

Name: _____ R Number: _____ Roster #: _____

1. Which of the following policies is *most* likely to reduce traffic congestion in a large metropolitan area?
 - A) a limited number of free “early bird” parking passes given only to those who arrive prior to 6 A.M.
 - B) a toll road that requires each car to pay a fee to enter the city center
 - C) an increase in the price of subway and bus fare to and from the city
 - D) asking citizens to carpool

2. Suppose people in households decide to spend less. How will this impact an economy?
 - A) It will have no impact since this group makes up a small portion of any economy.
 - B) It will decrease the level of income of other people since household spending becomes someone else's income.
 - C) It will cause prices for many goods to increase.
 - D) It will increase the level of income in the economy since other groups will spend more.

3. People who live in households decide to spend less in their day-to-day activities. As a result, this will most likely lead to:
 - A) less income for other people in the economy.
 - B) more income for other people in the economy.
 - C) no impact on other people in the economy.
 - D) inflation.

4. You have \$1 to spend on a vending machine snack. A bag of chips will cost you \$1 and the candy bar will also cost you \$1. If you choose the bag of chips, the opportunity cost of buying the chips is:
 - A) \$1 plus the enjoyment you would have received from the candy bar.
 - B) \$2 minus the enjoyment you received from the bag of chips.
 - C) \$1.
 - D) the enjoyment you would have received from the candy bar.

5. Which of the following statements is *not* true?
- A) Resource scarcity is a major economic concern in the rich countries of the world.
 - B) Most opportunity costs are zero.
 - C) An economic situation is in equilibrium when no individual would be better off taking a different action.
 - D) Some very talented, skilled individuals who can do some things better than most people should specialize in doing that one thing.
6. If the production possibility frontier were a straight line sloping down from left to right, this would suggest that:
- A) more of both goods could be produced moving along the frontier.
 - B) the two products must have the same price.
 - C) the opportunity costs of the products are constant.
 - D) there are no opportunity costs.

Use the following to answer question 7:

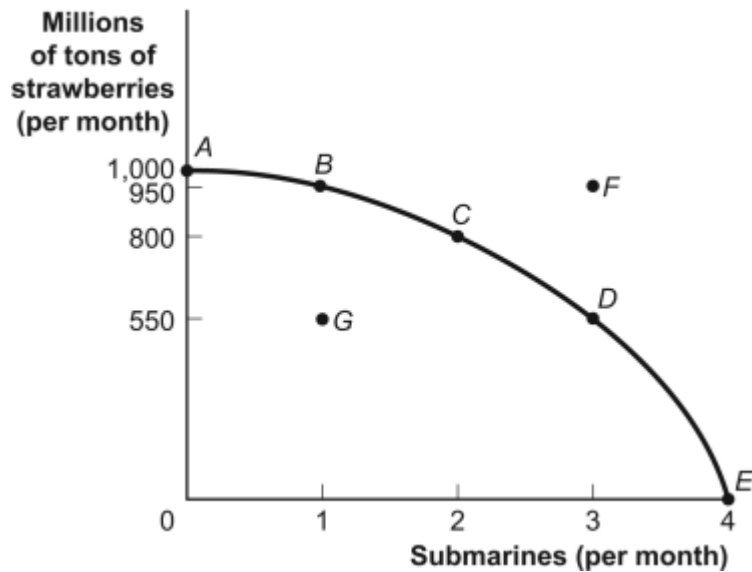
Table: Production Possibilities Schedule II

Production alternatives	<i>V</i>	<i>W</i>	<i>X</i>	<i>Y</i>	<i>Z</i>
Capital goods per period	0	1	2	3	4
Consumer goods per period	20	18	14	8	0

7. (Table: Production Possibilities Schedule II) The production of 14 units of consumer goods and 1 unit of capital goods per period would:
- A) result in full employment.
 - B) result in no unused resources.
 - C) result in some unused or inefficiently used resources.
 - D) increase economic growth.

Use the following to answer question 8:

Figure: Strawberries and Submarines



8. (Figure: Strawberries and Submarines) Suppose the economy is now operating at point C. Moving to point E would require that the economy:
- A) achieve full employment and an efficient allocation of resources.
 - B) eliminate its production of strawberries.
 - C) reduce its production of submarines.
 - D) improve its technology or increase the quantities of factors of production it has.
9. Technological improvements will:
- A) leave the production possibility frontier unchanged.
 - B) shift the production possibility frontier inward.
 - C) shift the production possibility frontier outward.
 - D) necessarily lead to increased unemployment.
10. If Poland decides to increase the production of steel—and decrease the production of vodka—the production possibility frontier would suggest that there will be a(n) _____ opportunity cost of producing more steel.
- A) increasing
 - B) decreasing
 - C) nonexistent
 - D) unchanged

11. If the production possibility frontier is a straight line, which of the following is true?
- A) Opportunity costs are constant.
 - B) The firm faces increasing costs.
 - C) The resources used to produce two goods are different.
 - D) Opportunity costs are constant and the resources used to produce two goods are different.

Use the following to answer question 12:

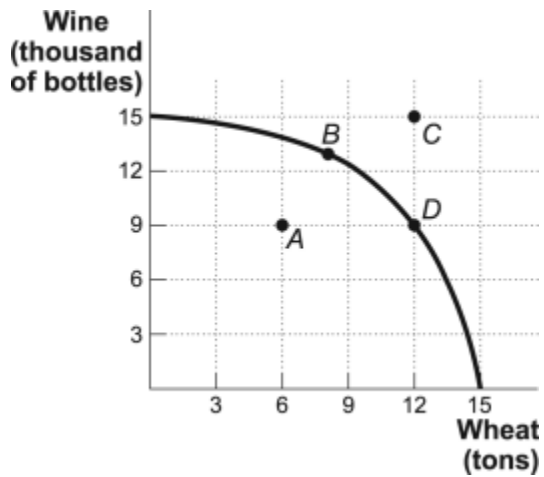
Table: Trade-off of Study Time and Leisure Time

Quantity of Hours of Study Time	Quantity of Hours of Leisure Time
16	0
12	4
8	8
4	12
0	16

12. (Table: Trade-off of Study Time and Leisure Time) A student sleeps 8 hours per day and divides the remaining time between study time and leisure time. The table shows the combinations of study and leisure time that can be produced in the 16 waking hours of each day. If a student decides to consume one additional hour of leisure time, how many hours of study time must be given up?
- A) 4
 - B) .25
 - C) 1
 - D) 16

Use the following to answer question 13:

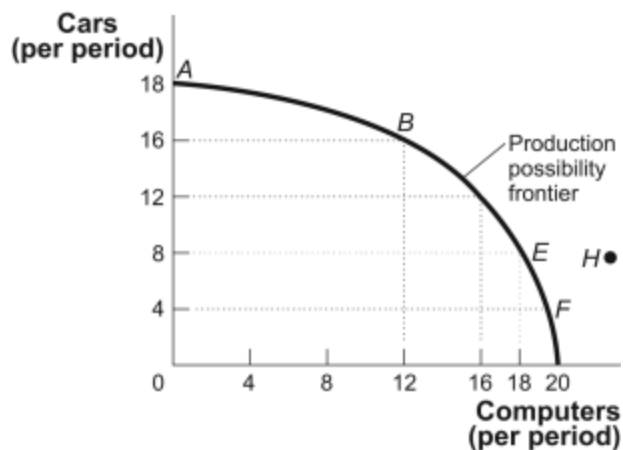
Figure: Wine and Wheat



13. (Figure: Wine and Wheat) Using the graph, if this economy was producing at point A, and it wants to produce at point B, it needs to:
- A) trade with another country.
 - B) increase its resources.
 - C) increase production.
 - D) use its existing resources efficiently.

Use the following to answer question 14:

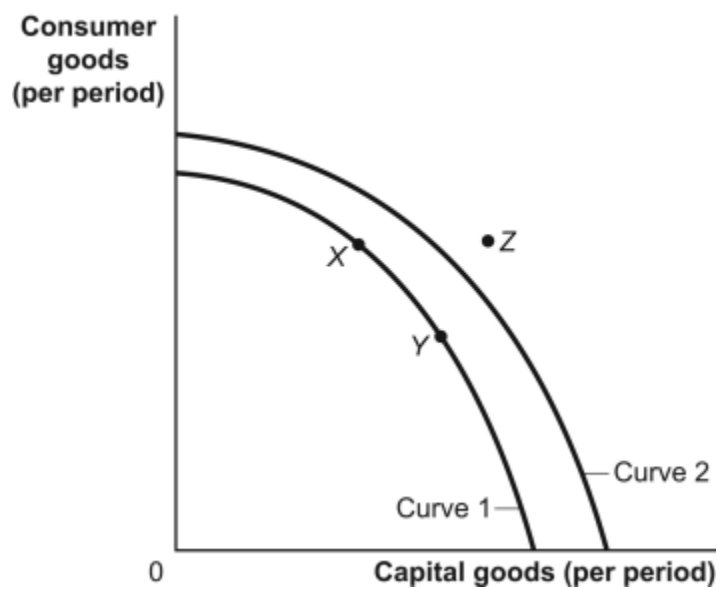
Figure: Production Possibility Frontier



14. (Figure: Production Possibility Frontier) Points *A*, *B*, *E*, and *F*:
- A) indicate combinations of cars and computers that society can produce using all of its resources efficiently.
 - B) show that the opportunity cost of more cars increases, but that of more computers decreases.
 - C) indicate that society wants computers more than cars.
 - D) indicate constant costs for cars and increasing costs for computers.

Use the following to answer question 15:

Figure: Consumer and Capital Goods



15. (Figure: Consumer and Capital Goods) If the economy is operating at point *Y* and its relevant production possibility frontier is Curve 1, this means that:
- A) the economy is at full employment and is efficient.
 - B) the economy is less than fully employed.
 - C) the economy is not efficient.
 - D) economic growth is not possible in the future.

Use the following to answer question 16:

Table: Bongos and Frisbees

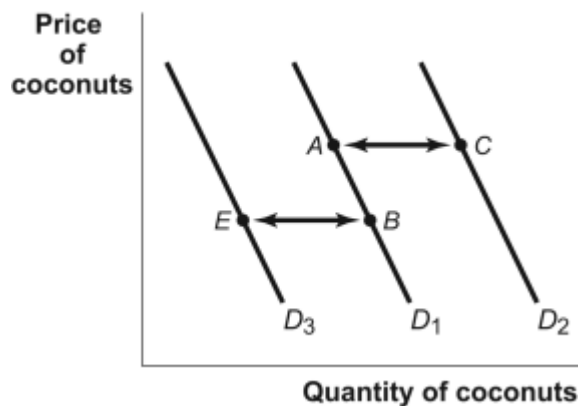
Bill		Mickey	
Bongos	Frisbees	Bongos	Frisbees
1	10	4	14
2	9	5	12
3	8	6	10

16. (Table: Bongos and Frisbees) Bill and Mickey make bongos and Frisbees. Who has the comparative advantage in producing Frisbees?
- A) Bill
 - B) Mickey
 - C) Both answers are correct.
 - D) Neither answer is correct.
17. The simplest circular-flow model shows the interaction between households and firms. In this model:
- A) only barter transactions take place.
 - B) households and firms interact in the market for goods and services, but firms are the only participants in the factor markets.
 - C) firms supply goods and services to households; households in turn, supply factors of production to firms.
 - D) attention is focused on “real” flows of goods, services, and factors of production, but money flows between households and firms are ignored for simplicity.
18. In the simplest circular-flow model, households supply _____ and demand _____.
- A) capital; barter
 - B) wages and income; capital markets
 - C) factors of production; goods and services
 - D) firms; markets

19. Which of the following statements is a positive statement? Which is a normative statement?
 X. The federal minimum wage is increasing to \$6.50 an hour.
 Y. The minimum wage should be high enough that families will not live in poverty.
- A) X is positive; Y is normative
 B) X is positive; Y is positive
 C) X is normative; Y is positive
 D) X is normative; Y is normative
20. Which of the following is an example of a positive statement?
 A) The poverty rate is 4%.
 B) A high rate of economic growth is good for the country.
 C) Everyone in the country needs to save money for retirement.
 D) Basketball players should not be paid higher salaries than teachers.
21. When the economy suffers a downturn, vacationers are more likely to take car trips than to fly. Which of the following provides the most reasonable explanation for this phenomenon?
 A) Air travel and vacation travel by car are complementary goods.
 B) Air travel and vacation travel by car are both normal goods.
 C) Air travel is a normal good and vacation travel by car is an inferior good.
 D) Air travel is an inferior good and vacation travel by car is a normal good.

Use the following to answer question 22:

Figure: Demand for Coconuts



22. (Figure: Demand for Coconuts) If fish is a substitute good for coconuts and the price of fish increases, then the movement that would take place in the model could be:
- A) *A to C.*
 - B) *B to A.*
 - C) *C to A.*
 - D) *B to E.*

Use the following to answer questions 23-24:

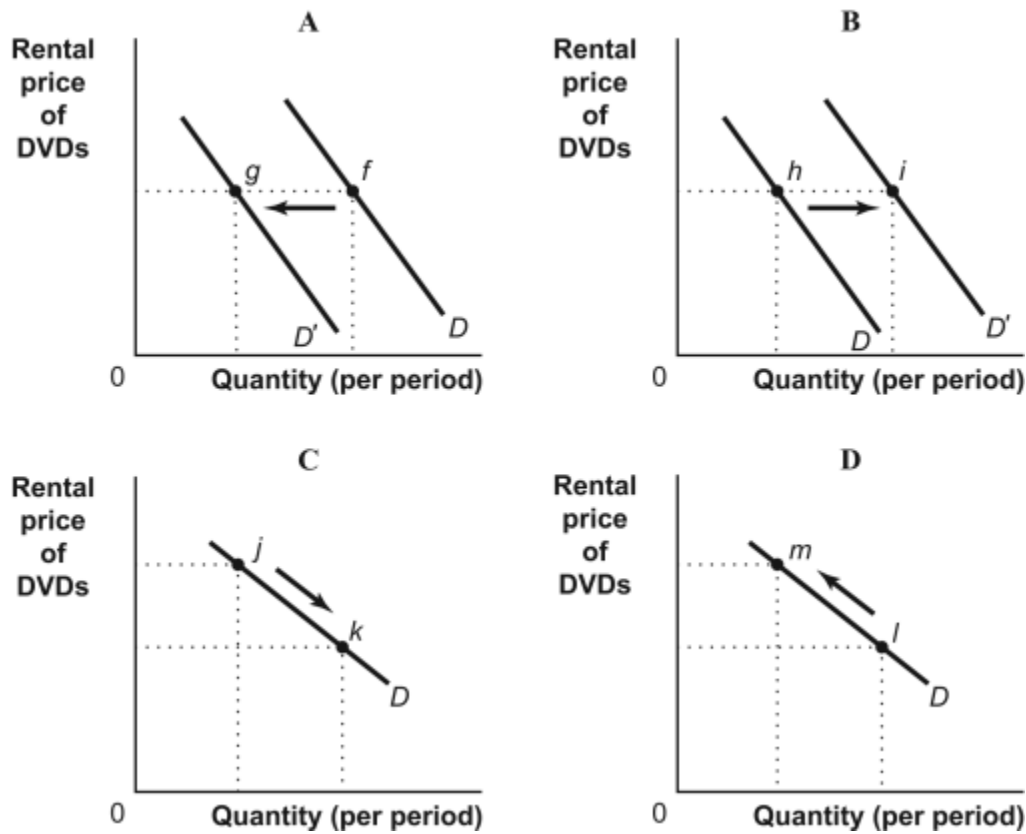
Table: The Demand for Chocolate-Covered Peanuts

Price per Bag	Quantity Demanded (bags per month)		
	George	Barbara	Dan
\$0.90	10	0	60
0.80	15	10	80
0.70	20	20	100
0.60	25	30	120
0.50	30	40	140
0.40	35	50	160
0.30	40	60	180

23. (Table: The Demand for Chocolate-Covered Peanuts) If the price of chocolate-covered peanuts is \$0.60, the quantity demanded by George is _____ bags per month.
- A) 10
 - B) 15
 - C) 25
 - D) 30
24. (Table: The Demand for Chocolate-Covered Peanuts) If George, Barbara, and Dan are the only three buyers in the market, and the price of a bag of chocolate-covered peanuts is \$0.50, the total market demand is _____ bags per month.
- A) 80
 - B) 105
 - C) 210
 - D) 280

Use the following to answer question 25:

Figure: Demand for DVDs

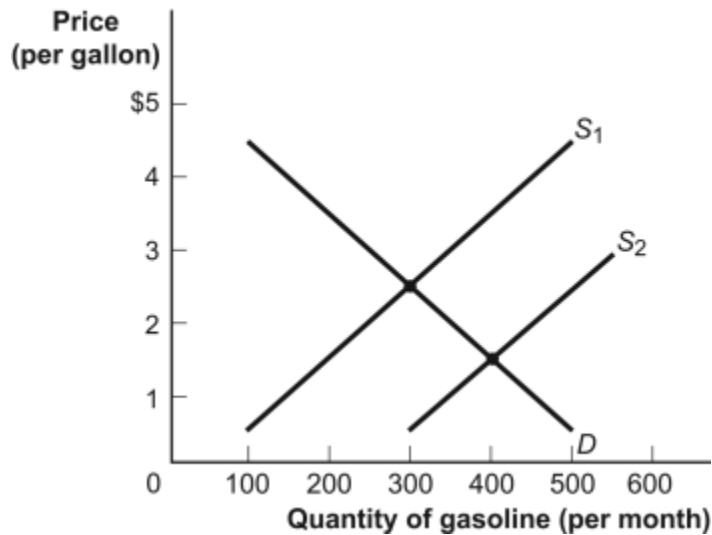


25. (Figure: Demand for DVDs) A decrease in the price of DVD rentals would result in a change illustrated by:
- the move from f to g in panel A.
 - the move from h to i in panel B.
 - the move from j to k in panel C.
 - the move from l to m in panel D.
26. Which of the following will result in an increase in the equilibrium price of milk?
- a shift to the right of the supply curve for milk
 - a shift to the right of the demand curve for milk
 - an increase in the number of milk suppliers
 - a decrease in the number of milk buyers

27. The primary difference between a change in supply and a change in the quantity supplied is that:
- A) a change in quantity supplied is a movement along the supply curve, while a change in supply is a shift in the supply curve.
 - B) both a change in quantity supplied and a change in supply are movements along the supply curve, only in different directions.
 - C) a change in supply is related to the supply curve, while a change in quantity supplied is related to shifts in the demand curve that elicit a change in supply.
 - D) a change in supply is a movement along the supply curve, while a change in quantity supplied is a shift in the supply curve.
28. Excess supply occurs when:
- A) the price is above the equilibrium price.
 - B) the quantity demanded exceeds the quantity supplied.
 - C) the price is below the equilibrium price.
 - D) the quantity demanded exceeds the quantity supplied and when the price is below the equilibrium price.

Use the following to answer question 29:

Figure: Demand and Supply of Gasoline



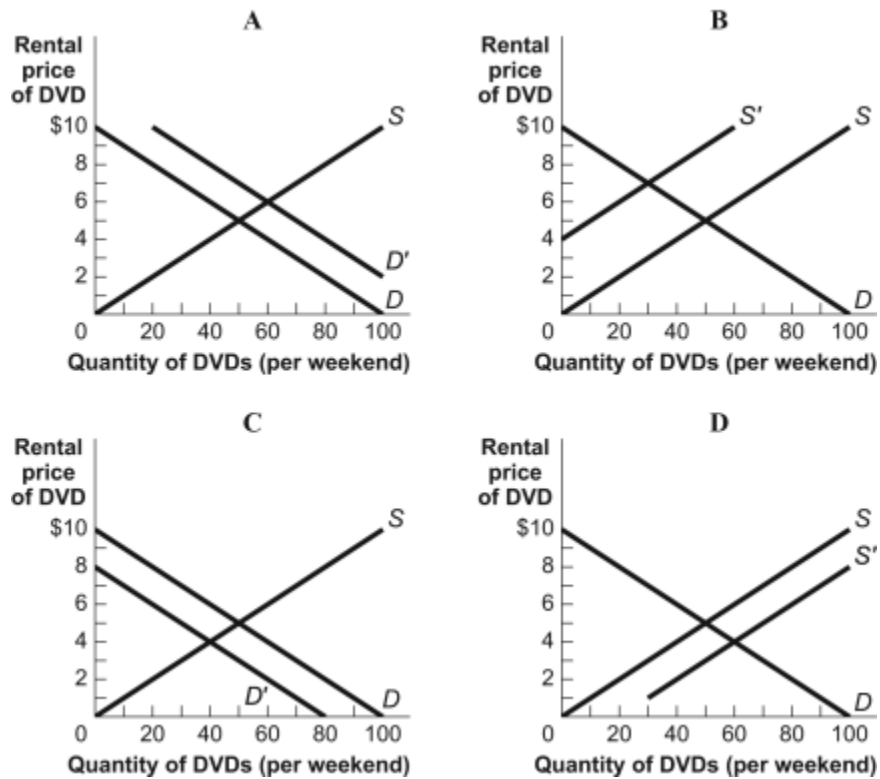
29. (Figure: Demand and Supply of Gasoline) Given the initial equilibrium of S_1 and D , any price lower than _____ will create pressure for the price to _____.
- A) \$2.00; fall
 - B) \$2.50; rise
 - C) \$3.00; rise
 - D) \$2.50; fall
30. If the supply and demand curves intersect at a price of \$47, then any price above that would result in a(n):
- A) shortage.
 - B) surplus.
 - C) equilibrium.
 - D) increase in demand.
31. The market price of airline flights increased recently. Some economists suggest that the price increased because there has been an increase in the number of business travelers. They believe that in the market for flights:
- A) supply increased.
 - B) supply decreased.
 - C) demand increased.
 - D) demand decreased.

Bonus Question(5 points):

How does an Economist say "*I love you*"? (Use a graph to describe it *if applicable*)

Use the following to answer questions 32-33:

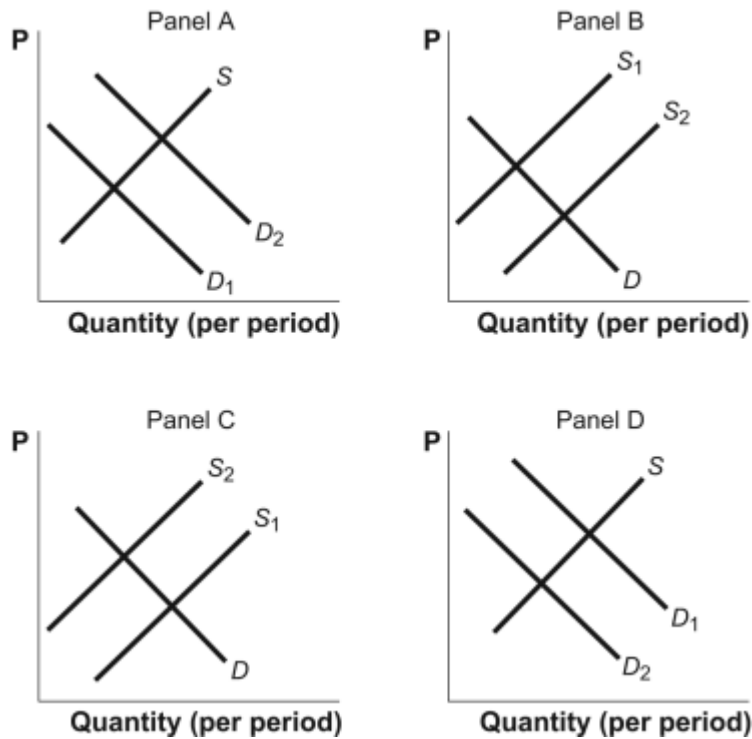
Figure: Four Markets for DVD Rentals



32. (Figure: Four Markets for DVD Rentals) Which of the graphs shows an increase in the quantity demanded of DVDs?
- A) A
 - B) B
 - C) C
 - D) D
33. (Figure: Four Markets for DVD Rentals) Which of the graphs shows what may happen if some of the stores that rent DVDs close?
- A) A
 - B) B
 - C) C
 - D) D

Use the following to answer question 34:

Figure: Shifts in Demand and Supply III



34. (Figure: Shifts in Demand and Supply III) The figure shows how supply and demand might shift in response to specific events. Suppose a wet and sunny year increases the nation's corn crop by 20 percent. Which panel best describes how this will affect the market for corn?

- A) Panel A
- B) Panel B
- C) Panel C
- D) Panel D

35. A competitive market occurs when there are many buyers and sellers of the same good.

- A) True
- B) False

Answer Key

1. B
2. B
3. A
4. D
5. B
6. C
7. C
8. B
9. C
10. A
11. A
12. C
13. D
14. A
15. A
16. B
17. C
18. C
19. A
20. A
21. C
22. A
23. C
24. C
25. C
26. B
27. A
28. A
29. B
30. B
31. C
32. D
33. B
34. B
35. A