

Name: _____

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1. Which of the following influences does *not* shift the supply curve?
 - A) a rise in the wages paid to workers
 - B) development of new technology
 - C) a decrease in the price firms expect to receive in the future
 - D) people deciding that they want to buy more of the product

2. Opportunity cost is:
 - A) the benefit derived from a product.
 - B) the value of the best alternative forgone in making any choice.
 - C) the dollar payment for a product.
 - D) about half of the monetary cost of a product.

3. Gas prices recently increased by 25%. In response, purchases of gasoline decreased by 5%. Based on this data, the price elasticity of demand for gas is:
 - A) 0.5.
 - B) 0.2.
 - C) 5.
 - D) 2.

Use the following to answer question 4:

Scenario: Real GDP

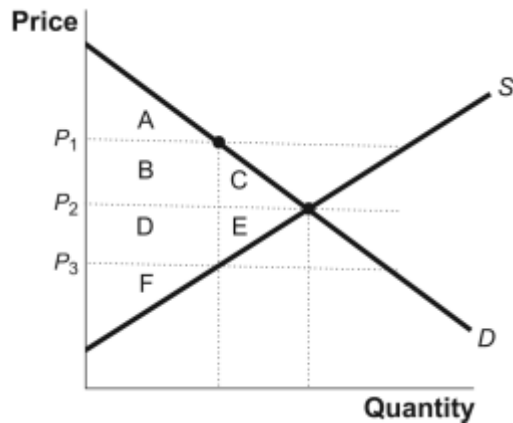
Suppose that in Year 1 an economy produces 100 golf balls that sell for \$3 each and 75 pizzas that sell for \$8 each. The next year the economy produces 110 golf balls that sell for \$3.25 each and 80 pizzas that sell for \$9 each.

4. (Scenario: Real GDP) Using Year 1 as the base year, real GDP in Year 2 is:
 - A) \$970.
 - B) \$1,077.50.
 - C) \$900.
 - D) \$1,000.

5. Which of the following best describes price elasticity of demand?
- A) Price elasticity of demand measures the responsiveness of the change in slope of the demand curve to a change in price.
 - B) Price elasticity of demand measures the change in slope of the demand curve versus a change in quantity demanded.
 - C) Price elasticity of demand measures the change in price versus a change in quantity demanded.
 - D) Price elasticity of demand measures the responsiveness of the change in the quantity demanded to a change in price.

Use the following to answer question 6:

Figure: Producer Surplus IV

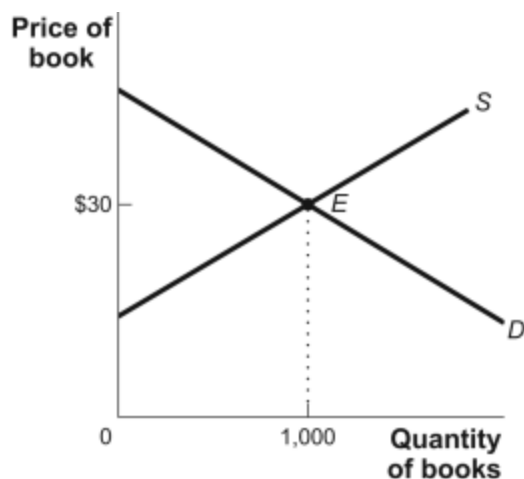


6. (Figure: Producer Surplus IV) Which of the following area(s) represent producer surplus when the price is equal to P_2 ?
- A) D, E, and F
 - B) B and C
 - C) D and E
 - D) A, B, and C
7. When inflation rises quickly:
- A) both borrowers and lenders will benefit.
 - B) borrowers will be hurt and lenders will benefit.
 - C) lenders will be hurt and borrowers will benefit.
 - D) both borrowers and lenders will be hurt.

8. A perfectly competitive firm is a:
- A) quantity-taker.
 - B) price-taker.
 - C) price-searcher.
 - D) cost-maximizer.
9. Price-takers are individuals in a market who:
- A) select the average of prices available in a competitive market.
 - B) select a price from a wide range of alternatives.
 - C) have no ability to affect the price of a good in a market.
 - D) select the lowest price available in a competitive market.
10. During a recession:
- A) unemployment decreases and the growth rate of real GDP increases.
 - B) There is no relationship between unemployment and the growth rate of real GDP.
 - C) unemployment and the growth rate of real GDP both decrease.
 - D) unemployment increases and the growth rate of real GDP decreases.

Use the following to answer question 11:

Figure: Consumer and Producer Surplus



11. (Figure: Consumer and Producer Surplus) In the accompanying figure, an increase in supply will:
- A) increase total surplus.
 - B) increase consumer surplus and total surplus.
 - C) always decrease producer surplus.
 - D) increase consumer surplus.

12. If during 2009, the country of Sildavia recorded a GDP of \$65 billion, interest payments of \$15 billion, imports of \$13 billion, profits of \$7 billion, exports of \$15 billion, and rent of \$7 billion, wages during 2009 in Sildavia were:
- A) \$64 billion.
 - B) \$36 billion.
 - C) \$38 billion.
 - D) \$51 billion.

Use the following to answer question 13:

Table: Total Cost and Output

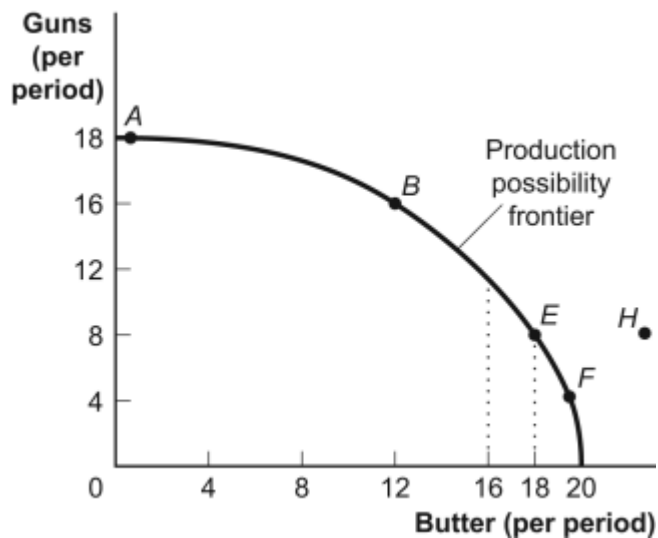
Output	Total Cost
0	\$ 10
1	60
2	80
3	110
4	170
5	245

13. (Table: Total Cost and Output) The table describes Bart's perfectly competitive ice cream-producing firm. If the market price is \$30.00, how many units of output will the firm produce?
- A) four
 - B) one
 - C) two
 - D) three
14. Which one of the following is correct?
- A) $\text{Unemployment Rate} = \frac{\text{Unemployed}}{\text{Population}} \times 100$
 - B) $\text{Unemployment Rate} = \frac{\text{Unemployed}}{\text{Labor Force}} \times 100$
 - C) $\text{Unemployment Rate} = \frac{\text{Unemployed}}{\text{Employed}} \times 100$
 - D) $\text{Unemployment Rate} = \frac{\text{Employed}}{\text{Labor Force}} \times 100$

15. In the past 30 years, both China and India have experienced substantial economic growth:
- A) which came about because of their relatively low levels of saving.
 - B) which was fueled by both countries' increases in consumption.
 - C) and as a result, they are almost as rich as the U.S. today.
 - D) but they continue to be poorer than the U.S. was in 1907.
16. The “invisible hand” concept refers to:
- A) how individuals who pursue their self-interest can end up bettering society.
 - B) bits and pieces of the economy.
 - C) how individuals make decisions.
 - D) the question of how a business unit should operate profitably.

Use the following to answer question 17:

Figure: Guns and Butter

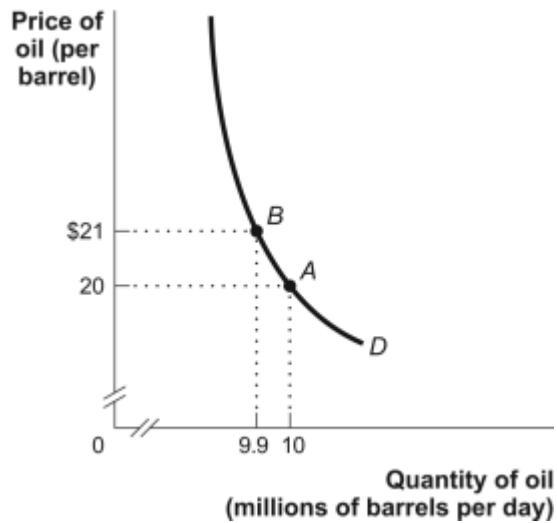


17. (Figure: Guns and Butter) In this figure, points *A*, *B*, *E*, and *F*:
- A) indicate that society wants butter more than it wants guns.
 - B) indicate combinations of guns and butter that society can produce using all of its factors efficiently.
 - C) indicate constant costs for guns and increasing costs for butter.
 - D) show that the opportunity cost of more guns increases, but that of more butter decreases.

18. For most goods, purchases tend to rise with increases in buyers' incomes and to fall with decreases in buyers' incomes. Such goods are known as:
- A) normal goods.
 - B) inferior goods.
 - C) indirect goods.
 - D) direct goods.
19. If the price of chocolate-covered peanuts decreases from \$1.10 to \$0.90 and the quantity demanded does not change, this indicates that, if other things are unchanged, the price elasticity of demand using the midpoint method is:
- A) 0.5.
 - B) 1.
 - C) 2.
 - D) 0.

Use the following to answer question 20:

Figure: Demand Curve for Oil



20. (Figure: Demand Curve for Oil) What is the approximate price elasticity of demand between \$20 and \$21, using the midpoint method?
- A) 0.49
 - B) 2.1
 - C) 4.9
 - D) 0.21

21. If real GDP doubles in 35 years, its average annual growth rate is approximately

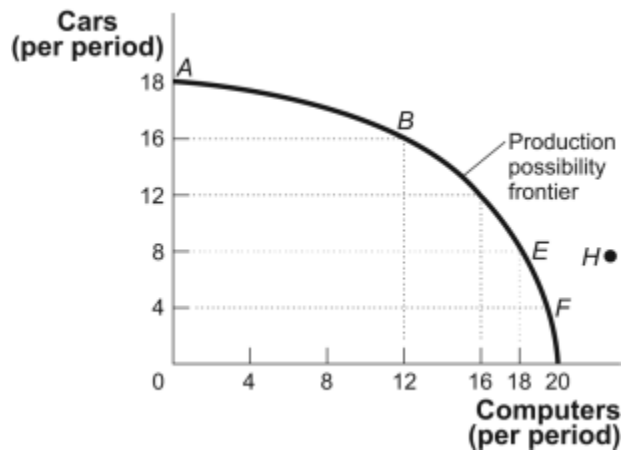
- A) 3%
- B) 4%
- C) 2%
- D) 1%

22. The term “human capital” describes:

- A) improvement of the worker made possible by education, training and knowledge.
- B) improvement in robotics technology that can substitute a human worker.
- C) improvement in the technology available to the work force.
- D) improvement made possible by better machines and equipments available.

Use the following to answer question 23:

Figure: Production Possibility Frontier



23. (Figure: Production Possibility Frontier) Points A, B, E, and F:

- A) indicate that society wants computers more than cars.
- B) indicate combinations of cars and computers that society can produce using all of its resources efficiently.
- C) indicate constant costs for cars and increasing costs for computers.
- D) show that the opportunity cost of more cars increases, but that of more computers decreases.

24. A newspaper story recently reported that the price of new cars (a normal good) has decreased, and the quantity of new cars sold has dropped. The price and quantity changes were probably caused by:
- A) a decrease in production costs.
 - B) a decrease in buyers' incomes.
 - C) an increase in buyers' incomes.
 - D) an increase in production costs.
25. After swimming 100 laps at the pool, Erik decides to swim 10 more before lifting weights. This statement best represents the economic concept of:
- A) "how much?" is a decision at the margin.
 - B) there are gains from trade.
 - C) the real cost of something is what you must give up to get it.
 - D) resources are scarce.
26. Which of the following cost concepts is correctly defined?
- A) $ATC = AVC + AFC$
 - B) $TC = AVC + AFC$
 - C) $ATC = VC + FC$
 - D) $MC = \frac{\Delta TC}{\Delta L}$

Use the following to answer question 27:

Table: Labor and Output

Quantity of Labor	Total Output
0	0
1	12
2	22
3	30
4	36
5	40
6	43
7	44

27. (Table: Labor and Output) Referring to the table, the marginal product of the fifth worker is:
- A) 4.
 - B) 40.
 - C) 8.
 - D) 3.
28. Yovanka has diabetes and she will pay any amount of money to buy the insulin she needs to stay alive. Yovanka's price elasticity of demand for insulin is:
- A) perfectly elastic.
 - B) perfectly inelastic.
 - C) inelastic.
 - D) elastic.
29. Suppose there are 70 million people in the labor force, out of which 60 million are employed, then the unemployment rate is:
- A) 10%.
 - B) impossible to calculate.
 - C) 7%.
 - D) 14.28%.

Use the following to answer question 30:

Scenario: Linear Production Possibility Frontier

Largetown has a linear production possibility frontier and produces socks and shirts. The table below shows the number of units of labor necessary to produce one sock or one shirt.

Number of hours of labor to produce one shirt	Number of hours of labor to produce one sock
4	2

30. (Scenario: Linear Production Possibility Frontier) If Largetown decides to devote half of its 80 hours of labor time toward the production of socks and half of its time to the production of shirts, what is the maximum number of socks and shirts it can produce?
- A) 30 socks and zero shirts
 - B) 10 shirts and 20 socks
 - C) 20 shirts and 10 socks
 - D) 30 socks and 30 shirts

Use the following to answer question 31:

Table: Cost Data

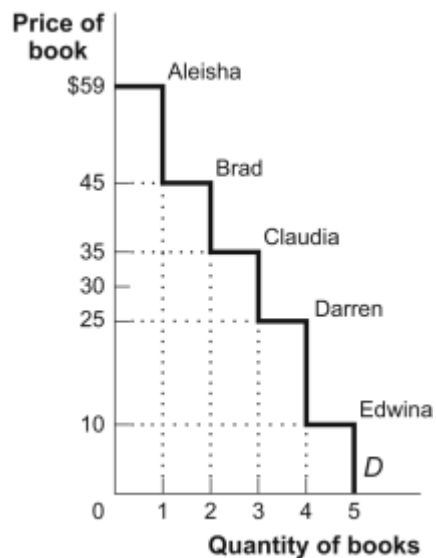
Quantity of Output	Variable Cost VC	Total Cost TC
0	0	50
1	50	100
2	70	120
3	100	150
4	140	190
5		240
6	250	300
7	320	370

31. (Table: Cost Data) The table shows some cost data for a firm currently operating in the short run. What is the value of the total fixed cost for this firm?
- A) \$50
 - B) \$70
 - C) \$40
 - D) \$100
32. Long-run economic growth depends almost entirely on one ingredient: rising productivity.
- A) True
 - B) False
33. A fixed input is one:
- A) whose quantity cannot be changed in a particular time period.
 - B) that exists in nature and there is only so much of it.
 - C) that can be used for one thing only.
 - D) that can never produce more or less in any time period.
34. The unemployment rate is:
- A) the ratio of the labor force to the number of people unemployed.
 - B) the percent of the labor force that is unemployed.
 - C) the average length of time someone is unemployed.
 - D) the number of people unemployed.

35. Microeconomics deals with:
- A) gross domestic product.
 - B) the working of the entire economy or large sectors of it.
 - C) economic growth.
 - D) individual units in the economy.
36. When the United States and Mexico trade:
- A) both Mexico and the United States will be better off.
 - B) the United States will be worse off because wages in Mexico are so low.
 - C) both Mexico and the United States will be worse off.
 - D) Mexico will be worse off because the United States is a stronger economic power.

Use the following to answer question 37:

Figure: Consumer Surplus



37. (Figure: Consumer Surplus) In the figure, total consumer surplus is _____ when the price is \$10.
- A) \$144
 - B) \$50
 - C) \$59
 - D) \$124

38. If price is greater than average variable cost and less than average total cost at the profit-maximizing quantity of output in the short run, a perfectly competitive firm will:
- A) shut down production.
 - B) produce more than the profit-maximizing quantity.
 - C) produce at an economic profit.
 - D) produce at an economic loss.
39. The importance of an economic model is that it allows us to:
- A) focus on the effects of only one change at a time.
 - B) avoid opportunity costs.
 - C) build an accurate mathematical model of the economy.
 - D) build a complex and accurate model of the economy.

Use the following to answer question 40:

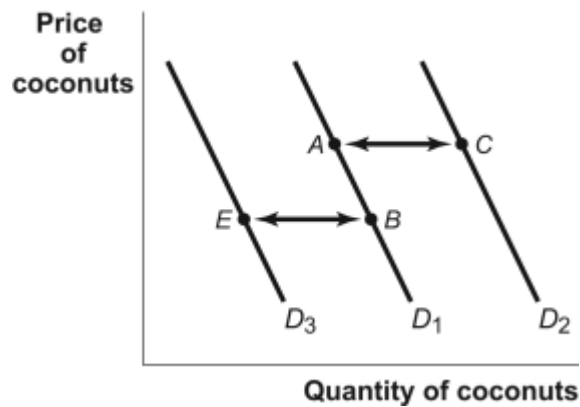
Table: Real and Nominal Output

Year	Units of Output	Price per Unit
1	40	\$1
2	30	2
3	50	2
4	70	4
5	60	6
6	60	8

40. (Table: Real and Nominal Output) Nominal GDP in Year 4 is equal to:
- A) \$100.
 - B) \$40.
 - C) \$280.
 - D) \$60.

Use the following to answer question 41:

Figure: Demand for Coconuts



41. (Figure: Demand for Coconuts) If coconuts are considered a normal good and there is an expectation on the part of consumers that the prices of coconuts will rise significantly in the near future, then the movement that would take place in the model could be:
- A) *B to E.*
 - B) *C to A.*
 - C) *E to B.*
 - D) *A to B.*
42. The growth in real GDP per capita:
- A) was greater than the growth of per capita oil consumption after 1973.
 - B) was smaller than the growth of per capita oil consumption after oil prices began to increase in 2004.
 - C) was larger than the growth of per capita oil consumption before 1973.
 - D) was smaller than the growth of per capita oil consumption before 1973.
43. Diminishing marginal returns occur when:
- A) an additional variable factor adds less to total output than the previous unit.
 - B) total product decreases.
 - C) each additional unit of a variable factor adds more to total output than the previous unit.
 - D) the marginal product of a variable factor is increasing, but at a decreasing rate.

44. The shut-down price is:
- A) the intersection of the *MC* and *ATC* curves.
 - B) the price at which economic profit is zero.
 - C) the minimum level of *AFC*.
 - D) the minimum level of *AVC*.

Use the following to answer question 45:

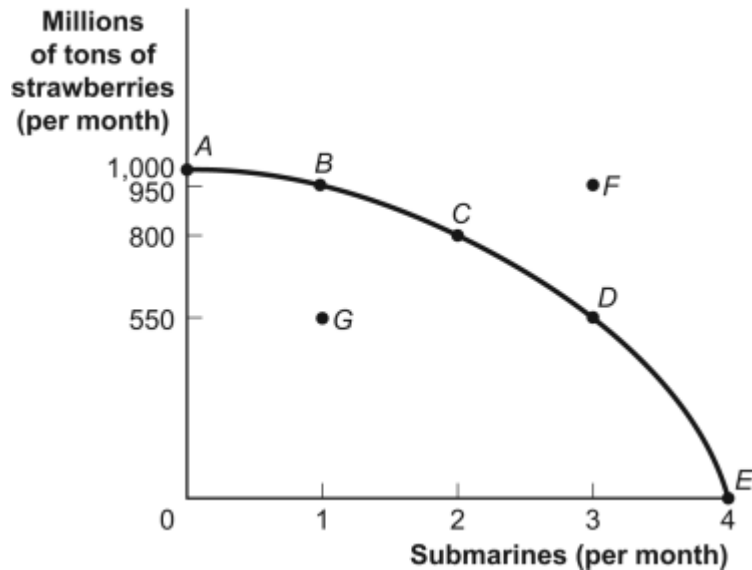
Table: GDP

	2007	2008
Nominal GDP	400	500
Real GDP	360	480

45. (Table: GDP) Using the information in the table provided, calculate the GDP deflator for 2008.
- A) 104
 - B) 96
 - C) 111
 - D) 90
46. Which of the following is *most* likely to shift the supply of milk to the right?
- A) an increase in household income and milk is a normal good
 - B) a decrease in the price of feed given to dairy cows
 - C) the bankruptcy of many small dairy farms
 - D) a tax on each gallon of milk produced
47. Gross domestic product or GDP is:
- A) the total dollar value of government production in a given time period.
 - B) the total dollar value intermediate goods and services produced in the economy in a given time period.
 - C) the total dollar value of wages paid to producing workers in a given time period.
 - D) the total dollar value of final goods and services produced in the economy in a given time period.

Use the following to answer question 48:

Figure: Strawberries and Submarines



48. (Figure: Strawberries and Submarines) Suppose the economy is operating at point *G*. This implies that:
- A) people in this economy don't really like strawberries and submarines.
 - B) the economy can move to a point such as *C* only if it improves its technology.
 - C) the economy is experiencing unemployment and/or inefficient allocation of resources.
 - D) the economy lacks the resources to achieve a combination such as *C*.
49. Mark and Rasheed are at the bookstore buying new calculators for the semester. Mark is willing to pay \$75 and Rasheed is willing to pay \$100 for a graphing calculator. The price for a calculator at the bookstore is \$65. How much is total consumer surplus?
- A) \$35
 - B) \$45
 - C) \$60
 - D) \$10
50. One way to measure the gain to society from a potential drug that will reduce obesity is to measure what people would be willing to pay for the good and subtract the amount they would have to pay.
- A) True
 - B) False