics looks at how individuals make choices, and microeconomics looks at the aggregate of those choices.
- macroeconomics is concerned with economic policy, and microeconomics is concerned with international policies.

Add Question Here

Question 54 **Multiple Choice** **0 points** Modify Remove

Question
_____ is an assumption used in economics in which other relevant factors or variables are held constant.

Answer
- *Caveat emptor*
- *Habeas corpus*
- *Montani semper liberi*
- ✓ *Ceteris paribus*

Add Question Here

Question 55 **Multiple Choice** **0 points** Modify Remove

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

Answer
- ✓ Production efficiency; allocative efficiency
- Production possibilities; allocative possibilities
- Allocative possibilities; production possibilities
- Allocative efficiency; production efficiency

Add Question Here

Question 56 **Multiple Choice** **0 points** Modify Remove

Question
_____ is how well resources are used and allocated.

Answer
- Equity
- ✓ Efficiency
- Choice
- Scarcity

Add Question Here

Question 57 **Multiple Choice** **0 points** Modify Remove

Question
_____ is the fairness of various issues and policies.

Answer
✓ Equity
Efficiency
Choice
Scarcity

Add Question Here

Question 58 **Multiple Choice** **0 points** Modify Remove

Question
_____ is the fairness of various issues and policies.

Answer
✓ Equity
Efficiency
Choice
Scarcity

Add Question Here

Question 59 **Multiple Choice** **0 points** Modify Remove

Question
The study of economics:

Answer
primarily considers the stock market.
✓ is about people's decisions regarding their use of scarce resources.
doesn't apply to decisions made by businesses.
states efficiency and equity don't conflict.

Add Question Here

Question 60 **Multiple Choice** **0 points** Modify Remove

Question
To say that economics is a way of thinking about how people make rational decisions means that people:

Answer
don't consider the cost of their decisions.
consider only monetary terms in their decisions.
✓ respond to incentives.
are irrational.

Add Question Here

Question 61 **Multiple Choice** **0 points** Modify Remove

Question
Which is a characteristic of economic models?

Answer
✓ They try to boil down an economic situation to its most basic elements.
They are always complex because the economy is complex.
They attempt to reproduce reality exactly.
They try to avoid invoking the *ceteris paribus* assumption.

Add Question Here

Question 62 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is *not* correct?

Answer
The experience of the Great Depression is an example of events shaping economic theory.
Building economic models is a process.
✓ Because they are theoretical, economic theories cannot be tested.
The economic models used by policymakers change over time.

Add Question Here

Question 63 **Multiple Choice** **0 points** Modify Remove

Question
The economic study of how well resources are used and allocated is known as the study of:

Answer
equity.
allocative resourcing.
production and distribution.
✓ efficiency.

Add Question Here

Question 64 **Multiple Choice** **0 points** Modify Remove

Question
When goods are produced at the lowest possible cost an economy is said to have:

Answer
✓ productive efficiency.
allocative efficiency.
cheap production.
inferior quality goods.

Add Question Here

Question 65 **Multiple Choice** **0 points** Modify Remove

Question
Allocative efficiency occurs when:

Answer
- production is allocated equally among all citizens.
- ✓ people in an economy get what they want and are willing to pay for.
- goods are produced at the lowest possible cost.
- resources are equally allocated between the private and public sectors of the economy.

Add Question Here

Question 66 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is *not* true?

Answer
- There are often tradeoffs between efficiency and equity.
- ✓ Both equity and efficiency are subjective concepts.
- There are often disagreements over what is an equitable distribution of income.
- Another term for equity is fairness.

Add Question Here

Question 67 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following would be the best measure of a nation's standard of living?

Answer
- GDP
- ✓ real per capita GDP
- retail sales
- cost of living

Add Question Here

Question 68 **Multiple Choice** **0 points** Modify Remove

Question
Which topic is most likely to be studied in a microeconomics course?

Answer
- ✓ environmental policy
- unemployment
- inflation
- recession

Add Question Here

Question 69 **Multiple Choice** **0 points** Modify Remove

Question
Which topic is most likely to be studied in a macroeconomics course?

Answer
- taxation methods
- ✓ recession
- public utility regulation
- game theory

Add Question Here

Question 70 **Multiple Choice** **0 points** Modify Remove

Question
Economics is a:

Answer
- natural science.
- physical science.
- life science.
- ✓ social science.

Add Question Here

Question 71 **Multiple Choice** **0 points** Modify Remove

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

Answer
- maximum happiness.
- maximize incomes.
- ✓ choose among alternatives to satisfy their unlimited wants.
- develop their tastes and preferences.

Add Question Here

Question 72 **Multiple Choice** **0 points** Modify Remove

Question
An organization that is able to produce goods and services at the lowest cost possible is experiencing:

Answer
- allocative efficiency.
- ✓ productive efficiency.
- opportunity costs.
- scarcity.

Add Question Here

Question 73 **Multiple Choice** **0 points** Modify Remove

Question
The *ceteris paribus* assumption is important in the construction of stylized approaches to economic issues because:

Answer
- all real world data are equal.
- data are not always used to make forecasts.
- economic models are complex and therefore require as many variables as possible.

✓ it would be impossible to relate the effects of changes in one variable to another without holding some variables constant.

Add Question Here

Question 74 **Multiple Choice** **0 points** Modify Remove

Question
In the study of economics, the goals of efficiency and equity are often:

Answer
- compatible.
- ✓ mutually exclusive.
- objectively definable.
- given equal emphasis.

Add Question Here

Question 75 **Multiple Choice** **0 points** Modify Remove

Question
Allocative efficiency occurs when:

Answer
- goods are produced with the lowest possible resource cost.
- goods are allocated equally.
- ✓ goods are delivered to those who have the greatest willingness and ability to acquire them.
- goods are allocated to those with the greatest need.

Add Question Here

Question 76 **Multiple Choice** **0 points** Modify Remove

Question
Production efficiency occurs when:

Answer
- ✓ goods are produced with the lowest possible resource cost.
- goods are allocated equally.
- goods are delivered to those who have the greatest willingness and ability to acquire them.
- goods are allocated to those with the greatest need.

Add Question Here

Question 77 **Multiple Choice** **0 points** Modify Remove

Question
Economists develop stylized approaches to economic issues by:

Answer
- building models that give a detailed description of the macroeconomy.
- conducting laboratory experiments in carefully controlled environments.
- performing public opinion surveys.
- ✓ building models that test their predictions with observable data.

Add Question Here

Question 78 **Multiple Choice** **0 points** Modify Remove

Question
When constructing economic models, economists are more concerned with

Answer
- what people say than what they do.
- what people think than what they say.
- ✓ what people do than what they say.
- what people say than what they think.

Add Question Here

Question 79 **Multiple Choice** **0 points** Modify Remove

Question
With the study of economic principles, the primary method to model an economic concept is to:

Answer
- explain it with words.
- explain it with a mathematical formula.
- ✓ produce a graph or a chart.
- rely on a physical representation of a larger reality.

Add Question Here

Question 80 **Multiple Choice** **0 points** Modify Remove

Question
Macroeconomics focuses on:

Answer
- decisions made by individuals.
- decisions made by firms.
- the decision to purchase a new home for a family.
- ✓ decisions for the entire economy.

Add Question Here

Question 81 **Multiple Choice** **0 points** Modify Remove

Question
All of the following fall under the category of microeconomics *except*:

Answer
- cooks at McDonalds supply labor in return for wages.
- ✓ gas prices are high due to the United States dependence on oil from OPEC.
- Jonathan decided to go to the movies instead of go to work.
- Pepsi experienced an increase in revenue last quarter.

Add Question Here

Question 82 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following would be the best measure of a nation's standard of living?

Answer
- GDP
- ✓ real per capita GDP
- retail sales
- cost of living

Add Question Here

Question 83 **Multiple Choice** **0 points** Modify Remove

Question
Which topic is most likely to be studied in a microeconomics course?

Answer
- ✓ environmental policy
- unemployment
- inflation
- recession

Add Question Here

Question 84 **Multiple Choice** **0 points** Modify Remove

Question
Which topic is most likely to be studied in a macroeconomics course?

Answer
- taxation methods
- ✓ recession
- public utility regulation
- game theory

Add Question Here

Question 85 **Multiple Choice** **0 points** Modify Remove

Question
Economics is a:

Answer
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- physical science.
- life science.
- ✓ social science.

Add Question Here

Question 86 **Multiple Choice** **0 points** Modify Remove

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

Answer
- maximum happiness.
- maximize incomes.
- ✓ choose among alternatives to satisfy their unlimited wants.
- develop their tastes and preferences.

Add Question Here

Question 87 **Multiple Choice** **0 points** Modify Remove

Question
The *ceteris paribus* assumption is important in the construction of stylized approaches to economic issues because:

Answer
- all real world data are equal.
- data are not always used to make forecasts.
- economic models are complex and therefore require as many variables as possible.
- ✓ it would be impossible to relate the effects of changes in one variable to another without holding some variables constant.

Add Question Here

Question 88 **Multiple Choice** **0 points** Modify Remove

Question
In the study of economics, the goals of efficiency and equity are often:

Answer
- compatible.
- ✓ mutually exclusive.
- objectively definable.
- given equal emphasis.

Add Question Here

Question 89 **Multiple Choice** **0 points** Modify Remove

Question
Allocative efficiency occurs when:

Answer
- goods are produced with the lowest possible resource cost.
- goods are allocated equally.
- ✓ goods are delivered to those who have the greatest willingness and ability to acquire them.
- goods are allocated to those with the greatest need.

Add Question Here

Question 90 **Multiple Choice** **0 points** Modify Remove

Question
Production efficiency occurs when:

Answer ✓ goods are produced with the lowest possible resource cost.
goods are allocated equally.
goods are delivered to those who have the greatest willingness and ability to acquire them.
goods are allocated to those with the greatest need.

Add Question Here

Question 91 **Multiple Choice** **0 points** Modify Remove

Question
Economists develop stylized approaches to economic issues by:

Answer
building models that give an exact description of the macroeconomy.
conducting laboratory experiments in carefully controlled environments.
performing public opinion surveys.
✓ building models that test their predictions with observable data.

Add Question Here

Question 92 **Multiple Choice** **0 points** Modify Remove

Question
When constructing economic models, economists are more concerned with:

Answer
what people say than what they do.
what people think than what they say.
✓ what people do than what they say.
what people say than what they think.

Add Question Here

Question 93 **Multiple Choice** **0 points** Modify Remove

Question
With the study of economic principles, the primary method to model an economic concept is to:

Answer
explain it with words.
explain it with a mathematical formula.
✓ produce a graph or a chart.
rely on a physical representation of a larger reality.

Add Question Here

Question 94 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a microeconomic statement?

Answer
The unemployment rate fell by 2 percent.
All businesses in the United States experienced a decrease in revenues of 5 percent due to the recession.
✓ About 15 percent of the teachers were laid off last week.
GDP increased by 6 percent last quarter.

Add Question Here

Question 95 **Multiple Choice** **0 points** Modify Remove

Question
An organization that is able to produce goods and services at the lowest cost possible is experiencing:

Answer
allocative efficiency
✓ productive efficiency
opportunity costs
scarcity

Add Question Here

Question 96 **Multiple Choice** **0 points** Modify Remove

Question
Macroeconomics deals with all of the following *except*:

Answer
recession.
depression.
job creation rates.
✓ markets for semiconductor chips.

Add Question Here

Question 97 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a microeconomic statement?

Answer
The unemployment rate fell by 2 percent.
All businesses in the United States experienced a decrease in revenues of 5 percent due to the recession.
✓ About 15 percent of the teachers were laid off last week.
GDP increased by 6 percent last quarter.

Add Question Here

Question 98 **Multiple Choice** **0 points** Modify Remove

Question
The most important concept in economics is:

Answer
✓ rationality.
profit maximization.
efficiency.

opportunity cost.

Add Question Here

Question 99 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a microeconomic topic?

Answer
the inflation rate in 2009 for the United States
✓ the price of an iPad sold by Apple Computer
the unemployment rate in March 2010 for the United States
the rate of growth in GDP for the first quarter in 2010 for the United States

Add Question Here

Question 100 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a macroeconomic topic?

Answer
✓ a study of the business cycle
the price of a pair of Nike shoes
the total sales for GE in 2009
the labor market for computer analysts

Add Question Here

Question 101 **Multiple Choice** **0 points** Modify Remove

Question
If you spent a dollar a second, approximately how long would it take you to spend 10 trillion dollars?

Answer
300 years
3,000 years
30,000 years
✓ 300,000 years

Add Question Here

Question 102 **Multiple Choice** **0 points** Modify Remove

Question
Supply and demand analysis is used:

Answer
only in microeconomics.
only in macroeconomics.
✓ in both microeconomics and macroeconomics.
in neither microeconomics nor macroeconomics.

Add Question Here

Question 103 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following concepts would be addressed by microeconomics?

Answer
national unemployment rate
reasons for a decline in a country's total output
✓ price of college tuition that an individual student pays
inflation rate in Brazil

Add Question Here

Question 104 **Multiple Choice** **0 points** Modify Remove

Question
International trade and finance is generally studied in:

Answer
microeconomics.
✓ macroeconomics.
deductive logic.
inductive logic.

Add Question Here

Question 105 **Multiple Choice** **0 points** Modify Remove

Question
The economics of uranium mining would be studied in:

Answer
microeconomics.
✓ macroeconomics.
deductive logic.
inductive logic.

Add Question Here

Question 106 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following does *not* deal with microeconomics?

Answer
Profits for some manufacturing firms fell in 2009.
✓ In 2009, the unemployment rate in the United States rose to nearly 10%.
Salaries of some top executives fell in 2009.
Competitive markets promote efficiency.

Add Question Here

Question 107 **Multiple Choice** **0 points** Modify Remove

Question
Microeconomics studies decision making by:

Answer
- individuals.
- business firms.
- governments.
- ✓ individuals, business firms, and governments.

Add Question Here

Question 108 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements regarding macroeconomics and microeconomics is false?

Answer
- Microeconomics examines consumer behavior, whereas macroeconomics studies business behavior.
- ✓ Macroeconomics does not employ any of the analytical tools of microeconomics.
- Because it focuses on national economies, macroeconomics does not study international trade and finance.
- Neither macroeconomics nor microeconomics is concerned with prices.

Add Question Here

Question 109 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following does *not* deal with macroeconomics?

Answer
- the effect of the budget deficit on the economy
- the effect of monetary policy on inflation
- ✓ the effect of Wal-Mart's pricing policies on consumers
- the effect of the government policies on the country's unemployment rate

Add Question Here

Question 110 **Multiple Choice** **0 points** Modify Remove

Question
The two main branches of economics are:

Answer
- consumer and industrial economics.
- ✓ microeconomics and macroeconomics.
- commodity and specialized economics.
- private and global economics.

Add Question Here

Question 111 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements relates to microeconomics?

Answer
- The unemployment rate last month was 4.5 percent.
- The inflation rate at the end of the year was 2.7 percent.
- ✓ General Electric reduced its labor force by 3,000 workers last year.
- Total output rose 3.5 percent last year.

Add Question Here

Question 112 **Multiple Choice** **0 points** Modify Remove

Question
Economics is separated into the two broad categories of:

Answer
- public sector and private sector.
- ✓ microeconomics and macroeconomics.
- efficiency and equity.
- choice and scarcity.

Add Question Here

Question 113 **Multiple Choice** **0 points** Modify Remove

Question
Microeconomics deals with:

Answer
- what is.
- what should be.
- ✓ decision making by individuals, firms, and governments.
- aggregates or the entire economy.

Add Question Here

Question 114 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following would *not* be considered a macroeconomic topic?

Answer
- ✓ reasons for a decline in the price of crude oil
- causes of recessions
- effect of government budget deficit on inflation
- causes of inflation and unemployment

Add Question Here

Question 115 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is *not* a major macroeconomic goal?

Answer
- stable prices
- ✓ relatively low interest rates
- full employment
- high economic growth

Add Question Here

Question 116 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a microeconomic issue?

Answer
- ✓ The New York Yankees announce higher ticket prices.
- Congress passes a new jobs bill.
- The economy grew by 2 percent last year.
- The Federal Reserve announces it will raise interest rates.

Add Question Here

Question 117 **Multiple Choice** **0 points** Modify Remove

Question
The branch of economics that studies the “big picture” is:

Answer
- large-scale economic analysis.
- microeconomics.
- universal economics.
- ✓ macroeconomics.

Add Question Here

Question 118 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements relates to macroeconomics?

Answer
- The price of shoes rose 5 percent last year.
- Oil production increased 10 percent last quarter.
- Wages of auto workers fell 3 percent last year.
- ✓ The U.S. standard of living rose 1.5 percent last year.

Add Question Here

Question 119 **Multiple Choice** **0 points** Modify Remove

Question
Macroeconomics deals with:

Answer
- what is.
- what should be.
- decision making by individuals, firms, and governments.
- ✓ aggregates or the entire economy.

Add Question Here

Question 120 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following terms are most closely associated with macroeconomics?

Answer
- environmental issues, wage rates, prices
- economic growth, international trade, agriculture
- commodity prices, labor force, exports
- ✓ business cycles, recessions, unemployment

Add Question Here

Question 121 **Multiple Choice** **0 points** Modify Remove

Question
Microeconomics deals with all of the following *except*:

Answer
- labor markets.
- environmental policy.
- markets for oranges.
- ✓ the federal deficit.

Add Question Here

Question 122 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a macroeconomic issue?

Answer
- The New York Yankees announce higher ticket prices.
- Your uncle from New York just got laid off from his job as a taxi driver.
- You receive an end-of-year bonus check from your boss.
- ✓ Congress passes a new jobs bill.

Add Question Here

Question 123 **Multiple Choice** **0 points** Modify Remove

Question
Economists like to use graphs and equations primarily because:

Answer
- ✓ these tools efficiently express economic concepts.
- economics should be difficult.
- a mathematical aptitude is necessary to understand economics.

the use of mathematics reduces rigor.

Add Question Here

Question 124 **Multiple Choice** **0 points** Modify Remove

Question
The term *ceteris paribus* is an assumption used in economics where:

Answer
- some relevant factors or variables are held constant.
- ✓ all other relevant factors or variables are held constant.
- some relevant factors or variables are allowed to change.
- all other relevant factors or variables are allowed to change.

Add Question Here

Question 125 **Multiple Choice** **0 points** Modify Remove

Question
An economic model:

Answer
- ✓ generalizes about economic behavior.
- is directed at specific situations.
- makes use of advanced physics.
- is never used in general situations.

Add Question Here

Question 126 **Multiple Choice** **0 points** Modify Remove

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

Answer
- metaphor.
- ✓ model.
- conclusion.
- practice.

Add Question Here

Question 127 **Multiple Choice** **0 points** Modify Remove

Question
An architectural drawing is an example of a model because an architectural drawing:

Answer
- realistically describes a building.
- is accurate.
- ✓ is a stylized (simple) representation of reality.
- is three-dimensional.

Add Question Here

Question 128 **Multiple Choice** **0 points** Modify Remove

Question
The purpose of an economic model is to:

Answer
- be a complex, exact replica of reality.
- demonstrate which values and beliefs are best for the economy.
- ✓ explain the behavior of the economy.
- manage the economy like an automatic pilot.

Add Question Here

Question 129 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements does *not* describe model building in economics?

Answer
- ✓ Models are developed to cover specific behaviors only.
- Models are created and then tested.
- Models are used to help understand the general economy.
- Assumptions are used to analyze an economic issue.

Add Question Here

Question 130 **Multiple Choice** **0 points** Modify Remove

Question
Production efficiency:

Answer
- involves mainly handmade goods.
- is the opposite of equity or fairness.
- ✓ occurs when goods are produced at the lowest possible cost.
- occurs only when advanced technology is applied to a process.

Add Question Here

Question 131 **Multiple Choice** **0 points** Modify Remove

Question
A useful economic model:

Answer
- ✓ includes the essential relationships of the topic under consideration.
- includes all relationships about the topic under consideration.
- cannot be refuted.
- describes the real world completely and in detail.

Add Question Here

Question 132 **Multiple Choice** **0 points** Modify Remove

Question
Economic models must:

Answer
be completely realistic to be useful.
include all relationships that exist in the relevant thing to be modeled.
completely represent the real world.
✓ rely on the *ceteris paribus* assumption.

Add Question Here

Question 133 **Multiple Choice** **0 points** Modify Remove

Question
An economic theory is tested by:

Answer
only Nobel Prize winners.
examining the realism of its assumptions.
deriving statistical equations.
✓ comparing its predictions to the facts.

Add Question Here

Question 134 **Multiple Choice** **0 points** Modify Remove

Question
Stylized economic models must include:

Answer
✓ assumptions.
inflation.
money.
complexity.

Add Question Here

Question 135 **Multiple Choice** **0 points** Modify Remove

Question
In economics, *ceteris paribus* means:

Answer
allowing other things to change.
holding unknown values equal.
holding prices the same.
✓ holding all other things equal.

Add Question Here

Question 136 **Multiple Choice** **0 points** Modify Remove

Question
The Latin phrase *ceteris paribus* means

Answer
correlation doesn't imply causation.
all variables are free to fluctuate.
a mistake in economic analysis has been made.
✓ all else held constant.

Add Question Here

Question 137 **Multiple Choice** **0 points** Modify Remove

Question
Assumptions that we use to simplify analysis are:

Answer
a mistake in economic analysis.
assumptions that make economic models useless.
✓ *ceteris paribus* assumptions.
opportunity cost assumptions.

Add Question Here

Question 138 **Multiple Choice** **0 points** Modify Remove

Question
Productive inefficiency implies that:

Answer
✓ goods are produced at too high a cost.
people who want the specific goods cannot get them at any price.
too many Twinkies and too few Ding Dongs were produced.
workers are lazy.

Add Question Here

Question 139 **Multiple Choice** **0 points** Modify Remove

Question
The main focus of efficiency is:

Answer
firms charging high prices for their goods.
firms earning the largest profits.
✓ consumers getting the goods and services they want at the lowest possible resource cost.
consumers paying high prices.

Add Question Here

Question 140 **Multiple Choice** **0 points** Modify Remove

Question
Because of scarcity:

Answer
resources are limitless.
wants are limited.
choices are unlimited.
✓ we face tradeoffs in nearly every choice we make.

Add Question Here

Question 141 **Multiple Choice** **0 points** Modify Remove

Question
Efficiency:

Answer
reflects how often economists make assumptions about important variables.
✓ reflects how well resources are allocated.
reflects the fact that all labor is equally productive.
is an assumption used by economists that holds important variables constant.

Add Question Here

Question 142 **Multiple Choice** **0 points** Modify Remove

Question
If society is produces a pie at the lowest possible cost and then distributes the pie evenly among its population, then:

Answer
production and allocative efficiency are achieved.
✓ only production efficiency is achieved.
neither production efficiency nor allocative efficiency is achieved.
only allocative efficiency is achieved.

Add Question Here

Question 143 **Multiple Choice** **0 points** Modify Remove

Question
Allocative inefficiency implies that:

Answer
goods are produced at too high at cost.
✓ people who want specific goods cannot get them at any price.
too many Twinkies and too few Ding Dongs were produced.
workers are lazy.

Add Question Here

Question 144 **Multiple Choice** **0 points** Modify Remove

Question
Economists generally have _____ to say about equity than efficiency.

Answer
✓ less
a little bit more
about the same
much more

Add Question Here

Question 145 **Multiple Choice** **0 points** Modify Remove

Question
An economy exhibits productive efficiency if:

Answer
it produces more than enough clothes to clothe everyone.
economic growth increases every year.
✓ it produces maximum output at minimum cost.
it eliminates poverty.

Add Question Here

Question 146 **Multiple Choice** **0 points** Modify Remove

Question
Efficiency within economics focuses on:

Answer
✓ how well resources are used and allocated.
the fairness of various policies.
how quickly a task can be completed.
calculations of opportunity cost.

Add Question Here

Question 147 **Multiple Choice** **0 points** Modify Remove

Question
When goods are produced at the lowest possible cost, the economy is experiencing:

Answer
allocative efficiency.
✓ production efficiency.
equity.
deflation.

Add Question Here

Question 148 **Multiple Choice** **0 points** Modify Remove

Question
When the individuals who get a good or service are the ones who desire that product the most, the economy is experiencing:

Answer
✓ allocative efficiency.
production efficiency.
equity.

deflation.

Add Question Here

Question 149 **Multiple Choice** **0 points** Modify Remove

Question
Economists understand that people respond to:

Answer
- laws.
- ✓ incentives.
- threats more than rewards.
- positives, but not negatives.

Add Question Here

Question 150 **Multiple Choice** **0 points** Modify Remove

Question
When government policies are being designed:

Answer
- ✓ there is usually a tradeoff between equity and efficiency.
- equity and efficiency goals are usually independent of each other.
- equity can usually be achieved without an efficiency loss.
- increasing efficiency usually results in more equity.

Add Question Here

Question 151 **Multiple Choice** **0 points** Modify Remove

Question
The problem of the medically uninsured involves:

Answer
- opportunity cost.
- ✓ equity.
- productive efficiency.
- allocative efficiency.

Add Question Here

Question 152 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements is true?

Answer
- Economic theory has little to add to debates over equity.
- ✓ Generally speaking, economists try to leave questions of equity to social philosophers or the political process.
- Economists believe that an equitable distribution is an equal distribution.
- Equity is composed of two concepts: productive and allocative.

Add Question Here

Question 153 **Multiple Choice** **0 points** Modify Remove

Question
When an economist says a good is scarce, he/she means that:

Answer
- people want to purchase more of the good at any price.
- ✓ desire for the good is greater than the supply that is freely available from nature.
- there is not a way to increase the availability of the good.
- it is rare.

Add Question Here

Question 154 **Multiple Choice** **0 points** Modify Remove

Question
The highest valued alternative that is foregone when you choose an action is called its:

Answer
- ✓ opportunity cost.
- utility.
- scarcity.
- benefit.

Add Question Here

Question 155 **Multiple Choice** **0 points** Modify Remove

Question
The opportunity cost of undertaking an activity is defined as:

Answer
- the cost foregone by not undertaking another activity.
- the monetary cost of undertaking that activity.
- ✓ the benefit foregone by not undertaking the next-best activity.
- the monetary benefit of undertaking that activity.

Add Question Here

Question 156 **Multiple Choice** **0 points** Modify Remove

Question
People use _____ to determine how many hours to work and businesses use _____ to determine how much of their products they are willing to supply to the market.

Answer
- ✓ marginal analysis; marginal analysis
- allocative efficiency; production efficiency
- production efficiency; marginal analysis
- marginal analysis; allocative efficiency

Add Question Here

Question 157 **Multiple Choice** **0 points** Modify Remove

Question
If Patti buys 9 gallons of gasoline at $2.50 per gallon, the car wash will cost $2.00, but if she buys 10 gallons of gasoline, the car wash will be free. Given that she will get the car washed anyway, the marginal cost of the 10th gallon of gasoline is:

Answer
- zero.
- ✓ $0.50.
- $1.50.
- $2.00.

Add Question Here

Question 158 **Multiple Choice** **0 points** Modify Remove

Question
The extra cost associated with undertaking some action is its:

Answer
- marginal benefit.
- ✓ marginal cost.
- net cost.
- total cost.

Add Question Here

Question 159 **Multiple Choice** **0 points** Modify Remove

Question
People make decisions at the margin. Therefore, when deciding whether to purchase a second car, they would compare:

Answer
- the dollar cost of having two cars and the potential income the two cars may generate.
- the additional benefits expected from a second car with the total cost of the two cars.
- ✓ the additional benefits expected from a second car with the additional costs of the second car.
- None of the answers is correct.

Add Question Here

Question 160 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a key idea in economic thinking?

Answer
- Goods are scarce for the poor but not for the rich.
- ✓ Incentives matter.
- The value of a good can be objectively measured, and is the same for everyone.
- All of the answers are correct.

Add Question Here

Question 161 **Multiple Choice** **0 points** Modify Remove

Question
When consumers have no choice but to buy from one firm (local utility, etc.):

Answer
- they usually end up paying way too much for the good or service.
- ✓ government regulation is usually used to protect consumers.
- they will always get the good or service at the lowest price available.
- None of the answers is true.

Add Question Here

Question 162 **Multiple Choice** **0 points** Modify Remove

Question
People tend to make rational choices, to help make these, they rely on:

Answer
- scarcity.
- utility.
- ✓ information.
- *ceteris paribus*.

Add Question Here

Question 163 **Multiple Choice** **0 points** Modify Remove

Question
When two countries trade, it leads to:

Answer
- better products for one country, but worse for the other country.
- ✓ an increased number of products for consumers.
- better products for consumers at higher prices.
- worse products for consumers, but at lower prices.

Add Question Here

Question 164 **Multiple Choice** **0 points** Modify Remove

Question
Among countries with higher standards of living, you will usually notice they also have:

Answer
- a high average per capita income.
- highly skilled labor forces.
- high productivity growth.
- ✓ All of the answers are true.

Add Question Here

Question 165 **Multiple Choice** **0 points** Modify Remove

Question
In looking at government intervention, we note that the government:

Answer
✓ can intervene successfully in individual markets when market failure occurs.
can only intervene successfully when the overall economy gets stuck in a downturn.
always intervenes successfully, when it intervenes.
None of the answers is true.

Add Question Here

Question 166 **Multiple Choice** **0 points** Modify Remove

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

Answer
✓ people follow incentives.
thinking on the margin.
irrational behavior.
opportunity costs.

Add Question Here

Question 167 **Multiple Choice** **0 points** Modify Remove

Question
You will take the day off work if:

Answer
marginal costs exceed marginal benefits.
✓ marginal costs are less than marginal benefits.
you can make up the missed work tomorrow.
you have additional sick days to spare.

Add Question Here

Question 168 **Multiple Choice** **0 points** Modify Remove

Question
All of the following are considered key ideas of economics *except*:

Answer
scarcity exists for everyone.
people face economic incentives on a regular basis.
✓ irrational behavior requires thinking on the margin.
information is important to producers and consumers.

Add Question Here

Question 169 **Multiple Choice** **0 points** Modify Remove

Question
Scarcity:

Answer
is synonymous with poverty.
is eliminated with greater technology.
✓ is faced by all individuals and societies.
can be eliminated with adequate resources.

Add Question Here

Question 170 **Multiple Choice** **0 points** Modify Remove

Question
Marginal analysis would put an emphasis on:

Answer
total monetary costs and benefits.
total opportunity costs and benefits.
✓ additional costs and benefits.
total tangible costs and benefits.

Add Question Here

Question 171 **Multiple Choice** **0 points** Modify Remove

Question
It must be recognized that private markets:

Answer
will always produce the most rational level of production.
✓ can fail.
satisfy the largest number of people.
will never produce the most rational outcome.

Add Question Here

Question 172 **Multiple Choice** **0 points** Modify Remove

Question
Trade with other countries:

Answer
✓ reduces consumer prices.
increases consumer prices.
reduces product choice.
reduces economic growth.

Add Question Here

Question 173 **Multiple Choice** **0 points** Modify Remove

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

Answer
natural resource availability.
government benefits.
national defense.
✓ productivity.

Add Question Here

Question 174 **Multiple Choice** **0 points** Modify Remove

Question
A goal of government economic policy is to:

Answer
maximize business failures.
minimize scarcity.
✓ smooth macroeconomic fluctuations.
smooth allocative inefficiency.

Add Question Here

Question 175 **Multiple Choice** **0 points** Modify Remove

Question
With the study of economic principles, the primary method to construct an economic model is to:

Answer
explain it with words.
explain it with a mathematical formula.
✓ illustrate relationships with graphs and charts.
use physical replicas that represent real world objects.

Add Question Here

Question 176 **Multiple Choice** **0 points** Modify Remove

Question
The observation that highly productive countries have taller populations is an example of:

Answer
cause and effect.
✓ correlation.
causation.
allocative efficiency.

Add Question Here

Question 177 **Multiple Choice** **0 points** Modify Remove

Question
Markets provide an incentive structure to:

Answer
maximize equity.
eliminate scarcity.
maximize market information.
✓ maximize efficiency.

Add Question Here

Question 178 **Multiple Choice** **0 points** Modify Remove

Question
The decision to take one additional class is an example of:

Answer
✓ marginal analysis.
ceteris paribus.
economic modeling.
information efficiency.

Add Question Here

Question 179 **Multiple Choice** **0 points** Modify Remove

Question
The opportunity cost of attending a concert on Tuesday night is:

Answer
the value of a single admission price.
the added cost of parking and beverages.
✓ the value of the next best alternative activity.
the entertainment value of the concert experience.

Add Question Here

Question 180 **Multiple Choice** **0 points** Modify Remove

Question
Private markets will typically maximize production efficiency because they:

Answer
✓ provide incentives for profit.
provide equity.
provide market information.
provide tax revenue for the government sector.

Add Question Here

Question 181 **Multiple Choice** **0 points** Modify Remove

Question
International trade facilitates economic growth because it:

Answer
✓ creates incentives to specialize.
provides tariff income to the government.
encourages outsourcing.

supports the growth of multinational corporations.

Add Question Here

Question 182 **Multiple Choice** **0 points** Modify Remove

Question
Business cycles:

Answer
can be eliminated.
are more frequent in developed countries.
✓ are inevitable.
could be reduced if the size of government is reduced.

Add Question Here

Question 183 **Multiple Choice** **0 points** Modify Remove

Question
Resources:

Answer
are unlimited but wants are limited.
are limited but efficiency is unlimited.
✓ are limited but wants are unlimited.
are unlimited but efficiency is limited.

Add Question Here

Question 184 **Multiple Choice** **0 points** Modify Remove

Question
Jessica is in the business of making sweaters. In reviewing her books, she noticed that she has $2,000 extra for the month of October. In examining her options, she decides to purchase a new sewing machine over hiring a new temporary employee. Her decision is an example of:

Answer
thinking on the margin.
rational behavior.
people following incentives.
✓ opportunity costs.

Add Question Here

Question 185 **Multiple Choice** **0 points** Modify Remove

Question
All of the following involve thinking on the margin *except*:

Answer
If I work another hour, I will beat traffic
✓ I worked eight hours today
My supervisor asked me to work an extra four hours this week
If I work on my day off, I will make an additional $300.

Add Question Here

Question 186 **Multiple Choice** **0 points** Modify Remove

Question
Heather has one employee in her sweater shop that can sew six sweaters a day. When she hires a second person, the two employees can make 10 sweaters together. As it relates to thinking on the margin, the extra benefit received from hiring a second worker is:

Answer
16 sweaters.
10 sweaters.
✓ four sweaters.
six sweaters.

Add Question Here

Question 187 **Multiple Choice** **0 points** Modify Remove

Question
The idea that wants are virtually unlimited but the resources to meet those wants are limited is called:

Answer
the want-resource paradox.
the economic gap.
the dismal conclusion.
✓ scarcity.

Add Question Here

Question 188 **Multiple Choice** **0 points** Modify Remove

Question
A common definition of economics is that it is the study of:

Answer
✓ the allocation of scarce resources to competing wants.
maximizing net personal disposable income.
the factors underlying financial markets.
maximizing personal financial wealth.

Add Question Here

Question 189 **Multiple Choice** **0 points** Modify Remove

Question
What would be a possible opportunity cost of you going to a doctor for a check-up?

Answer
the cost of getting nontraditional care
the opportunity to make an acquaintance in the waiting room
✓ lost income due to not being at work for those hours
the cost of the insurance reimbursing the doctor

Add Question Here

Question 190 **Multiple Choice** **0 points** Modify Remove

Question
An airline finds that its 6 a.m. flights are half-empty but its mid-afternoon flights are full. Which would be the most plausible thing for an economist to say?

Answer
✓ Cut the price of the early morning flight and raise the price of the afternoon flight.
Nothing can be done to rectify the situation because of consumer sovereignty.
Fewer flights should be scheduled in the afternoon to force travelers to take the morning flight.
Nothing can be done because travelers are inflexible with their schedules.

Add Question Here

Question 191 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is *not* a "Key Ideas of Economics"?

Answer
People follow incentives.
Productivity determines our standard of living.
✓ Rational thinking requires perfect information.
Government must deal with market failure.

Add Question Here

Question 192 **Multiple Choice** **0 points** Modify Remove

Question
_____ costs are the costs of not taking the next best alternative.

Answer
Alternative choice
Regret
Hypothetical
✓ Opportunity

Add Question Here

Question 193 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a case when the government should intervene in the economy?

Answer
when consumers cannot make up their minds what they want to purchase
when sellers make poor business decisions
when producers use the least-cost methods of production
✓ when the market fails to provide goods efficiently

Add Question Here

Question 194 **Multiple Choice** **0 points** Modify Remove

Question
A basic supposition of economics is that:

Answer
people always, and in every case, respond to economic incentives.
✓ in general, people respond to economic incentives.
history shows that tax incentives rarely work.
people do not respond to changes in costs and prices.

Add Question Here

Question 195 **Multiple Choice** **0 points** Modify Remove

Question
You will take the day off work if:

Answer
marginal costs exceed marginal benefits.
✓ marginal costs are less than marginal benefits.
you can make up the missed work tomorrow.
you have additional sick days to spare.

Add Question Here

Question 196 **Multiple Choice** **0 points** Modify Remove

Question
All of the following are considered key ideas of economics *except*:

Answer
scarcity exists for everyone.
people face economic incentives on a regular basis.
✓ irrational behavior requires thinking on the margin.
information is important to producers and consumers.

Add Question Here

Question 197 **Multiple Choice** **0 points** Modify Remove

Question
Jonathan decides to join the army instead of go to college. This is an example of:

Answer
thinking on the margin.
irrational behavior.
✓ opportunity costs.
people follow incentives.

Add Question Here

Question 198 **Multiple Choice** **0 points** Modify Remove

Question
Economists believe that:

Answer
✓ making information available to market participants improves the functioning of the market.
information should be sold to the highest bidder.
the flow of information has minimal impact on market efficiency.
data is more important to traders than information.

Add Question Here

Question 199 **Multiple Choice** **0 points** Modify Remove

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

Answer
Economia has a lower standard of living for its citizens than Productstan.
It cannot be determined from the information given which country has the higher standard of living.
✓ Economia has a higher standard of living for its citizens than Productstan.
It can be assumed that both have the same high standard of living because productivity and living standards are unrelated.

Add Question Here

Question 200 **Multiple Choice** **0 points** Modify Remove

Question
Which is *not* a reason economists say that trade is beneficial?

Answer
The availability of goods is increased.
Prices of goods and services tend to decrease.
✓ It leads to too much focus on internal politics.
Producers specialize in producing what they make best.

Add Question Here

Question 201 **Multiple Choice** **0 points** Modify Remove

Question
There would be no economic problem in a world where all resources are:

Answer
✓ free.
privately owned.
owned by the government.
scarce.

Add Question Here

Question 202 **Multiple Choice** **0 points** Modify Remove

Question
_____ people are forced to make tradeoffs.

Answer
Only wealthy
Only middle-class
Only poor
✓ All

Add Question Here

Question 203 **Multiple Choice** **0 points** Modify Remove

Question
The concept of scarcity:

Answer
✓ exists in all societies.
affects only greedy people.
is the cause of poverty.
used to be a problem, but is not an issue for modern industrial nations.

Add Question Here

Question 204 **Multiple Choice** **0 points** Modify Remove

Question
Deciding which car to buy or which school to attend involves:

Answer
✓ tradeoffs.
inflation.
government policy.
market failure.

Add Question Here

Question 205 **Multiple Choice** **0 points** Modify Remove

Question
When economists say that all societies face scarcity, they are describing:

Answer
free lunches.
unlimited resources.
unlimited wants.
✓ tradeoffs societies must make.

Add Question Here

Question 206 **Multiple Choice** **0 points** Modify Remove

Question
The core problem in economics is:

Answer
- unemployment.
- economic growth.
- inflation.
- ✓ scarcity.

Add Question Here

Question 207 **Multiple Choice** **0 points** Modify Remove

Question
The opportunity costs of attending college do *not* include:

Answer
- ✓ the expenditures for food.
- the costs of textbooks or e-books.
- the foregone wages that could have been earned working.
- student activity fees.

Add Question Here

Question 208 **Multiple Choice** **0 points** Modify Remove

Question
Cutting an economics class in order to prepare for a chemistry class is an example of:

Answer
- normative economics.
- positive economics.
- ✓ opportunity cost.
- a responsible decision.

Add Question Here

Question 209 **Multiple Choice** **0 points** Modify Remove

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

Answer
- the price of the ticket.
- ✓ the next best alternative activity that could have been undertaken.
- the time spent at the game.
- all other alternative activities that could have been undertaken.

Add Question Here

Question 210 **Multiple Choice** **0 points** Modify Remove

Question
_____ costs are the time and money that could have been spent on another highly-valued activity

Answer
- ✓ Opportunity
- Marginal
- Social
- Total

Add Question Here

Question 211 **Multiple Choice** **0 points** Modify Remove

Question
The basic idea of opportunity cost is that:

Answer
- buyers miss opportunities to find better bargains.
- using resources in an activity imposes costs on other people.
- ✓ the decision to use resources in one activity means that they cannot be used elsewhere.
- economic agents are always looking for better opportunities.

Add Question Here

Question 212 **Multiple Choice** **0 points** Modify Remove

Question
The _____ of parking at school includes the amount of time I have to search for a parking space.

Answer
- ✓ opportunity cost
- equity concerns
- efficiency
- productivity

Add Question Here

Question 213 **Multiple Choice** **0 points** Modify Remove

Question
If you were not studying economics, you could be doing one of the following: sleeping in (which you value at $5.00), playing cards with your friends (which you value at $10.00), or working (you would have earned an extra $8.00). The opportunity cost of studying economics is therefore

Answer
- $23.00
- ✓ $10.00
- $8.00
- $5.00

Add Question Here

Question 214 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following concepts does *not* depend on the scarcity of resources?

Answer
- tradeoffs
- opportunity costs
- deciding between alternatives
- ✓ satiation of all wants

Add Question Here

Question 215 **Multiple Choice** **0 points** Modify Remove

Question
Economic analysis provides:

Answer
- a way to predict stock prices.
- ✓ a structure to help you make decisions in a rational manner.
- a method to solve poverty.
- the way a government can fix all prices.

Add Question Here

Question 216 **Multiple Choice** **0 points** Modify Remove

Question
Another term for opportunity cost is:

Answer
- irrelevant cost.
- ✓ full cost.
- unnecessary cost.
- flat cost.

Add Question Here

Question 217 **Multiple Choice** **0 points** Modify Remove

Question
When the government chooses to use resources to build tourist centers, the chosen resources are no longer available to build highways. This best illustrates the concept of:

Answer
- macroeconomics.
- scarcity.
- ✓ opportunity cost.
- efficiency.

Add Question Here

Question 218 **Multiple Choice** **0 points** Modify Remove

Question
Suppose Mike has three hours of time to spend and he sets the following activities in order of priority: (1) see a movie; (2) attend a ball game; (3) study economics. Assume that each activity takes three hours. What is Mike's opportunity cost of seeing the movie?

Answer
- attending a ball game and studying economics
- ✓ studying economics
- attending a ball game
- either attending a ball game or studying economics

Add Question Here

Question 219 **Multiple Choice** **0 points** Modify Remove

Question
The _____the opportunity cost of an activity, the____ a person will do that something.

Answer
- higher; more
- higher; less
- ✓ lower, less
- It doesn't matter. Price alone will determine the action.

Add Question Here

Question 220 **Multiple Choice** **0 points** Modify Remove

Question
Opportunity costs exist because:

Answer
- ✓ using resources for one activity means that their use elsewhere must be given up.
- sellers are unwilling to give up their product without a price.
- there are opportunities to find ways to reduce costs.
- buyers always have an opportunity to go to another seller.

Add Question Here

Question 221 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following questions is *not* an example involving marginal analysis?

Answer
- Should a university offer another section of a class?
- Should a restaurant stay open another hour?
- ✓ Should K-Mart convert all its stores to Sears stores?
- Should Boeing hire another assembly line worker?

Add Question Here

Question 222 **Multiple Choice** **0 points** Modify Remove

Question
Decision making “at the margin“ means making economic choices based on:

Answer
- the margin call of your stock options.
- the value of the additional amount.
- ✓ opportunity cost.
- the *ceteris paribus* conditions of your statistical test.

Add Question Here

Question 223 **Multiple Choice** **0 points** Modify Remove

Question
When economists use the word “additional,” they generally mean:

Answer
- rational.
- economics.
- ✓ marginal.
- opportunity cost.

Add Question Here

Question 224 **Multiple Choice** **0 points** Modify Remove

Question
Hitting your snooze alarm before you get out of bed is an example of:

Answer
- ✓ thinking at the margin.
- efficiency.
- equity.
- market equilibrium.

Add Question Here

Question 225 **Multiple Choice** **0 points** Modify Remove

Question
According to *Key Ideas of Economics*, rational thinking:

Answer
- means incentives don't matter.
- requires people to consider the total costs and total benefits of their decisions.
- ✓ requires thinking at the margin.
- requires perfect information.

Add Question Here

Question 226 **Multiple Choice** **0 points** Modify Remove

Question
Working an extra hour of overtime is an example of:

Answer
- ✓ thinking at the margin.
- efficiency.
- equity.
- market equilibrium.

Add Question Here

Question 227 **Multiple Choice** **0 points** Modify Remove

Question
If a restaurant that traditionally has served only lunch and dinner wants to open for breakfast, which of the following factors should be considered?

Answer
- rent
- furniture
- ✓ cost of the additional food
- insurance costs

Add Question Here

Question 228 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following represents incentives for decisions?

Answer
- tax deductions for individual retirement accounts
- investment tax credits for businesses
- tax deductions for education savings account.
- ✓ All answer choices are correct.

Add Question Here

Question 229 **Multiple Choice** **0 points** Modify Remove

Question
Which statement about incentives is true?

Answer
- Each of us is motivated by the same incentive.
- ✓ Each of us is motivated by different incentives.
- Incentives can be manipulated with precision.
- Price is the only relevant economic incentive.

Add Question Here

Question 230 **Multiple Choice** **0 points** Modify Remove

Question
Tax policy is partly based on the notion that:

Answer
- high taxes are preferable to low taxes.
- government must always run a budget surplus.
- markets never work efficiently.

✓ people respond to financial incentives.

Add Question Here

Question 231 **Multiple Choice** **0 points** Modify Remove

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

Answer
✓ people follow incentives.
thinking on the margin.
irrational behavior.
opportunity costs.

Add Question Here

Question 232 **Multiple Choice** **0 points** Modify Remove

Question
Discounted matinee movie ticket prices demonstrate that:

Answer
✓ people follow incentives.
government intervention in the market is helpful.
market outcomes are always equitable.
the cost of living is decreasing.

Add Question Here

Question 233 **Multiple Choice** **0 points** Modify Remove

Question
The efficiency of markets is shown when:

Answer
✓ new competitors enter a market when profits and prices get too high.
firms leave a market with high profits.
a governmental body tells people what to produce.
competition leads to higher prices in a market.

Add Question Here

Question 234 **Multiple Choice** **0 points** Modify Remove

Question
Which statement about markets is true?

Answer
They always operate efficiently.
✓ They bring buyers and sellers together.
Profits are never an effective discipline on the market.
Markets need to be always controlled by government.

Add Question Here

Question 235 **Multiple Choice** **0 points** Modify Remove

Question
An efficient market is one in which:

Answer
sellers have an information advantage over buyers.
buyers have complete information.
✓ both buyers and sellers can weigh carefully the costs and benefits of their decisions.
buyers have an information advantage over sellers.

Add Question Here

Question 236 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following statements is true?

Answer
✓ Low productivity and low pay go together.
High productivity and low pay go together.
Low productivity and high pay go together.
The most productive countries are those with the lowest average per capita incomes.

Add Question Here

Question 237 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is an example of market failure?

Answer
lattes that cost $5
grain prices that do not provide a profit for the farmer
✓ water that is undrinkable
the Enron bankruptcy

Add Question Here

Question 238 **Multiple Choice** **0 points** Modify Remove

Question
The situation in which markets fail to provide efficiently is called:

Answer
✓ market failure.
uneconomic efficiency.
market collapse.
government failure.

Add Question Here

Question 239 **Multiple Choice** **0 points** Modify Remove

Question
Markets are efficient because:

Answer
✓ people tend to make rational decisions.
Adam Smith created markets.
entrepreneurs always try to produce at the lowest possible cost.
decisions are always made at the margin.

Add Question Here

Question 240 **Multiple Choice** **0 points** Modify Remove

Question
In the case of market failure, the best policy is to:

Answer
reform the market.
address the issue through the court system.
✓ have government intervene.
do nothing.

Add Question Here

Question 241 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is *not* an example of market failure?

Answer
Water is polluted by a paper company located by a river.
Air is polluted by a manufacturing firm.
✓ Competition leads firms to provide products at the lowest possible price.
Consumers must buy water from one local water utility.

Add Question Here

Question 242 **Multiple Choice** **0 points** Modify Remove

Question
Government intervention in the market is helpful when:

Answer
consumers are free to buy from a number of different firms.
✓ consumers are forced to buy from just one firm.
business firms face increasing competition from new entrants into the market.
business firms always use the cleanest technologies available to mitigate pollution.

Add Question Here

Question 243 **Multiple Choice** **0 points** Modify Remove

Question
Government intervention in the market is helpful when:

Answer
consumers are free to buy from a number of different firms.
consumers enjoy low prices and product diversity.
business firms face increasing competition from new entrants into the market.
✓ business firms engage in production activities that pollute the air and water.

Add Question Here

Question 244 **Multiple Choice** **0 points** Modify Remove

Question
Information plays an important role in the market because it allows:

Answer
✓ market participants to make good decisions based on cost-benefit analysis.
sellers to “pad” their sales pitch.
the media to grow in importance.
managers to make more risky decisions.

Add Question Here

Question 245 **Multiple Choice** **0 points** Modify Remove

Question
One of the key ingredients in making rational choices is access to:

Answer
sufficient funds.
✓ information.
foreign markets.
a university psychology department.

Add Question Here

Question 246 **Multiple Choice** **0 points** Modify Remove

Question
When the _____ outweigh(s) the _____ of the information, people attempt to obtain the information.

Answer
costs; benefits
✓ benefits; costs
equity; efficiency
efficiency; equity

Add Question Here

Question 247 **Multiple Choice** **0 points** Modify Remove

Question
Markets work best when:

Answer ✓ both sides weigh the costs and benefits of goods and services.
both sides have access to inside information.
the *ceteris paribus* conditions of statistical tests are met.
foreign trade is free.

Add Question Here

Question 248 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a result of increased trade?

Answer
decreased quantity available to buyers
increased immigration
recession
✓ lower prices

Add Question Here

Question 249 **Multiple Choice** **0 points** Modify Remove

Question
The use of goods and services to satisfy personal desires is:

Answer
comparative advantage.
the Law of increasing relative cost.
specialization.
✓ consumption.

Add Question Here

Question 250 **Multiple Choice** **0 points** Modify Remove

Question
One farmer in 1900 could feed 10 people. One farmer today can feed 100 people. This is an example of:

Answer
opportunity cost.
efficient markets.
✓ productivity.
decisions at the margin.

Add Question Here

Question 251 **Multiple Choice** **0 points** Modify Remove

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

Answer
high; low
low; high
high; unchanging
✓ low; low

Add Question Here

Question 252 **Multiple Choice** **0 points** Modify Remove

Question
With the use of specialization:

Answer
society is more productive while individuals are less productive.
✓ there are greater gains in material well being.
there is more emphasis on self-reliance.
opportunity costs tend to be constant.

Add Question Here

Question 253 **Multiple Choice** **0 points** Modify Remove

Question
Countries that have high per capita income also tend to have:

Answer
totalitarian governments.
✓ high worker productivity.
poor educational institutions.
high sales tax rates.

Add Question Here

Question 254 **Multiple Choice** **0 points** Modify Remove

Question
Increased Government spending during a recession:

Answer
is a simple solution to restart the economy.
is always a good idea.
✓ is difficult to implement successfully.
is different from Government intervening to correct other market failures.

Add Question Here

Question 255 **Multiple Choice** **0 points** Modify Remove

Question
The experience of the Great Depression showed that:

Answer
the best government is a small government.
markets always work well.
increased taxation helps an economy recover from a slump.

✓ the economy can get stuck in a severe recession for a long period of time.

Add Question Here

Question 256 **Multiple Choice** **0 points** Modify Remove

Question
The Great Depression of the 1930s showed that the:

Answer
- self-correcting mechanism quickly adjusts the overall economy to downturns in the business cycle.
- ✓ government can intervene successfully when the economy gets stuck in a downturn.
- government can always successfully intervene in the economy.
- government should stay out of the economy.

Add Question Here

Question 257 **Multiple Choice** **0 points** Modify Remove

Question
The upturns and the downturns of the economy is called a(n):

Answer
- ✓ business cycle.
- recession.
- expansion.
- depression.

Add Question Here

Question 258 **Multiple Choice** **0 points** Modify Remove

Question
Classical economic theory holds that the economy:

Answer
- ✓ is a self-correcting mechanism.
- requires government to intervene to solve recessions.
- involves no tradeoffs.
- will always operate at less than full employment.

Add Question Here

Question 259 **Multiple Choice** **0 points** Modify Remove

Question
According to classical economic theory, if the economy were in a recession, then:

Answer
- government should intervene with a tax cut.
- government should intervene with a tax increase.
- ✓ the self-correcting mechanism should be allowed to work.
- government should increase its spending.

Add Question Here

Question 260 **Multiple Choice** **0 points** Modify Remove

Question
Markets work best when both buyers and sellers:

Answer
- are free to pollute the air and water.
- ✓ do not experience information problems.
- are burdened with government regulations.
- make irrational choices.

Add Question Here

Question 261 **Multiple Choice** **0 points** Modify Remove

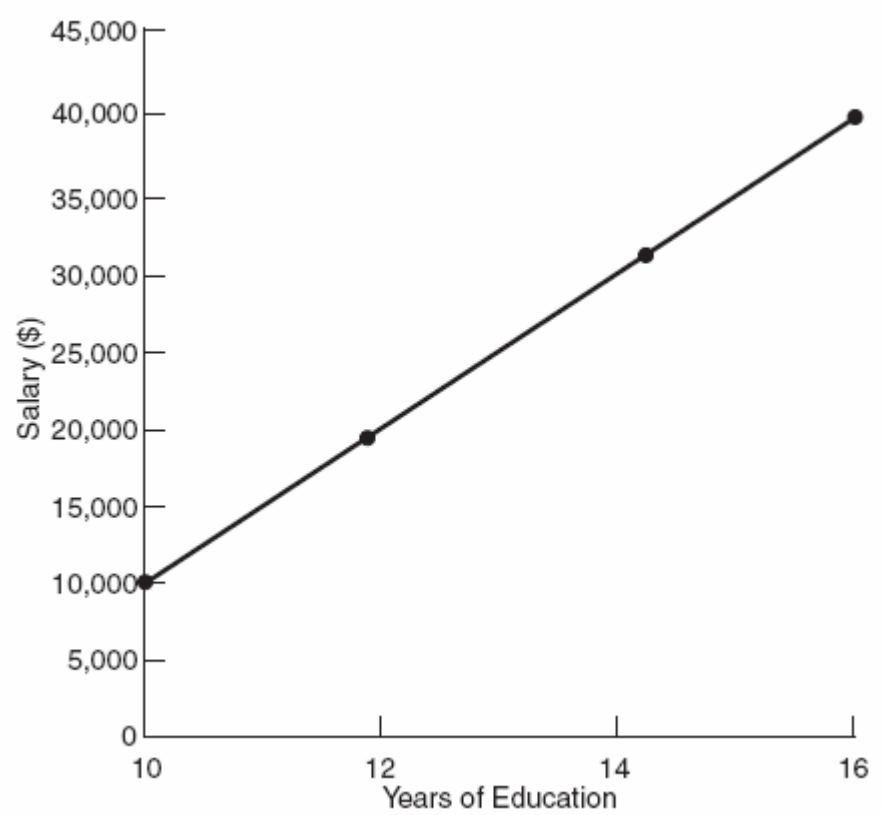
Question
Scarcity occurs:

Answer
- only in Africa.
- only in underdeveloped countries.
- only in transition economies.
- ✓ everywhere.

Add Question Here

Question 262 **Multiple Choice** **0 points** Modify Remove

Question
(Figure 1.1)



The hypothetical graph shows the relationship between years of education and salary. Which statement is *not* correct?

Answer

A person with 13 years of education can expect to earn $25,000.

The slope of the line is 5,000.

The line represents a simple model of the relationship between education and earnings.

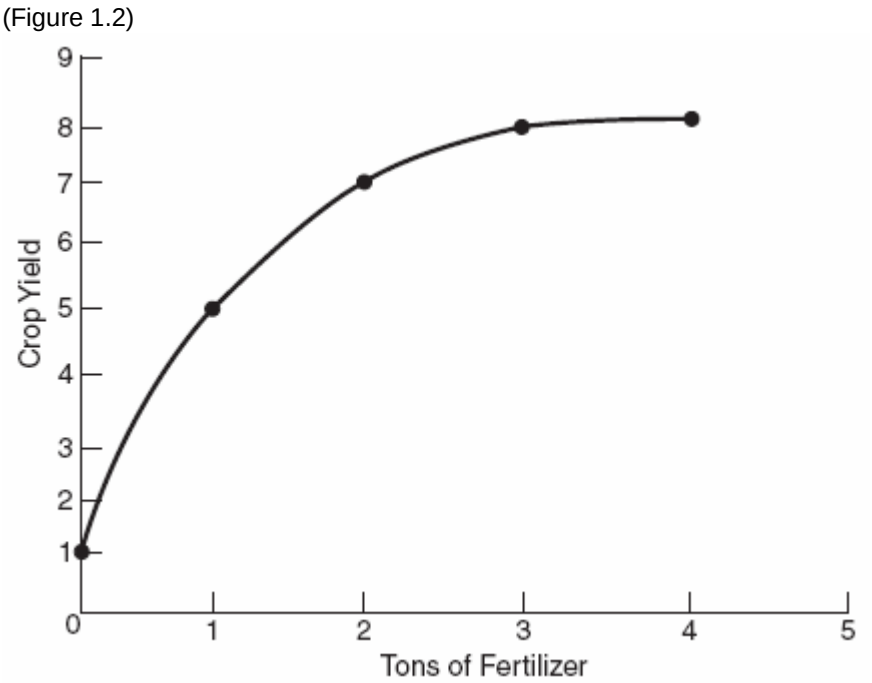
✓ The relationship between the two variables is nonlinear.

Add Question Here

Question 263 **Multiple Choice** **0 points** Modify Remove

Question

(Figure 1.2)



The graph shows a hypothetical relationship between tons of fertilizer used and crop yields. Which of the following is false?

Answer

The slope of the curve between one and two tons of fertilizer is approximately 2.

The relationship between fertilizer usage and yield is nonlinear.

✓ Because the relationship is nonlinear, it is difficult to create an economic model describing the relationship between the two variables.

Using more than three tons of fertilizer has minimal effect on yield.

Add Question Here

Question 264 **Multiple Choice** **0 points** Modify Remove

Question

Pie charts:

Answer

depict two variables to see if any correlation exists.

✓ show how data can be split into percentages by category.

include a variable for time.

show trends of data over time.

Add Question Here

Question 265 **Multiple Choice** **0 points** Modify Remove

Question

Economists use graphs:

Answer

✓ because they represent relationships between variables.

because they are more efficient than models.

because they are less efficient than models.

it makes the analysis more complicated.

Add Question Here

Question 266 **Multiple Choice** **0 points** Modify Remove

Question
The main forms of graphs include:

Answer
- time series.
- scatter plots.
- pie charts.
- ✓ All of the answer choices are correct.

Add Question Here

Question 267 **Multiple Choice** **0 points** Modify Remove

Question

Temperature	Hot chocolate sales
25	100
30	90
35	80
40	70
45	60
50	50
55	40

Reference: Ref 1-1

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

Answer
- a positive, nonlinear curve would result.
- ✓ a negative, linear relationship between temperature and hot chocolate sales would be shown.
- a positive, linear relationship between temperature and hot chocolate sales would be shown.
- a negative, nonlinear curve would result.

Add Question Here

Question 268 **Multiple Choice** **0 points** Modify Remove

Question

Temperature	Hot chocolate sales
25	100
30	90
35	80
40	70
45	60
50	50
55	40

Reference: Ref 1-1

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

Answer
- + 2
- – 1/2.
- ✓ – 2.
- – 10.

Add Question Here

Question 269 **Multiple Choice** **0 points** Modify Remove

Question

Temperature	Hot chocolate sales
25	100
30	90
35	80
40	70
45	60
50	50
55	40

Reference: Ref 1-1

(Table) The numbers in the table indicate:

Answer
- a negative, nonlinear relationship between temperature and sales of hot chocolate.
- a positive relationship between temperature and sales of hot chocolate.
- a positive, nonlinear relationship between temperature and sales of hot chocolate.
- ✓ a negative relationship between temperature and sales of hot chocolate.

Add Question Here

Question 270 **Multiple Choice** **0 points** Modify Remove

Question
The use of stylized graphs:

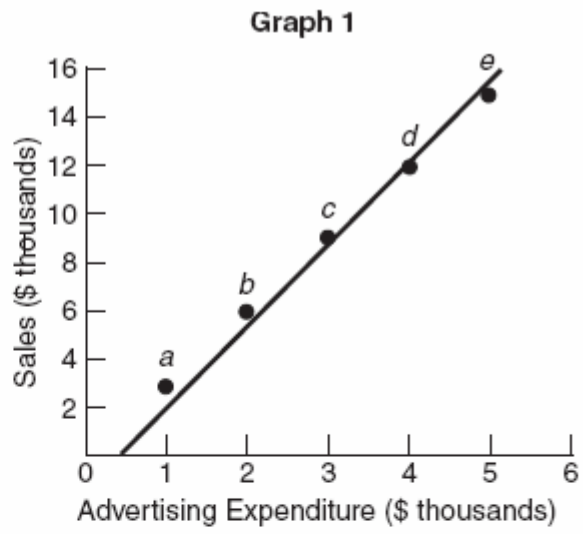
Answer
- helps to simplify our analyses.
- helps us to focus on key relationships.
- may represent relationships between variables.
- ✓ helps to simplify our analyses, helps us to focus on key relationships, and may represent relationships between variables.

Add Question Here

Question 271 **Multiple Choice** **0 points** Modify Remove

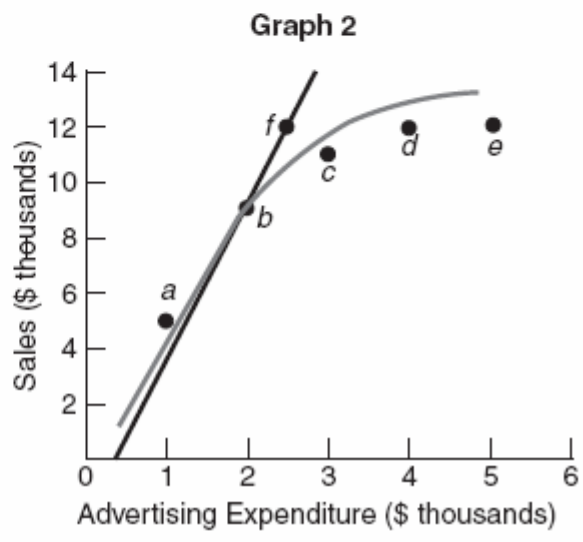
Question
(Figure 1.3)

Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	3
2	6
3	9
4	12
5	15



Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	5
2	9
2.5	12
3	11
4	12
5	12

$a = 467$



The slope at point *a* in Graph 2 in the figure is:

Answer

0.21.
✓ 4.67.
– 0.21.
– 4.67.

Add Question Here

Question 272 **Multiple Choice** **0 points** Modify Remove

Question
A graph of a business cycle that plots output on the vertical axis and quarters of a year on the horizontal axis is an example of a:

Answer

bar chart.
pie chart.
scatter plot.
✓ time series.

Add Question Here

Question 273 **Multiple Choice** **0 points** Modify Remove

Question
If you plot temperature on the *y* axis and time on the *x* axis, then you have created a:

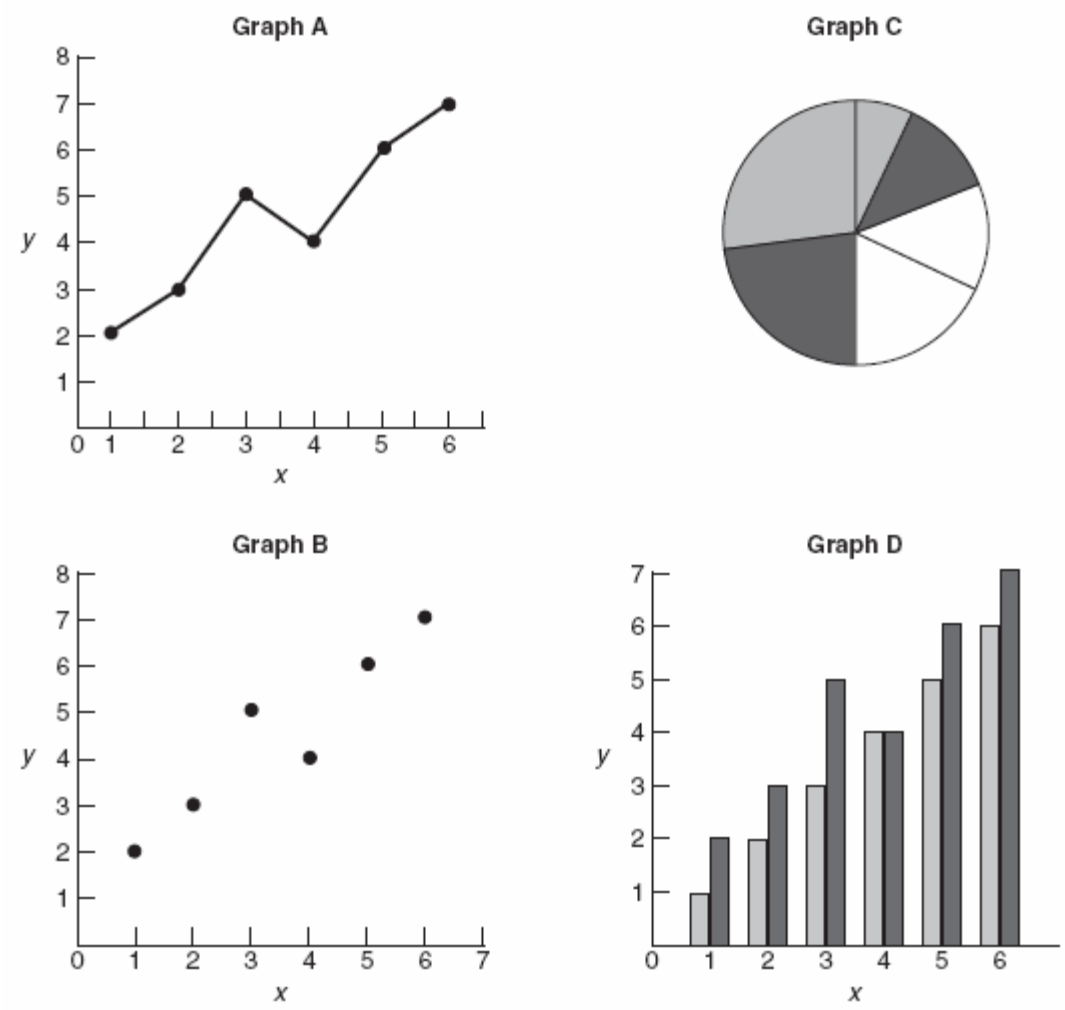
Answer

✓ time series.
scatter plot.
pie chart.
bar chart.

Add Question Here

Question 274 **Multiple Choice** **0 points** Modify Remove

Question
(Figure 1.4)



Which graph in the figure is an example of a scatter plot?

Answer

graph A
✓ graph B
graph C
graph D

Add Question Here

Question 275 **Multiple Choice** **0 points** Modify Remove

Question

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

Answer

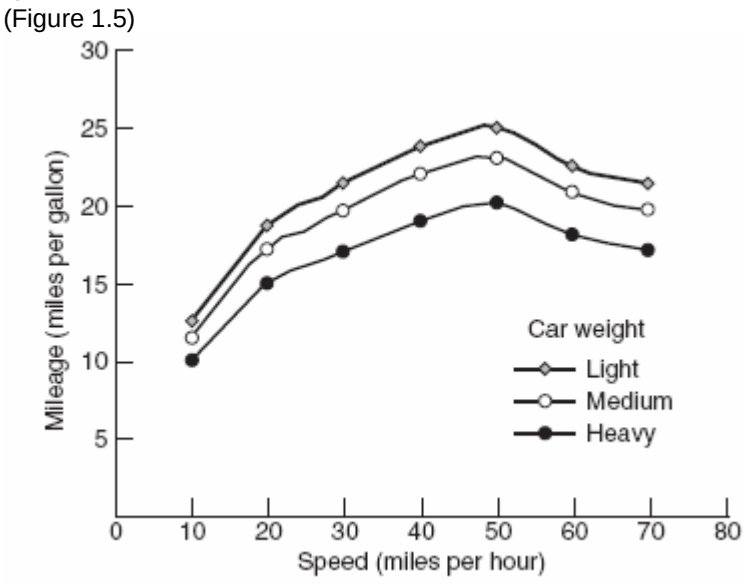
time series.
✓ scatter plot.
pie chart.
bar chart.

Add Question Here

Question 276 **Multiple Choice** **0 points** Modify Remove

Question

(Figure 1.5)



Which of the following statements about the graph in the figure is correct?

Answer

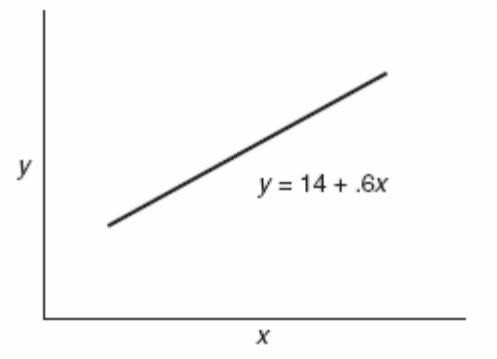
Mileage is related only to speed, not car weight.
✓ Speed is related to mileage and car weight.
Mileage is related to both speed and car weight.
Mileage is unrelated to speed and car weight.

Add Question Here

Question 277 **Multiple Choice** **0 points** Modify Remove

Question

Figure 1.6



Reference: Ref 1-2

(Figure 1.6) The figure illustrates:

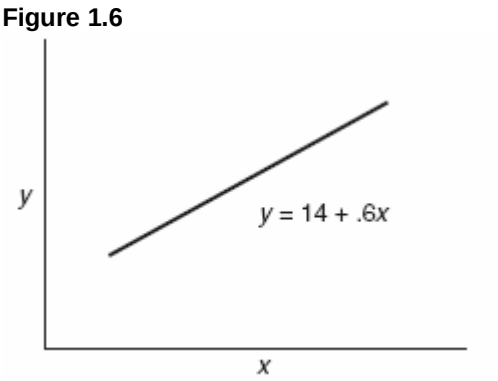
Answer

a nonlinear equation.
✓ a linear equation.
the concept of efficiency.
a rectangular hyperbola

Add Question Here

Question 278 **Multiple Choice** **0 points** Modify Remove

Question
Figure 1.6



Reference: Ref 1-2

(Figure 1.6) In the figure, if *x* is 0, then the intercept with the *y* axis is:

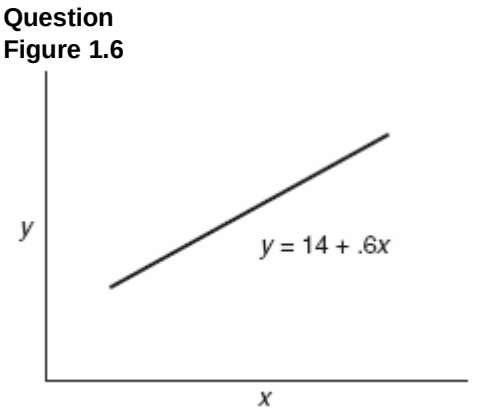
Answer

0.
14.6.
✓ 14.
0.6.

Add Question Here

Question 279 **Multiple Choice** **0 points** Modify Remove

Question
Figure 1.6



Reference: Ref 1-2

(Figure 1.6) In the figure, the slope of the line is:

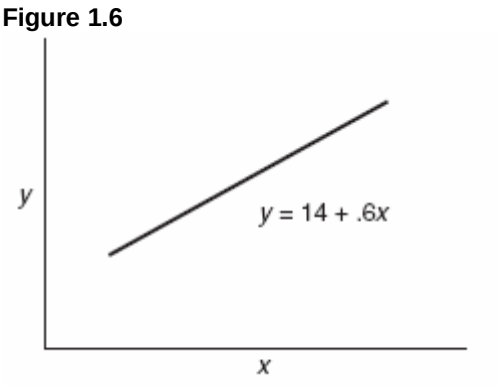
Answer

0.
14.6.
14.
✓ 0.6.

Add Question Here

Question 280 **Multiple Choice** **0 points** Modify Remove

Question
Figure 1.6



Reference: Ref 1-2

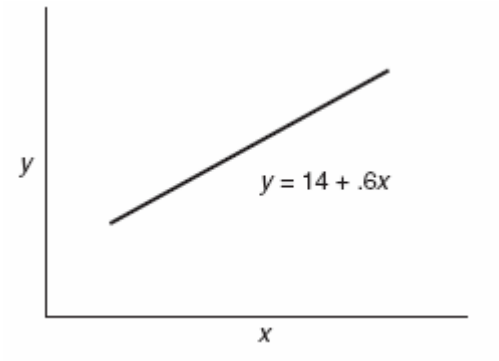
(Figure 1.6) In the figure, if *y* stands for inflation, and *x* stands for the money supply, then:

Answer ✓ for every 1% increase in the money supply, inflation increases by 0.6 percent.
for every 1% increase in inflation, the money supply increases by 0.6 percent.
if the money supply increases by 14, then inflation goes up 0.6 percent.
if inflation increases by 14, then inflation goes up 0.6 percent.

Add Question Here

Question 281 **Multiple Choice** **0 points** Modify Remove

Question
Figure 1.6



Reference: Ref 1-2

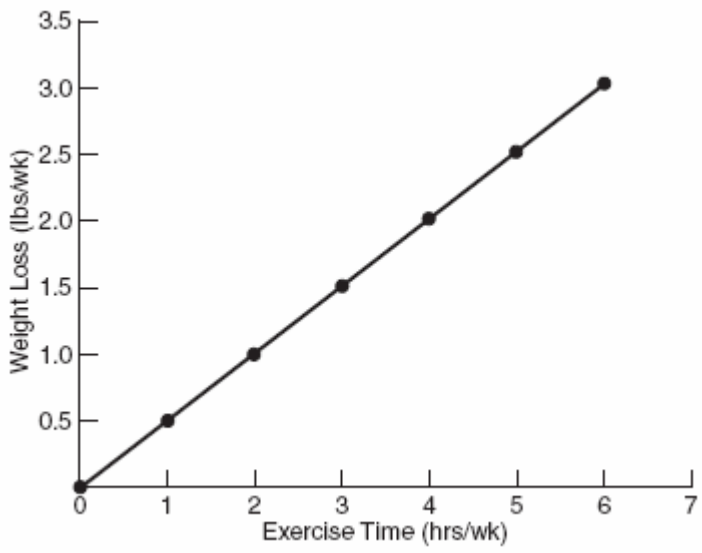
(Figure 1.6) In the figure, assume that *y* represents inflation and *x* represents money supply. If we assume from the figure above that inflation results from a larger money supply, we:

Answer
assume that causation implies correlation.
✓ assume that correlation implies causation.
violate the *ceteris paribus* assumption.
imply that a linear equation is really a nonlinear equation.

Add Question Here

Question 282 **Multiple Choice** **0 points** Modify Remove

Question
(Figure 1.7)



According to the data in the figure, every two extra hours of exercise:

Answer
increases weight by 1 pound.
decreases weight by 1/2 pound.
✓ decreases weight by 1 pound.
increases weight by 1/2 pound.

Add Question Here

Question 283 **Multiple Choice** **0 points** Modify Remove

Question
If two economic variables are positively related, then:

Answer
the two variables move in opposite directions.
✓ as the first variable increases, the other variable also increases.
as the first variable increases, the other variable decreases.
as the first variable decreases, the other variable increases.

Add Question Here

Question 284 **Multiple Choice** **0 points** Modify Remove

Question
If a graph showed that as the amount of partying increased, your GPA decreased, then this relationship would be:

Answer
✓ negative.
positive.
definitely linear.
definitely nonlinear.

Add Question Here

Question 285 **Multiple Choice** **0 points** Modify Remove

Question
If two variables are positively related, then

Answer
as one variable increases, the other variable decreases.
as one variable increases, the other variable increases.
as one variable decreases, the other variable decreases.
✓ both (A) and (C) are correct.

Add Question Here

Question 286 **Multiple Choice** **0 points** Modify Remove

Question
If temperature and ice cream sales are positively related:

Answer
as the temperature rises, ice cream sales fall.
as the temperature rises, ice cream sales stay the same.
✓ as the temperature falls, ice cream sales decline.
as the temperature falls, ice cream sales rise.

Add Question Here

Question 287 **Multiple Choice** **0 points** Modify Remove

Question
If a graph drawn for the relationship between hot chocolate sales and temperature is downward-sloping, then:

Answer
sales of hot chocolate fall as temperature falls.
✓ sales of hot chocolate rise as temperature falls.
sales of hot chocolate rise over time.
sales of hot chocolate fall over time.

Add Question Here

Question 288 **Multiple Choice** **0 points** Modify Remove

Question
Ceteris paribus means:

Answer
everything changes.
everything is held constant.
✓ other things being equal.
nothing changes.

Add Question Here

Question 289 **Multiple Choice** **0 points** Modify Remove

Question
In the equation $S = 130 – 2T$, where S is hot chocolate sales and T is temperature, the slope is:

Answer
+ 130.
✓ – 2.
+ 2.
– 65.

Add Question Here

Question 290 **Multiple Choice** **0 points** Modify Remove

Question
In the equation $S = 130 – 2T$, where S is hot chocolate sales and T is temperature:

Answer
sales increase by 20 if temperature increases by 10 degrees.
sales increase by 2 if temperature increases by 10 degrees.
✓ sales decrease by 20 if temperature increases by 10 degrees.
sales decrease by 2 if temperature increases by 10 degrees.

Add Question Here

Question 291 **Multiple Choice** **0 points** Modify Remove

Question
In the equation $S = 130 – 2T$, where S is hot chocolate sales and T is temperature:

Answer
sales decrease by 10 if temperature falls by 5 degrees.
sales decrease by 2 if temperature falls by 5 degrees.
✓ sales increase by 10 if temperature falls by 5 degrees.
sales increase by 2 if temperature falls by 5 degrees.

Add Question Here

Question 292 **Multiple Choice** **0 points** Modify Remove

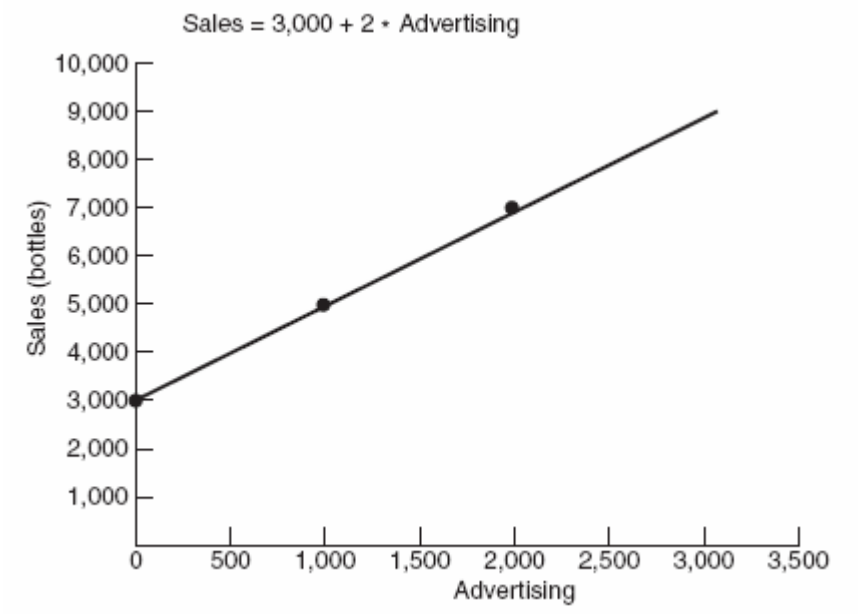
Question
When other things are *not* constant:

Answer
a movement up along the curve occurs.
a movement down along the curve occurs.
a positive relationship always occurs.
✓ a shift of the curve usually takes place.

Add Question Here

Question 293 **Multiple Choice** **0 points** Modify Remove

Question
Figure 1.8



Reference: Ref 1-3

(Figure 1.8) The figure shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. If the company that manufactures Jump spends $3,000 on advertising, how many bottles of Jump will it sell?

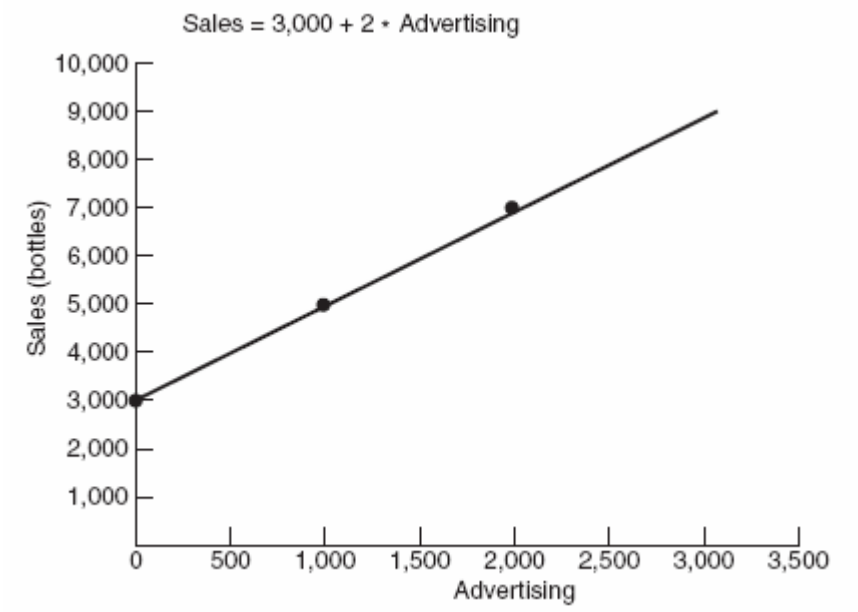
Answer

13,500
✓ 9,000
10,000
7,000

Add Question Here

Question 294 **Multiple Choice** **0 points** Modify Remove

Question
Figure 1.8



Reference: Ref 1-3

(Figure 1.8) The figure shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. If consumer tastes change in the region where Jump is marketed and base sales increase by 1,500 bottles, what is the equation of the "shifted" line?

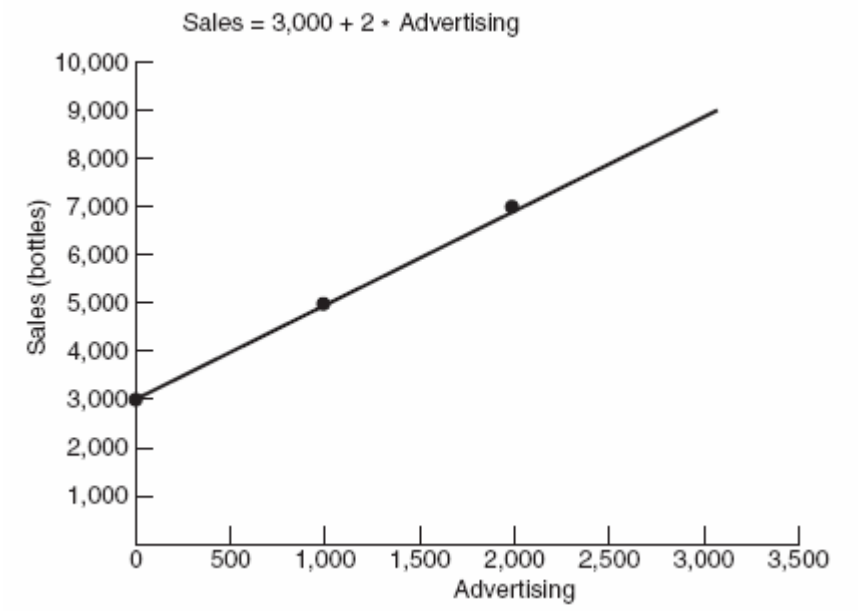
Answer

Sales 5 1,500 + 2 · Advertising
✓ Sales 5 4,500 + 2 · Advertising
Sales 5 3,000 + 1,502 · Advertising
Sales 5 3,000 + 2 · Advertising

Add Question Here

Question 295 **Multiple Choice** **0 points** Modify Remove

Question
Figure 1.8



Reference: Ref 1-3

(Figure 1.8) The figure shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. If a new health advisory is released warning consumers about problems associated with too much caffeine consumption and the level of base sales of Jump decreases by 2,000 bottles, what is the equation of this "shifted" line?

Answer

✓ Sales 5 1,000 + 2 · Advertising
Sales 5 3,000 + 2,002 · Advertising
Sales 5 3,000 + 2 · Advertising
Sales 5 5,000 + 2 · Advertising

Add Question Here

Question 296 **Multiple Choice** **0 points** Modify Remove

Question
The assumption often used in economics to isolate the relationship between two variables is called:

Answer

an association.
an abstraction.
✓ *ceteris paribus*.
efficiency.

Add Question Here

Question 297 **Multiple Choice** **0 points** Modify Remove

Question
Another way of defining *ceteris paribus* would be the phrase:

Answer

✓ "Nothing else changes."
"It is proven."
"Under this assumption."
"In my opinion."

Add Question Here

Question 298 **Multiple Choice** **0 points** Modify Remove

Question
"If the price of carrots drops, *ceteris paribus,* people will buy more carrots." What would be a way of explaining that statement?

Answer

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

Add Question Here

Question 299 **Multiple Choice** **0 points** Modify Remove

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

Answer

laissez-faire
✓ *ceteris paribus*
post hoc ergo propter hoc
e pluribus unum

Add Question Here

Question 300 **Multiple Choice** **0 points** Modify Remove

Question
In the equation $S = 130 – 2T$, where S is hot chocolate sales and T is temperature:

Answer

hot chocolate sales are 130 when the temperature is 0.
hot chocolate sales are 65 when the temperature is 0.
✓ hot chocolate sales are 132 when the temperature is 0.
hot chocolate sales are 128 when the temperature is 0.

Add Question Here

Question 301 **Multiple Choice** **0 points** Modify Remove

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

Answer

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

Add Question Here

Question 302 **Multiple Choice** **0 points** Modify Remove

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

Answer

a movement down along the curve.
a movement up along the curve.
✓ a shift of the entire curve.
correlation but not causation.

Add Question Here

Question 303 **Multiple Choice** **0 points** Modify Remove

Question
The purpose of invoking *ceteris paribus* is to:

Answer ✓ simplify the analysis being done.
make the economic model more realistic.
allow the model to take more complexity into account.
introduce risk into the model.

Add Question Here

Question 304 **Multiple Choice** **0 points** Modify Remove

Question
Suppose an economist discovers that the relationship between grades and hours of tutoring is Grade = 60 + 5(Hours). Based on the equation, which statement is true?

Answer
Tutoring is not worthwhile because each hour raises grade by only 5 points.
If no tutoring is done then the grade will be zero.
✓ The expected grade with 5 hours of tutoring is 85.
The relationship between tutoring and grades is weak.

Add Question Here

Question 305 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following paired variables might indicate a correlation but *not* causation?

Answer
advertising expenditures and sales
✓ snowfall amounts and stock market performance
age and health care expenditures
grade point average and future income

Add Question Here

Question 306 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is correct?

Answer
"Correlation" and "causation" are synonyms.
Shortly after a new president is elected into office, the unemployment rate goes down. One must conclude that the new president's economic policies are responsible for the economic upturn.
✓ The fact that two variables are correlated with each other does not mean that one causes the other.
If two variables move together, then they are causally related.

Add Question Here

Question 307 **Multiple Choice** **0 points** Modify Remove

Question
A vital principle in testing theories is simply put: "Association is not:

Answer
✓ causation."
reversible."
a straight line."
a scatter point curve."

Add Question Here

Question 308 **Multiple Choice** **0 points** Modify Remove

Question
An increase in the price of gold is always associated with the outbreak of wars. Increasing gold prices cause wars. This would be an example of what logical fallacy?

Answer
ceteris paribus
✓ correlation is not causation
laissez-faire
nonlinearity

Add Question Here

Question 309 **True/False** **0 points** Modify Remove

Question
Time series graphs allow us to see trends in one variable over a set time frame.

Answer
✓ True
False

Add Question Here

Question 310 **True/False** **0 points** Modify Remove

Question
Scatter plots use one variable as time in addition to one other variable to determine possible relationships.

Answer
True
✓ False

Add Question Here

Question 311 **True/False** **0 points** Modify Remove

Question
The height of the bars in a bar chart may depict the number of data points in each category/class.

Answer
✓ True
False

Add Question Here

Question 312 **True/False** **0 points** Modify Remove

Question
Simple graphs never provide information about the relationship between variables.

Answer

True

✓ False

Add Question Here

Question 313 **True/False** **0 points** Modify Remove

Question
Titles, labels for axes, and a statement of how the data are measured help with the interpretation of graphs.

Answer

✓ True

False

Add Question Here

Question 314 **True/False** **0 points** Modify Remove

Question
Linear relationships show the same slope between any two points on a line.

Answer

✓ True

False

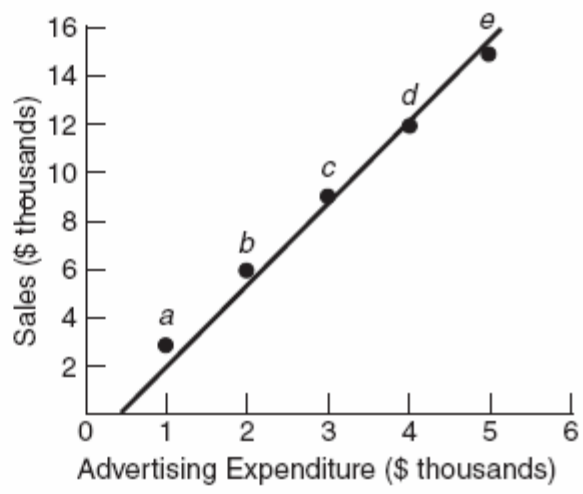
Add Question Here

Question 315 **True/False** **0 points** Modify Remove

Question
Figure 1.9

Graph 1

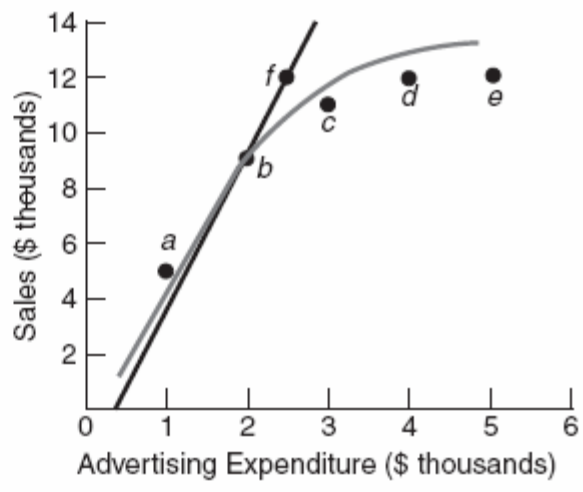
Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	3
2	6
3	9
4	12
5	15



Graph 2

Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	5
2	9
2.5	12
3	11
4	12
5	12

$a = 467$



Reference: Ref 1-4

(Figure 1.9) In Graph 1, the slope between points *a* and *b* and the slope between points *c* and *d* are different.

Answer

True

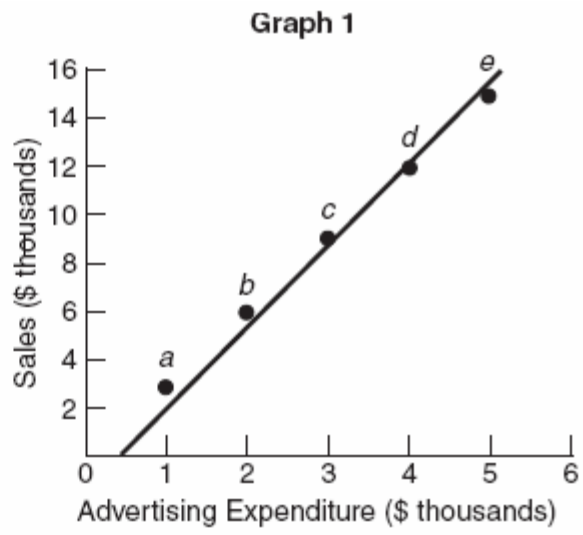
✓ False

Add Question Here

Question 316 **True/False** **0 points** Modify Remove

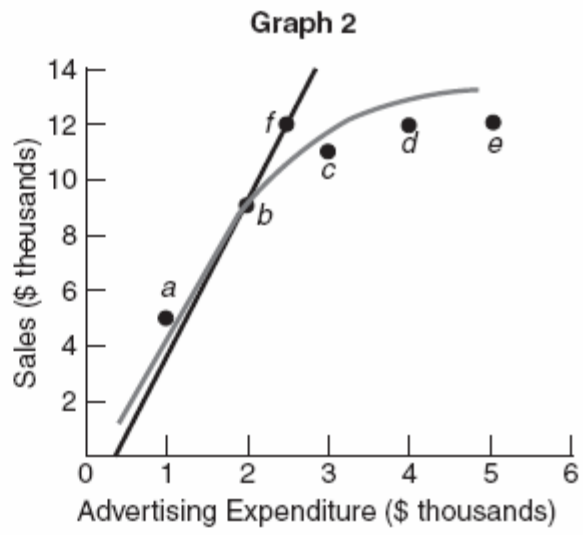
Question
Figure 1.9

Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	3
2	6
3	9
4	12
5	15



Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	5
2	9
2.5	12
3	11
4	12
5	12

$a = 467$



Reference: Ref 1-4

(Figure 1.9) The slope of the line in Graph 1 is 3.

Answer

✓ True

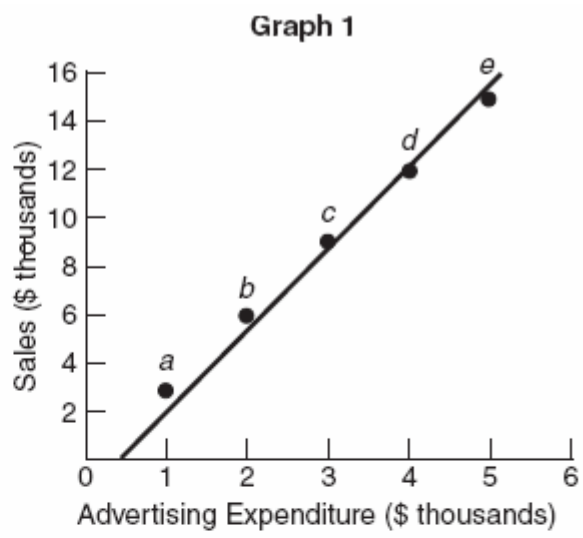
False

Add Question Here

Question 317 **True/False** **0 points** Modify Remove

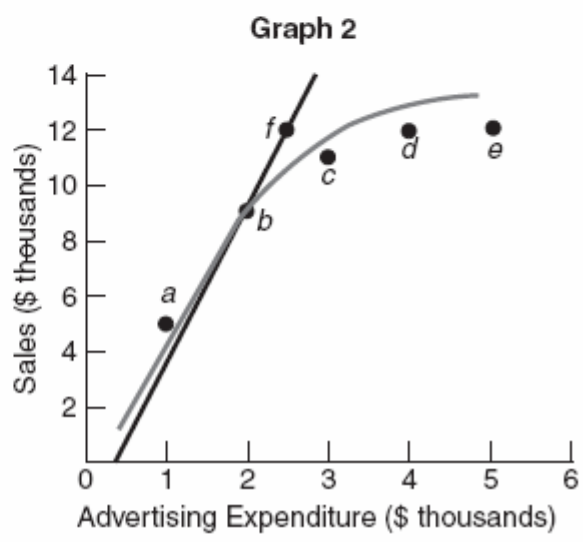
Question
Figure 1.9

Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	3
2	6
3	9
4	12
5	15



Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	5
2	9
2.5	12
3	11
4	12
5	12

$a = 467$



Reference: Ref 1-4

(Figure 1.9) The slope of the curve depicted in Graph 2 is the same at any two points on the curve.

Answer

True

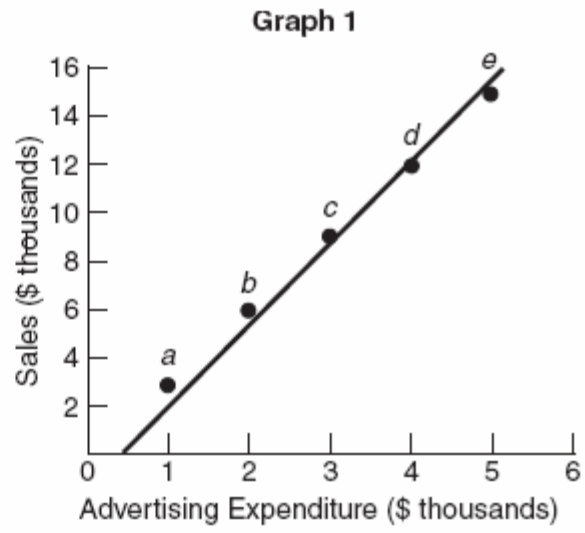
✓ False

Add Question Here

Question 318 **True/False** **0 points** Modify Remove

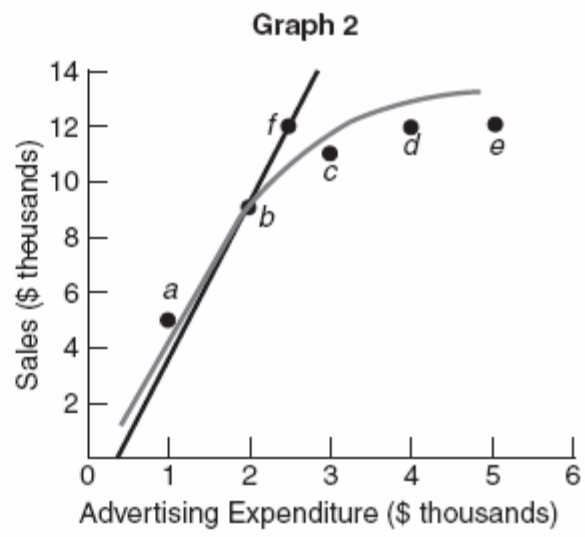
Question
Figure 1.9

Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	3
2	6
3	9
4	12
5	15



Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	5
2	9
2.5	12
3	11
4	12
5	12

$a = 467$



Reference: Ref 1-4

(Figure 1.9) In Graph 2, the slope at point *a* is the slope of the line tangent to the curve at point a.

Answer

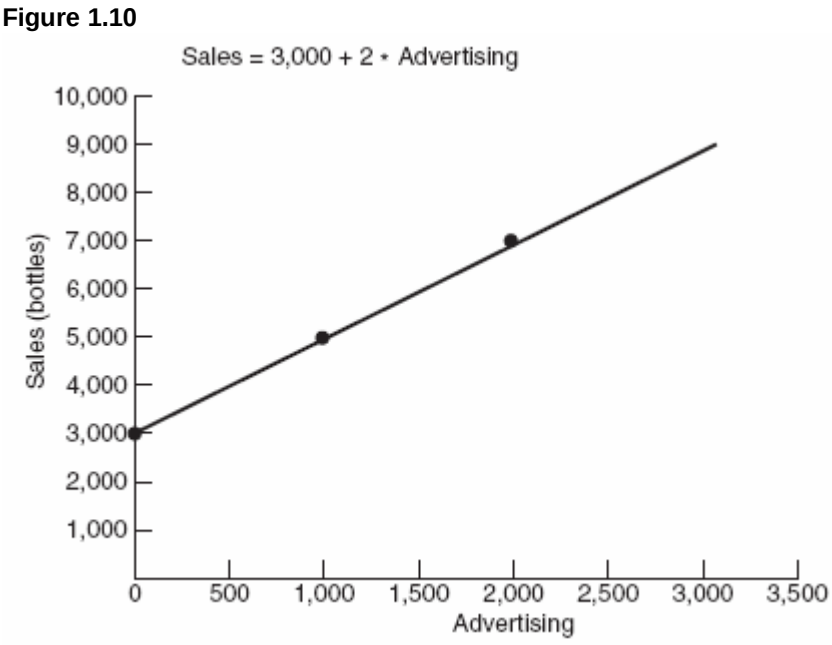
✓ True

False

Add Question Here

Question 319 **True/False** **0 points** Modify Remove

Question
Figure 1.10



Reference: Ref 1-5

(Figure 1.10) The figure shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. The vertical intercept for the equation graphed in the figure is 3,000 bottles.

Answer

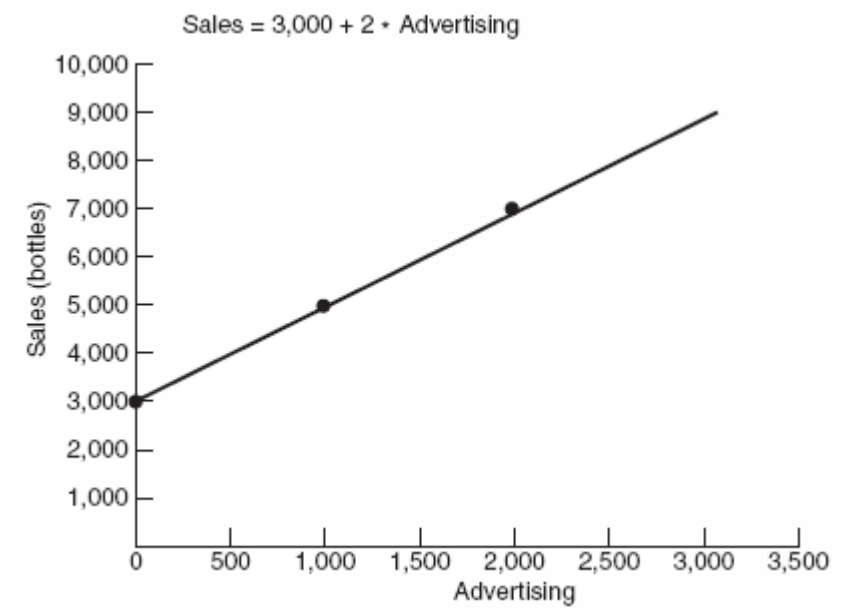
✓ True

False

Add Question Here

Question 320 **True/False** **0 points** Modify Remove

Question
Figure 1.10



Reference: Ref 1-5

(Figure 1.10) The figure shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. The slope for the equation graphed in the figure is 3,000.

Answer

True

✓ False

Add Question Here

Question 321 **True/False** **0 points** Modify Remove

Question

When two variables appear to be related according to a scatter plot, one must be causing the other to occur.

Answer

True

✓ False

Add Question Here

Question 322 **True/False** **0 points** Modify Remove

Question

Correlation and causation are terms that can be used interchangeably in economics.

Answer

True

✓ False

Add Question Here

Question 323 **True/False** **0 points** Modify Remove

Question

Correlation between two variables is not enough evidence to suggest that a causal relationship exists between the two variables.

Answer

✓ True

False

Add Question Here

Question 324 **True/False** **0 points** Modify Remove

Question

Time series graphs allow us to see trends in one variable over a set time frame.

Answer

✓ True

False

Add Question Here

Question 325 **True/False** **0 points** Modify Remove

Question

Scatter plots use one variable as time in addition to one other variable to determine possible relationships.

Answer

True

✓ False

Add Question Here

Question 326 **True/False** **0 points** Modify Remove

Question

The height of the bars in a bar chart may depict the number of data points in each category/class.

Answer

✓ True

False

Add Question Here

Question 327 **True/False** **0 points** Modify Remove

Question

Simple graphs never provide information about the relationship between variables.

Answer

True

✓ False

Add Question Here

Question 328 **True/False** **0 points** Modify Remove

Question
Titles, labels for axes, and a statement of how the data are measured help with the interpretation of graphs.

Answer

✓ True
False

Add Question Here

Question 329 **True/False** **0 points** Modify Remove

Question
Linear relationships show the same slope between any two points on a line.

Answer

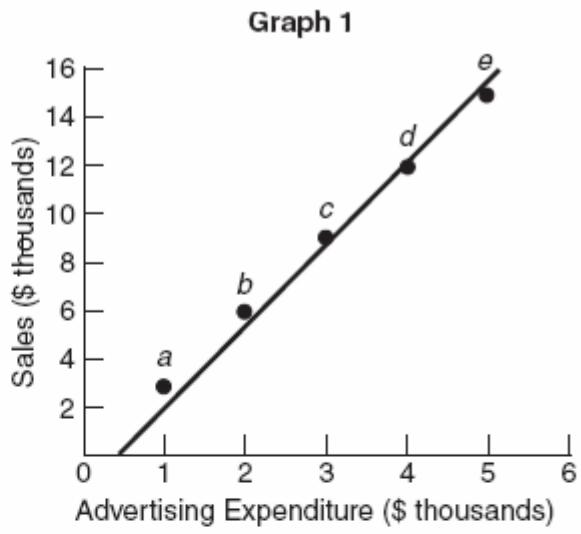
✓ True
False

Add Question Here

Question 330 **True/False** **0 points** Modify Remove

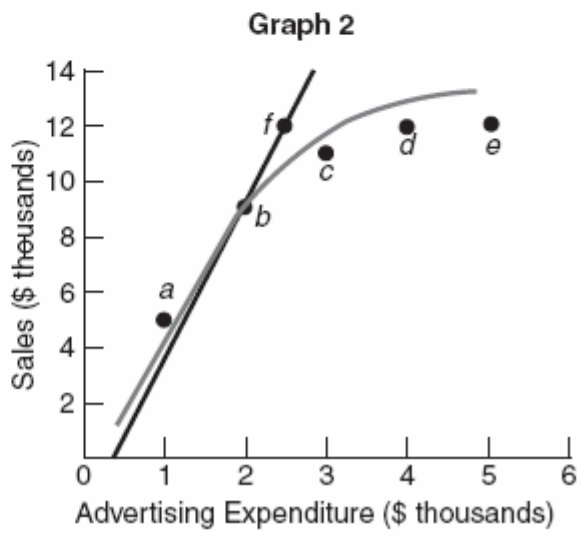
Question
Figure 1.11

Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	3
2	6
3	9
4	12
5	15



Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	5
2	9
2.5	12
3	11
4	12
5	12

$a = 467$



Reference: Ref 1-6

(Figure 1.11) The slope of the line in Graph 1 is 3.

Answer

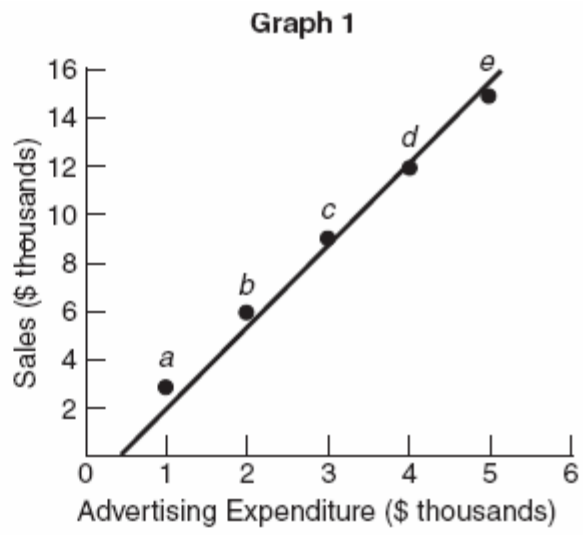
✓ True
False

Add Question Here

Question 331 **True/False** **0 points** Modify Remove

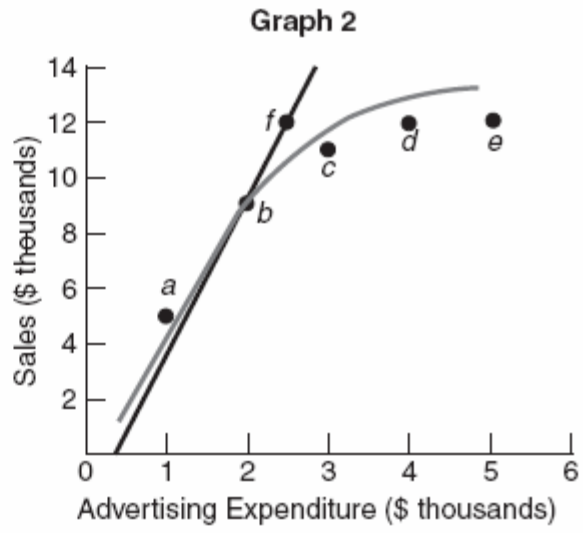
Question
Figure 1.11

Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	3
2	6
3	9
4	12
5	15



Advertising Expenditures ($ thousands)	Sales ($ thousands)
1	5
2	9
2.5	12
3	11
4	12
5	12

$a = 467$



Reference: Ref 1-6

(Figure 1.11) The slope of the curve depicted in Graph 2 is the same at any two points on the curve.

Answer

True

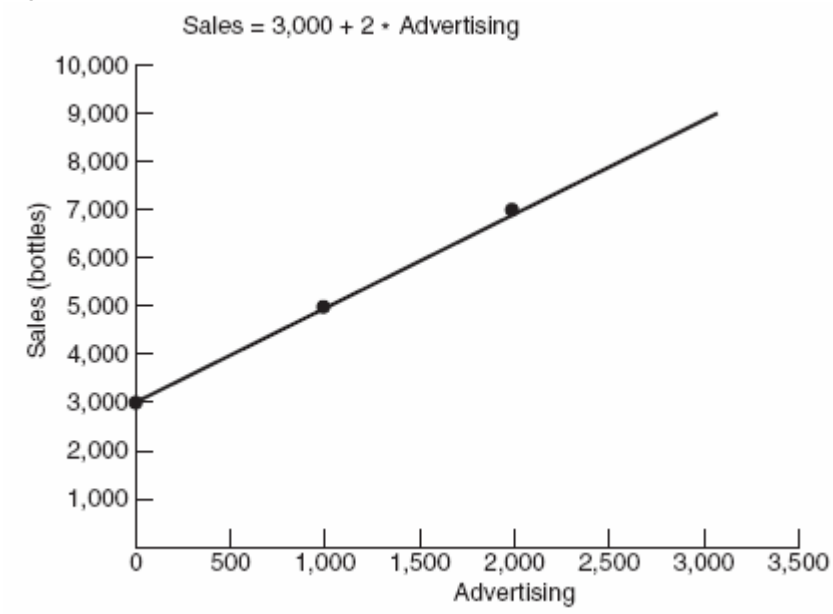
✓ False

Add Question Here

Question 332 **True/False** **0 points** Modify Remove

Question

Figure 1.12



Reference: Ref 1-7

(Figure 1.12) The figure shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. The vertical intercept for the equation graphed in the figure is 3,000 bottles.

Answer

✓ True

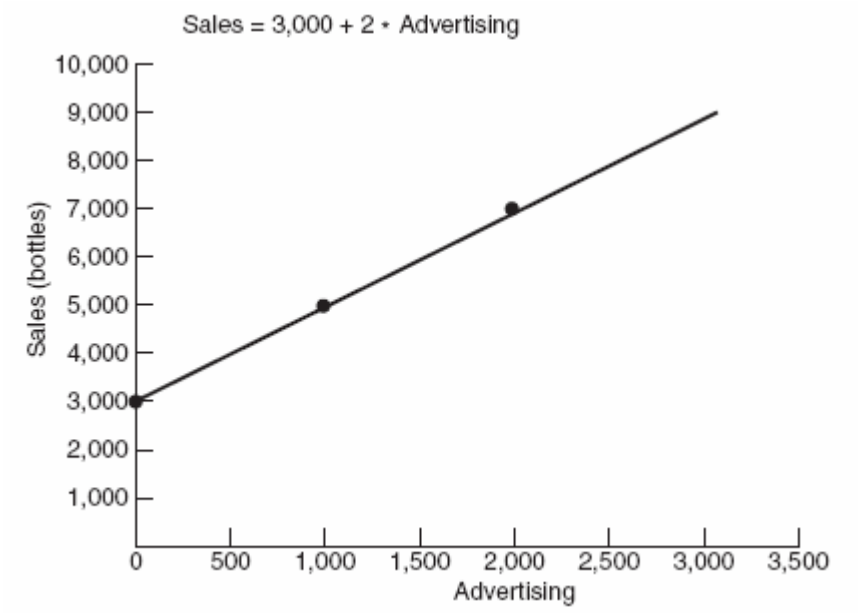
False

Add Question Here

Question 333 **True/False** **0 points** Modify Remove

Question

Figure 1.12



Reference: Ref 1-7

(Figure 1.12) The figure shows the advertising expenditures and the resulting sales (in bottles) of a new caffeinated beverage called Jump. The slope for the equation graphed in the figure is 3,000.

Answer

True

✓ False

Add Question Here

Question 334 **True/False** **0 points** Modify Remove

Question

When two variables appear to be related according to a scatter plot, one must be causing the other to occur.

Answer

True

✓ False

Add Question Here

Question 335 **True/False** **0 points** Modify Remove

Question

When two variables appear to be related according to a scatter plot, one must be causing the other to occur.

Answer

True

✓ False

Add Question Here

Question 336 **True/False** **0 points** Modify Remove

Question

Correlation between two variables is not enough evidence to suggest that a causal relationship exists between the two variables.

Answer

✓ True

False

Add Question Here

Question 337 **True/False** **0 points** Modify Remove

Question

Correlation and causation are terms that can be used interchangeably in economics.

Answer

True

✓ False

Add Question Here

Question 338 **True/False** **0 points** Modify Remove

Question

Economic analysis cannot be applied to concepts outside economics.

Answer

True

✓ False

Add Question Here

Question 339 **True/False** **0 points** Modify Remove

Question

The broad scope of economics analysis allows us to reflect on everyday choices in addition to more global issues.

Answer

✓ True

False

Add Question Here

Question 340 **True/False** **0 points** Modify Remove

Question

Economic analysis gives us a structure for making decisions in a rational manner.

Answer

✓ True

False

Add Question Here

Question 341 **True/False** **0 points** Modify Remove

Question
According to John Kay, highly productive countries are generally less corrupt.

Answer
✓ True
False

Add Question Here

Question 342 **True/False** **0 points** Modify Remove

Question
According to John Kay, highly productive countries have higher inflation.

Answer
True
✓ False

Add Question Here

Question 343 **True/False** **0 points** Modify Remove

Question
Economics deals only with financial issues.

Answer
True
✓ False

Add Question Here

Question 344 **True/False** **0 points** Modify Remove

Question
Macroeconomics deals with decisions made by individuals.

Answer
True
✓ False

Add Question Here

Question 345 **True/False** **0 points** Modify Remove

Question
Microeconomics provides tools to help answer the questions of individual firms as well as to address broader-range issues.

Answer
✓ True
False

Add Question Here

Question 346 **True/False** **0 points** Modify Remove

Question
A rich person does not experience scarcity.

Answer
True
✓ False

Add Question Here

Question 347 **True/False** **0 points** Modify Remove

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

Answer
✓ True
False

Add Question Here

Question 348 **True/False** **0 points** Modify Remove

Question
Consumers rely on information to make an informed decision.

Answer
✓ True
False

Add Question Here

Question 349 **True/False** **0 points** Modify Remove

Question
Macroeconomics focuses on decisions made for the entire economy.

Answer
✓ True
False

Add Question Here

Question 350 **True/False** **0 points** Modify Remove

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

Answer
✓ True
False

Add Question Here

Question 351 **True/False** **0 points** Modify Remove

Question
The price of milk is a microeconomic problem.

Answer
✓ True
False

Add Question Here

Question 352 **True/False** **0 points** Modify Remove

Question
An example of a microeconomics question would be the reasons for increases and decreases in the price of gasoline.

Answer
✓ True
False

Add Question Here

Question 353 **True/False** **0 points** Modify Remove

Question
Microeconomics looks at particular markets within an economy.

Answer
✓ True
False

Add Question Here

Question 354 **True/False** **0 points** Modify Remove

Question
Microeconomics focuses on decision making by individuals, businesses, industries, and government.

Answer
✓ True
False

Add Question Here

Question 355 **True/False** **0 points** Modify Remove

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

Answer
✓ True
False

Add Question Here

Question 356 **True/False** **0 points** Modify Remove

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

Answer
True
✓ False

Add Question Here

Question 357 **True/False** **0 points** Modify Remove

Question
Economists often break down an economic issue into simpler components and then build more complex models.

Answer
✓ True
False

Add Question Here

Question 358 **True/False** **0 points** Modify Remove

Question
Economic models must fully reflect reality.

Answer
True
✓ False

Add Question Here

Question 359 **True/False** **0 points** Modify Remove

Question
The *ceteris paribus* assumption is rarely used in economics because it is unrealistic.

Answer
True
✓ False

Add Question Here

Question 360 **True/False** **0 points** Modify Remove

Question
There are no situations that lie outside economic models.

Answer
True
✓ False

Add Question Here

Question 361 **True/False** **0 points** Modify Remove

Question
Complex models are always better than simple ones.

Answer
True
✓ False

Add Question Here

Question 362 **True/False** **0 points** Modify Remove

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

Answer

True

✓ False

Add Question Here

Question 363 **True/False** **0 points** Modify Remove

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

Answer

✓ True

False

Add Question Here

Question 364 **True/False** **0 points** Modify Remove

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

Answer

✓ True

False

Add Question Here

Question 365 **True/False** **0 points** Modify Remove

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

Answer

✓ True

False

Add Question Here

Question 366 **True/False** **0 points** Modify Remove

Question
A situation in which output is produced at the lowest possible cost is called allocative efficiency.

Answer

True

✓ False

Add Question Here

Question 367 **True/False** **0 points** Modify Remove

Question
There are no instances where efficient solutions to problems conflict with equity issues.

Answer

True

✓ False

Add Question Here

Question 368 **True/False** **0 points** Modify Remove

Question
Much of economic analysis is directed toward ensuring an efficient allocation of resources.

Answer

✓ True

False

Add Question Here

Question 369 **True/False** **0 points** Modify Remove

Question
It is possible to have a conflict between allocative efficiency and productive efficiency.

Answer

✓ True

False

Add Question Here

Question 370 **True/False** **0 points** Modify Remove

Question
The concept of equity relates to how quickly something can be produced.

Answer

True

✓ False

Add Question Here

Question 371 **True/False** **0 points** Modify Remove

Question
There is general agreement as to which economic policies are fair, or equitable.

Answer

True

✓ False

Add Question Here

Question 372 **True/False** **0 points** Modify Remove

Question
Each of us should obtain complete product information before any purchase.

Answer

True

✓ False

Add Question Here

Question 373 **True/False** **0 points** Modify Remove

Question
Scarcity occurs when an individual's resources exceed his wants.

Answer
True
✓ False

Add Question Here

Question 374 **True/False** **0 points** Modify Remove

Question
The government will not intervene if market failure exists.

Answer
True
✓ False

Add Question Here

Question 375 **True/False** **0 points** Modify Remove

Question
Individuals do not experience opportunity costs unless external costs occur.

Answer
True
✓ False

Add Question Here

Question 376 **True/False** **0 points** Modify Remove

Question
Thinking on the margin means that the individual thinks about the additional costs or benefits of doing something.

Answer
✓ True
False

Add Question Here

Question 377 **True/False** **0 points** Modify Remove

Question
Government regulation occurs in an effort to protect the producers against losing profits.

Answer
True
✓ False

Add Question Here

Question 378 **True/False** **0 points** Modify Remove

Question
Our wants are always greater than our resources.

Answer
✓ True
False

Add Question Here

Question 379 **True/False** **0 points** Modify Remove

Question
Scarcity is not a problem faced by Bill Gates.

Answer
True
✓ False

Add Question Here

Question 380 **True/False** **0 points** Modify Remove

Question
Economic decisions involve tradeoffs because of the reality of scarce resources.

Answer
✓ True
False

Add Question Here

Question 381 **True/False** **0 points** Modify Remove

Question
Another definition of opportunity costs is the next best alternative.

Answer
✓ True
False

Add Question Here

Question 382 **True/False** **0 points** Modify Remove

Question
The concept of scarcity implies that people must make choices among alternatives.

Answer
✓ True
False

Add Question Here

Question 383 **True/False** **0 points** Modify Remove

Question
Economists never assume that people respond to economic incentives.

Answer
True
✓ False

Add Question Here

Question 384 **True/False** **0 points** Modify Remove

Question
The opportunity cost of one good is the quantity of resources that could be used to purchase the next best choice.

Answer
True
✓ False

Add Question Here

Question 385 **True/False** **0 points** Modify Remove

Question
Marginal analysis exists when a person continues to make a decision until the value of the outcome is zero.

Answer
True
✓ False

Add Question Here

Question 386 **True/False** **0 points** Modify Remove

Question
The assumption that people will act in a way to maximize their self-interest is a reasonable one for most cases that economists analyze.

Answer
✓ True
False

Add Question Here

Question 387 **True/False** **0 points** Modify Remove

Question
Generally speaking, private markets are the most efficient institutions for providing goods and services.

Answer
✓ True
False

Add Question Here

Question 388 **True/False** **0 points** Modify Remove

Question
Governments do not intervene to correct market failures.

Answer
True
✓ False

Add Question Here

Question 389 **True/False** **0 points** Modify Remove

Question
Excessive pollution is an example of market failure.

Answer
✓ True
False

Add Question Here

Question 390 **True/False** **0 points** Modify Remove

Question
Most economists agree that there is no legitimate role for government to play in the economy.

Answer
True
✓ False

Add Question Here

Question 391 **True/False** **0 points** Modify Remove

Question
Increased international trade leads to better-quality products and lower prices for consumers.

Answer
✓ True
False

Add Question Here

Question 392 **True/False** **0 points** Modify Remove

Question
Economists point out that the quality of economic decisions depends on the quality of the information underlying those decisions.

Answer
✓ True
False

Add Question Here

Question 393 **True/False** **0 points** Modify Remove

Question
Open access to information is necessary in order for a market to work efficiently.

Answer
✓ True
False

Add Question Here

Question 394 **True/False** **0 points** Modify Remove

Question
Most economists believe that specialization and trade are bad for a country.

Answer
True
✓ False

Add Question Here

Question 395 **True/False** **0 points** Modify Remove

Question
Countries where workers are highly productive also tend to be countries with high wages.

Answer
✓ True
False

Add Question Here

Question 396 **True/False** **0 points** Modify Remove

Question
Classical economic theory states that the economy will adjust to fluctuations in the business cycle only after government intervention.

Answer
True
✓ False

Add Question Here

Question 397 **True/False** **0 points** Modify Remove

Question
A pie chart is useful for business presentations but not for macroeconomic analysis.

Answer
True
✓ False

Add Question Here

Question 398 **True/False** **0 points** Modify Remove

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

Answer
True
✓ False

Add Question Here

Question 399 **True/False** **0 points** Modify Remove

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

Answer
✓ True
False

Add Question Here

Question 400 **True/False** **0 points** Modify Remove

Question
Ceteris paribus is a Latin phrase meaning “in other words.”

Answer
True
✓ False

Add Question Here

Question 401 **True/False** **0 points** Modify Remove

Question
Changes in the money supply are correlated with changes in inflation. Therefore, changes in the money supply cause changes in inflation.

Answer
True
✓ False

Add Question Here

Question 402 **Essay** **0 points** Modify Remove

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

Answer *Economic analysis provides a structure for making decisions in a rational manner. Economic analysis is a way of analyzing decisions that are not “economic” in the general sense of the term. That is the benefit of learning economic analysis. It can be applied in many areas.*

Add Question Here

Question 403 **Essay** **0 points** Modify Remove

Question
How are concepts of microeconomics used in macroeconomics?

Answer *Microeconomics deals with decision making by individuals, business firms, industries, and governments. Macroeconomics, on the other hand, focuses on the broader issues we face as a nation. Macroeconomics uses microeconomic tools to answer some questions, but its main focus is on the broad, aggregate variables of the economy. While we break economics into microeconomics and macroeconomics, there is considerable overlap in the analysis. We use simple supply-and-demand analysis to understand both individual markets and the general economy as a whole. You will find yourself using concepts from microeconomics to understand fluctuations in the macroeconomy.*

Add Question Here

Question 404 **Essay** **0 points** Modify Remove

Question
Compare and contrast the focuses of microeconomics and macroeconomics.

Answer *Microeconomics deals with decision making by individuals, business firms, industries, and governments. Macroeconomics, on the other hand, focuses on the broader issues we face as a nation.*

Add Question Here

Question 405 **Essay** **0 points** Modify Remove

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

Answer *By stylized, we mean that economists boil down facts to their basic relevant elements and use assumptions to develop a stylized (simple) model to analyze the issue. Although there are always situations that lie outside the models, they are the exception. Economists generalize about economic behavior and reach generally applicable results. We can add more dimensions and make the model more complex, but often complexity does not provide any greater insight than the simple model.*

Add Question Here

Question 406 **Essay** **0 points** Modify Remove

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

Answer *Though model building can lead to surprising insights into how economic actors and economies behave, it is not the end of the story. Economic insights lead to economic theories, but the theories must then be tested. So it may be best to think of model building as a process of understanding economic actors and the general economy: models are created and then tested; if they fail to explain, new models are constructed. Some models have met the test of time. Others have had to be corrected or discarded. Progress, however, has been made.*

Add Question Here

Question 407 **Essay** **0 points** Modify Remove

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

Answer *To aid in model building, economists use the ceteris paribus assumption. "Holding all other things equal" means that we hold some important variables constant. For example, to determine how many fast-food meals you might be willing to purchase in any given week, we would hold your weekly income constant. We then would change the prices of fast-food meals to see the impact on the number purchased. Fast-food businesses, such as McDonald's, use this information to set what they hope is an optimum price.*

Add Question Here

Question 408 **Essay** **0 points** Modify Remove

Question
Why do economists focus on efficiency rather than equity?

Answer *Economists generally stay out of discussions about fairness, leaving the issue to philosophers and politicians. When it comes to public policy issues, economics will help you see the tradeoffs between equity and efficiency, but you will ultimately have to make up your own mind about the wisdom of the policy given these tradeoffs. Economists tend to focus on matters of efficiency and to avoid making sweeping judgments about equity, leaving each one of us to decide what is fair.*

Add Question Here

Question 409 **Essay** **0 points** Modify Remove

Question
Discuss the difference between efficiency and equity.

Answer *Efficiency deals with how well resources are utilized and allocated. No one likes waste. Much of economic analysis is directed toward ensuring that the most efficient outcomes result from public policy. The other side of the coin is equity or fairness. There are many divergent views about fairness until we get to extreme cases. There are instances where efficiency and equity collide. You may agree that a specific policy is efficient but think it is unfair to some group of people.*

Add Question Here

Question 410 **Essay** **0 points** Modify Remove

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

Answer *We have limited resources (scarcity), so we must make tradeoffs in nearly everything we do. In fact, economics is often defined as the study of the allocation of scarce resources to competing wants. We have to decide between alternatives. We have limited resources. Every activity involves opportunity costs. Sleeping, eating, studying, partying, running, hiking, and so on all require spending resources that could be used in another activity. The other activity represents the opportunity costs of the current activity chosen.*

Add Question Here

Question 411 **Essay** **0 points** Modify Remove

Question
Why are markets efficient?

Answer *Private markets and the incentives they provide are the best mechanisms known today for providing products and services. Markets bring buyers and sellers together. Competition for the consumer dollar forces firms to provide products at the lowest possible price; otherwise some other firm will undercut their high price. New products enter the market and old products die out.*

Add Question Here

Question 412 **Essay** **0 points** Modify Remove

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

Answer *Incentives cause people to change their behavior. By providing the proper incentives, businesses can help increase their sales. A 40%-off sale, like that used by Macy's on Wednesdays only, can bring more customers into the store and increase weekday sales. Not everyone leaps to use the incentives all the time, but they are helpful. Another possibility is early-bird previews of seasonal merchandise on Mondays only.*

Add Question Here

Question 413 **Essay** **0 points** Modify Remove

Question
Distinguish between macroeconomics and microeconomics.

Answer *Macroeconomics focuses on the behavior of the economy as a whole while microeconomics is concerned with the decisions of individuals, such as households and firms. Macroeconomics is concerned with aggregates such as the total output of the economy or unemployment while microeconomics deals with the decisions of one firm or industry.*

Add Question Here

Question 414 **Essay** **0 points** Modify Remove

Question
Evaluate the following statement: “To be useful, a model must be completely realistic.”

Answer *This statement is not true. To be useful, a model must be fairly realistic but it does not have to account for every detail of the real world. The model needs to capture the essential relationships that enable us to analyze the problem with which we are concerned. A model is useful so long as it sheds light on the problem at hand.*

Add Question Here

Question 415 **Essay** **0 points** Modify Remove

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

Answer *In economics, we assume that people act as if motivated by self-interest and that people respond predictably to opportunities for gain. That is, people look out for their own self-interest and do so in a rational manner. A central assumption about human motivation is that people respond to incentives.*

Add Question Here

Question 416 **Essay** **0 points** Modify Remove

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

Answer *There are many different examples of the types of situations a microeconomist would analyze. The answer should center on a particular market outcome or structure—pricing, employment in a particular trade, monopolization, changing demands, and resource usage are all typical microeconomic topics. Macroeconomics looks at overall outcomes of an economy. Most of the outcomes are captured in several categories of indicators: employment, price stability, production, international trade. Students can cite the business cycle, unemployment rate, inflation, or the balance of trade.*

Add Question Here

Question 417 **Essay** **0 points** Modify Remove

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

Answer *Microeconomics looks at the individual components of the economy—consumers, businesses, government, and imports/exports. Macroeconomics looks at the economy as a whole. For example, microeconomics would be concerned with the demand for particular products, such as SUVs, while macroeconomics examines the overall demand for goods and services.*

Add Question Here

Question 418 **Essay** **0 points** Modify Remove

Question
Explain: “Economic theories must be tested.”

Answer Economists build models to explain economic relationships. To be useful, the model must bring insight into an economic situation. Therefore, as in any scientific endeavor, economists test models against real-world data. If the model does a poor job of explaining real-world observations, then new models must be developed.

Add Question Here

Question 419 **Essay** **0 points** Modify Remove

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

Answer *By using stylized facts, economists distill economic phenomena to their most basic relationships. The main advantage of the process is that it simplifies reality so that it is easier to grasp and analyze. The disadvantage is that an economic model cannot account for all details.*

Add Question Here

Question 420 **Essay** **0 points** Modify Remove

Question
Evaluate: “There is more than one concept of economic efficiency.”

Answer *Efficiency has to do with how things are allocated and utilized. When a firm tries to produce a product efficiently, it uses the mix of inputs (labor, raw materials, etc.) that has the lowest cost. However, there is also allocative efficiency, which deals with what is produced and who gets it. A society that produces large quantities of vinyl records, even at minimal cost, is not allocatively efficient because consumer demand favors other technologies, such as CDs. A product of little social value is produced and society would be better off if more CDs and fewer vinyl records were made.*

Add Question Here

Question 421 **Essay** **0 points** Modify Remove

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

Answer *Output is greater when people produce goods for which the opportunity cost of producing is lower than in other locations. They trade for those goods for which they do not have a comparative advantage. International trade based on production taking place in areas of lowest opportunity cost increases total output of the two countries and can result in higher standards of living for citizens of both countries.*

Add Question Here

Question 422 **Essay** **0 points** Modify Remove

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

Answer *All economic resources, including plywood, are limited. The decision to send and supply an army in the Middle East meant that resources had to be diverted to military use. The tradeoffs involved more than building material, as many workers were sent to Iraq, whether as National Guard or as contractors.*

Add Question Here

Question 423 **Essay** **0 points** Modify Remove

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

Answer *Each student will have a different response. The opportunity cost is the value of what is given up in order to come to class and study. Some students may be giving up sleeping late, the chance to go on a trip because they use their money to pay tuition, or a job.*

Add Question Here

Question 424 **Essay** **0 points** Modify Remove

Question
What is the difference between scarcity and a shortage?

Answer *Scarcity exists because the wants of humans are unlimited and they are satisfied by the use of limited resources. A shortage exists when people have to wait in lines (usually temporarily). Scarcity affects poor and rich both; it affects everyone. A shortage occurs when the quantity demanded is greater than the quantity supplied.*

Add Question Here

Question 425 **Essay** **0 points** Modify Remove

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

Answer *There are many examples of marginal analysis students can provide. Should the student stay up an extra hour to study or go to sleep? Should the student take on an extra course at registration? Should the student work an extra hour at a part-time job?*

Add Question Here

Question 426 **Essay** **0 points** Modify Remove

Question
Explain the meaning of the phrase “People respond to incentives.”

Answer *People are rational, that is, they make decisions based on cost-benefit analyses. If the price of something rises, people buy less of them. For example, higher taxes on certain items discourage buyers from purchasing them. Retailers discount items they wish to sell more of. Rising gasoline prices discourage people from buying cars that are not fuel efficient.*

Add Question Here

Question 427 **Essay** **0 points** Modify Remove

Question
Briefly explain why private markets are generally efficient at providing goods and services.

Answer *Free markets work on the basis of prices and incentives. If there is competition among producers, then each will try to lower costs and prices to attract buyers. The result is that consumers have a better product at a lower cost. In short, firms that do not produce efficiently will not be profitable and will leave the market. There is no need for government to step in and tell buyers and sellers what to do.*

Add Question Here

OK