|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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

|  |  |  |
| --- | --- | --- |
|   | a.  | researchers are pessimistic about the future. |
|   | b.  | the model may fail to acknowledge that economic actors will change their behavior in response to changing situations. |
|   | c.  | the model may make predictions that conflict with widely held opinions. |
|   | d.  | no one cares about these predictions. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. In the equation where *Y* is a function of *X*

|  |  |  |
| --- | --- | --- |
|   | a.  | *Y* is the independent variable. |
|   | b.  | 38 is a variable. |
|   | c.  | the slope of the line is 38. |
|   | d.  | None of the above. |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. The Y-intercept of is

|  |  |  |
| --- | --- | --- |
|   | a.  | 3/8. |
|   | b.  | 3. |
|   | c.  | 8. |
|   | d.  | –8/3. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. The X-intercept of is

|  |  |  |
| --- | --- | --- |
|   | a.  | −3. |
|   | b.  | 3. |
|   | c.  | −1/3 |
|   | d.  | 12. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. If the Y-intercept of a linear function increases while the slope remains unchanged

|  |  |  |
| --- | --- | --- |
|   | a.  | the graph must shift down in a parallel way. |
|   | b.  | the graph must rotate to the left about the X intercept. |
|   | c.  | the graph must shift up in a parallel. |
|   | d.  | the graph remains unchanged. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. If the slope of a linear function changes with no change in the Y-intercept

|  |  |  |
| --- | --- | --- |
|   | a.  | 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  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 , the equation  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 , which of the following points lie on the  contour line?

|  |  |  |
| --- | --- | --- |
|   | a.  | , . |
|   | b.  | . . |
|   | c.  | , . |
|   | d.  | Both a and c. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. For the equation  the point , ​

|  |  |  |
| --- | --- | --- |
|   | a.  | yields a value of . |
|   | b.  | lies below the contour line that includes the point , . |
|   | c.  | lies on the same contour line as the point , . |
|   | d.  | Both a and b. |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. If , 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  and  is

|  |  |  |
| --- | --- | --- |
|   | a.  | , . |
|   | b.  | , . |
|   | c.  | , . |
|   | 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  and . Here equilibrium price and quantity are

|  |  |  |
| --- | --- | --- |
|   | a.  | ;  |
|   | b.  | ​;  |
|   | c.  | ​;  |
|   | d.  | ​ ;  |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. If the production possibilities frontier can be expressed as   then the point ;  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  then the point ;  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:* | b |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. Suppose a production possibilities frontier can be expressed as  what is the opportunity cost of going from 1 unit of X to 2 units of X (in terms of units of Y)?

|  |  |  |
| --- | --- | --- |
|   | a.  | 45 |
|   | b.  |  |
|   | c.  |  |
|   | d.  | 1 |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Suppose a production possibilities frontier can be expressed as  what is the opportunity cost of going from 2 units of X to 3 units of X (in terms of units of Y)?

|  |  |  |
| --- | --- | --- |
|   | a.  |  |
|   | b.  |  |
|   | c.  | 1 |
|   | d.  | 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

|  |  |  |
| --- | --- | --- |
|   | a.  | eliminate scarcity |
|   | b.  | move the production possibilities frontier out in all directions |
|   | c.  | move the production possibilities frontier in all directions |
|   | d.  | leave one intercept of the production possibilities frontier fixed and swing out from the other |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. Suppose  and . The equilibrium price is

|  |  |  |
| --- | --- | --- |
|   | a.  | 7 |
|   | b.  | 8 |
|   | c.  | 9 |
|   | d.  | 10 |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. Suppose  and . The equilibrium quantity is

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

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. Suppose . If taxes are progressive which of the following is true?

|  |  |  |
| --- | --- | --- |
|   | a.  |  |
|   | b.  |  |
|   | c.  |  |
|   | d.  |  |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. Suppose . If taxes are regressive which of the following is true?

|  |  |  |
| --- | --- | --- |
|   | a.  |  |
|   | b.  |  |
|   | c.  |  |
|   | d.  |  |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. Suppose . If taxes are proportional which of the following is true?

|  |  |  |
| --- | --- | --- |
|   | a.  |  |
|   | b.  |  |
|   | c.  |  |
|   | d.  |  |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. Suppose you can write generic supply and demand curves such that and . Equilibrium price is given by

|  |  |  |
| --- | --- | --- |
|   | a.  |  |
|   | b.  |  |
|   | c.  |  |
|   | d.  |  |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. Suppose you can write generic supply and demand curves such that and . Equilibrium quantity is then given by

|  |  |  |
| --- | --- | --- |
|   | a.  |  |
|   | b.  |  |
|   | c.  |  |
|   | d.  |  |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *POINTS:* | 1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. Suppose you can write generic supply and demand curves such that and . 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 and . 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 and . 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 and . 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 |

 |