

1. The problem of scarcity
- a. arises only in poor countries.
 - b. exists because the price of goods is too high.
 - c. exists because of limited resources.
 - d. will eventually be solved by better planning.

ANSWER: c

POINTS: 1

2. If society is producing a combination of goods on its production possibilities frontier
- a. it must be employing all available resources.
 - b. it must be growing.
 - c. it is using all the available natural resources but may not be using all available labor resources.
 - d. Both a and b.

ANSWER: a

POINTS: 1

3. The slope of the production possibility frontier shows
- a. how inputs must be changed to keep them fully employed.
 - b. the technically efficient combinations of the two goods.
 - c. how demanders are willing to trade one good for another.
 - d. the opportunity cost of one good in terms of the other.

ANSWER: d

POINTS: 1

4. If the prevailing price of shirts is \$10 and at this price demanders demand 100 shirts while suppliers are willing to supply 110 shirts, there is a(n)
- a. shortage at the \$10 price.
 - b. surplus at the \$10 price.
 - c. equilibrium in this market.
 - d. shortage if price were to rise above \$10.

ANSWER: b

POINTS: 1

5. Positive economic analysis
- a. involves the study of firms with positive profits.
 - b. involves how resources are actually used in an economy.
 - c. involves judgments on how resources should be used in an economy.
 - d. is usually thought to be a waste of time.

ANSWER: b

POINTS: 1

6. Normative economic analysis
- a. involves the study of what comprises a normal firm.
 - b. involves how resources are actually used in an economy.
 - c. involves judgments on how resources should be used in an economy.
 - d. is usually thought to be a waste of time.

ANSWER: c

POINTS: 1

7. A major problem that may occur with models that predict the values of economic variables in the future is that
- researchers are pessimistic about the future.
 - the model may fail to acknowledge that economic actors will change their behavior in response to changing situations.
 - the model may make predictions that conflict with widely held opinions.
 - no one cares about these predictions.

ANSWER: b

POINTS: 1

8. In the equation $Y = 13X + 38$, where Y is a function of X
- Y is the independent variable.
 - 38 is a variable.
 - the slope of the line is 38.
 - None of the above.

ANSWER: d

POINTS: 1

9. The Y-intercept of $Y = 3X + 8$ is
- $3/8$.
 - 3.
 - 8.
 - $-8/3$.

ANSWER: c

POINTS: 1

10. The X-intercept of $Y = 4X + 12$ is
- 3.
 - 3.
 - $-1/3$
 - 12.

ANSWER: a

POINTS: 1

11. If the Y-intercept of a linear function increases while the slope remains unchanged
- the graph must shift down in a parallel way.
 - the graph must rotate to the left about the X intercept.
 - the graph must shift up in a parallel.
 - the graph remains unchanged.

ANSWER: c

POINTS: 1

12. If the slope of a linear function changes with no change in the Y-intercept
- the graph shifts either up or down in a parallel way.

- b. the graph remains unchanged.
- c. the graph rotates about its X-intercept.
- d. the graph rotates about its Y-intercept.

ANSWER: d

POINTS: 1

13. The slope of a nonlinear function at some particular point
- a. is the slope of the straight line that is tangent to the function at that point.
 - b. is the slope of the straight line connecting the origin and the point.
 - c. cannot be determined.
 - d. is constant for the entire function.

ANSWER: a

POINTS: 1

14. Given $Y = f(X, Z)$ which of the following are necessarily true?
- a. Y is a linear function.
 - b. X, Z are dependent variables.
 - c. A contour line of this function would keep Y constant.
 - d. An increase in X would increase Y.

ANSWER: c

POINTS: 1

15. For the function $Y = X \cdot Z$, the equation $X \cdot Z = 10$ represents
- a. the X-intercept.
 - b. the Y-intercept.
 - c. a contour line.
 - d. a tangent line.

ANSWER: c

POINTS: 1

16. For the equation $Y = X^2 + Z^2$, which of the following points lie on the $Y = 25$ contour line?
- a. $X = 2, Z = 4$.
 - b. $X = 3, Z = 5$.
 - c. $X = 4, Z = 3$.
 - d. Both a and c.

ANSWER: c

POINTS: 1

17. For the equation $Y = \sqrt{X \cdot Z}$ the point $X = 20, Z = 5$
- a. yields a value of $Y = 10$.
 - b. lies below the contour line that includes the point $X = 15, Z = 7$.
 - c. lies on the same contour line as the point $X = 12, Z = 6$.
 - d. Both a and b.

ANSWER: d

POINTS: 1

18. If $Y = X^2 + Z^2$, the contour lines

- a. are concentric circles.
- b. are parabolas.
- c. are hyperbolas.
- d. intersect whenever either X or Z is zero.

ANSWER: a

POINTS: 1

19. The solution to the simultaneous equations $5X - Y = 10$ and $10X + Y = 35$ is

- a. $X = 15$, $Y = 0$.
- b. $X = 3$, $Y = 5$.
- c. $X = 5$, $Y = 3$.
- d. None of the above.

ANSWER: b

POINTS: 1

20. Graphically, the solution to a system of two independent linear equations is usually

- a. the average of the slopes.
- b. the average of the intercepts.
- c. a single point.
- d. None of the above.

ANSWER: c

POINTS: 1

21. Let $Q_D = -5P + 54$ and $Q_S = P - 6$. Here equilibrium price and quantity are

- a. $Q = 4$, $P = 10$
- b. $Q = 6$, $P = 10$
- c. $P = 6$, $Q = 0$
- d. $Q = \frac{54}{5}$, $P = 2$

ANSWER: a

POINTS: 1

22. If the production possibilities frontier can be expressed as $4X^2 + Y^2 = 16$ then the point $X = 1$, $Y = 4$ is

- a. outside the production possibilities frontier
- b. on the production possibilities frontier
- c. inside the production possibilities frontier
- d. in the wrong quadrant to be on the graph

ANSWER: a

POINTS: 1

23. If the production possibilities frontier can be expressed as $4X^2 + Y^2 = 16$ then the point $X = \sqrt{3}$; $Y = 2$ is
- outside the production possibilities frontier
 - on the production possibilities frontier
 - inside the production possibilities frontier
 - in the wrong quadrant to be on the graph

ANSWER: b

POINTS: 1

24. Suppose a production possibilities frontier can be expressed as $9X^2 + Y^2 = 81$ what is the opportunity cost of going from 1 unit of X to 2 units of X (in terms of units of Y)?

- 45
- $\sqrt{45}$
- $\sqrt{72} - \sqrt{45}$
- 1

ANSWER: c

POINTS: 1

25. Suppose a production possibilities frontier can be expressed as $9X^2 + Y^2 = 81$ what is the opportunity cost of going from 2 units of X to 3 units of X (in terms of units of Y)?

- $\sqrt{72}$
- $\sqrt{45}$
- 1
- 0

ANSWER: b

POINTS: 1

26. An increase in the technology used in the production of only one of the two goods in a society will
- eliminate scarcity
 - move the production possibilities frontier out in all directions
 - move the production possibilities frontier in all directions
 - leave one intercept of the production possibilities frontier fixed and swing out from the other

ANSWER: d

POINTS: 1

27. Suppose $Q_D = -5P + 44$ and $Q_S = P - 4$. The equilibrium price is

- 7
- 8
- 9
- 10

ANSWER: b

POINTS: 1

28. Suppose $Q_D = -5P + 44$ and $Q_S = P - 4$. The equilibrium quantity is

- a. 2
- b. 3
- c. 4
- d. 5

ANSWER: c

POINTS: 1

29. Suppose $T = .02I^\alpha$. If taxes are progressive which of the following is true?

- a. $\alpha > 1$
- b. $0 < \alpha < 1$
- c. $\alpha = 1$
- d. $\alpha = 0$

ANSWER: a

POINTS: 1

30. Suppose $T = .02I^\alpha$. If taxes are regressive which of the following is true?

- a. $\alpha > 1$
- b. $0 < \alpha < 1$
- c. $\alpha = 1$
- d. $\alpha = 0$

ANSWER: b

POINTS: 1

31. Suppose $T = .02I^\alpha$. If taxes are proportional which of the following is true?

- a. $\alpha > 1$
- b. $0 < \alpha < 1$
- c. $\alpha = 1$
- d. $\alpha = 0$

ANSWER: c

POINTS: 1

32. Suppose you can write generic supply and demand curves such that $Q_S = A + BP$ and $Q_D = D + CP$. Equilibrium price is given by

- a. $(A - D)/(C - B)$
- b. $A - D$
- c. $(A - D)/(B - C)$
- d. A

ANSWER: a

POINTS: 1

33. Suppose you can write generic supply and demand curves such that $Q_S = A + BP$ and $Q_D = D + CP$. Equilibrium quantity is then given by

- a. $AC - BD$

- b. $\frac{AC - BD}{C - B}$
- c. $C - B$
- d. B

ANSWER: b

POINTS: 1

34. Suppose you can write generic supply and demand curves such that $Q_S = A + BP$ and $Q_D = D + CP$. If price must reach a certain level before firms supply anything,, A must be

- a. positive
- b. negative
- c. 0

ANSWER: b

POINTS: 1

35. Suppose you can write generic supply and demand curves such that $Q_S = A + BP$ and $Q_D = D + CP$. If firms produce more when price rises, B must be

- a. positive
- b. negative
- c. 0

ANSWER: a

POINTS: 1

36. Suppose you can write generic supply and demand curves such that $Q_S = A + BP$ and $Q_D = D + CP$. If consumers demand less as price rises, C must be

- a. positive
- b. negative
- c. 0

ANSWER: b

POINTS: 1

37. Suppose you can write generic supply and demand curves such that $Q_S = A + BP$ and $Q_D = D + CP$. In the usual supply-demand configuration, D must be

- a. positive
- b. negative
- c. 0

ANSWER: a

POINTS: 1

38. The Ricardian notion that of diminishing returns implies that

- a. as more input is used more output will be made.
- b. as more input is used less output will be made.
- c. as more input is used the increase in output will increase.
- d. as more input is used the increase in output will decrease.

ANSWER: d

POINTS: 1

39. Economists typically use ____ analysis, whereas clergy members typically use ____ analysis.
- a. positive; positive
 - b. normative; normative
 - c. positive; normative
 - d. normative; positive

ANSWER: c

POINTS: 1