Question 1

Would the invention of money, as opposed to barter, increase the growth rate of real GDP in a country over time? Why or why not?

Question 2

Which of the following would cause an increase in the equilibrium price and an increase in the equilibrium quantity of watermelons?
A) an increase in demand and an increase in supply
B) an increase in supply
C) an increase in supply and an increase in demand greater than the increase in supply
D) a decrease in demand and an increase in supply

Question 3

Which of the following is an example of human capital?
A) a computer
B) a factory building
C) a college education
D) a software program

Question 4

The M2 measure of the money supply equals
A) savings account balances plus small-denomination time deposits plus traveler's checks.
B) savings account balances plus small-denomination time deposits plus noninstitutional money market fund shares.
C) M1 plus savings account balances plus small-denomination time deposits.
D) M1 plus savings account balances plus small-denomination time deposits plus noninstitutional money market fund shares.

Question 5

Jamal, Lawson and Kyle have been standing in line for almost an hour waiting to be served at Kirala, a popular new Japanese restaurant. It is possible that some of the people in line won’t be served at all before the restaurant closes. Which of the following could explain why the restaurant does not simply raise prices high enough to eliminate the lines?
a. In situations where consumption takes place publicly, demand for the product is also influenced by how many other people are buying the product. Consequently, a popular restaurant that increased its prices enough to eliminate lines might find that it had also eliminated its popularity.
b. Firms may sometimes not raise their prices for fear that it violates people’s sense of fairness and might alienate customers.
c. The demand for restaurant meals is relatively elastic and if the firm raise prices it will lower its profits.
A) a only
B) a and b only
C) a and c only
D) a, b, and c

Question 6

Diminishing marginal product of labor occurs when adding another unit of labor
A) decreases output.
B) changes output by an amount smaller than the output added by the previous unit of labor.
C) increases output by an amount larger than the output added by the previous unit of labor.
D) decreases output by an amount smaller than the output added by the previous unit of labor.

Question 7

Suppose in Belize, the opportunity cost of producing a sailboat is 5 hang gliders. In Honduras, the opportunity cost of producing a sailboat is 8 hang gliders.
a. What is the opportunity cost of producing a hang glider for Belize?
b. What is the opportunity cost of producing a hang glider for Honduras?
c. Which country has a comparative advantage in the production of hang gliders?
d. Which country has a comparative advantage in the production of sailboats?
Question 8
The marginal revenue curve for a perfectly competitive firm
A) is downward-sloping.
B) is the same as its demand curve.
C) is perfectly inelastic.
D) is the same as its marginal cost curve.

Question 9
Macroeconomics is the study of
A) how households make choices.
B) how firms make choices.
C) how households and firms make choices.
D) the economy as a whole.

Question 10
________ have a horizontal and a vertical axis and are used in economics to illustrate relationships between two economic variables.
A) Two-dimensional graphs
B) One-dimensional graphs
C) Pie Charts
D) Bar graphs

Question 11
Since 1972, the world price of oil has been largely determined by OPEC, which controls about 75 percent of the world’s proven oil reserves. Since 1972 the price of oil has
A) fluctuated. OPEC's situation is an example of a prisoner's dilemma.
B) risen slowly, but steadily. Members of OPEC fear that if they raise the price of oil too quickly this will lead oil-buying nations to accuse OPEC of price gouging, which is illegal under international law.
C) steadily fallen through the 1970s, then risen continually in the years since then. OPEC's actions are an example of implicit collusion.
D) been tied by OPEC to the rate of inflation in the United States. If, for example, the rate of inflation is 5 percent in one year, OPEC will raise the price of oil by 5 percent the next year.

Question 12
Suppose a doctor can earn an additional $10,000 in revenue per year from keeping her office open on Saturdays. What must the additional cost of keeping the office open on Saturdays be to make this decision economically rational?

Question 13
What is the difference between accounting profit and economic profit?

Question 14
Give two reasons why GDP does not reflect total production in an economy.

Question 15
Which of the following is true for a monopolist?
A) Being the only seller in the market, the monopolist faces a perfectly inelastic demand curve.
B) Being the only seller in the market, the monopolist faces a perfectly elastic demand curve.
C) Being the only seller in the market, the monopolist faces the market demand curve.
D) Being the only seller in the market, the monopolist faces a downward sloping demand curve that lies below the marginal revenue curve.

Question 16
What is the difference between federal purchases and federal expenditures?
Question 17
If demand is perfectly inelastic, the absolute value of the price elasticity of demand is
A) zero.
B) less than one.
C) more than one.
D) equal to the absolute value of the slope of the demand curve.

Question 18
In an oligopoly, firms can increase their market power by
A) selling to buyers who have market power.
B) pursuing dominant strategies.
C) colluding to set prices.
D) undertaking heavy advertising expenditure.

Question 19
Which of the following is not a cost posed by inflation?
A) Inflation reduces the affordability of goods and services to the average consumer.
B) The money that consumers and firms hold loses its purchasing power.
C) Firms must pay for changing prices on products and printing new catalogs.
D) Banks can lose if they under predict inflation and charge an interest rate that does not completely compensate for inflation.

Question 20
Some economists have suggested that network externalities result in consumers being locked into the use of products with inferior technologies. Economists Stan Leibowitz and Stephen Margolis have studied cases that have been cited as examples of this and found
A) there is no convincing evidence that the alternative technologies were superior.
B) consumers sometimes do become locked into the use of products with inferior technologies.
C) that in all of these cases network externalities resulted in market failure.
D) that consumers use products with inferior technologies when their prices are lower than products with superior technologies.

Question 21
In a centrally planned economy, the government decides how economic resources will be allocated.
[i]True[/i] or [i]false[/i]?

Question 22
The breakfast cereal industry has a four-firm concentration ratio of 78 percent. Is this enough information to classify the industry as an oligopoly? Is a high concentration ratio evidence that an industry is not competitive?

Question 23
Comparative advantage means
A) the ability to produce more of a product with the same amount of resources than any other producer.
B) the ability to produce a good or service at a lower opportunity cost than any other producer.
C) the ability to produce a good or service at a higher opportunity cost than any other producer.
D) compared to others you are better at producing a product.

Question 24
If the demand for cell phone service is inelastic, then
A) the percentage change in quantity demanded is greater than the percentage change in price (in absolute value).
B) the percentage change in quantity demanded is equal to the percentage change in price.
C) the quantity demanded does not change in response to changes in price.
D) the percentage change in quantity demanded is less than the percentage change in price (in absolute value).
### Question 25
The circular flow of income shows that GDP can be measured as the sum of wages, interest, rent, and profits received by households or total expenditures on goods and services by households, firms, government, and the rest of the world.

[i]True[i] or [i]false[i]?

**Answer:** https://biology-forums.com/index.php?topic=321331

### Question 26
A ______ demand curve for shampoo would be caused by a change in the price of shampoo.

A) rightward shift of the  
B) leftward shift of the  
C) movement along the  
D) positively sloped

**Answer:** https://biology-forums.com/index.php?topic=314108

### Question 27
Suppose the total cost of producing 40,000 flash drives is $120,000, and the fixed cost is $30,000.

- a. What is the variable cost?
- b. When output is 40,000, what are the average variable cost and the average fixed cost?
- c. Assuming the cost curves have the usual shape, is the dollar difference between the average total cost and the average variable cost greater when the output is 40,000 flash drives or when the output is 60,000 flash drives? Explain.

**Answer:** https://biology-forums.com/index.php?topic=319141

### Question 28
In the circular flow diagram, ______ supply the factors of production, and ______ goods and services.

A) households; sell  
B) households; buy  
C) firms; sell  
D) firms; buy

**Answer:** https://biology-forums.com/index.php?topic=321270

### Question 29
Jobs lost to foreign trade are generally easy to identify, but jobs created by foreign trade are generally less easy to identify.

[i]True[i] or [i]false[i]?

**Answer:** https://biology-forums.com/index.php?topic=324746

### Question 30
A game in which pursuing dominant strategies results in noncooperation that leaves all parties worse off is a

A) prisoner's dilemma.  
B) cooperative equilibrium.  
C) first-price auction.  
D) zero-sum game.

**Answer:** https://biology-forums.com/index.php?topic=321124

### Question 31
A Giffen good could be either a normal good or an inferior good.

[i]True[i] or [i]false[i]?

**Answer:** https://biology-forums.com/index.php?topic=318165

### Question 32
Use the money demand and money supply model to show graphically and explain the effect on interest rates of the Federal Reserve’s open market sale of Treasury securities.

**Answer:** https://biology-forums.com/index.php?topic=323623

### Question 33
The rules of accounting generally require that ______ costs be used for purposes of keeping a company’s financial records and for paying taxes. These costs are sometimes called ______ costs.

A) economic; legal
Question 34
Congress passed the ________ in 1996, the purpose of which was to phase out price floors and return to a free market in agriculture
A) Rice and Beans Act
B) Smoot-Hawley Act
C) Agribusiness Act
D) Freedom to Farm Act

Question 35
Interest rates in the economy have risen. How will this affect aggregate demand and equilibrium in the short run?
A) Aggregate demand will fall, the equilibrium price level will fall, and the equilibrium level of GDP will fall.
B) Aggregate demand will fall, the equilibrium price level will rise, and the equilibrium level of GDP will fall.
C) Aggregate demand will rise, the equilibrium price level will rise, and the equilibrium level of GDP will rise.
D) Aggregate demand will rise, the equilibrium price level will fall, and the equilibrium level of GDP will rise.

Question 36
Since real GDP is adjusted for inflation and nominal GDP is not, nominal GDP must always be higher than real GDP. Do you agree or disagree? Why?

Question 37
You explain to your roommate Surya, who makes beaded headbands, about an economic theory which asserts that consumers will purchase more of a product at lower prices than they will at higher prices. She contends that the theory is incorrect because over the past two years she has lowered the price of her headbands and yet has seen a decrease in sales. How would you respond to Surya?
A) Surya is right; she has evidence to back her claim. The theory must be erroneous.
B) Surya is making the mistake of assuming that correlation implies causation.
C) I will explain to her that she is making the error of reverse causality: it is the decrease in demand that has caused her to lower her prices.
D) I will explain to her that there are some omitted variables that have contributed to a decrease in her sales such as changes in income.

Question 38
________ is a situation in which a good or service is produced at the lowest possible cost.
A) Allocative efficiency
B) Productive efficiency
C) Equity
D) Optimal marginalism

Question 39
After Suzie, owner of Suzie's Sweet Shop, hires her 8th worker the average product of labor declines. Which of the following statements must be true?
A) The marginal product of the 8th worker is negative.
B) The marginal product of the 8th worker is less than the average product of labor before the 8th worker was hired.
C) Suzie's profits would be greater if she did not hire the 8th worker.
D) The average product of labor is negative.

Question 40
Consumer surplus in a market for a product would be equal to the area under the demand curve if
A) producer surplus was equal to zero.
B) marginal cost was equal to the market price.
C) the product was produced in a perfectly competitive market.
D) the market price was zero.
Question 41
What is a firm? What other terms do economists use interchangeably with the term "firm"?

Question 42
What is marginal benefit? Which curve is also referred to as a marginal benefit curve?

Question 43
In a competitive market the ________ curve shows the marginal benefit received by consumers and the ________ curve shows the marginal cost to producers.
A) demand; supply
B) supply; demand
C) demand; market demand
D) supply; market supply

Question 44
Which of the following headlines would be more closely related to what macroeconomists study than what microeconomists study?
A) Avocado prices rise due to a late frost in California.
B) The United Auto Workers sign a contract raising wages and benefits 7% over the next 3 years.
C) Real GDP grows by 2.3% in the second quarter.
D) Airlines raise ticket prices in response to rising fuel costs.

Question 45
If Tanisha can audit more tax returns in one hour than Libby, then Tanisha has an absolute advantage in auditing tax returns.
[i]True[i] or [i]false[i]?

Question 46
When there is a negative externality, the competitive output is more than the economically efficient output level.
[i]True[i] or [i]false[i]?

Question 47
Presently, GDP is ________ to compensate for the costs of environmental damage.
A) fully adjusted
B) partially adjusted
C) adjusted on a chain-weight basis
D) not adjusted

Question 48
The circular flow model demonstrates
A) the role of the government in overseeing the market system.
B) the roles played by households and firms in the market system.
C) how shortages and surpluses are eliminated in a market.
D) how demand and supply for goods and services are brought into equilibrium.

Question 49
Which of the following would cause both the equilibrium price and equilibrium quantity of barley (assume that barley is an inferior good) to increase?
A) an increase in consumer income
B) a drought that sharply reduces barley output
C) a decrease in consumer income
D) unusually good weather that results in a bumper crop of barley
In an "underground economy," the production of goods and services
A) are not measured nor included in GDP.
B) are not measured but are included in GDP.
C) are measured and included in GDP.
D) are usually too insignificant to be included in GDP.

If at a price of $10, a vendor sells 5 units of a product and at a price of $8, 6 units are sold, then, using the midpoint formula, the demand for this good is inelastic.
[i]True[/i] or [i]false[/i]?

A perfectly competitive firm in a constant-cost industry produces 3,000 units of a good at a total cost of $36,000. The prevailing market price is $15. What will happen to the number of firms in the industry and to the industry's output in the long run?
A) The number of firms and the industry's output increase.
B) The number of firms and the industry's output decrease.
C) The number of firms remains constant and the industry's output increases.
D) The number of firms remains constant and the industry's output decreases.

The prevalence of Alzheimer's dementia is very high among residents living in nursing homes. A student concludes that it is likely that living in a nursing home causes Alzheimer's dementia. What is the flaw in the student's reasoning?
A) The student has failed to take into account other causes of Alzheimer's disease.
B) The student is drawing a false conclusion; he is confusing cause and effect.
C) The student is using an inadequate sample size.
D) The student is drawing a false conclusion by making the mistake of omitting critical variables such as the age and gender of the residents.

Mortgages issued to borrowers who fail to document that their incomes are high enough to afford their mortgage payments are known as ________ mortgages.
A) subprime
B) Alt-A
C) gray market
D) reciprocal

The CPI in 1990 was 131, and the CPI in 2010 was 218. If you earned a salary of $40,000 in 1990, what would be a salary with equivalent purchasing power in 2010?
A) $45,977
B) $66,565
C) $87,200
D) $143,486

Which of the following increases labor productivity?
A) an increase in the aggregate hours of work
B) decreases in the availability of computers and factory buildings
C) inventions of new machinery, equipment, or software
D) a decline in the health of the population
Question 57

A market failure arises when an entire sector of the economy (for example, the airline industry) collapses because of some unforeseen event. [i]True[/i] or [i]false[/i]?


Question 58

For which of the following firms is patent protection of vital importance?

A) furniture producers
B) software firms
C) pharmaceutical firms
D) auto makers


Question 59

Some economists have argued that path dependence and switching costs can lead to market failure. Which of the following is an example of this argument?

A) Costly celebrity endorsements lead many consumers to buy a product even though it is more expensive or less effective than a product that is not endorsed by a celebrity.
B) A consumer who won a lottery for a Super Bowl ticket refuses to sell it for $3,000 even though he would not have paid $3,000 for a ticket if he had not won the lottery.
C) While playing the ultimate game, an allocator decides to share $20 equally with a recipient rather than keep the $20 for herself.
D) VHS video recorders became more popular with consumers than Sony Betamax recorders even though the Betamax recorders embodied a superior technology.


Question 60

Which of the following is a problem inherent in centrally planned economies?

A) There are no problems and everyone, including consumers, is satisfied.
B) There is too much production of low-cost, high-quality goods and services.
C) Production managers are more concerned with satisfying government's orders than with satisfying consumer wants.
D) Unemployment is too high.


Question 61

What is allocative efficiency?

A) It refers to a situation in which resources are allocated to their highest profit use.
B) It refers to a situation in which resources are allocated such that goods can be produced at their lowest possible average cost.
C) It refers to a situation in which resources are allocated such that the last unit of output produced provides a marginal benefit to consumers equal to the marginal cost of producing it.
D) It refers to a situation in which resources are allocated fairly to all consumers in a society.


Question 62

If inflation increases unexpectedly, then

A) borrowers pay a higher real interest rate than they expected.
B) lenders receive a lower real interest rate than they expected.
C) lenders gain and borrowers lose.
D) neither borrowers nor lenders lose.


Question 63

Investment spending includes spending on

A) stocks.
B) food.
C) changes in business inventories.
D) transfer payments.

Question 64
When a tax on output is imposed to internalize the external costs of pollution, the supply curve shifts down by the amount of the tax. [i]True[/i] or [i]false[/i]?

Question 65
Which of the following statements is true?
A) In general, if a product has few substitutes it will have an elastic demand.
B) The more time that passes the more inelastic the demand for a product becomes.
C) The demand curve for a necessity is more elastic than the demand curve for a luxury.
D) The more narrowly we define a market, the more elastic the demand for a product will be.

Question 66
The measure of production that values output using base-year prices is called
A) real GDP.
B) nominal GDP.
C) value-added GDP.
D) underground GDP.

Question 67
If inflation is anticipated, some effects of inflation on the redistribution of income can be avoided. [i]True[/i] or [i]false[/i]?

Question 68
Which of the following correctly describes what the Fed used as monetary targets in the past?
A) The Fed used M1 and M2 as targets after 1993.
B) The Fed focused on M1 as a target after deregulation of the financial markets.
C) The Fed increased its reliance on interest rate targets since the mid-1990s.
D) After 1980 and before the 1990s, the Fed focused on interest rate targets.

Question 69
Which of the following is not a result of imposing a rent ceiling?
A) Some consumer surplus is converted to producer surplus.
B) There is a reduction in the quantity supplied of apartments.
C) There is an increase in the quantity demanded of apartments.
D) The marginal benefit of the last apartment rented is greater than the marginal cost of supplying it.

Question 70
A perfectly competitive market is in long-run equilibrium. At present there are 100 identical firms each producing 5,000 units of output. The prevailing market price is $20. Assume that each firm faces increasing marginal cost. Now suppose there is a sudden increase in demand for the industry's product which causes the price of the good to rise to $24. Which of the following describes the effect of this increase in demand on a typical firm in the industry?
A) In the short run, the typical firm increases its output and makes an above normal profit.
B) In the short run, the typical firm's output remains the same but because of the higher price, its profit increases.
C) In the short run, the typical firm increases its output but its total cost also rises, resulting in no change in profit.
D) In the short run, the typical firm increases its output but its total cost also rises. Hence, the effect on the firm's profit cannot be determined without more information.

Question 71
The main tool that the Federal Reserve uses to conduct monetary policy is
A) open market operations.
B) discount policy.
Question 72

In an economy with money, as opposed to barter, people are more likely to specialize in the production of goods and services.

[i]True[/i] or [i]false[/i]?


Question 73

If you want to earn a real interest rate of 3% on money you lend, and you expect that inflation will be 2%, what nominal rate of interest will you charge?

A) 1%
B) 5%
C) 6%
D) 9%


Question 74

A borrower defaults on a loan when he stops making payments on the loan.

[i]True[/i] or [i]false[/i]?


Question 75

Which of the following offers the best reason why restaurants are not considered to be perfectly competitive firms?

A) Restaurants do not sell identical products.
B) Restaurants compete in small market areas—neighborhoods and cities—rather than in regional or national markets. Therefore, restaurants are not small relative to their market size.
C) Restaurants usually have entry barriers in the form of zoning restrictions and health regulations.
D) Restaurants have significant liability costs that perfectly competitive firms do not have; for example, customers may sue if they suffer from food poisoning.


Question 76

Explain why member firms of a cartel like OPEC have incentives to agree to a low cartel production level and then produce more than its quota.


Question 77

Many airlines have not reduced or eliminated fuel surcharges despite the price of oil dropping. A logical reason for this is that the decline in fuel prices ______ the supply of airline tickets while at the same time the demand for airline tickets ______, so airline ticket prices still increased.

A) decreased; increased
B) decreased; decreased
C) increased; increased
D) increased; decreased


Question 78

The largest liability on the balance sheet of most banks is its

A) loans.
B) holdings of securities.
C) deposits with the Federal Reserve.
D) checking account and savings account deposits of its customers.
E) vault cash.


Question 79

The Japanese system of universal health insurance requires no co-payments from residents for health services.

[i]True[/i] or [i]false[/i]?

Question 80
 Owners of a corporation share in the profits of the firm
 A) by selling any bonds or stocks owned and realizing a capital gain.
 B) through coupon payments on that firm's bonds.
 C) through dividend payments on shares of that firm's stock.
 D) by raising the interest rate on bonds.

Question 81
 Which of the following statements about positive economic analysis is true?
 A) Positive analysis uses an economic model to estimate the costs and benefits of different course of actions.
 B) There is much less disagreement among economists over normative economic analysis than over positive economic analysis.
 C) There is much more disagreement among economists over positive economic analysis than over normative economic analysis.
 D) Unlike positive economic analysis, normative economic analysis can be tested.

Question 82
 _______ is a problem that occurs when one concludes that a change in variable X caused a change in variable Y when in actual fact, it is a change in variable Y that caused a change in variable X.
 A) The omitted variable
 B) The positive-to-negative relationship
 C) Reverse causality
 D) Nonlinear slope

Question 83
 Suppose that if a local McDonald's restaurant reduces the price of a Big Mac from $4.00 to $3.25, the number of Big Macs it sells per day will increase from 4 to 5. Explain the output effect and the price effect resulting from this change. Using a graph, illustrate both the loss in revenue from selling each of the first 4 Big Macs for $0.75 less and the additional revenue from selling 1 more Big Mac. What is the total change in revenue received which results from this price decrease?

Question 84
 An increase in government spending may expedite recovery from a recession in the short run, but in the long run this policy may
 A) reduce investment in new capital.
 B) make domestic businesses less competitive in international markets as the dollar appreciates in value.
 C) raise interest rates and reduce consumer expenditures on automobiles and new houses.
 D) All of the above are correct.

Question 85
 Which of the following statements best describes the economic short run?
 A) It is a period of one year or less.
 B) It is a period during which firms are free to vary all of their inputs.
 C) It is a period during which at least one of the firm's inputs is fixed.
 D) It is a period during which fixed inputs become variable inputs because of depreciation.

Question 86
 Using the Taylor rule, if the current inflation rate equals the target inflation rate and real GDP equals potential GDP, then the federal funds target rate equals the
 A) current discount rate.
 B) current inflation rate.
 C) real equilibrium federal funds rate.
 D) current inflation rate plus the real equilibrium federal funds rate.

Question 87
Two firms would sometimes be better off if they got together and agreed to charge a high price, rather than to compete and risk having to charge a lower, competitive price. What is the greatest deterrent to this strategy?
A) The firms may find that the price they charge is greater than the price that would maximize their profits.
B) An agreement by firms to charge high prices is illegal. The government can fine the firms and send their managers to jail.
C) Consumers may resent having to pay high prices and not buy from either of the firms.
D) One of the firms may decide to lower its price and take business away from the firm that charged the high price.

Question 88

Health problems prevent people from working harder, which can lower a country’s total income. This indicates that in effect, health problems
A) are a primary cause of price decreases.
B) increase the incentive to work.
C) shift country’s production possibilities frontier inward.
D) decrease consumer surplus.

Question 89

All of the following are sources of comparative advantage except
A) climate and natural resources.
B) relative abundance of labor and capital.
C) a strong foreign currency exchange rate.
D) technology.

Question 90

If additional units of a good could be produced at a constant opportunity cost, the production possibility frontier would be bowed outward (concave).
[i]True[/i] or [i]false[/i]?

Question 91

Market power refers to
A) the ability of consumers to dictate what products should be produced.
B) the ability of a firm to advertise its product and succeed in selling more output.
C) the ability of a firm to sell at a lower price than rival sellers.
D) the ability of a firm to charge a price higher than the marginal cost of production.

Question 92

Assume that production from an electric utility caused acid rain and that the government imposed a tax on the utility equal to the cost of the acid rain.
This is an example of
A) a transaction cost.
B) a Pigovian tax.
C) a Pigovian subsidy.
D) the Coase Theorem.

Question 93

The sales revenue a seller receives from the sale of an additional unit of goods is called the marginal cost.
[i]True[/i] or [i]false[/i]?

Question 94

On a diagram of a production possibility frontier, economic decline (negative growth) is represented by the production possibility frontier shifting inward.
[i]True[/i] or [i]false[/i]?

Question 95
A United States government patent lasts
A) forever.
B) 50 years.
C) 20 years.
D) 7 years.

Question 96
Select the phrase that correctly completes the following statement. "A decrease in the number of manufacturers caused a decrease in the supply of sailboats. As a result
A) the price of sailboats increased and the demand for sailboats decreased.
B) the equilibrium quantity of sailboats increased.
C) the price of sailboats increased and the quantity demanded of sailboats decreased.
D) the price of sailboats increased. The higher price caused the supply of sailboats to increase.

Question 97
With the increased usage of cell phone services, what has happened to the price elasticity of demand for land-line telephone services?
A) It has become more price inelastic.
B) It has become more price elastic.
C) It has become more income elastic.
D) The absolute value of the price elasticity coefficient has probably gone down.

Question 98
If the social benefit of consuming a good or a service exceeds the private benefit
A) a negative externality exists.
B) the market achieves economic efficiency.
C) a positive externality exists.
D) the sum of consumer surplus and producer surplus is maximized.

Question 99
The existence of the principal-agent problem
A) increases the risk of buying stock in a corporation.
B) increases the risk of becoming the sole proprietor of a business.
C) implies that managers that have the same incentives as the board of directors.
D) does all of the above.

Question 100
Economists working at federal government agencies have estimated that the marginal social cost of carbon is about
A) $2 per ton.
B) $9 per ton.
C) $21 per ton.
D) $47 per ton.

Question 101
Which of the following is not a characteristic of oligopoly?
A) the ability to influence price
B) a small number of firms
C) low barriers to entry
D) interdependent firms

Question 102
Many biologic drug manufacturers are pushing for patent protection to be extended to 12 years before generics are allowed to be introduced to the market. This reflects which of the following barriers to entry?
A) control of a key resource
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Question 103
Suppose a transaction changes a bank's balance sheet as indicated in the following T-account, and the required reserve ratio is 10 percent.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves + $2,000</td>
<td>Deposits + $2,000</td>
</tr>
</tbody>
</table>

As a result of the transaction, the bank can make a maximum loan of

A) $0.
B) $200.
C) $1,800.
D) $2,000.


Question 104
Suppose you obtain a fixed rate mortgage during a period of relatively high inflation. During the next ten years, inflation falls. Are you a winner or a loser due to inflation? Explain why.


Question 105
Most employees ______ on the value of health insurance provided by employers, and most people ______ when buying individual health insurance policies.

A) pay taxes; get a tax break
B) pay taxes; do not get a tax break
C) do not pay taxes; get a tax break
D) do not pay taxes; do not get a tax break


Question 106
Economists assume people's tastes are identical.

[i]True[/i] or [i]false[/i]?


Question 107
Which of the following statements about the importance of trade to the U.S. economy is true?

A) Since 1950, both exports and imports have steadily decreased as a fraction of U.S. gross domestic product.
B) Overall, about 80 percent of U.S. manufacturing jobs depend directly or indirectly on exports.
C) The United States is the second largest exporter in the world.
D) The U.S. economy is highly dependent on international trade for growth in its gross domestic product.


Question 108
Which government agency publishes four-firm concentration ratios?

A) the Economic Council
B) the Federal Reserve System
C) the U.S. Bureau of the Census
D) the Treasury Department


Question 109
Which of the following is the best example of a voluntary export restraint?

A) a limit imposed by the U.S. government on the number of cell phones that the United States can import from Korea
B) a subsidy granted by the U.S. government to domestic cell phone manufacturers so they can compete more effectively with foreign cell phone manufacturers
C) a limit set by the Korean government on the number of cell phones that the United States can import from Korea
D) a $50 per-cell phone-fee imposed on all cell phones vehicles imported into the United States

Question 110

Even though it is generally true that the more goods and services people have, the better off they are, GDP provides only a rough measure of well-being. Assuming language is not an issue, what other factors besides GDP might you consider when deciding where to live and work?


Question 111

Of the following, which has most likely contributed the most to the rapid rise in health care costs in the United States?
A) the cost of malpractice insurance
B) the cost to treat uninsured patients
C) slow growth in labor productivity in health care
D) the cost of malpractice lawsuit settlements


Question 112

What is the "omitted variable" problem in determining cause and effect?
A) It is a problem that arises when an insignificant variable is given too much weight in an economic analysis leading to skewed conclusions about cause and effect.
B) It is a problem that arises when a significant variable is not given enough weight in an economic experiment leading to skewed conclusions about cause and effect.
C) It is a problem that arises when an insignificant economic variable that should have been omitted is included in an economic experiment leading to false conclusions about cause and effect.
D) It is a problem that arises when an economic variable that affects other variables is omitted from an analysis and its omission leads to false conclusions about cause and effect.


Question 113

Adverse selection will occur in a market as a result of
A) asymmetric information.
B) moral hazard.
C) the sale of "lemons."
D) rational ignorance.


Question 114

When Sophie, a French citizen, purchases a Dell computer in Paris that was produced in Texas, the purchase is
A) both a U.S. and a French import.
B) a U.S. import and a French export.
C) a U.S. export and a French import.
D) neither an export nor an import for either country.


Question 115

There is a federal budget deficit when
A) the government spends less that it collects in taxes.
B) the government spends more that it collects in taxes.
C) the government spends the same amount it collects in taxes.
D) taxes are too high.


Question 116

For the purchasing power of money to increase, the price level has to fall.
[i]True[/i] or [i]false[/i]?


Question 117

If inflation is unanticipated, no redistribution of income can occur.
[i]True[/i] or [i]false[/i]?

**Question 118**

An inward shift of a nation’s production possibilities frontier can occur due to
A) a reduction in unemployment.
B) a natural disaster like a hurricane or bad earthquake.
C) a change in the amounts of one good desired.
D) an increase in the labor force.

**Question 119**

The law of diminishing marginal returns states
A) that at some point, adding more of a fixed input to a given amount of variable inputs will cause the marginal product of the variable input to decline.
B) that at some point, adding more of a variable input to a given amount of a fixed input will cause the marginal product of the variable input to decline.
C) that in the presence of a fixed factor, at some point average product of labor starts to fall as more and more variable inputs are added.
D) average total costs of production initially fall and after some point starts to rise at a decreasing rate as output increases.

**Question 120**

Of the following, the most to the rapid rise in health care costs in the United States can be attributed to
A) the cost of malpractice insurance.
B) the cost to treat uninsured patients.
C) slow growth in labor productivity in health care.
D) the cost of malpractice lawsuit settlements.

**Question 121**

If inflation is completely anticipated
A) no one loses in the economy.
B) borrowers lose in the economy.
C) lenders lose in the economy.
D) firms lose because they incur menu costs.

**Question 122**

In economics, technology only refers to the development of new products.
[i]True[/i] or [i]false[/i]?

**Question 123**

Which of the following is a macroeconomics question?
A) What determines the growth rate of gross domestic product?
B) How is the production quantity of snowboards determined?
C) What factors determine the price of electronic cigarettes?
D) What determines the salaries of Wall Street executives?

**Question 124**

Which of the following would cause an increase in the supply of peanut butter?
A) a decrease in the price of grape jelly (assuming that peanut butter and grape jelly are complements)
B) an increase in the price of peanut butter
C) an increase the price of a product that producers sell instead of peanut butter
D) an increase in the number of firms that produce peanut butter

**Question 125**

Increasing the amount of consumption spending and reducing the amount of savings ________ investment expenditures, and ________ long-run economic growth in the economy.
A) increases; increases
B) increases; decreases
Question 126
What type of consumer goods are most affected by the business cycle: durable goods or nondurable goods? Why?

Question 127
Which of the following is an appropriate discretionary fiscal policy if equilibrium real GDP falls below potential real GDP?
A) an increase in government purchases
B) an increase in the supply of money
C) an increase in individual income taxes
D) a decrease in transfer payments

Question 128
Assume that the demand curve for MP3 players shifts to the right and the supply curve for MP3 players shift to the left, but the supply curve shifts less than the demand curve. As a result
A) both the equilibrium price and quantity of MP3 players will decrease.
B) both the equilibrium price and quantity of MP3 players will increase.
C) the equilibrium price of MP3 players may increase or decrease; the equilibrium quantity will decrease.
D) the equilibrium price of MP3 players will increase; the equilibrium quantity will decrease.

Question 129
The consumer price index implicitly assumes that the demand curve for each good and service in the representative market basket is
A) positively sloped.
B) negatively sloped.
C) vertical.
D) horizontal.

Question 130
Giffen goods
A) are theoretical and have never been discovered in the real world.
B) have not existed since prior to the Industrial Revolution.
C) were proven to exist in the 1890s by Sir Robert Giffen.
D) were not shown to actually exist until 2006.

Question 131
Optimal decisions are made at the point where marginal cost equals zero.
[i]True[/i] or [i]false[/i]?

Question 132
In 2011, Microsoft filed a complaint with the European Commission accusing Google of taking steps to monopolize the Internet search engine business. Microsoft's primary complaint was that
A) Google is the only Internet search engine available to Windows operating system users.
B) the European Union contracts exclusively with Google for its Internet search engine use.
C) Google was using its dominant position as an Internet search engine to exclude competitors.
D) Google owns the Internet advertising companies that pay for ads on search engine sites, and has prohibited ads from being sold to competitors.

Question 133
Doctors and lawyers in every state need a license to practice. This is an example of
A) consumer protection laws.
B) consumer advocacy.
Question 134

Money's most narrow definition is based on its function as a
A) store of value.
B) unit of account.
C) standard of deferred payment.
D) medium of exchange.
E) standard of barter.

Question 135

One reason college students do not study enough to get high grades is that they are unrealistic about their future behavior.
[i]True[/i] or [i]false[/i]?

Question 136

If a state requires all drivers to purchase auto insurance, insurance companies still face the problem of
A) correctly pricing their insurance.
B) sunk costs.
C) adverse selection.
D) excess demand for their insurance.

Question 137

The following appeared in a Florida newspaper a week after a hurricane hit the state. “Floridians are relieved that the storm produced no fatalities but homeowners face weeks, if not months, of rebuilding. Matters are made worse by the soaring prices of plywood and other building materials that always follow in a hurricane’s path. Complaints of profiteering and price gouging have not deterred firms from raising their prices by over 100 percent.”
Which of the following offers the best explanation for the price increases referred to in the article?
A) The hurricane reduced the number of suppliers of building materials.
B) The hurricane created an artificial shortage of building materials.
C) The hurricane caused an increase in the demand for building materials.
D) There was a reduction in supply as firms shipped plywood and other materials to locations not affected by the storm.

Question 138

Traditionally, economists have considered culture, customs, and religion as
A) very important influences on the choices consumers make.
B) relatively unimportant factors in explaining the choices consumers make.
C) important influences in explaining consumer choices in command economies but less important in market economies.
D) subject to normative economic analysis rather than positive economic analysis.

Question 139

If marginal benefit is greater than marginal cost, output is inefficiently high.
[i]True[/i] or [i]false[/i]?

Question 140

Natural resource cartels such as OPEC are inherently unstable because their members operate with excess capacity and have an incentive to cheat on their output quotas.
[i]True[/i] or [i]false[/i]?

Question 141

Which of the following statements about the importance of trade to the U.S. economy is false?
A) Since 1950, both exports and imports have steadily increased as a fraction of U.S. gross domestic product.
B) Overall, about 20 percent of U.S. manufacturing jobs depend directly or indirectly on exports.
C) The United States is the second largest exporter in the world.
D) The U.S. economy is highly dependent on international trade for growth in its gross domestic product.

Question 142
Which of the following is not an example of an economic trade-off that a firm has to make?
A) whether it is cheaper to produce with more machines or with more workers
B) whether it is to outsource the production of a good or service
C) whether or not consumers will buy its products
D) whether it should produce more of its product

Question 143
The inflation rate measures the percentage increase in the price level from one year to the next.
[i]True[/i] or [i]false[/i]?

Question 144
After an increase in demand in a constant-cost industry, firms will find themselves with higher average cost curves.
[i]True[/i] or [i]false[/i]?

Question 145
The health care system in ______ is referred to as a single-payer health care system, and is a system in which the government provides national health insurance to all residents.
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 146
Suppose the U.S. government encouraged new teachers to take jobs in underperforming schools by paying the new teachers a $20,000 bonus. These teachers would be exemplifying the economic idea that
A) people are rational.
B) people respond to economic incentives.
C) optimal decisions are made at the margin.
D) equity is more important than efficiency.

Question 147
Why does the short-run aggregate supply curve slope upward?

Question 148
All of the following are critical functions of the government in facilitating the operation of a market economy except
A) protecting private property.
B) enforcing property rights.
C) ensuring an equal distribution of income to all citizens.
D) enforcing contracts.

Question 149
How is economic profit found?

Question 150
An increase in government spending lowers interest rates and increases the rate of investment in new capital.
Question 151

The supporters of a monetary growth rule believe that active monetary policy
A) stabilizes the economy, decreasing the number of recessions and their severity.
B) destabilizes the economy, increasing the number of recessions and their severity.
C) cannot change the inflation rate.
D) cannot change real GDP.

Question 152

If you can produce more of something than others with the same resources, you have
A) a comparative advantage.
B) an absolute advantage.
C) an efficient production system.
D) a free-market economy.

Question 153

Which of the following is (are) responsible for managing the money supply in the United States?
A) the Federal Reserve Bank of New York
B) the twelve Federal Reserve Banks
C) the Federal Open Market Committee
D) the Board of Governors

Question 154

The long-run supply curve for a perfectly competitive, constant-cost industry
A) is upward-sloping.
B) is horizontal.
C) is downward-sloping.
D) is found by adding up the marginal cost curves for all firms in the industry.

Question 155

Which of the following must a firm in a market economy do today to succeed?
A) Produce the goods and services that consumers want at a lower cost than consumers themselves can produce.
B) Organize the factors of production into a functioning, efficient unit.
C) Have access to sufficient funds.
D) Market firms today must do all of these things.

Question 156

Which of the following statements is true about monopolistically competitive firms?
A) Unlike perfectly competitive firms, monopolistically competitive firms are able to raise their prices without losing all of their customers.
B) Like perfectly competitive firms, monopolistically competitive firms are not able to raise prices without losing all of their customers because they face competition from firms selling similar products.
C) Like perfectly competitive firms, monopolistically competitive firms maximize their profits by settling price equal to marginal cost.
D) Unlike perfectly competitive firms, monopolistically competitive firms face perfectly inelastic demand curves.

Question 157

The quantity theory of money predicts that, in the long run, inflation results from the
A) velocity of money growing at a faster rate than real GDP.
B) velocity of money growing at a lower rate than real GDP.
C) money supply growing at a lower rate than real GDP.
D) money supply growing at a faster rate than real GDP.
Question 158
Potential GDP in the United States
A) does not change over time.
B) grows as the economy grows.
C) changes over a given business cycle.
D) declines over time.

Question 159
Which of the following will increase the real interest rate?
A) an increase in the supply of loanable funds
B) an increase in household saving
C) an increase in the demand for loanable funds
D) an increase in the budget surplus

Question 160
An increase in exports decreases aggregate demand.
[i]True[/i] or [i]false[/i]?

Question 161
Because of the positive externality of vaccinations, economic efficiency would be improved
A) if fewer people were vaccinated.
B) if more people were vaccinated.
C) only if all people were vaccinated.
D) only if no people were vaccinated.

Question 162
An increase in liabilities will reduce a firm's net worth.
[i]True[/i] or [i]false[/i]?

Question 163
The largest government-run health care system in the world, with 1.7 million employees, is in
A) Canada.
B) Japan.
C) the United Kingdom.
D) the United States.

Question 164
A situation in which each firm chooses the best strategy given the strategies chosen by other firms is called a
A) Nash equilibrium.
B) dominant strategy.
C) collusion.
D) pay-off matrix.

Question 165
In what ways do economists and policymakers who believe that the federal government should have a larger role in the health care system criticize the Patient Protection and Affordable Care Act (ACA)?

Question 166
What is the difference between an "increase in supply" and an "increase in quantity supplied"?
A) There is no difference between the two terms; they both refer to a shift of the supply curve.
Question 167

One difference between stocks and bonds is that
A) stocks are financial securities, while bonds are labor market securities.
B) stocks are usually issued in electronic form, while bonds are usually issued in paper form.
C) stocks represent ownership in companies, while bonds represent ownership in banks.
D) stocks do not involve a promise to repay a purchaser of the stock, while bonds represent a promise to repay the purchase price of the bond.


Question 168

If prices rise on average in the U.S. economy, the purchasing power of a dollar declines.
[i]True[/i] or [i]false[/i]?


Question 169

A perfectly competitive firm breaks even at a price equal to its minimum average total cost.
[i]True[/i] or [i]false[/i]?


Question 170

If we want to use a measure of inflation that foreshadows price changes before they affect prices at the retail level, we would base our measure of inflation on
A) the producer price index.
B) the consumer price index.
C) the GDP deflator.
D) the household price index.


Question 171

Opportunity cost is defined as
A) the benefit of an activity.
B) the monetary expense associated with an activity.
C) the highest valued alternative that must be given up to engage in an activity.
D) the total value of all alternatives that must be given up to engage in an activity.


Question 172

An increase in the domestic interest rate relative to other interest rates should
A) increase investment spending.
B) decrease consumption spending.
C) increase government spending.
D) increase net exports.


Question 173

Which of the following would increase the size of the government purchases multiplier?
A) an increase in the tax rate
B) an increase in the quantity of imports purchased by households from an increase in income
C) a decrease in the amount of consumption spending by households from an increase in income
D) a decrease in the amount saved by households from an increase in income


Question 174
Studies have shown that drinking one glass of red wine per day may help prevent heart disease. Assume this is true, and a fungal disease destroys a large portion of the grape harvest of California vineyards. In the market for red wine, these two developments would:

A) increase demand and increase supply, resulting in an increase in the equilibrium quantity and a decrease in the equilibrium price of red wine.
B) increase demand and decrease supply resulting in a decrease in both the equilibrium quantity and the equilibrium price of red wine.
C) increase demand and decrease supply, resulting in an increase in the equilibrium price and an uncertain effect on the equilibrium quantity of red wine.
D) increase demand and decrease supply, resulting in an increase in both the equilibrium price and the equilibrium quantity of red wine.


Question 175
Which of the following is considered a durable good?
A) medical care
B) clothing
C) food
D) a washing machine


Question 176
An increase in aggregate demand results in a(n) _______ in the _______.
A) recession; long run
B) expansion; long run
C) expansion; short run
D) recession; short run


Question 177
In response to accounting scandals in 2002, the federal government passed legislation requiring that corporate directors have a certain level of expertise with financial information and mandating that chief executive officers personally certify the accuracy of financial statements. What is the name of this legislation?
A) the Accountant Reliability Act
B) the 24th amendment to the Constitution
C) the Kennedy-Lott Act
D) the Sarbanes-Oxley Act


Question 178
Occupational licensing is an example of an entry barrier that improves a country’s standard of living.

[i]True[/i] or [i]false[/i]?


Question 179
In 1984, the National Minimum Drinking Age Act was passed, raising the legal age to consume alcoholic beverages in the United States to 21. In much of Europe, the legal age to consume alcohol is 18. If the legal drinking age in the United States was changed back to 18, how would this affect the market for alcoholic beverages? What would happen to the equilibrium price and quantity of alcoholic beverages?


Question 180
Research by Daniel Kahneman, Jack Knetsch, and Richard Thaler has shown that companies like airlines were explicitly able to include a fuel surcharge in their prices because:
A) consumers had no choice but to pay the price of the surcharges due to the lack of competition in the industry.
B) a government-imposed price ceiling on airline ticket prices left the airlines no other way to cover the increase in costs.
C) adding a separate fuel surcharge to the price of airline tickets did not actually increase the price of the tickets.
D) consumers see it as fair for firms to raise prices after an increase in costs.


Question 181
Which of the following does not explain why consumers buy products that many other consumers are already buying?
A) technology
B) the satisfaction people derive by being viewed as “fashionable”
C) cost-effective way to gather information about a product

Answer:
### Question 182
In an oligopoly market
A) the pricing decisions of all other firms have no effect on an individual firm.
B) individual firms pay no attention to the behavior of other firms.
C) advertising of one firm has no effect on all other firms.
D) one firm’s pricing decision affects all the other firms.


### Question 183
In the United States in 2012, the percentage of people with some form of health insurance was about
A) 17%.
B) 29%.
C) 54%.
D) 84%.


### Question 184
When the Federal Reserve decreases the money supply, at the previous equilibrium interest rate households and firms will now want to
A) buy Treasury bills.
B) sell Treasury bills.
C) neither buy nor sell Treasury bills.
D) hold less money.


### Question 185
When calculating GDP, the Bureau of Economic Analysis revises its quarterly data
A) a total of one time.
B) a total of two times.
C) a total of three times.
D) many times over the next several years.


### Question 186
The three main monetary policy tools used by the Federal Reserve to manage the money supply are
A) interest rates, tax rates, and government spending.
B) tax rates, government purchases, and government transfer payments.
C) open market operations, discount policy, and reserve requirements.
D) open market operations, the exchange rate of the dollar against foreign currencies, and government purchases.


### Question 187
One reason why adverse selection problems arise in health insurance markets is that
A) sick people are more likely to want health insurance than healthy people.
B) because of advances in medical technology, people are living longer. These medical advances are costly and drive up the price of insurance for everyone.
C) the average age of citizens of the United States has increased in recent years, and will continue to increase over the next 20 to 30 years. As older citizens retire, more and more of their medical bills will have to be paid by younger workers.
D) fewer men and women are choosing medical careers because of the increase in the cost of malpractice insurance.


### Question 188
Economists Robert Jensen and Nolan Miller reasoned that to be a Giffen good, with an income effect larger than its substitution effect, a good must be _______ and make up a _______ portion of a consumer's budget.
A) a normal good; very small
B) an inferior good; very small
C) a normal good; very large
D) an inferior good; very large
Question 189
Market economies tend to grow more quickly than centrally-planned economies. [i]True[/i] or [i]false[/i]?  

Question 190
If the required reserve ratio is 100 percent, could the Federal Reserve still change the money supply with open market operations? Explain whether they could or could not.  

Question 191
The total amount of consumer surplus in a market is equal to the area below the demand curve. [i]True[/i] or [i]false[/i]?  

Question 192
In the 1980s Japan agreed to limit the quantity of automobiles it would export to the United States. Why did the Japanese government agree to this trade restriction?  
A) Japanese automobile producers lobbied for the restrictions in order to increase the price of their exports to the United States.  
B) The Japanese government wanted to limit sales to the United States in order to make more automobiles available for Japanese consumers.  
C) The Japanese government feared that the alternative would be a tariff or quota on imports of Japanese automobiles imposed by the U.S. government.  
D) The Japanese government wanted more automobiles to be available for export to countries other than the United States.  

Question 193
According to the quantity theory of money, if the money supply grows at 20 percent and real GDP grows at 5 percent, then the inflation rate will be  
A) 15 percent.  
B) 20 percent.  
C) 25 percent.  
D) 100 percent.  

Question 194
When the price of oil rises unexpectedly, the equilibrium price level ________ and the unemployment rate ________ in the short run.  
A) rises; falls  
B) rises; rises  
C) falls; falls  
D) falls; rises  

Question 195
As a business type, corporations ________ in the United States.  
A) earn the majority of profits  
B) are the most common  
C) are the least common  
D) are subject to the least amount of taxes  

Question 196
When President Obama took office in January 2009, he pledged to pursue an expansionary fiscal policy to try to pull the economy out of the recession. The next month, Congress passed the American Recovery and Reinvestment Act of 2009, a $840 billion package of ________ that was the largest fiscal policy action in U.S. history.  
A) spending increases and tax cuts  
B) interest rate reductions and increases in the money supply  
C) treasury bond purchases and mortgage-backed securities purchases  
D) commercial and investment bank bailouts  
<table>
<thead>
<tr>
<th>Question</th>
<th>Statement</th>
<th>Options</th>
<th>Answer</th>
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<tbody>
<tr>
<td>198</td>
<td>If the exchange rate changes from $1.45 = 1 euro to $1.37 = 1 euro, then</td>
<td>A) both the euro and dollar have appreciated. B) both the euro and dollar have depreciated. C) the euro has appreciated and the dollar has depreciated. D) the euro has depreciated and the dollar has appreciated.</td>
<td><a href="https://biology-forums.com/index.php?topic=324782">https://biology-forums.com/index.php?topic=324782</a></td>
</tr>
<tr>
<td>199</td>
<td>______ occurs when actions taken by one party to a transaction are different from what the other party expected at the time of the transaction.</td>
<td>A) Adverse selection B) Risk aversion C) Fraud D) Moral hazard</td>
<td><a href="https://biology-forums.com/index.php?topic=317116">https://biology-forums.com/index.php?topic=317116</a></td>
</tr>
<tr>
<td>201</td>
<td>A negative supply shock in the short run causes</td>
<td>A) the aggregate supply curve to shift to the left. B) the price level to fall. C) unemployment to fall. D) equilibrium real GDP to rise.</td>
<td><a href="https://biology-forums.com/index.php?topic=322692">https://biology-forums.com/index.php?topic=322692</a></td>
</tr>
<tr>
<td>202</td>
<td>The government budget for the country of Economia is in surplus in 2011, and in deficit in the following year, 2012. We can conclude the</td>
<td>A) government must have raised tax rates or cut spending. B) government must have cut tax rates or increased spending. C) government fiscal policy did not change between 2011 and 2012. D) none of the above</td>
<td><a href="https://biology-forums.com/index.php?topic=324349">https://biology-forums.com/index.php?topic=324349</a></td>
</tr>
<tr>
<td>204</td>
<td>If your nominal wage rises more slowly than the price level, we can say your real wage has ________ and the purchasing power of a dollar has ________.</td>
<td>A) fallen; fallen B) fallen; risen C) risen; risen D) risen; fallen</td>
<td><a href="https://biology-forums.com/index.php?topic=321708">https://biology-forums.com/index.php?topic=321708</a></td>
</tr>
</tbody>
</table>
Question 205
A welding machine is an example of a factor of production if it is being used to produce automobiles.
[i]True[/i] or [i]false[/i]?

Question 206
Which of the following describes a difference between allocative efficiency and productive efficiency in a perfectly competitive market?
A) Allocative efficiency is achieved only in the long run. Productive efficiency is achieved only in the short run.
B) Allocative efficiency is achieved only in the long run. Productive efficiency is achieved in the short run and the long run.
C) Allocative efficiency is achieved only in the short run. Productive efficiency is achieved only in the long run.
D) Allocative efficiency is achieved in the short run and the long run. Productive efficiency is achieved only in the long run.

Question 207
Marginal benefit is equal to the ________ benefit to a consumer receives from consuming one more unit of a good or service
A) total
B) unintended
C) additional
D) surplus

Question 208
The level of long-run aggregate supply is affected by all of the following except
A) changes in the price level.
B) changes in the technology.
C) changes in the capital stock.
D) changes in the number of workers.

Question 209
In the long run, perfectly competitive firms earn zero economic profit. Why do firms enter an industry when they know that in the long-run they will not earn any profit?

Question 210
A monopolistically competitive industry that earns economic profits in the short run will
A) continue to earn economic profits in the long run.
B) experience the entry of new rival firms into the industry in the long run.
C) experience the exit of existing firms out of the industry in the long run.
D) experience a rise in demand in the long run.

Question 211
If, for a perfectly competitive firm, price exceeds the marginal cost of production, the firm should
A) increase its output.
B) reduce its output.
C) keep output constant and enjoy the above normal profit.
D) lower the price.

Question 212
For each watch that Switzerland produces, it gives up the opportunity to make 50 pounds of chocolate. Germany can produce 1 watch for every 100 pounds of chocolate it produces. Which of the following is true about the comparative advantage between the two countries?
A) Switzerland has the comparative advantage in chocolate.
B) Switzerland has the comparative advantage in watches.
C) Germany has the comparative advantage in watches and chocolate.
D) Germany has the comparative advantage in watches.
Question 213
If Southwest Airlines borrows $20 million from a bank to finance the renovation of their corporate offices, this is an example of
A) a bond market transaction.
B) indirect finance.
C) a stock market transaction.
D) direct finance.

Question 214
If marginal product is equal to average product, then total product is at a maximum.
[i]True[/i] or [i]false[/i]?

Question 215
Firms that face downward-sloping demand curves for their output in the product market are called
A) price takers.
B) price dictators.
C) monopolists.
D) price makers.

Question 216
Explain the concept of network externalities.

Question 217
To calculate GDP using the value-added method, one would add up
A) the market value of final goods and services produced during a particular period.
B) only the value added by the underground economy.
C) the value added by each firm involved in the production of final goods and services.
D) the market value of intermediate goods and services produced during a particular period.

Question 218
Average total cost is
A) total cost divided by the quantity of output produced.
B) total explicit costs divided by the quantity of output produced.
C) variable cost divided by the quantity of output produced.
D) the change in fixed plus variable cost divided by the quantity of output produced.

Question 219
Which of the following could explain why there is an increase in potential GDP but the equilibrium level of GDP does not rise?
A) SRAS shifted to the right by more than LRAS.
B) AD shifted to the right by more than SRAS.
C) AD shifted to the right by less than SRAS.
D) SRAS and AD do not shift.

Question 220
All of the following are characteristics of game theory except
A) rules that determine what actions are allowable.
B) payoffs that are the results of the interaction among players' strategies.
C) strategies that players employ to attain their objectives.
D) independence among players.

Question 221
Consider an industry that is made up of six firms with the following market shares: Firm A - 50%, Firm B - 20%, Firms C and D - 10% each, and Firms E and F - 5% each. What is the value of the Herfindahl-Hirschman Index and how will the industry be categorized?

A) 2,500; mildly concentrated  
B) 3,150; highly concentrated  
C) 8,100; highly concentrated  
D) 10,000; effectively competitive  

**Question 222**

If aggregate demand just decreased, which of the following may have caused the decrease?  
A) a decrease in exports  
B) a decrease in the interest rate  
C) a decrease in the price level  
D) a decrease in imports  

**Question 223**

One way investment banks differ from commercial banks is that investment banks

A) lend exclusively to households.  
B) do not take in deposits.  
C) only buy and sell mortgages.  
D) trade only in foreign exchange markets.  

**Question 224**

Residential investment includes spending by firms on office buildings.  
[i]True[/i] or [i]false[/i]?  

**Question 225**

Which of the following is not a reason why the wages of workers and the prices of inputs rise more slowly than the prices of final goods and services?  
A) Contracts make prices and wages "sticky."  
B) Firms are often slow to adjust wages.  
C) Menu costs make some prices sticky.  
D) Unions are successful in pushing up wages.  

**Question 226**

Marla is an architect who is designing a home for Chuck. Chuck is paying Marla $150 per hour to design his new home. When Chuck and Marla get married, Marla continues to work on designing the home, but she no longer charges Chuck for her work. As a result, GDP _______ because _______.  
A) falls; Marla’s work takes place in the underground economy once she’s married  
B) falls; Marla’s work becomes less valuable once she’s married  
C) falls; Marla’s architectural design services are no longer bought by Chuck once they’re married  
D) rises; Marla becomes more productive once she’s married  

**Question 227**

A cash withdrawal from the banking system  
A) decreases reserves.  
B) decreases deposits.  
C) decreases excess reserves.  
D) All of the above are correct.  

**Question 228**

Assume that the demand curve for DVD players shifts to the left and the supply curve for DVD players shifts to the right, but the supply curve shifts more than the demand curve. As a result  
A) both the equilibrium price and quantity of DVD players will decrease.  
B) the equilibrium price of DVD players will decrease; the equilibrium quantity may increase or decrease.  

C) the equilibrium price of DVD players may increase or decrease; the equilibrium quantity will increase.
D) the equilibrium price of DVD players will decrease; the equilibrium quantity will increase.

Question 229

If a firm faces a downward-sloping demand curve,
A) the demand for its product must be inelastic.
B) it can control both price and quantity sold.
C) it must reduce its price to sell more units.
D) it will always make a profit.

Question 230

A corporation is owned by its
A) board of directors.
B) stockholders.
C) employees.
D) CEO.

Question 231

Net worth is
A) a measure of a firm’s profits.
B) part of stockholder equity.
C) the difference between a firm’s assets and liabilities.
D) listed on the asset side of a firm’s balance sheet.

Question 232

What is the difference between explicit costs and implicit costs? List three examples each of explicit costs and implicit costs that may be experienced by a small business.

Question 233

Published in 1776, ________ was written by Adam Smith.
A) "The General Theory of Employment, Interest, and Money"
B) "The Communist Manifesto"
C) "The Declaration of Economics"
D) "An Inquiry into the Nature and Causes of the Wealth of Nations"

Question 234

Explain what happens to inflation during the business cycle. Give an intuitive explanation as to why inflation changes the way it does over the business cycle.

Question 235

If net taxes fall by $80 billion, we would expect
A) the government deficit to fall by $80 billion.
B) household saving to rise by $80 billion.
C) household saving to rise by less than $80 billion.
D) household saving to fall by more than $80 billion.

Question 236

Countries that engage in trade will tend to specialize in the production of goods and services in which they have ________ and will ________ these goods and services.
A) a comparative advantage; import
B) an absolute advantage; export
C) a comparative advantage; export  
D) an absolute advantage; import  

**Question 237**

Ranchers can raise either cattle or sheep on their land. Which of the following would cause the supply of sheep to increase?  
A) an increase in the price of sheep  
B) a decrease in the price of cattle  
C) an increase in the demand for cattle  
D) an increase in the price of sheep feed  

**Question 238**

If a bank receives a $20 million discount loan from the Federal Reserve, then the bank’s reserves will  
A) not change.  
B) increase by $20 million.  
C) increase by less than $20 million.  
D) increase by more than $20 million.  

**Question 239**

Consumers in monopolistically competitive markets face a tradeoff between paying prices greater than marginal costs and purchasing products that are more closely suited to their tastes.  
[i]True[/i] or [i]false[/i]?  

**Question 240**

Two-dimensional graphs have a horizontal and a vertical axis and are used in economics to illustrate  
A) relationships between two economic variables.  
B) one variable.  
C) a flow chart.  
D) a pie chart.  

**Question 241**

Jeremy is thinking of starting up a small business selling NASCAR memorabilia. He is considering setting up his business as a sole proprietorship.  
What is one advantage to Jeremy of setting up his business as a sole proprietorship?  
A) As a sole proprietor, Jeremy would face limited liability.  
B) As a sole proprietor, Jeremy would have the ability to share risk with shareholders.  
C) As a sole proprietor, Jeremy would have both ownership and control over the business.  
D) All of the above would be advantages of setting up his business as a sole proprietorship.  

**Question 242**

The multiplier effect refers to the series of  
A) autonomous increases in consumption spending that result from an initial increase in induced expenditures.  
B) induced increases in consumption spending that result from an initial increase in autonomous expenditures.  
C) autonomous increases in investment spending that result from an initial increase in induced expenditures.  
D) induced increases in investment spending that result from an initial increase in autonomous expenditures.  

**Question 243**

Which of the following describes a difference between the marginal revenue and demand curves of a perfectly competitive firm and a monopolistically competitive firm?  
A) The perfectly competitive firm’s marginal revenue and demand curves are the same; the marginal revenue curve of a monopolistically competitive firm lies above its demand curve.  
B) The perfectly competitive firm’s marginal revenue and demand curves are the same; the marginal revenue curve of a monopolistically competitive firm lies below its demand curve.  
C) The monopolistically competitive firm’s marginal revenue and demand curves are the same; the marginal revenue curve of a perfectly competitive firm lies below its demand curve.
D) The marginal revenue curve of a monopolistically competitive firm lies below its demand curve; the marginal revenue curve of a perfectly competitive firm lies above its demand curve.


**Question 244**

Producing where marginal revenue equals marginal cost is equivalent to producing where
A) average total cost equals average revenue.
B) average fixed cost is minimized.
C) total revenue is equal to total cost.
D) total profit is maximized.


**Question 245**

Which industry has the highest four-firm concentration ratio?
A) discount department stores
B) college bookstores
C) retail gasoline stations
D) cigarettes


**Question 246**

What is economic growth?


**Question 247**

If a firm raised its price and discovered that its total revenue fell, then the demand for its product is
A) perfectly inelastic.
B) relatively inelastic.
C) perfectly elastic.
D) relatively elastic.


**Question 248**

According to an article in the Wall Street Journal, unlike airlines, even elite hotels don't have sophisticated systems that can react quickly to changes in demand. Even if they could, many hoteliers say people don't respond that much to lower rates. "We've tested this, cutting our rates by $50 [per night], and we didn't see an appreciable response in occupancy," says Jim Schultenover, a vice president for Ritz-Carlton.


Based on the information above, the demand for hotel rooms is
A) elastic.
B) unit-elastic.
C) inelastic.
D) perfectly elastic.


**Question 249**

What is a marginal cost?


**Question 250**

The marginal cost curve is U-shaped because of the law of increasing opportunity costs.  

{[True][i] or {[False][i]}? 


**Question 251**

Money cannot serve as a medium of exchange unless it also serves as a store of value. Is this statement true or false? Explain.


**Question 252**

How does a firm raise external funds through direct finance?
Question 253

All of the following are part of the "state health exchanges" provision of the Patient Protection and Affordable Care Act (ACA) except:
A) each state is required to establish an Affordable Insurance Exchange by 2014.
B) small businesses with fewer than 50 employees will be exempt from being required to participate in the program.
C) low-income individuals will be eligible for tax credits to offset the costs of buying health insurance.
D) health insurance policies that meet certain specified requirements will be offered by state-run agencies, by non-profit firms, or by the federal government.

Question 254

If a corporation earns a profit, how do owners of the firm share in the profit?
A) through coupon payments on that firm's bonds
B) through dividend payments on shares of that firm's stock
C) by selling any bonds or stocks owned and realizing a capital gain
D) by raising the interest rate on bonds

Question 255

If Ebenezer Scrooge spends rather than saves his vast wealth he will:
A) slow economic growth because he is reducing the amount of funds available for investment.
B) slow economic growth because he is increasing the amount of funds available for investment.
C) promote economic growth because he is increasing the amount of funds available for investment.
D) promote economic growth because he is decreasing the amount of funds available for investment.

Question 256

The fastest growing category of government expenditure is:
A) grants to state and local governments.
B) defense spending.
C) transfer payments.
D) government purchases.

Question 257

The long-run aggregate supply curve shows the relationship between:
A) short-run aggregate supply and short-run aggregate demand.
B) the price level and quantity of real GDP supplied.
C) the real interest rate and the nominal interest rate.
D) the quantity of real GDP supplied and the quantity of nominal GDP supplied.

Question 258

Expansionary fiscal policy involves:
A) increasing government purchases or decreasing taxes.
B) increasing taxes or decreasing government purchases.
C) increasing the money supply and decreasing interest rates.
D) decreasing the money supply and increasing interest rates.

Question 259

Which of the following is not a barrier to entry?
A) an inelastic demand curve
B) economies of scale
C) ownership of a key input
D) a patent
Question 260
Countries gain from specializing in producing goods in which they have ________ and trading for goods in which other countries have ________.
A) a comparative advantage; an absolute advantage
B) an absolute advantage; an absolute advantage
C) a comparative advantage; a comparative advantage
D) an absolute advantage; a comparative advantage

Question 261
List the five categories of federal government expenditures.

Question 262
When an oligopoly market is in Nash equilibrium
A) firms have colluded to set their prices.
B) firms will not behave as profit maximizers.
C) a firm will not take into account the strategies of its rivals.
D) a firm will choose its best pricing strategy, given the strategies that it observes other firms have taken.

Question 263
An increase in the labor force shifts the production possibility frontier inwards over time.
[i]True[/i] or [i]false[/i]?

Question 264
The Taylor rule links the Federal Reserve's target for the
A) money supply to shifts in money demand.
B) money supply to changes in interest rates.
C) federal funds rate to economic variables.
D) federal funds rate to the money supply.

Question 265
If, in a competitive market, marginal benefit is greater than marginal cost
A) the net benefit to consumers from participating in the market is greater than the net benefit to producers.
B) the government must force producers to lower price in order to achieve economic efficiency.
C) the quantity sold is greater than the equilibrium quantity.
D) the quantity sold is less than the equilibrium quantity.

Question 266
When the market value of the dollar rises relative to other currencies around the world, we say that
A) the dollar has appreciated.
B) the dollar has depreciated.
C) the demand for dollars has increased.
D) the supply of dollars has increased.

Question 267
Which aggregate supply curve has a positive slope?
A) long run only
B) short run only
C) both long run and short run
D) neither long run nor short run

Question 268
As a business type, corporations ________ in the United States.
A) earn the majority of revenues
B) are the most common
C) are the least common
D) are subject to the fewest taxes

Question 269
If real GDP in 2013 (using 2009 prices) is lower than nominal GDP of 2012, then
A) prices in 2013 are lower than prices in 2012.
B) nominal GDP in 2013 equals nominal GDP in 2012.
C) prices in 2013 are higher than prices in 2012.
D) real GDP in 2013 is larger than real GDP in 2012.

Question 270
Many people assume that if child workers in developing countries weren't working in factories, they would be in school. In fact, children in developing countries
A) split their time evenly between work and school.
B) usually have few good alternatives to work.
C) are only allowed to work if they have attended school up to age 15.
D) who work are relatively rare, as most do attend school full time.

Question 271
In a closed economy public saving plus private saving is equal to
A) investment.
B) taxes minus transfers.
C) the budget surplus.
D) the budget deficit.

Question 272
The payment received by suppliers of entrepreneurial skills is called interest.
[i]True[/i] or [i]false[/i]?

Question 273
An externality is an example of a market failure.
[i]True[/i] or [i]false[/i]?

Question 274
If the dollar appreciates, how will aggregate demand in the United States be affected?
A) Aggregate demand will shift to the right as exports increase.
B) Aggregate demand will shift to the right as imports increase.
C) Aggregate demand will shift to the left as imports increase.
D) Aggregate demand will shift to the left as exports increase.

Question 275
On a diagram of a production possibility frontier, economic growth is represented by the slope of the production possibility frontier.
[i]True[/i] or [i]false[/i]?

Question 276
The GDP deflator is a measure of the price level which is calculated as nominal GDP divided by real GDP and multiplied by 100.
[i]True[/i] or [i]false[/i]?
### Question 277

All centrally planned economies  
A) have been political dictatorships.  
B) started out as market economies.  
C) began as mixed economies.  
D) have become mixed economies.  

**Answer:** https://biology-forums.com/index.php?topic=311596

### Question 278

Consider the following statements:  

- Consumers rent more DVDs from a video store that rents DVDs at a lower price than other rival video stores in the area.  
- Department stores take steps to increase security since they believe it is more costly to allow shoplifting than to install expensive security monitoring equipment.  
- Farmers produce more cotton when its selling price falls.  

Which of the above statements demonstrates that economic agents respond to incentives?  
A) a only.  
B) b only.  
C) c only.  
D) a and b.  
E) a, b, and c.  

**Answer:** https://biology-forums.com/index.php?topic=311214

### Question 279

Which of the following is not an advantage to an insurance company of insuring a large group of people for health insurance?  
A) The characteristics of a large group are likely to reflect those of the entire population.  
B) It is easier to accurately predict the number of claims for a group than for an individual.  
C) When all group members pay the premium, the problem of moral hazard is reduced.  
D) When all group members pay the premium, the problem of adverse selection is reduced.  

**Answer:** https://biology-forums.com/index.php?topic=316976

### Question 280

________ refers to the reduction in economic surplus resulting from not being in competitive equilibrium.  
A) Marginal cost  
B) Producer atrophy  
C) Deadweight loss  
D) Economic shortage  

**Answer:** https://biology-forums.com/index.php?topic=315677

### Question 281

If your total satisfaction increases when you consume another unit, your marginal utility must be  
A) increasing.  
B) decreasing.  
C) negative.  
D) positive.  

**Answer:** https://biology-forums.com/index.php?topic=317987

### Question 282

What is the difference between a price ceiling and a price floor? Compared to the competitive equilibrium price, where must price ceilings and price floors be set to have an effect on the market.  

**Answer:** https://biology-forums.com/index.php?topic=316183

### Question 283

For each pair of items below determine which product would have the higher price elasticity of demand (in absolute value).  

- a. Blood pressure medicine for someone who has high blood pressure and the purchase of Clairol hair coloring product.  
- b. A new Ford Fusion or a tank of gas for your current car.  
- c. A Seiko watch or watches in general.  

**Answer:** https://biology-forums.com/index.php?topic=318621
Question 284
What are the advantages of setting up a corporation as opposed to a proprietorship or partnership?

Question 285
Which of the following equations is incorrect?
A) ATC - AFC = AVC
B) AVC + AFC = ATC
C) AFC = ATC - AVC
D) ATC = AVC - AFC

Question 286
Alan Krueger conducted a survey of fans at the 2001 Super Bowl who purchased tickets to the game for $325 or $400. Krueger found that (a) 94 percent of those surveyed would not have paid $3,000 for their tickets, and (b) 92 percent of those surveyed would not have sold their tickets for $3,000. These results are an example of
A) the tendency of people to be unwilling to sell a good they already own even if they are offered a price that is greater than the price they would be willing to pay if they did not already own it.
B) the tendency for consumers to account for monetary costs but to ignore sunk costs.
C) consumers placing a high value on a product because it makes them appear to be fashionable.
D) the law of demand.

Question 287
Suppose Veronica sells teapots in the perfectly competitive teapot market. Her output per day and her costs are as follows:
<table>
<thead>
<tr>
<th>Output per Day</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$20</td>
</tr>
<tr>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>2</td>
<td>37</td>
</tr>
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<td>75</td>
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<td>6</td>
<td>92</td>
</tr>
<tr>
<td>7</td>
<td>113</td>
</tr>
<tr>
<td>8</td>
<td>136</td>
</tr>
</tbody>
</table>
Suppose the current equilibrium price in the teapot market is $10. To maximize profit, how many teapots will Veronica produce, what price will she charge, and how much profit (or loss) will she make? Draw a graph to illustrate your answer. Your graph should include Veronica's demand, ATC, AVC, MC, and MR curves, the price she is charging, the quantity she is producing, and the area representing her profit (or loss).

Question 288
Emily is a writer. She buys pens and paper for $20 and writes a 500-page novel that she sells to a publishing company for $500,000. If the publisher prints 1 million copies that sell for $25 each, what is the contribution to GDP of Emily's novel?
A) $25 million
B) $20 million
C) $500,000
D) $50,000

Question 289
In 2003, Congress passed a tax cut that included a reduction in the marginal tax rate on stock dividends. This essentially increased the after-tax rate of return on stocks that offer dividends. Using the loanable funds market, describe what will happen to saving, investment, economic growth, the real interest rate, and the quantity of loanable funds exchanged.

Question 290
Let D = demand, S = supply, P = equilibrium price, Q = equilibrium quantity. What happens in the market for solar panels if the government offers tax breaks to encourage manufacturers to produce more solar panels?
A) D increases, S no change, P and Q increase
Question 291

The producer price index tracks the prices firms receive for goods and services at all stages of production. [i]True[/i] or [i]false[/i]?

Question 292

With a required reserve ratio of 20 percent, an increase in reserves of $10,000 could lead to a maximum increase in checking account deposits in the entire banking system of
A) $2,000.
B) $8,000.
C) $50,000.
D) $100,000.

Question 293

The Federal Open Market Committee consists of the seven members of the ________, the president of the Federal Reserve Bank of New York, and ________.
A) Federal Reserve's Board of Governors; four members of the Council of Economic Advisors
B) Federal Reserve's Board of Governors; four presidents from the other 11 Federal Reserve banks
C) Council of Economic Advisors; four presidents from the 11 Federal Reserve banks
D) Council of Economic Advisors; four members of the U.S. Banking Committee

Question 294

How will an increase in the government budget surplus as a result of lower government spending (with no change in net taxes) affect private saving in the economy?
A) Private saving will increase by the amount of increase in the budget surplus.
B) Private saving will decrease by the amount of increase in the budget surplus.
C) Private saving will decrease by less than the amount of increase in the budget surplus.
D) Private saving will be unaffected by the increase in the budget surplus.

Question 295

Golda Rush quit her job as a manager for Home Depot to start her own hair dressing salon, Goldilocks. She gave up a salary of $40,000 per year, invested her savings of $30,000 (which was earning 5 percent interest) and borrowed $10,000 from a close friend, agreeing to pay 5 percent interest per year. In her first year, Golda spent $18,000 to rent a salon, hired a part-time assistant for $12,000 and incurred another $15,000 on equipment and hairdressing material. Based on this information, what is the amount of her explicit costs?
A) $45,000
B) $45,500
C) $47,000
D) $87,000

Question 296

For a demand curve to be upward sloping, the good would have to be an inferior good, and
A) the income effect would have to be larger than the substitution effect.
B) the income effect would have to be smaller than the substitution effect.
C) the income effect would have to be equal to the substitution effect.
D) the income effect and the substitution effect would have to be nonexistent.

Question 297

If a consumer receives 20 units of utility from consuming two candy bars, and 25 units of utility from consuming three candy bars, the marginal utility of the third candy bar is
A) 25 utility units.
**Question 298**

Ted's Pancake Kitchen suffers a short-run loss. When should Ted decide to shut down rather than continue to produce?

A) if his Kitchen's revenue is less than its variable costs  
B) if his Kitchen's revenue is less than its fixed costs  
C) if his Kitchen's revenue is less than its explicit costs  
D) if his Kitchen's revenue is less than its total costs  

**Question 299**

"Because apples and oranges are substitutes, an increase in the price of oranges will cause the demand for apples to increase. This initial shift in demand for apples results in a higher price for apples; this higher price will cause the demand curve for apples to shift to the right." Which of the following correctly comments on this statement?

A) The statement will be true if consumer tastes for apples and oranges do not change.  
B) The statement is false because a change in the price of apples would not change the demand for apples.  
C) The statement is false because oranges are inferior goods; apples are normal goods.  
D) The statement is false because one cannot assume that apples and oranges are substitutes for all consumers.  

**Question 300**

Suppose we want to use game theory to analyze how an oligopolist selects its optimal price. The cells of the payoff matrix show

A) the profit that each producer can expect to earn by pursuing a single strategy.  
B) the profit that each producer can expect to earn from every combination of strategies by the firms in the market.  
C) the strategy that a firm must pursue to earn various levels of profit.  
D) the expected profits of rival firms.  

**Question 301**

All of the following contributed to the downfall of the Soviet Union in 1991 except

A) public dissatisfaction with low living standards and political repression.  
B) an inability to produce low-cost consumer goods that households wanted.  
C) lack of high-quality goods and services.  
D) lack of a strong dictator who can coordinate economic activities.  

**Question 302**

A decrease in the demand for soft drinks due to changes in consumer tastes, accompanied by an increase in the supply of soft drinks as a result of reductions in input prices, will result in

A) a decrease in the equilibrium quantity of soft drinks and no change in the equilibrium price.  
B) a decrease in the equilibrium price of soft drinks and no change in the equilibrium quantity.  
C) a decrease in the equilibrium price of soft drinks; the equilibrium quantity may increase or decrease.  
D) an increase in the equilibrium quantity of soft drinks; the equilibrium price may increase or decrease.  

**Question 303**

If a bank receives a $1 million discount loan from the Federal Reserve, then the bank's reserves will

A) not change.  
B) increase by $1 million.  
C) increase by less than $1 million.  
D) increase by more than $1 million.  

**Question 304**

The barrier to entry that allowed Alcoa to make persistent economic profits was ownership of an essential input.  
[ ] True  
[ ] False  
Question 305

Consider the collectors' market for first editions of two popular children's books, Harry Potter and the Order of the Phoenix by J. K. Rowling and Ruby in the Smoke by Philip Pullman. Sales of the Harry Potter novel are much greater than sales of Ruby in the Smoke yet the price of the Harry Potter novel is much lower than the price of Pullman's novel.

a. On one large diagram, draw a demand and supply graph for first editions of Harry Potter and the Order of the Phoenix and another demand and supply graph for first editions of Ruby in the Smoke.

b. Show how it is possible for the price of the Harry Potter novel to be much lower than the price of Pullman’s novel, even though the demand for the Harry Potter novel is much greater than the demand for Ruby in the Smoke.

c. Provide a written explanation to accompany your graphical illustration.


Question 306

If a person takes $100 from his/her piggy bank at home and puts it in his/her savings account, then M1 will _______ and M2 will _______.

A) increase; increase
B) not change; increase
C) decrease; increase
D) decrease; not change
E) increase; decrease


Question 307

a. What is the difference between a horizontal merger and a vertical merger?

b. Give an example of each type of merger.

c. Could a horizontal merger be welfare improving?


Question 308

The Fed was founded in 1913 to serve as lender of last resort to bankers during bank runs and panics.

[i]True[/i] or [i]false[/i]?


Question 309

If a country passes a labor law limiting the number of hours of work per week, GDP would _______ and leisure would _______.

A) decrease; increase
B) increase; increase
C) decrease; decrease
D) increase; decrease


Question 310

Which of the following would not be considered an automatic stabilizer?

A) legislation increasing funding for job retraining passed during a recession
B) decreasing unemployment insurance payments due to decreased jobless during an expansion
C) rising income tax collections due to rising incomes during an expansion
D) declining food stamp payments due to more persons finding jobs during an expansion


Question 311

If potential GDP is equal to $600 billion, what does the long-run aggregate supply curve look like?

A) It is a horizontal line at $600 billion of GDP.
B) It is a vertical line at a level of GDP below $600 billion.
C) It is a vertical line at $600 billion of GDP.
D) It is a vertical line at a level of GDP above $600 billion.


Question 312

A firm's accounting profit is also its
A) economic profit.
Question 313
A perfectly competitive firm in a constant-cost industry produces 1,000 units of a good at a total cost of $50,000. If the prevailing market price is $48, the number of firms and the industry's output will decrease in the long run.
[i]True[/i] or [i]false[/i]?

Question 314
The increase in the amount that the government collects in taxes when the economy expands and the decrease in the amount that the government collects in taxes when the economy goes into a recession is an example of
A) automatic stabilizers.
B) discretionary fiscal policy.
C) discretionary monetary policy.
D) automatic monetary policy.

Question 315
Which of the following statements is not true?
A) Consumer surplus measures the difference between the highest price a consumer is willing to pay for a product and the price she actually pays.
B) Marginal benefit is the additional benefit to a consumer from consuming one more unit of a product.
C) Consumer surplus measures the net benefit from participating in a market.
D) Producer surplus measures the total benefit received by producers from participating in a market.

Question 316
What is a marginal benefit?

Question 317
Human capital refers to the accumulated skills and training that workers possess.
[i]True[/i] or [i]false[/i]?

Question 318
Suppose a doctor can earn an additional $25,000 in revenue per year by keeping her office open on Sundays. At what additional cost would keeping the office open on Sundays not be considered economically rational?

Question 319
In a two-good, two country world, if one country has an absolute advantage in the production of both goods, it cannot benefit by trading with the other country.
[i]True[/i] or [i]false[/i]?

Question 320
Assume that both the demand curve and the supply curve for DVD players shift to the left but the demand curve shifts more than the supply curve. As a result
A) both the equilibrium price and quantity of DVD players will decrease.
B) the equilibrium price of DVD players will decrease; the equilibrium quantity may increase or decrease.
C) the equilibrium price of DVD players may increase or decrease; the equilibrium quantity will decrease.
D) the equilibrium price of DVD players will increase; the equilibrium quantity may increase or decrease.

Question 321
Consider two industries, industry Q and industry Z. In industry Q there are 10 companies, each with a market share of 10% of total sales. In industry Z,
there are eight companies. One company has a 65% market share and each of the other seven firms has a market share of 5%.

a. Calculate the four-firm concentration ratio for each industry.

b. Calculate the Herfindahl-Hirschman Index (HHI) for each industry.

c. What do the values of the two concentration measures imply about the degree of market power in the two industries?

Question 322

Economists have not found a way to predict when recessions will begin and end.

[i]True[/i] or [i]false[/i]?


Question 323

You participate in a taste test for a new protein supplement called "Boost." You are given five consecutive one ounce vials of the supplement and after consuming each vial you are asked to note your reaction. You consume the first vial and your response is: "Hmmm, quite good!" After the second, you say, "Not bad at all." After the third, you note, "It's alright," and after the fourth you wince, "No more, the after-taste is getting to me. I need water." What economic principle does this scenario illustrate? Define the principle.


Question 324

What causes a production possibilities frontier to shift inward?


Question 325

What are the four functions of money? Can something be considered money if it does not fulfill all four functions?


Question 326

Lionel's Lawn Care is a company that maintains residential yards. Lionel's cost for his standard package of mowing, edging, and trimming is $15, and he charges $25 for this service. For a total price of $40, Lionel will also trim shrubs, a service that adds an additional $10 to the total cost of the standard package. What is Lionel's marginal cost of adding the shrub-trimming service to the standard package?

A) $10
B) $15
C) $25
D) $40


Question 327

An equilibrium in which each player chooses its best strategy given the strategies chosen by the other players is called a Nash equilibrium.

[i]True[/i] or [i]false[/i]?


Question 328

In absolute value, the tax multiplier is greater than the government purchases multiplier.

[i]True[/i] or [i]false[/i]?


Question 329

A public franchise

A) is a corporation that is owned by stockholders.
B) results from ownership of a key raw material.
C) is a government designation that a private firm is the only legal producer of a good or service.
D) is an unregulated monopoly necessary for the public good.


Question 330

If households choose to take some fraction of each check they deposit and hold it as currency, then the simple deposit multiplier ________ the real-world multiplier.

A) is greater than
B) is less than
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Question 331

Which of the following is not a flow in the circular flow model?
A) the flow of goods and services and the flow of resources to produce goods and services
B) the flow of profit and the flow of revenue
C) the flow of income earned by households and the flow of expenditures incurred by households
D) the flow of revenue received by producers and the flow of payments to resource owners


Question 332

Which one of the following is not considered a financial intermediary?
A) a bank
B) a pension fund
C) an insurance company
D) a credit counselor


Question 333

People complain that inflation increases the cost of goods and services and therefore reduces their purchasing power. If inflation and income grow at the same rate, is this complaint valid? Explain carefully.


Question 334

What is the difference between a "change in demand" and a "change in quantity demanded"?


Question 335

When Congress established the Federal Reserve in 1913, what was its main responsibility? When did Congress broaden the Fed's responsibilities?


Question 336

Which of the following statements is true about profit?
A) Profit refers to the revenue received from the sale of a quantity of goods.
B) Profit is calculated by multiplying price and quantity sold.
C) The terms "accounting profit" and "economic profit" can be used interchangeably.
D) Profit is the difference between revenue and cost.


Question 337

Allison's Auto Art is a company that applies pinstripes to vehicles. Allison's cost for a basic 1-color pinstriping job is $35, and she charges $95 for this service. For a total price of $175, Allison will apply a fancier 3-color pinstripe application to an automobile, a service that adds an additional $40 to the total cost of the package. What is the marginal cost of moving up from the 1-color application to the 3-color application?
A) $35
B) $40
C) $80
D) $175


Question 338

As a percentage of GDP, exports are greater than imports for which of the following countries?
A) the United Kingdom
B) France
C) the United States
D) China

Question 339

Anything owed by a person or a firm is
A) an asset.
B) a liability.
C) a bond.
D) equity.

Question 340

Which of the following could be evidence of a market failure?
A) Resources in an economy are not fully utilized.
B) The market price of a product is above the average cost of production.
C) There are only a handful of firms competing against each other in an industry.
D) Market prices do not reflect true production costs.

Question 341

Which of the following would cause the equilibrium price of white bread to decrease and the equilibrium quantity of white bread to increase?
A) a decrease in the price of flour
B) an increase in the price of flour
C) an increase in the price of rye bread, a substitute for white bread
D) an increase in the price of butter, a complement for white bread

Question 342

Adam Smith, the father of modern economics wrote in his book, An Inquiry into the Nature and Causes of the Wealth of Nations, "it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner but from their regard to their own interest." Explain what he meant by that statement and how such behavior promotes the wealth of a nation.

Question 343

An oligopoly between two firms is called
A) a biopoly.
B) an oligopoly; there are no special terms used for oligopolies with different numbers of firms.
C) a dual-firm oligopoly.
D) a duopoly.

Question 344

As job opportunities for women and the wages those jobs pay have increased, the opportunity cost of doing housework has ________, so many families have chosen to hire specialists in households chores, such as cleaning services and lawn care services, because the cost of these specialists is ________ than the cost of the wife (or husband) performing those chores.
A) increased; higher
B) increased; lower
C) decreased; higher
D) decreased; lower

Question 345

Pookie's Pinball Palace restores old Pinball machines. Pookie has just spent $300 purchasing and cleaning a 1960s-era machine which he expects to sell for $2,000 once he is finished with the restoration. After having spent $300, Pookie discovers that he will need to rewire the entire machine at a cost of $1,100 in order to finish the restoration. Alternatively, he can sell the machine "as is" now for $1,000. What is the marginal cost of completing the task?
A) $300
B) $800
C) $1,100
D) $1,400
Question 346
The estimated price elasticities of demand for the products listed in the table as "Product A" are from Table 7-5 in the text. Indicate whether the products listed as "Product B" will have a more elastic or less elastic demand than the corresponding Product A.

<table>
<thead>
<tr>
<th>Product A</th>
<th>Estimated Elasticity for Product A</th>
<th>Product B</th>
<th>Is Estimated Elasticity for Product B More Elastic or Less Elastic than for Product A?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>-0.29</td>
<td>Samuel Adams Boston Lager</td>
<td></td>
</tr>
<tr>
<td>Chicken</td>
<td>-0.37</td>
<td>Organically raised chicken</td>
<td></td>
</tr>
<tr>
<td>Cocaine</td>
<td>-0.28</td>
<td>Illegal narcotics</td>
<td></td>
</tr>
<tr>
<td>Cigarettes</td>
<td>-0.25</td>
<td>Marlboro Lights</td>
<td></td>
</tr>
<tr>
<td>Restaurant meals</td>
<td>-0.67</td>
<td>Denny's Grand Slam breakfast</td>
<td></td>
</tr>
</tbody>
</table>


Question 347
Assume that price exceeds average variable cost over the relevant range of demand. If a monopolistically competitive firm is producing at an output where marginal revenue is $111.11 and marginal cost is $118, then to maximize profits the firm should increase its output.

[i]True[/i] or [i]false[/i]?


Question 348
________ and ________ are the largest sources of revenue collected by the federal government.

A) Individual income taxes; corporate income taxes
B) Individual income taxes; social insurance taxes
C) Corporate income taxes; excise and other taxes
D) Excise and other taxes; individual income taxes


Question 349
An example of a transfer payment is

A) a teacher's paycheck.
B) a paycheck for a member of the National Guard.
C) a welfare payment.
D) a purchase of a new bridge in Alaska.


Question 350
If we have information about workers' marginal products, then total and average product can be found by

A) dividing marginal costs by the number of workers.
B) multiplying the average marginal product times the number of workers.
C) summing the marginal values to find the total and multiplying it times the number of workers to get the average.
D) summing the marginal values to find the total and dividing it by the number of workers to get the average.


Question 351
The statement, "My iPhone is worth $300" represents money's function as

A) a medium of exchange.
B) a unit of account.
C) a store of value.
D) a standard of deferred payment.


Question 352
The additional cost to a firm of producing one more unit of a good or service is the

A) minimum cost.
B) total cost.
C) opportunity cost.
D) marginal cost.


Question 353
All of the following are examples of spending on factors of production in the circular flow model except
A) Bima hires two students to work at his ice-cream store.
B) "Get Fit Together" purchases 3 new treadmills for its gym.
C) Iris buys a dozen roses for her mother's birthday.
D) The Banyan Tree rents a much larger property so that it can add a restaurant to its facilities.

Question 354

Increases in the marginal product of labor result from
A) the use of new technology.
B) hiring more efficient workers.
C) the division of labor and specialization.
D) increasing the usage of all inputs.

Question 355

Using the aggregate supply and demand model, illustrate what happens in the long run when the economy suffers a supply shock. Begin your analysis by assuming the economy has suffered the supply shock in the short run, but has not yet adjusted to it in the long run.

Question 356

Growth in labor productivity in the economy as a whole has been ________ labor productivity in health care.
A) approximately equal to
B) slightly faster than
C) almost twice as slow as
D) more than twice as fast as

Question 357

If you spend more of your income on consumption goods, which of the following will occur?
A) The production of investment goods will fall.
B) Economic growth will be stimulated.
C) Investments in education will rise.
D) For every dollar you spend on consumption, real GDP will fall by a dollar.

Question 358

If a nation changes its laws to more actively enforce intellectual property rights, all of the following will most likely take place except
A) more software companies will choose to export their products to that country.
B) more film makers will choose to do business in that country.
C) the black market for intellectual property will become more prosperous in that country.
D) foreign investment in that country will increase.

Question 359

Protectionism is the use of ________ to protect domestic firms from foreign competition.
A) military force
B) trade barriers
C) cheap labor
D) dumping

Question 360

Economist A.C. Pigou argued that to deal with a negative externality in production, the government should impose a tax equal to the cost of the externality. What did Pigou believe should be done in the case of a positive externality in consumption? How would his recommendation impact the demand and market equilibrium for the product which is generating the positive externality?

Question 361
Which of the following equations correctly measures GDP in an economy?

A) \( GDP = C + I + G + X \)
B) \( GDP = C + net I + G + NX \)
C) \( GDP = C + I + G + NX \)
D) \( GDP = C + G + I - taxes \)


Question 362

In the first six months of 2003, branches of Commerce Bank in New York City were robbed 14 times. The New York City Police recommended steps the bank could take to deter robberies, including the installation of plastic barriers called "bandit barriers." The police were surprised the bank did not take their advice. According to a deputy commissioner of police, "Commerce does very little of what we recommend. They've told our detectives they have no interest in ever putting in the barriers." It would seem that Commerce bank would have a strong incentive to install "bandit barriers" to deter robberies. Why wouldn't they do it?

A) The banks would rather delay installation of any theft deterring equipment in anticipation of new lower cost innovations in the security devices market.
B) The banks must have weighed the cost of installing bandit barriers against the benefits and decided that they have "no interest in ever putting in the barriers."
C) The banks are concerned that "bandit barriers" would send the wrong message to customers -- that the bank is unsafe.
D) The banks probably resent any interference from the police department.


Question 363

Izzy Amador is a highly talented tattoo artist. She has chosen to specialize in tattoo art because of all of the following except

A) her tattoos are highly esteemed by tattoo lovers who are willing to pay very high prices.
B) for her, this is the most lucrative way to purchase the products that she wants to consume.
C) her opportunity cost of pursuing another career is very low.
D) she obviously has a comparative advantage in tattoo art.


Question 364

Workers and firms both expect that prices will be 2.5% higher next year than they are this year. As a result

A) workers will be willing to take lower wages next year, but not lower than a 2.5 percent decrease.
B) the purchasing power of wages will rise if wages increase by 2.5%.
C) the short-run aggregate supply curve will shift to the left as wages increase.
D) aggregate demand will increase by 2.5%


Question 365

Jason, a high-school student, mows lawns for families in his neighborhood. The going rate is $12 for each lawn-mowing service. Jason would like to charge $20 because he believes he has more experience mowing lawns than the many other teenagers who also offer the same service. If the market for lawn mowing services is perfectly competitive, what would happen if Jason raised his price?

A) He would lose some but not all his customers.
B) Initially, his customers might complain but over time they will come to accept the new rate.
C) If Jason raises his price he would lose all his customers.
D) If Jason raises his price, then all others supplying the same service will also raise their prices.


Question 366

Suppose the absolute value of the price elasticity of demand for basketball game tickets on your campus is greater than 1. Increasing ticket prices will increase the total revenue from ticket sales.

[i]True[/i] or [i]false[/i]?


Question 367

Health insurance plans which typically reimburse doctors and hospitals with payment for each service they provide are known as

A) fee-for-service plans.
B) preferred provider organizations.
C) single-health-payer systems.
D) health maintenance organizations.

Question 368

Which of the following is an example of a "how much" decision?
A) Octavia is debating whether to buy a pair of Jimmy Choo shoes or Steve Madden boots.
B) Humberto has taken a second job to earn money to buy a Harley-Davidson SuperLow Sportster.
C) You plan on going to Las Vegas for your birthday and are deciding if you should fly or drive.
D) Diana is trying to decide if she should open her pet shop on Sundays.

Question 369

A proprietorship or partnership can raise funds for expansion in all of the following ways except
A) borrowing from someone or an institution willing to lend the funds.
B) reinvesting profit back into the business.
C) taking on a partner or more partners.
D) issuing stock through financial markets.

Question 370

In preparing their estimates of the stimuluses package's effect on GDP, Obama administration economists estimated a government purchases multiplier of 1.57. Economist Robert Barro argues that ________, the government purchases multiplier would be lower than the administration's estimate, and economists Lawrence Christiano, Martin Eichenbaum, and Sergio Rebelo argued that ________, the multiplier would be higher than the administration's estimate.
A) during a recession; when the inflation rate is relatively low
B) when the unemployment rate is high; when the value of the dollar is depreciating against foreign currencies
C) when the federal budget is in surplus; when government transfer payments are declining
D) during wartime; when short-term interest rates are near zero

Question 371

"Household production" refers to
A) the manufacturing of durable household products.
B) the home building sector of the economy.
C) home-based craft businesses.
D) goods and services people produce for themselves.

Question 372

Of all barriers to entry, the most important are those that are due to
A) ownership of a key input.
B) economies of scale.
C) government-imposed barriers.
D) the Herfindahl-Hirschman Index.

Question 373

Describe what has happened to state obesity rates in the United States since 1994.

Question 374

Letters are used to represent the terms used to answer this question: price (P), quantity of output (Q), total cost (TC) and average total cost (ATC). Which of the following equations is equal to a firm's profit?
A) P - ATC
B) (P × Q) - TC
C) (P × Q) - (P × ATC)
D) P - TC

Question 375

Which of the following is the best example of a quota?
A) a limit imposed on the number of sport utility vehicles that the United States can import from Japan  
B) a subsidy granted by the U.S. government to domestic garment manufacturers so they can compete more effectively with foreign garment manufacturers  
C) a tax placed on all sport utility vehicles sold in the domestic market  
D) a $5,000 per-car fee imposed on all sport utility vehicles imported into the United States  

Question 376

________ sell shares to investors and use the money to buy short-term securities.
A) Mortgage-backed securities dealers  
B) Hedge funds  
C) Money market mutual funds  
D) Shadow banks  

Question 377

If the price of gasoline decreases, what will be the impact in the market for public transportation?
A) The demand curve for public transportation shifts to the right.  
B) The quantity of public transportation demanded increases.  
C) The demand curve for public transportation shifts to the left.  
D) The quantity of public transportation demanded decreases.  

Question 378

All of the following are part of an economic model except
A) assumptions.  
B) hypotheses.  
C) data.  
D) opinions.  

Question 379

Monetarism is a school of thought put forth by Milton Friedman. He argued that the economy would most likely
A) be below potential GDP.  
B) be at potential GDP.  
C) be unstable.  
D) be above potential GDP.  

Question 380

In April, market analysts predict that the price of titanium will fall in May. What happens in the titanium market in April, holding everything else constant?
A) The supply curve shifts to the right.  
B) The supply curve shifts to the left.  
C) The quantity demanded and the quantity supplied of titanium increase.  
D) The demand curve shifts to the right.  

Question 381

How are corporate profits taxed in the United States?
A) Earnings are taxed first by state sales taxes and then as corporate profits at the Federal level.  
B) Earnings are taxed first as personal income then as corporate profits at the Federal level.  
C) Earnings are taxed first as corporate profits then as personal income after dividends are paid.  
D) Corporate profits are not taxed at all.  

Question 382

Changes in the price level
A) increase the level of aggregate supply in the long run.  
B) decrease the level of aggregate supply in the long run.
C) do not affect the level of aggregate supply in the long run.
D) increase the level of aggregate supply in the long run only at very high levels of output.

Question 383
If marginal revenue is negative then the revenue lost from receiving a lower price on all the units that could have been sold at the original price is smaller than the additional revenue from selling one more unit of the good.
[i]True[/i] or [i]false[/i]?

Question 384
According to Robert Fogel, economic growth _______ health, and health _______ economic growth.
A) improves; worsens
B) improves; improves
C) worsens; improves
D) worsens; worsens

What is comparative advantage? What is absolute advantage?

Question 386
In New York City, about 1 million apartments are subject to rent control by the local government. Rent control
A) puts a legal limit on the rent that landlords can charge for an apartment.
B) is a price floor which sets a minimum rent for apartments.
C) only applies to those apartments which are owned and rented out by the local government.
D) is a government policy which limits apartment rental to those people whose incomes are less than $50,000 per year.

Question 387
If the federal government's expenditures are less than its tax revenues, then
A) a budget surplus results.
B) a budget deficit results.
C) the budget is balanced.
D) No conclusion can be drawn here regarding the budget surplus or deficit without information regarding government purchases versus other outlays.

Question 388
An increase in the demand for peanuts due to changes in consumer tastes, accompanied by an increase in the supply of peanuts as a result of favorable growing conditions, will result in
A) an increase in the equilibrium quantity of peanuts and no change in the equilibrium price.
B) an increase in the equilibrium price of peanuts and no change in the equilibrium quantity.
C) an increase in the equilibrium price of peanuts; the equilibrium quantity may increase or decrease.
D) an increase in the equilibrium quantity of peanuts; the equilibrium price may increase or decrease.

Question 389
Which of the following statements is true?
A) Consumer surplus measures the total benefit from participating in a market.
B) When a market is in equilibrium consumer surplus equals producer surplus.
C) Consumer surplus measures the net benefit from participating in a market.
D) Producer surplus measures the total benefit received by producers from participating in a market.

Question 390
What is the rationale behind a marketable emission allowance scheme?
A) to create of a market for externalities: the scheme brings together buyers and sellers of marketable permits
B) to discipline polluting firms by specifying the maximum amount of emissions allowed and giving them permits to pollute up to their allowance
C) to raise revenue for the government through the sale of emission permits and at the same time set an emissions target
D) to provide firms with the incentive to consider less costly alternatives to pollution reduction by making firms pay for the right to pollute beyond their specified allowance

Question 391
The law of demand implies, holding everything else constant, that as the price of gelato
A) increases, the demand for gelato will increase.
B) increases, the quantity of gelato demanded will increase.
C) decreases, the quantity of gelato demanded will increase.
D) decreases, the demand for gelato will increase.

Question 392
A profit-maximizing monopoly produces a lower output level than would be produced if the industry was perfectly competitive.
[i]True[/i] or [i]false[/i]?

Question 393
In most business situations where firms compete, often they can escape the prisoner’s dilemma and reach the most profitable outcome. Which of the following is a reason for this?
A) Firms engage in aggressive advertising to overcome the barriers to loyalty.
B) Most games are one-shot games so firms learn from their mistakes.
C) Most games are repeated games and firms can employ retaliation strategies against those who do not cooperate.
D) Firms are constantly improving their products and anticipating changing consumer tastes.

Question 394
Which of the following will increase investment spending in the economy, holding everything else constant?
A) an increase in the federal government surplus
B) an increase in the budget deficit
C) an increase in consumer dissavings
D) an increase in transfer payments

Question 395
Show the impact of tax reduction and simplification using the dynamic aggregate demand and aggregate supply model. Clearly show and identify the impact of the tax change. Assume that aggregate demand and short-run aggregate supply shift as they typically do in the dynamic model. Show what happens to the price level and real GDP because of the tax change.

Question 396
Imagine that you borrow $5,000 for one year and at the end of the year you repay the $5,000 plus $600 of interest. If the inflation rate was 4%, what was the real interest rate you paid?
A) 16 percent
B) 12 percent
C) 8 percent
D) 6 percent

Question 397
Any output combination outside a production possibility frontier is associated with unused or underutilized resources.
[i]True[/i] or [i]false[/i]?

Question 398
Adam Smith’s ________ refers to the process by which individuals acting in their own self-interest bring about a market outcome that benefits society
Question 399

NAFTA refers to a 1994 agreement that eliminated most tariffs among which countries?
A) Canada, the United Kingdom and Mexico
B) the United States, the United Kingdom and Mexico
C) the United States, Canada and Mexico
D) the United States, Mexico and Cuba

Question 400

If consumers paid the full price of medical services instead of using health insurance and third-party payers to cover part of the cost, the quantity of medical services provided would decrease.
[i]True[/i] or [i]false[/i]?

Question 401

The phrase "demand has increased" means that
A) a demand curve has shifted to the left.
B) there has been an upward movement along a demand curve.
C) there has been a downward movement along a demand curve.
D) a demand curve has shifted to the right.

Question 402

Rising prices erode the value of money as a ______ and as a ______.
A) unit of barter; unit of account
B) store of value; unit of liquidity
C) medium of exchange; store of value
D) store of value; unit of barter

Question 403

In 2004, hurricanes destroyed a large portion of Florida's orange and grapefruit crops. In the market for citrus fruit
A) the supply curve shifted to the right resulting in an increase in the equilibrium price.
B) the supply curve shifted to the left resulting in an increase in the equilibrium price.
C) the demand curve shifted to the right resulting in an increase in the equilibrium price.
D) the demand curve shifted to the left resulting in a decrease in the equilibrium price.

Question 404

Spending on the war in Afghanistan is essentially categorized as government purchases. How do increases in spending on the war in Afghanistan affect the aggregate demand curve?
A) They will move the economy down along a stationary aggregate demand curve.
B) They will move the economy up along a stationary aggregate demand curve.
C) They will shift the aggregate demand curve to the right.
D) They will shift the aggregate demand curve to the left.

Question 405

An advantage of Microsoft Windows is its compatibility with the widest range of hardware and software. The dominance of Windows is self-reinforcing: hardware and software manufacturers ensure that their products are compatible with Windows in order to have access to the large number of Windows users. Which principle best describes this scenario?
A) endowment effects
B) endorsement effects
Question 406

Which of the following countries does not come close to the free market benchmark?
A) the United States
B) Japan
C) Cuba
D) France

Question 407

Zane's Vanes is a service that restores old weather vanes. Zane has just spent $125 purchasing a 1920s era weather vane which he expects to restore and sell for $500 once the work is completed. After having spent $125, Zane realizes that he will need to spend an additional $200 on materials to complete the restoration. Alternatively, he can sell the weather vane without restoring it for $200. What is his marginal benefit if he sells the weather vane without restoring it?
A) $75
B) $125
C) $200
D) $300

Question 408

A monopolistically competitive firm earning profits in the short run will find the demand for its product decreasing and becoming more elastic in the long run as new firms move into the industry until
A) the original firm is driven into bankruptcy.
B) the firm's demand curve is perfectly elastic.
C) the firm's demand curve is tangent to its average total cost curve.
D) the firm exits the market.

Question 409

Suppose a bank has $100 million in checking account deposits with no excess reserves and the required reserve ratio is 10 percent. If the Federal Reserve raises the required reserve ratio to 15 percent, then the bank will now have excess reserves of
A) $0.
B) -$5 million.
C) $5 million.
D) $15 million.

Question 410

If consumers believe the price of LCD televisions will decrease in the future, this will cause the demand for LCD televisions to increase now.
[i]True[/i] or [i]false[/i]?

Question 411

If the required reserve ratio is 5 percent, then the simple deposit multiplier is
A) 2.
B) 5.
C) 10.
D) 20.

Question 412

Labor productivity will increase if the ________ increases and ________.
A) quantity of capital per hour worked; technology improves
B) quantity of labor per unit of capital; technology improves
C) quantity of capital per hour worked; immigration increases while capital is fixed
D) quantity of labor per unit of capital; immigration increases while capital is fixed
Question 413

The branch of economics which studies how households and firms interact in markets is called
A) macroeconomics.
B) microeconomics.
C) positive economics.
D) normative economics.

Question 414

An increase in the purchasing power of money would not, on average, result in an increase in the purchasing power of people's income because a ______ price level would likely mean ______ wages and salaries.
A) rising; falling
B) rising; rising
C) falling; falling
D) falling; rising

Question 415

Voluntary exchange increases economic efficiency
A) because neither the buyer nor the seller would agree to a trade unless they both benefit.
B) because voluntary exchange only takes place with government permission.
C) because it is free and consequently does not cost anything.
D) because it allows wealthy individuals to act altruistically and give to the poor.

Question 416

A cooperative equilibrium results when firms
A) choose the best strategy regardless of what other players do.
B) choose the strategy that maximizes the total game payoff.
C) choose the strategy that minimizes the payoff to other players.
D) choose a strategy by random chance.

Question 417

Long lags associated with the legislative process in implementing fiscal policy make it more difficult to use than monetary policy.
[i]True[/i] or [i]false[/i]?

Question 418

Trina's Tropical Fish Store sells goldfish for $2 each and angelfish for $10 each. What is the opportunity cost of buying a goldfish?
A) 5 angelfish
B) 1/5 of an angelfish
C) $10
D) $2

Question 419

One reason Starbucks experienced a decline in sales in the late 2000s is because
A) the product they offered was becoming less differentiated from their competitors' products.
B) the coffeehouse market transitioned from being monopolistically competitive to perfectly competitive.
C) barriers to entry became more restrictive in the coffeehouse market.
D) the number of competitors in the market declined dramatically.

Question 420

The 2005, 24 European Union nations established a cap-and-trade system which was designed to
A) eliminate air pollution and greenhouse gases by the year 2020.
Question 421

Which policy tool allows the Federal Reserve the greatest control over monetary policy?
A) the discount rate
B) open market operations
C) the reserve requirement
D) lender of last resort

Question 422

Explain how the economy moves back to full employment from recession. Be sure to detail what happens to short-run aggregate supply, unemployment, equilibrium GDP and the price level.

Question 423

Without technological advancement, how can a nation achieve economic growth?
A) by producing more high-value goods and fewer low-value goods
B) through an increase in supplies of factors of production
C) by producing more low-value goods and fewer high-value goods
D) by decreasing the size of the labor force

Question 424

Microsoft hires marketing and sales specialists to decide what prices it should set for its products, whereas a wealthy corn farmer in Iowa, who sells his output in the world commodity market, does not. Why is this so?
A) because Microsoft is large enough to hire the best people in the field
B) because Microsoft could potentially lose sales if it sets prices indiscriminately
C) because the wealthy corn farmer is a price taker who chooses his optimal output independently of market price but Microsoft's optimal output depends on the price it selects
D) because unlike Microsoft, the wealthy corn farmer is probably a monopolist

Question 425

If the government implements a price ceiling on insulin, this will have all of the following effects on the market for insulin except
A) an increase in consumer surplus.
B) an increase in producer surplus.
C) an increase in deadweight loss.
D) a more efficient equilibrium

Question 426

Lilly Davis has $5 per week to spend on any combination of ice cream and candy. The price of an ice cream cone is $2 and the price of a candy bar is $1. The table below shows Lilly's utility values. Use the table to answer the questions that follow the table.

<table>
<thead>
<tr>
<th>Quantity of Ice Cream Cones</th>
<th>Total Utility</th>
<th>Marginal Utility</th>
<th>Marginal Utility per Dollar</th>
<th>Quantity of Candy</th>
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</tbody>
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a. Complete the table by filling in the blank spaces.
b. Suppose Lilly purchases 2 ice cream cones and 1 candy bar. Is she consuming the optimal consumption bundle? If so, explain why. If not, what combination should she buy and why?

Question 427

Since the Social Security system began in 1935, the number of workers per retiree has
A) stayed roughly the same.
B) continually risen.
C) continually declined.
D) risen and declined with different generations.

Question 428
Who is the seller in a primary market and who is the seller in a secondary market?

Question 429
An increase in the equilibrium quantity of a product will result
A) when the quantity supplied of the product exceeds the quantity demanded.
B) when there is an increase in supply and an increase in demand for the product.
C) when there is an increase in supply and a decrease in demand for the product.
D) when there is a decrease in demand and a decrease in the cost of inputs used to make the product.

Question 430
Dumping refers to
A) selling inferior products to unsuspecting consumers.
B) selling a product for a price below its cost of production.
C) exporting products that do not meet domestic safety standards.
D) illegally avoiding tariffs by selling products on the black market.

Question 431
The United States has developed a comparative advantage in film production due to the film industry being long-established in southern California, and lower costs result from the size of the industry in the area. This source of comparative advantage is referred to as
A) the abundance of natural resources.
B) superior process technology.
C) external economies.
D) best practices of unskilled labor.

Question 432
Interdependence of firms is most common in
A) monopolistically competitive industries.
B) monopolistic industries.
C) monopolistically competitive and oligopolistic industries.
D) oligopolistic industries.

Question 433
A college must decide if it wants to offer more evening and weekend classes. This decision involves answering the economic question of "for whom to produce."
 [i]True[/i] or [i]false[/i]?

Question 434
If a monopolistically competitive firm is producing 50 units of output where marginal cost equals marginal revenue, total cost is $1,674 and total revenue is $2,000, its average profit is
A) $326.
B) $40.
C) $6.52.
D) impossible to determine without additional information.

Question 435
It is not possible to have a comparative advantage in producing a good or service without having an absolute advantage.
Question 436
According to ________, entrepreneurship does not contribute anything of value to production.
A) Robert Lucas and Thomas Sargent
B) Milton Friedman
C) John Maynard Keynes
D) Karl Marx

Question 437
If the production possibilities frontier is ________, then opportunity costs are constant as more of one good is produced.
A) bowed out
B) bowed in
C) non-linear
D) linear

Question 438
Competitive market equilibrium is a market equilibrium with many buyers and sellers.
[i]True[/i] or [i]false[/i]?

Question 439
A public franchise gives the exclusive right to produce a product for 20 years from the date the product is invented.
[i]True[/i] or [i]false[/i]?

Question 440
Total utility is maximized in the consumption of two goods by
A) equating the marginal utility for each good consumed.
B) equating the marginal utility per dollar for each good consumed.
C) equating the total utility of each good divided by its price.
D) maximizing expenditure on each good.

Question 441
The producer price index measures the prices that firms
A) pay for imported natural resources that go into the production process.
B) receive for the goods and services they export.
C) receive for the goods and services they use at all stages of production.
D) pay for labor, whether or not the labor is foreign or domestic.

Question 442
Explain why the marginal cost of production must increase if the marginal product of a variable resource is decreasing.

Question 443
Which of the following would be the best measure of the cost of living?
A) real GDP
B) real GDP per person
C) GDP deflator
D) consumer price index

Question 444
Which of the following is a reason why a firm would experience diseconomies of scale?
A) To finance an increase in the size of its plant a firm must borrow more money or sell more shares of stock.
B) As the size of the firm increases, it becomes more difficult to find markets where it doesn't already have operations.
C) As the size of the firm increases it becomes more difficult to coordinate the operations of its manufacturing plants.
D) As the size of the firm increases, it must operate in other countries where differences in language, customs and laws increase its average costs.

Question 445
Which of the following economists did not help to develop game theory analysis?
A) Adam Smith
B) John Nash
C) John von Neumann
D) Oskar Morgenstern

Question 446
Which of the following would encourage economic growth through increases in the capital stock?
A) a change from an income tax to a consumption tax
B) an increase in household saving
C) a decrease in the government deficit
D) all of the above

Question 447
An advantage of the personal consumption expenditures price index (PCE) over the Consumer Price Index (CPI) as a measure of inflation is that the PCE
A) is a more narrow, focused measure of inflation.
B) is a chain-type price index that allows the mix of products to change each year.
C) includes the prices of industrial equipment.
D) includes the prices of goods, but not services.

Question 448
In the case of an upward-sloping aggregate supply curve, the change in real GDP brought about by a change in government spending will be less than that predicted by the simple government purchases multiplier.
[i]True[/i] or [i]false[/i]?

Question 449
Lucinda buys a new GPS system for $250. She receives consumer surplus of $75 from the purchase. How much does Lucinda value her GPS system?
A) $75
B) $175
C) $250
D) $325

Question 450
Human capital refers to
A) the money people have.
B) the machines workers have to work with.
C) the accumulated skills and training workers have.
D) the wealth people have.

Question 451
An increase in the unemployment rate may be represented as a movement from a point on the production possibilities frontier to a different point on the frontier.
[i]True[/i] or [i]false[/i]?
Question 452

Who operates and controls a corporation in its day-to-day activities?
A) the board of directors
B) stockholders
C) employees
D) management

Question 453

The sum of public and private saving in an economy is equal to
A) Y - C - T.
B) T - TR - G.
C) Y - C - G.
D) I - C - G.

Question 454

"The distribution of income should be left to the market" is an example of a positive economic statement.
[i]True[/i] or [i]false[/i]?

Question 455

Mr. Peabody chooses to invest in companies that produce goods and services based on consumer preferences. Mr. Peabody is investing in companies that are attempting to be
A) allocatively efficient.
B) productively efficient.
C) guaranteed to make a profit.
D) all of the above

Question 456

How does an increase in a country’s exchange rate affect its balance of trade?
A) An increase in the exchange rate raises imports, reduces exports, and reduces the balance of trade.
B) An increase in the exchange rate reduces imports, raises exports, and reduces the balance of trade.
C) An increase in the exchange rate reduces imports, raises exports, and increases the balance of trade.
D) An increase in the exchange rate raises imports, reduces exports, and increases the balance of trade.

Question 457

The GDP deflator is a measure of the
A) total production of the economy adjusted for inflation.
B) total production of the economy unadjusted for inflation.
C) average level of prices of final goods and services in the economy.
D) average level of prices of intermediate goods and services in the economy.

Question 458

A network externality occurs when
A) there is production cost savings from being networked with suppliers.
B) there is production cost savings from being networked with buyers.
C) the usefulness of a good is affected by how many others use the good.
D) the usefulness of a good is affected by celebrities who use the good.

Question 459

When a business is set up as partnership, the owner of the business faces unlimited liability.
[i]True[/i] or [i]false[/i]?
Question 460

Rank these three items in terms of the elasticity of the demand for them at any given price, from most elastic to least elastic: hot beverages, coffee and Peet's Coffee.
A) hot beverages, coffee, Peet's Coffee
B) Peet's Coffee, coffee, hot beverages
C) coffee, Peet's Coffee, hot beverages
D) coffee, hot beverages, Peet's Coffee

Question 461

Donnie's Donuts incurs $450,000 per year in explicit costs and $200,000 in implicit costs. The bakery earns $800,000 in revenues and has $2 million in net worth. Based on this information, what is the accounting profit for Donnie's Donuts?
A) $150,000
B) $350,000
C) $600,000
D) $1.2 million

Question 462

In the long run, most economists agree that a permanent increase in government spending leads to
A) no decrease in private spending.
B) a decrease in private spending by less than the amount that government spending increased.
C) a decrease in private spending by the same amount that government spending increased.
D) a decrease in private spending by more than the amount that government spending increased.

Question 463

In the long-run equilibrium, both the perfectly competitive firm and the monopolistically competitive firm produce the output at which MR=MC and charge a price equal to the average total cost of production.
[i]True[/i] or [i]false[/i]?

Question 464

When a government has a budget deficit, it must issue (sell) government bonds to finance the deficit. Does it matter for the rate of inflation if the government sells the government bonds to the public or sells the government bonds to the central bank? Explain why it does or does not matter.

Question 465

When production generates a negative externality, the true cost of production is the
A) private cost of production.
B) public cost of production.
C) social cost of production.
D) average cost of production.

Question 466

A goal of market-based reforms of the health care system is to give patients an incentive to pay more attention to the prices of medical services. This would tend to ________ economic efficiency by ________ the costs of medical services
A) increase; increasing
B) increase; decreasing
C) decrease; increasing
D) decrease; decreasing

Question 467

In each of the following situations, list what will happen to the equilibrium price and the equilibrium quantity for a particular product, which is an inferior good.
a. The population increases and productivity increases
b. The income increases and the price of inputs decrease
c. The number of firms in the market decreases and income increases
d. Consumer preference increases and the price of a complement decreases
e. The price of a substitute in consumption decreases and the price of a substitute in production decreases

Question 468

The basis for trade is absolute advantage, not comparative advantage.
[i]True[/i] or [i]false[/i]?

Question 469

Which of the following equations is correct?
A) AVC - ATC = AFC
B) AVC + ATC = AFC
C) AFC + AVC = ATC
D) ATC + AVC = AFC

Question 470

Ford Motor Company started producing the Model A at plants scattered around the United States
A) to save on transport costs.
B) because diseconomies of scale at its initial River Rouge plant resulted in high production costs.
C) to locate its production centers closer to its customers.
D) because it was not able to attract skilled workers in Michigan (where its first plant was located).

Question 471

The distribution of income primarily determines which of the fundamental economic questions?
A) What goods and services are to be produced?
B) How the goods and services are to be produced?
C) Who will receive the goods and services produced?
D) How to plan the economy?

Question 472

In the long run, a firm in a perfectly competitive industry will supply output only if its total revenue covers its
A) explicit plus its implicit costs.
B) fixed costs.
C) implicit costs.
D) explicit costs.

Question 473

The first important law regulating monopolies in the United States was
A) the Grant Act, which was passed in 1890.
B) the Clayton Act, which was passed in 1890.
C) the Sherman Act, which was passed in 1890.
D) the Federal Trade Commission Act, which was passed in 1914.

Question 474

In the short run, a profit-maximizing firm's decision to produce should be guided by whether
A) it makes a profit.
B) its marginal profit is maximized.
C) its total revenue exceeds its fixed cost.
D) its total revenue covers its variable cost.
Question 475
A recession tends to cause the federal budget deficit to ________ because tax revenues ________ and government spending on transfer payments ________.
A) increase; rise; falls
B) increase; fall; rises
C) decrease; rise; falls
D) decrease; fall; rises

Question 476
Consider the Taylor rule for the target of the federal funds rate. Suppose the equilibrium real federal funds rate is 2 percent, the target rate of inflation is 3 percent, the current inflation rate is 3 percent, real GDP equals potential real GDP, and the weights are 1/2 for the inflation gap and the output gap. Using the Taylor rule, what does the target for the federal funds rate equal? Next, if the Federal Reserve lowered the target for the inflation rate to 1 percent, how much would the target for the federal funds rate change?

Question 477
A bond is a financial security that represents
A) ownership in a corporation.
B) the portion of profits paid to shareholders.
C) the interest rate paid on a share of stock.
D) a promise to repay a fixed amount of funds.

Question 478
When the government runs a budget deficit, we would expect to see that
A) private saving will fall.
B) investment will fall.
C) G + TR < T.
D) public saving is positive.

Question 479
Which of the following are separate flows in the circular flow model?
A) the flow of goods and the flow of services
B) the flow of costs and the flow of revenue
C) the flow of income earned from the sale of resources and the flow of expenditures on goods and services.
D) the flow of income received by households and the flow of tax revenues paid by households

Question 480
In the long run, if the demand curve of a monopolistically competitive firm is tangent to its average total cost curve then
A) the firm would break even.
B) the firm would shut down temporarily.
C) the firm would earn enough revenue to cover its variable costs, but not its fixed costs.
D) the firm would earn an economic profit.

Question 481
If a corporation goes bankrupt, which of the following has first claim on the firm's assets?
A) stockholders
B) the state where chartered
C) employees
D) bondholders

Question 482
Briefly describe the most important differences between the market for health care and the market for other goods and services.
Question 483

Contractionary fiscal policy to prevent real GDP from rising above potential real GDP would cause the inflation rate to be ________ and real GDP to be ________.
A) higher; higher
B) higher; lower
C) lower; higher
D) lower; lower

Question 484

In cities with rent control, people have an incentive to list their apartments on sites such as Airbnb at rents ________ the controlled rates, because rent control causes a ________ of apartments.
A) above; surplus
B) above; shortage
C) below; surplus
D) below; shortage

Question 485

Suppose that when the price of hamburgers decreases, the Ruiz family increases their purchases of ketchup. To the Ruiz family
A) hamburgers and ketchup are complements.
B) hamburgers and ketchup are substitutes.
C) hamburgers and ketchup are normal goods.
D) hamburgers are normal goods and hot dogs are inferior goods.

Question 486

Which of the following statements about price elasticity of demand is false?
A) The value of the price elasticity of demand is the reciprocal of the value of the demand curve's slope.
B) If quantity demanded changes by a larger percentage than the percentage change in price, demand is elastic.
C) The value of the price elasticity of demand along a downward-sloping demand curve is always negative.
D) A linear downward-sloping demand curve has a varying price elasticity coefficient.

Question 487

As women's wages have risen relative to men's wages, the opportunity cost to women of doing housework has ________ than has the opportunity cost to men.
A) increased less
B) increased more
C) decreased more
D) decreased less

Question 488

As the tax wedge associated with a given economic activity gets smaller, we would expect
A) more of that economic activity to occur.
B) the distortions caused by taxes on that activity to be greater.
C) people to engage in less of that particular activity.
D) no change in the practice of that activity until the tax wedge ultimately disappears.

Question 489

The price elasticity of demand for Stork ice cream is -4. Suppose you're told that following a price increase, quantity demanded fell by 10 percent.
What was the percentage change in price that brought about this change in quantity demanded?
A) 40 percent
B) 25 percent
C) 2.5 percent
D) 0.4 percent
Question 490

Because consumers who have insurance provided by their employers usually only pay a deductible for a visit to the doctor's office,
A) employers have more incentive to allow employees time off for doctor visits.
B) doctors have less incentive to control their costs.
C) insurance companies have more incentive to approve medical procedures for their policy holders.
D) consumers have less incentive to visit the doctor's office on a more frequent basis.

Question 491

If total revenue exceeds fixed cost, a firm
A) should produce in the short run.
B) has covered its variable cost.
C) is making short-run profits.
D) may or may not produce in the short run, depending on whether total revenue covers variable cost.

Question 492

Digital video recorders (DVRs) were introduced to the market in 1999, and new technology has allowed for the cost of manufacturing the recorders to decline significantly since the initial introduction. How did this change in technology affect the market for DVRs?
A) The new technology caused an increase in the supply of DVRs and a decrease in price of DVRs.
B) The new technology caused an increase in the supply of DVRs and an increase in price of DVRs.
C) The new technology caused a decrease in the demand for DVRs.
D) The new technology caused an increase in the quantity of DVRs supplied.

Question 493

Policies based on normative economic ideas tend to increase economic efficiency and improve equity.
[i]True[/i] or [i]false[/i]?

Question 494

The law of diminishing marginal utility states that
A) eventually total utility falls as more of a good is consumed, other things constant.
B) the extra satisfaction from consuming a good decreases as more of a good is consumed, other things constant.
C) the extra satisfaction from consuming a good increases slowly as more of a good is consumed, other things constant.
D) when the extra satisfaction from consuming a good becomes negative, total utility starts falling, other things constant.

Question 495

In the circular flow model, households supply resources such as labor services in the product market.
[i]True[/i] or [i]false[/i]?

Question 496

Deadweight loss refers to the reduction in economic surplus resulting from a market not being in competitive equilibrium.
[i]True[/i] or [i]false[/i]?

Question 497

When demand is unit-elastic, a change in price causes total revenue to stay the same because
A) the percentage change in quantity demanded exactly offsets the percentage change in price.
B) buyers are buying the same quantity.
C) total revenue never changes with price changes.
D) the change in profit is offset by the change in production cost.

Question 498
How does the increasing use of MP3 players affect the market for compact discs?
A) The demand curve for compact discs shifts to the right.
B) The supply curve for compact discs shifts to the left.
C) The supply curve for compact discs shifts to the right.
D) The demand curve for compact discs shifts to the left.

Question 499

Stagflation is often a result of
A) a negative supply shock.
B) a decrease in aggregate demand.
C) an increase in aggregate demand.
D) an increase in aggregate supply.

Question 500

In recent years the cost of producing organic produce in the U.S. has decreased largely due technological advancement. At the same time, more and more Americans prefer organic produce over conventional produce. Which of the following best explains the effect of these events in the organic produce market?
A) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
B) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
C) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in both the equilibrium price and the equilibrium quantity.
D) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.

Question 501

Assume that firms in a perfectly competitive market are earning economic profits. Which of the following statements describes the change in market price and output as a result of the entry of new firms into this market?
A) The market demand curve shifts to the right, causing price to rise and market output to increase.
B) The market demand curve shifts to the left, causing price to fall and market output to decrease.
C) The short-run market supply curve shifts to the right, causing price to fall and total market output to increase.
D) The short-run market supply curve shifts to the left, causing price to rise and total market output to decrease.

Question 502

In a two-good, two country world, if one country has an absolute advantage in the production of both goods, it can still benefit by trading with the other country.
[i]True[/i] or [i]false[/i]?

Question 503

Assume that production from an electric utility caused acid rain. If the government imposed a tax on the utility equal to the cost of the acid rain, the government's action would
A) externalize the externality.
B) result in a marginal social benefit greater than the marginal cost of the electricity.
C) be an example of supply side economic policy.
D) internalize the externality.

Question 504

The GDP deflator is equal to
A) real GDP divided by nominal GDP.
B) nominal GDP divided by real GDP, multiplied by 100.
C) nominal GDP divided by real GDP.
D) real GDP divided by nominal GDP, multiplied by 100.
Question 505
Suppose that real GDP for 2012 was $10,000 billion and real GDP for 2013 was $9,500 billion. What is the rate of growth of real GDP between 2012 and 2013?
A) -10%
B) -5%
C) -2%
D) -1%

Question 506
During an expansion, how do inflation and unemployment typically change?
A) Inflation and unemployment both rise.
B) Inflation and unemployment both fall.
C) Inflation falls and unemployment rises.
D) Inflation rises and unemployment falls.

Question 507
If the best lawyer in town is also the best at operating a word processor, then according to economic reasoning, this person should
A) split her time evenly between being a lawyer and a word processor.
B) specialize in being a lawyer because its opportunity cost is lower.
C) should pursue the activity she enjoys more.
D) specialize in being a work processor because it is more capital-intensive.

Question 508
Fill in the columns in the following table and use the values in the table to determine the profit-maximizing level of output.
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Question 509
In the long run, most economists agree that a permanent increase in government spending leads to ________ crowding out of private spending.
A) no
B) partial
C) complete
D) more than complete

Question 510
As the economy nears the end of an expansion, which of the following do we typically see?
A) rising firm profits
B) rising levels of firm investment
C) rising interest rates
D) falling wages relative to output prices
**Question 511**

The demand for gasoline in the short run is
A) elastic because people can easily switch to public transportation.
B) perfectly inelastic because people have no choice but to buy gasoline.
C) unit-elastic because people tend to consume a stable amount of gasoline per period.
D) inelastic because there are no good substitutes for gasoline.

**Question 512**

Nearly a quarter of China's 1.3 billion people are under the age of 15. How will this affect high school enrollment over the next fifteen years? The labor market over the next fifteen years?

**Question 513**

Households ______ final goods and services in the ______ market.
A) purchase; factor
B) purchase; product
C) sell; factor
D) sell; product

**Question 514**

Which of the following statements is false?
A) An inverse relationship has a negative slope value.
B) A direct relationship has a positive slope value.
C) A curved line has slope values that change at every point.
D) A straight line has a slope of zero.

**Question 515**

Use the equations for public and private saving to demonstrate how total saving in the economy equals investment.

**Question 516**

Which of the following are represented by the same flow in the circular flow model?
A) the flow of goods and the flow of factors of production
B) the flow of costs and the flow of revenue
C) the flow of income earned from the sale of resources and the flow of expenditures on goods and services.
D) the flow of income received by households and the flow of tax revenues paid by firms

**Question 517**

Any output combination inside a production possibility frontier is associated with unused or underutilized resources.

[i]True[i] or [i]false[i]?

**Question 518**

In economics, tangible merchandise is referred to as
A) invention.
B) human capital.
C) services.
D) goods.

**Question 519**

If a firm's long-run average total curve shows that it can produce 5,000 DVDs at an average cost of $2.00 and 15,000 DVDs at an average cost of $1.50 this is evidence of
A) diminishing returns.
Question 520

In 1930, the U.S. government attempted to help domestic firms that were harmed by the Great Depression by
A) establishing the General Agreement on Tariffs and Trade (GATT).
B) passing the Smoot-Hawley Tariff.
C) establishing the World Trade Organization (WTO).
D) passing the North American Free Trade Agreement (NAFTA).


Question 521

Accounting costs exclude implicit costs.

[i]True[/i] or [i]false[/i]?


Question 522

Suppose Political Party A proposes a tax cut on business income to stimulate the economy. Political Party B opposes the tax cut on business income asserting that it would only help businesses, not the average working man and woman. If you were hired as an economist for Political Party A, explain how the tax cut on business income would help the average working man and woman.


Question 523

The GDP deflator is the best measure that reflects the prices of goods and services purchased by the typical household.

[i]True[/i] or [i]false[/i]?


Question 524

The town of Harmonia gives away all 500 tickets to its annual Founder's Day Free Concert-in-the-Park to local residents. Each year, more than 500 people wish to attend the concert, so some of the residents who receive the free tickets sell them for as much as $75 each. Is a transaction where someone pays a resident $75 for a "free ticket" economically efficient?
A) No, people should never be allowed to sell items they received for free.
B) Yes, it was a voluntary exchange that benefited both parties.
C) No, the buyer paid too much for the ticket.
D) Yes, it is efficient only from the perspective of the seller and not from the perspective of the buyer.


Question 525

If the quantity demanded for a product exceeds the quantity supplied, the market price will rise until
A) the quantity demanded equals the quantity supplied. The product will then no longer be scarce.
B) quantity demanded equals quantity supplied. The equilibrium price will then be greater than the market price.
C) only wealthy consumers will be able to afford the product.
D) quantity demanded equals quantity supplied. The market price will then equal the equilibrium price.


Question 526

Which of the following is not an assumption made by the dynamic model of aggregate demand and aggregate supply?
A) Potential real GDP increases continuously.
B) The aggregate demand curve shifts to the right during most periods.
C) The short-run aggregate supply curve shifts to the right except during periods when workers and firms expect higher wages.
D) Aggregate demand and potential real GDP decrease continuously.


Question 527

A university must decide if it should stop offering foreign language classes. This decision involves answering the economic question of "how to produce."

[i]True[/i] or [i]false[/i]?

Question 528

In the desire to have a celebrity's image protected to prevent it from being used in ways he would not approve, a celebrity's estate
A) will probably not be successful, since there are no laws regulating this kind of use in the United States.
B) will have to be granted a patent declaring the celebrity's image a new product, and this will give the estate protection for 7 years.
C) can rely on U.S. laws that protect intellectual property rights to prevent the unauthorized use of his image.
D) will most likely be more successful in developing countries than in high-income countries, since property regulations are better enforced in developing countries.

Question 529

Assume that the market for barley is in equilibrium and the demand for barley is inelastic. Predict what happens to the revenue of barley farmers if a prolonged drought reduces the supply of barley. The drought will cause farm revenue to
A) rise because there will be a shortage of barley.
B) rise because the percentage decrease in quantity sold is less than the percentage increase in price.
C) rise because the percentage increase in quantity sold is greater than the percentage increase in price.
D) fall because of the decrease in the quantity of barley sold.

Question 530

The natural resources used in production are made available in the
A) goods and services market.
B) product market.
C) government market.
D) factor market.

Question 531

Producing a differentiated product occurs in which of the following industries?
A) oligopoly, monopolistic competition and perfect competition
B) monopolistic competition only
C) oligopoly only
D) monopolistic competition and oligopoly

Question 532

A Federal Reserve publication proclaimed that "Trade is a win-win situation for all countries that participate." This statement is
A) false since it ignores the workers who lose their jobs as result of international trade.
B) false since not all countries participate in international trade.
C) true because it refers to countries; individuals may be losers as a result of international trade.
D) true because all consumers and workers benefit from international trade.

Question 533

Which of the following is not one of the key services provided by the financial system?
A) decreasing taxes
B) risk sharing
C) liquidity
D) generating information

Question 534

A common mistake made by consumers is the failure to take into account the monetary costs of their actions.
[i]True[/i] or [i]false[/i]?

Question 535

A network externality refers to a situation in which the usefulness of a product decreases with the number of consumers who use it.
Question 536

Suppose that when the price of hamburgers increases, the Ruiz family increases their purchases of hot dogs. To the Ruiz family
A) hamburgers and hot dogs are complements.
B) hamburgers and hot dogs are inferior goods.
C) hamburgers and hot dogs are normal goods.
D) hamburgers and hot dogs are substitutes.

Question 537

A decrease in the price level will
A) shift the short-run aggregate supply curve to the left.
B) shift the short-run aggregate supply curve to the right.
C) move the economy up along a stationary short-run aggregate supply curve.
D) move the economy down along a stationary short-run aggregate supply curve.

Question 538

What is the difference between positive economic analysis and normative economic analysis? Give one example each of a positive and normative economic issue or question or statement.

Question 539

The tax increases necessary to fund future Social Security and Medicare benefit payments would be
A) small, and have little effect on economic growth.
B) small, but could discourage work effort, entrepreneurship and investment, thereby slowing economic growth.
C) large, but would have little effect on economic growth.
D) large, and could discourage work effort, entrepreneurship and investment, thereby slowing economic growth.

Question 540

Marginal benefit refers to the additional benefit that your activity provides to you.
[i]True[/i] or [i]false[/i]?

Question 541

If an employee receives health insurance through his or her employer, the employer
A) still withholds contributions for Medicare and Medicaid from the employee's paycheck.
B) still withholds contributions for Medicare, but not Medicaid, from the employee's paycheck.
C) still withholds contributions for Medicaid, but not Medicare, from the employee's paycheck.
D) is no longer required to withhold contributions for Medicare or Medicaid from the employee's paycheck.

Question 542

If Marlowe obtains 9 units of utility per dollar spent on apples and 6 units of utility per dollar spent on oranges, then Marlowe
A) is maximizing total utility.
B) should buy more apples and fewer oranges.
C) should buy more oranges and fewer apples.
D) should buy fewer oranges and fewer apples.

Question 543

Which of the following will result in an increase in labor productivity?
A) a decrease in the number of people attending institutions of higher education
B) a decline in the amount of human capital per worker
C) an increase in technology
D) a decline in the capital stock per hour worked
## Question 544

If at a price of $24, Octavia sells 36 home-grown orchids and at $30 she sells 24 home-grown orchids, the demand for her orchids is:

A) elastic.
B) inelastic.
C) unit-elastic.
D) perfectly elastic.


## Question 545

Contractionary monetary policy refers to the Fed's decreasing the money supply and decreasing interest rates to decrease real GDP.

[i]True[/i] or [i]false[/i]?


## Question 546

The double taxation problem occurs because households pay taxes on dividends and capital gains from stock and corporations pay taxes on corporate profits.

[i]True[/i] or [i]false[/i]?


## Question 547

When the marginal benefit equals the marginal cost of the last unit sold in a competitive market:

A) the net benefit of consumers is equal to the net benefit of producers.
B) an economically efficient level of output is produced.
C) producer surplus is equal to consumer surplus.
D) total benefit is equal to total cost.


## Question 548

The nominal interest rate equals the real interest rate ________ the inflation rate.

A) times
B) divided by
C) plus
D) minus


## Question 549

Firms in perfect competition produce the allocatively efficient output in the short run and in the long run.

[i]True[/i] or [i]false[/i]?


## Question 550

Of the following, which is the best example of good with a perfectly inelastic demand?

A) the demand for tickets in New York City when the Mets or Yankees are in the World Series
B) the demand for gasoline
C) a diabetic's demand for insulin
D) the demand for a college education by a student who has a full scholarship to an Ivy League school


## Question 551

In the United States, partnership profits are taxed at the business level and then are taxed again as personal income in the form of dividend payments.

[i]True[/i] or [i]false[/i]?


## Question 552

Give an example of an automatic stabilizer. Explain how automatic stabilizers work in the case of recession.

Question 553

In the United States, consumers usually pay less than the true cost of medical treatment because of:
A) adverse selection.
B) rising insurance premiums.
C) third-party payers.
D) rising insurance deductibles.

Question 554

The Congressional Budget Office estimates that ________ of the increase in federal spending on Medicare and Medicaid over the next 75 years will be due to increases in the cost of providing health care.
A) very little
B) less than half
C) most
D) all

Question 555

A monopolist faces:
A) a perfectly elastic demand curve.
B) a perfectly inelastic demand curve.
C) a horizontal demand curve.
D) a downward-sloping demand curve.

Question 556

Explain the economic assumption that "people are rational."

Question 557

Assume that you had a ticket for a basketball playoff game that you bought for $50, the maximum price you were willing to pay. If a friend of yours offers to buy the ticket for $100 but you decide not to sell it, how can your decision be explained?
A) You expect to receive greater utility from attending the playoff game than you received from buying the ticket.
B) by the endowment effect
C) by the law of diminishing marginal utility
D) The income effect from the increase in the price of the ticket from $50 to $100 was greater than the substitution effect.

Question 558

Which of the following situations is one in which the Fed will potentially pursue expansionary monetary policy?
A) Potential GDP is forecasted to be higher than equilibrium GDP.
B) Potential GDP is forecasted to be lower than equilibrium GDP.
C) Aggregate demand is growing too fast to keep the economy at full employment.
D) Aggregate demand is growing too slowly and the economy is in danger of producing GDP above full employment.

Question 559

Economists have long debated whether there is a significant loss of well-being to society in markets that are monopolistically competitive rather than perfectly competitive. Which of the following offers the best reason why some economists believe that monopolistically competitive markets benefit consumers despite any loss of well-being?
A) Although consumers may pay a price greater than marginal cost for a product, the product is produced at the minimum average total cost.
B) Although consumers may pay a price greater than marginal cost and the product is not produced at minimum average total cost, they benefit from being able to buy a differentiated product more closely suited to their tastes.
C) Consumers pay a price equal to the marginal cost of producing a product, even though it is not produced at the minimum average total cost.
D) Consumers are better off choosing from a variety of differentiated products, even though product differentiation causes barriers that restrict entry into monopolistically competitive markets.
Question 560

________ is called an implicit cost, while ________ is called an explicit cost.
A) An accounting cost; an economic cost
B) A nonmonetary opportunity cost; a cost that involves spending money
C) A production cost; a sales cost
D) An actual cost; a hypothetical cost

Question 561

If a decrease in income leads to a decrease in the demand for mac and cheese, then mac and cheese is
A) a normal good.
B) a neutral good.
C) a complement.
D) a necessity.

Question 562

Ben's Peanut Shoppe suffers a short-run loss. Ben will not choose to shut down if
A) his Shoppe's total revenue exceeds his fixed cost.
B) his Shoppe's total revenue exceeds his variable cost.
C) his Shoppe's total revenue exceeds his implicit costs.
D) his Shoppe's total revenue exceeds his capital costs.

Question 563

Rising nominal GDP will increase the demand for money and short-term interest rates.
[i]True[/i] or [i]false[/i]?

Question 564

Consider two industries, industry W and industry X. In industry W there are five companies, each with a market share of 20% of total sales. In industry X, there are six companies. One company has a 50% market share and each of the other five firms has a market share of 10%.

a. Calculate the four-firm concentration ratio for each industry.
b. Calculate the Herfindahl-Hirschman Index (HHI) for each industry.
c. What do the values of the two concentration measures imply about the degree of market power in the two industries?

Question 565

The largest government-run health care system in the world, with 1.7 million employees, is the National Health Service (NHS) in the United Kingdom. The NHS receives its funding primarily from
A) tariffs.
B) the World Health Organization.
C) income taxes.
D) private businesses.

Question 566

Your grandfather tells you that he earned $7,000/year in his first job in 1961. You earn $35,000/year in your first job in 2013. You know that average prices have risen steadily since 1961. You earn
A) 5 times as much as your grandfather in terms of real income.
B) more than 5 times as much as your grandfather in terms of real income.
C) less than 5 times as much as your grandfather in terms of real income.
D) less than 5 times as much as your grandfather in terms of nominal income.

Question 567

If the production possibilities frontier is linear, then
A) opportunity costs are decreasing as more of one good is produced.
Question 568
A financial intermediary’s main function is to match ________ with excess funds to ________ with a shortage of funds.
A) savers; borrower
B) borrower; savers
C) governments; households
D) firms; insurance companies

Question 569
Suppose a bank has $100,000 in checking account deposits with no excess reserves and the required reserve ratio is 5 percent. If the Federal Reserve lowers the required reserve ratio to 3 percent, then the bank will now have excess reserves of
A) $0.
B) $2,000.
C) $3,000.
D) $5,000.

Question 570
If taxes are less than transfers plus government spending, then
A) there is positive saving.
B) there is a balanced budget.
C) there is a budget surplus.
D) there is public dissaving.

Question 571
Prices of microbrewery beer (assume that this is a normal good) have risen steadily in recent years. Over this same period, prices for fermenting vats used in beer making have also risen and consumer incomes have fallen. Which of the following best explains the rising prices of microbrewery beer?
A) The supply curve for microbrewery beer has shifted to the left while the demand curve for microbrewery beer has shifted to the right.
B) The demand curve for microbrewery beer has shifted to the left more than the supply curve has shifted to the left.
C) The demand curve and the supply curve for microbrewery beer have both shifted to the right.
D) The supply curve for microbrewery beer has shifted to the left more than the demand curve has shifted to the left.

Question 572
Suppose a decrease in the supply of paper results in an increase in revenue. This indicates that
A) the demand for paper is inelastic.
B) the demand for paper is elastic.
C) the supply of paper is inelastic.
D) the supply of paper is elastic.

Question 573
Households ________ factors of production and ________ goods and services.
A) supply; demand
B) supply; supply
C) demand; supply
D) demand; demand

Question 574
Which of the following statements regarding the use of gold as money is false?
A) It has standardized quality.
B) It is durable.
C) It has value other than money.
D) It is acceptable to traders.

**Question 575**

If the exchange rate between the Mexican peso and the U.S. dollar expressed in terms of pesos per dollar is 13.5 pesos = 1 dollar, what is the exchange rate when expresses in terms of dollars per peso?

**Question 576**

The Fed has complete control over the money supply.
[i]True[/i] or [i]false[/i]?

**Question 577**

Assume the market price for tangerines is $18.00 per bushel. At the market price, tangerine growers are willing to supply a quantity of 12,000 bushels per week. The quantity supplied drops to zero when the price falls to $5.00 per bushel. Construct a graph showing this data, calculate the total producer surplus in the market for tangerines, and show the total producer surplus on the graph.

**Question 578**

If the demand curve for a product shifts to the left and the supply curve for the product shifts to the left, the equilibrium quantity will decrease.
[i]True[/i] or [i]false[/i]?

**Question 579**

Most recessions in the United States since World War II have begun with
A) a decline in residential construction.
B) a rapid increase in the price level.
C) a substantial number of bank failures.
D) a stock market crash.

**Question 580**

Suppose you withdraw $1,000 from your savings account and put it under your mattress. Briefly explain how this will affect M1 and M2.

**Question 581**

From an initial long-run macroeconomic equilibrium, if the Federal Reserve anticipated that next year aggregate demand would grow significantly faster than long-run aggregate supply, then the Federal Reserve would most likely
A) increase income tax rates.
B) decrease income tax rates.
C) increase interest rates.
D) decrease interest rates.

**Question 582**

On average, people in the United States spend a smaller percentage of their income on health care than do people in most other countries.
[i]True[/i] or [i]false[/i]?

**Question 583**

One of the monetary policy goals of the Federal Reserve is price stability.
[i]True[/i] or [i]false[/i]?

**Question 584**

In the world oil market, oil is supplied up to the point where
A) the marginal cost of the last barrel is just equal to the price buyers are willing to pay for that last barrel.
B) the marginal cost of the last barrel is zero.
C) the marginal cost of the last barrel is the greatest distance from the price buyers are willing to pay for that last barrel.
D) the marginal cost of the last barrel is at a maximum.

Question 585

The minimum wage is an example of
A) a subsidy for low-skilled workers.
B) a price floor.
C) a price ceiling.
D) a black market.

Question 586

What is a supply shock, and why might a supply shock lead to stagflation?

Question 587

Physical capital refers to stocks and bonds.
[i]True[/i] or [i]false[/i]?

Question 588

Statistics on real GDP during World War II may give a misleading indication of whether World War II was a period of prosperity because
A) inflation may have been considerably higher than estimated.
B) most of the increased production was for military goods, not consumption goods.
C) government agents purposely inflated the production numbers to maintain American support for the war.
D) government agencies were shorthanded and did a particularly poor job of collecting data.

Question 589

A quota is the same as a voluntary export restraint.
[i]True[/i] or [i]false[/i]?

Question 590

A monopoly is characterized by all of the following except
A) there are only a few sellers each selling a unique product.
B) entry barriers are high.
C) there are no close substitutes to the firm’s product.
D) the firm has market power.

Question 591

A quota
A) makes domestic consumers better off.
B) makes both domestic producers and consumers better off.
C) makes everyone worse off.
D) makes domestic producers better off.

Question 592

The Taylor rule predicted a federal funds rate which was ________ that set when Paul Volcker was chairman of the Fed, and a rate which was ________ that set when Arthur Burns chaired the Fed.
A) greater than; equal to
B) greater than; less than
C) less than; equal to
D) less than; greater than
### Question 593
Most economists agree that an automatic mechanism brings the economy back to potential GDP in the long run. In mid-2011, two years after the recession of 2007-2009 had ended, real GDP in the United States
A) had returned to potential GDP.
B) had exceeded potential GDP by 1.5 percent.
C) remained more than 7 percent below potential GDP.
D) was predicted to never return to potential GDP.

### Question 594
If the price elasticity of demand for canned soup is estimated at -1.62. What happens to sales revenue if the price of canned soup rises?
A) It falls by 162 percent.
B) It rises by 1.62 percent.
C) It falls.
D) It rises.

### Question 595
Potential GDP is defined as
A) the maximum of GDP that the economy can produce.
B) the amount of GDP produced if there is no frictional unemployment.
C) the level of GDP attained when all firms are producing at capacity.
D) the amount of GDP produced if there is no structural unemployment.

### Question 596
If the U.S. government implements a tariff on Chinese tire imports all of the following would be made worse off except
A) U.S. consumers.
B) American tire retailers.
C) Chinese tire manufacturers.
D) American tire manufacturing workers.

### Question 597
A decrease in the price of GPS systems will result in
A) a smaller quantity of GPS systems supplied.
B) a larger quantity of GPS systems supplied.
C) a decrease in the demand for GPS systems.
D) an increase in the supply of GPS systems.

### Question 598
If you purchase a share of stock from your friend who initially purchased the stock three years ago, your purchase of the stock represents a transaction in the secondary financial market.
[i]True[/i] or [i]false[/i]?

### Question 599
A table that shows the possible payoffs each firm earns from every combination of strategies by all firms is called
A) an earnings table.
B) a payoff table.
C) a payoff matrix.
D) a strategic matrix.

### Question 600
The main purpose of most tariffs and quotas is to
A) raise revenue for the government.
B) reduce the prices consumers pay for goods and services.
C) reduce the foreign competition that domestic firms face.
D) improve the quality of goods and services imported into the country.

**Question 601**

On average, jobs at small firms pay ________ wages than jobs at large firms and are ________ likely to offer fringe benefits such as health insurance and retirement accounts.
A) higher; more
B) lower; more
C) higher; less
D) lower; less

**Question 602**

In the United States from 1981 to 2011, deaths from all of the following declined substantially except
A) cancer.
B) kidney disease.
C) heart attacks.
D) strokes.

**Question 603**

A key difficulty facing insurance companies is that people know more about their health than do insurance companies, and that those people who are seriously ill are the most likely to want to obtain health insurance. What is this phenomenon called?
A) moral hazard
B) economic irrationality
C) asymmetric information
D) adverse selection

**Question 604**

In the United States in 2012, the percentage of firms that employed more than 200 workers and offered health insurance as a fringe benefit to the workers was about
A) 29%.
B) 42%.
C) 61%.
D) 98%.

**Question 605**

The total output produced by a firm divided by the quantity of workers employed by the firm is the definition of
A) the marginal product of labor.
B) the division of labor.
C) the average product of labor.
D) the average cost of production.

**Question 606**

Which of the following statements is false?
A) Anytime you have to decide which action to take you are facing an economic trade-off.
B) Trade-offs do not apply when the consumers purchase a product for which there is excess supply, such as a stock clearance sale.
C) Every individual, no matter how rich or poor, is faced with making trade-offs.
D) Economics is a social science that studies the trade-offs we are forced to make because of scarcity.

**Question 607**

Suppose an industry is made up of 25 firms, all with equal market share. The four-firm concentration ratio of this industry is
A) 16%.
B) 20%.
Question 608
An increase in government purchases will increase aggregate demand because
A) government expenditures are a component of aggregate demand.
B) consumption expenditures are a component of aggregate demand.
C) the decline in the price level will increase demand.
D) the decline in the interest rate will increase demand.

Question 609
If the marginal cost of keeping a doctor's office open one additional hour per day is $200, then the doctor should keep the office open for one extra hour
A) only if the marginal benefit she receives is greater than $200 plus an acceptable profit margin.
B) as long as the marginal benefit she receives is just equal to or greater than $200.
C) as long as the marginal cost does not rise.
D) until the marginal benefit she receives reaches zero.

Question 610
Raising funds through financial intermediaries is called
A) direct finance.
B) corporate finance.
C) indirect finance.
D) dividend reinvestment.

Question 611
In a centrally planned economy, the households and firms decide how economic resources will be allocated.
[i]True[/i] or [i]false[/i]?

Question 612
Why do many film processing companies have a policy of printing every picture on a roll of film or a memory card, even if the picture is very fuzzy and customers are allowed to ask for refunds on any pictures they do not like?

Question 613
In game theory, the three key characteristics of a game are
A) rules, strategies, and payoffs.
B) rules, regulations, and payoffs.
C) winners, losers, and rules.
D) risks, rewards, and penalties.

Question 614
Economies of scale exist as a firm increases its size in the long run because of all of the following except
A) the firm can afford more sophisticated technology in production.
B) labor and management can specialize even further in their tasks.
C) as a larger input buyer, the firm can purchase inputs at a lower per unit cost.
D) as a firm expands its production, its profit margin per-unit of output increases.

Question 615
The long-run adjustment to a negative supply shock results in
A) the short-run aggregate supply curve shifting to the right.
B) the price level rising.
Question 616

Why do corporations want to keep the price of their stock high?
A) A higher stock price increases the funds the firm can raise when it sells a given amount of stock.
B) Corporations can pay their managers lower salaries and avoid principal-agent problems when stock prices are higher.
C) Higher stock prices are correlated with lower expected profitability.
D) All of the above provide incentive for corporations to keep the price of their stock high.

Question 617

Part of the spending on the Caldecott Tunnel project in northern California came from the American Reinvestment and Recovery Act, which is an example of discretionary fiscal policy aimed at increasing
A) real GDP and employment.
B) tax revenues and the federal budget surplus.
C) disposable income and interest rates.
D) the money supply and money demand.

Question 618

Banks can make additional loans when required reserves are
A) greater than total reserves.
B) less than total reserves.
C) less than total deposits.
D) less than total loans.

Question 619

Bella can produce either a combination of 60 silk roses and 80 silk leaves or a combination of 70 silk roses and 55 silk leaves. If she now produces 60 silk roses and 80 silk leaves, what is the opportunity cost of producing an additional 10 silk roses?
A) 2.5 silk leaves
B) 10 silk leaves
C) 25 silk leaves
D) 55 silk leaves

Question 620

All else equal, as the price of a product falls, the quantity supplied increases.  
[i]True[/i] or [i]false[/i]?

Question 621

The monetary policy target the Federal Reserve focuses primarily on today is
A) the unemployment rate.
B) M1.
C) the inflation rate.
D) the interest rate.
E) M2.

Question 622

If a country is producing efficiently and is on the production possibilities frontier, producing more of one good would result in a movement along the frontier.  
[i]True[/i] or [i]false[/i]?

Question 623
a. Distinguish between a tariff and a quota.
b. In what ways are tariffs and quotas similar?
c. In what ways are tariffs and quotas different?
d. Why might a foreign producer prefer a quota rather than a tariff?

Question 624
Stagflation occurs when inflation ________ and GDP ________.
A) rises; rises
B) rises; falls
C) falls; rises
D) falls; falls

Question 625
Farmers can plant either corn or soybeans in their fields. Which of the following would cause the supply of soybeans to increase?
A) an increase in the price of soybeans
B) a decrease in the price of corn
C) an increase in the demand for corn
D) an increase in the price of soybean seeds

Question 626
Which of the following describes the infant industry argument for protectionism?
A) An industry must be protected in its early stages of development so that firms can compete with government-subsidized foreign competition.
B) Some strategic industries must be protected to ensure adequate supplies of resources needed for national defense in emergencies.
C) Domestic producers in high-wage countries must be protected from foreign producers in low-wage countries to produce a level playing field.
D) Domestic producers require time to gain experience and lower their unit costs; this will allow these producers to compete successfully in international markets.

Question 627
Consider the following T-account for a bank:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>$1,000</td>
</tr>
<tr>
<td>Deposits</td>
<td>$5,000</td>
</tr>
<tr>
<td>Loans</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

If the required reserve ratio is 10 percent, the bank at this point can make no more loans.
[i]True[/i] or [i]false[/i]?

Question 628
Which of the following is a normative economic statement?
A) Rising global demand for diesel and heating oil has led to increases in the price of crude oil.
B) With falling home prices and rising mortgage interest rates, the amount of foreclosures has increased.
C) The federal government is considering raising the gasoline tax to promote the use of public transportation.
D) Fashion designers should be allowed to copyright designs to promote innovation.

Question 629
With the Troubled Asset Relief Program (TARP), the Treasury provided funds to banks in exchange for stock.
[i]True[/i] or [i]false[/i]?

Question 630
When consumers pay only a fraction of the true cost of medical services, their demand increases. The marginal cost of producing these extra services
A) is greater than the marginal benefit consumers receive from them.
B) is less than the marginal benefit consumers receive from them.
C) is equal to the marginal benefit consumers receive from them.
D) is zero due to the insurance payments.
Question 631
Suppose a monopolistically competitive firm sells 25 units at a price of $10. Calculate its marginal revenue per unit of output if it sells 5 more units of output when it reduced its price to $9.
A) $270.
B) $20
C) $4
D) $2.50

Question 632
Which of the following statements about economic resources is false?
A) Economic resources include financial capital and money.
B) Economic resources are also called factors of production.
C) Economic resources are used to produce goods and services.
D) Some economic resources are human-made while others are found in nature.

Question 633
The ultimatum game and the dictator game are used in economic experiments to test whether fairness is an important influence on consumer decision-making.
[i]True[/i] or [i]false[/i]?

Question 634
In the United States, total health care spending per person has been ________, and out-of-pocket spending on health care per person has been ________.
A) rising; rising
B) rising; falling
C) falling; rising
D) falling; falling

Question 635
If price = marginal cost at the output produced by a perfectly competitive firm and the firm is earning an economic profit, then
A) marginal revenue is less than price.
B) average total cost is at a minimum.
C) total revenue equals total cost.
D) price exceeds average total cost.

Question 636
The Stogie Shop, a cigar store in the mall, sells hand-rolled cigars for $10.00 and machine-made cigars for $2.50 each. What is the opportunity cost of buying a hand-rolled cigar?
A) 4 machine-made cigars
B) 1/4 of a machine-made cigar
C) $10.00
D) $2.50

Question 637
At the beginning of 2013, with the tariff on Chinese tires having expired, Goodyear’s profits ________ compared to the previous year, and Chinese tire imports ________.
A) rose; increased
B) rose; decreased
C) fell; increased
D) fell; decreased
Question 638

If a doctor knows that an insurance company will pay for most of a patient's bill, the doctor has more of an incentive to require additional medical procedures and tests, even if the patient may not require them. This is an example of
A) moral hazard.
B) the principle-agent problem.
C) asymmetric information.
D) adverse selection.

Question 639

Marginal revenue is
A) total revenue divided by the total quantity of output.
B) the change in profit divided by the change in the quantity of output.
C) the change in total revenue divided by the change in total cost.
D) the change in total revenue divided by the change in the quantity of output.

Question 640

How will contractionary monetary policy in Japan affect the demand and supply of the yen in the foreign exchange market?
A) The demand for the yen will fall, and the supply of the yen will increase.
B) The demand for the yen will increase, and the supply of the yen will fall.
C) The demand for the yen will fall, and the supply of the yen will fall.
D) The demand for the yen will increase, and the supply of the yen will increase.

Question 641

Central Grocery in New Orleans is famous for its muffaletta, a large round sandwich filled with deli meats and topped with a tangy olive salad. Suppose the following table represents cost and revenue data for Central Grocery. Fill in the columns for TR, MR, MC, ATC, and profit. If Central Grocery wants to maximize profits, what price should it charge for a muffaletta, what quantity should it sell, and what will be the amount of its total profit?

<table>
<thead>
<tr>
<th>Muffalettas Sold per Day</th>
<th>Price (P)</th>
<th>Total Revenue (TR)</th>
<th>Marginal Revenue (MR)</th>
<th>Total Cost (TC)</th>
<th>Marginal Cost (MC)</th>
<th>Average Total Cost (ATC)</th>
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</tr>
</tbody>
</table>

Question 642

To decrease the money supply, the Federal Reserve could
A) lower the discount rate.
B) raise income taxes.
C) lower the required reserve ratio.
D) conduct an open market sale of Treasury securities.
E) raise transfer payments.

Question 643

Why would a firm pay efficiency wages?

Question 644

A decrease in the price of pork will result in
A) a smaller quantity of pork supplied.
B) a larger quantity of pork supplied.
C) a decrease in the demand for pork.
D) an increase in the supply of pork.

**Question 645**

Max Shreck, an accountant, quit his $80,000-a-year job and bought an existing tattoo parlor from its previous owner, Sylvia Sidney. The lease has five years remaining and requires a monthly payment of $4,000. Max's explicit cost amounts to $3,000 per month more than his revenue. Should Max continue operating his business?

A) Max's explicit cost exceeds his total revenue. He should shut down his tattoo parlor.
B) Max should continue to run the tattoo parlor until his lease runs out.
C) If Max's marginal revenue is greater than or equal to his marginal cost, then he should stay in business.
D) This cannot be determined without information on his revenue.

**Question 646**

Network externalities

A) can only exist when there are economies of scale.
B) prevent the dominance of a market by one firm.
C) exist when the usefulness of a product increases with the number of consumers who use it.
D) are created when celebrity endorsements of products lead to a surge in the demand for those products.

**Question 647**

Which of the following correctly describes the automatic mechanism through which the economy adjusts to long-run equilibrium?

A) the leftward shift of the short-run aggregate supply curve that occurs after a recession
B) the rightward shift of the short-run aggregate supply curve that occurs after a recession
C) the leftward shift of the aggregate demand curve that occurs after a recession
D) the rightward shift of the aggregate demand curve that occurs after a recession

**Question 648**

Economies where goods and services are traded directly for other goods and services are called ________ economies.

A) trade
B) barter
C) direct
D) seigniorage

**Question 649**

In their surveys of consumers, Daniel Kahneman, Jack Knetsch and Richard Thaler found that

A) most people considered it unfair for firms to raise their prices because of an increase in their costs, but fair to raise their prices after an increase in demand.
B) most people considered any increase in price to be unfair as it led to an increase in profits.
C) most people believed that low income people were hurt most by increases in prices.
D) most people considered an increase in price by firms following an increase in their costs to be fair but believed it was unfair for firms to raise their prices because of an increase in demand.

**Question 650**

The cost borne by a producer in the production of a good or service is called

A) private cost.
B) public cost.
C) social cost.
D) internal cost.

**Question 651**

If the required reserve ratio is RR, the simple deposit multiplier is defined as
Question 652
The portion of ________ that a bank does not loan out or spend on securities is known as ________.
A) loans; reserves
B) deposits; reserves
C) deposits; securities
D) loans; securities

Question 653
Potential GDP refers to the level of
A) real GDP in the long run.
B) nominal GDP in the long run.
C) real GDP in the short run.
D) nominal GDP in the short run.

Question 654
If a corporation retains all its profits and distributes none of the profit to owners, how can owners benefit?
A) If the retained earnings are expected to create future profits, the market price of the firm's stock will increase and create a capital gain for stockholders if the stock is sold.
B) Shares of stock can be converted into bonds so stockholders will be able to earn coupon payments.
C) Owners will only benefit if some profits are paid out in the form of dividends.
D) Owners will benefit by changing the board of directors.

Question 655
When housing prices fell as they did beginning in 2006 following the housing market bubble, most banks and other lenders ________ the requirement for borrowers, making it ________ for potential home buyers to obtain mortgages.
A) tightened; easier
B) tightened; harder
C) eased; easier
D) eased; harder

Question 656
Consider the following types of demand curves:
a. a vertical demand curve
b. a horizontal demand curve
c. a linear downward-sloping demand curve
Which of the demand curves listed exhibits a price elasticity of demand coefficient that remains constant along the demand curve?
A) a only
B) b only
C) a and b only
D) a, b, and c

Question 657
The inflation rate measures the average prices of goods and services in the economy.
[i]True[/i] or [i]false[/i]?

Question 658
Which of the following goods would see the largest decline in demand during a recession?
A) automobiles
Question 659

Imports are goods and services bought domestically
A) and produced domestically.
B) but produced in other countries.
C) and resold at a profit.
D) and not subject to tariffs.

Question 660

How would the equilibrium quantity of loanable funds respond to a change from an income tax to a consumption tax?
A) The equilibrium quantity of loanable funds would rise.
B) The equilibrium quantity of loanable funds would fall.
C) The equilibrium quantity of loanable funds would be unaffected.
D) The equilibrium quantity of loanable funds may rise or fall based on whether household saving increases or decreases as a result of the change from an income tax to a consumption tax.

Question 661

Which of the following statements is true?
A) Japan is more dependent on foreign trade than is the United States.
B) Imports and exports account for over one-half of the GDP of Belgium.
C) France is the leading exporting country, accounting for 10 percent of total world exports.
D) Because the cost of labor used on farms is so high, the United States exports very little of its wheat, rice and corn crops.

Question 662

If the demand for the yen increases relative to the dollar, which of the following would occur?
A) The dollar will appreciate.
B) The yen will depreciate.
C) The dollar will depreciate.
D) The demand for the dollar will increase.

Question 663

One of the main sources of comparative advantage is natural resources.
[i]True[/i] or [i]false[/i]?

Question 664

The nominal interest rate minus the inflation rate equals the real interest rate.
[i]True[/i] or [i]false[/i]?

Question 665

The order of the letters along the rows of computer keyboards could be changed to allow users to type faster, but this would inconvenience the vast majority of people who learned to type with the current keyboard layout. The costs of switching to a new layout make this change unlikely. This is an example of
A) path dependency.
B) how social influences overwhelm the substitution effect of a price change.
C) how the elasticity of demand for typewriters has been affected by externalities.
D) how consumers sometimes do not behave rationally.

Question 666
The nominal interest rate plus the inflation rate equals the real interest rate.
[i]True[/i] or [i]false[/i]?

Question 667

The price a perfectly competitive firm receives for its output
A) is determined by the interaction of the firm and all of the consumers who buy from the firm.
B) is determined by the interaction of all sellers and all buyers in the firm's market.
C) will not change in response to changes in market demand and supply because the firm is a price taker.
D) will be lowered by the firm in order to sell more output.

Question 668

Producers in perfect competition receive a smaller producer surplus than a monopoly producer.
[i]True[/i] or [i]false[/i]?

Question 669

An explicit cost is defined as
A) a cost that does not change as output changes.
B) a nonmonetary opportunity cost.
C) a cost that involves spending money.
D) a nonmonetary accounting cost.

Question 670

The situation in which one party to a transaction takes advantage of knowing more than the other party to the transaction is known as asymmetric information.
[i]True[/i] or [i]false[/i]?

Question 671

A financial security that represents a promise to repay a fixed amount of funds is a
A) share of stock.
B) coupon.
C) dividend.
D) bond.

Question 672

If, in a perfectly competitive industry, the market price facing a firm is above its average total cost at the output where marginal revenue equals marginal cost, then
A) firms are breaking even.
B) new firms are attracted to the industry.
C) existing firms will exit the industry.
D) market supply will remain constant.

Question 673

a. What is the defining characteristic of a natural monopoly?
b. Should the government break up a natural monopoly into two or more firms to make the industry more competitive?
c. Suppose the government wants to ensure that some of the benefits of declining average total cost are passed on to consumers. To achieve this goal, it requires that the natural monopoly set its price equal to marginal cost. Is this a feasible goal? Explain.
d. What is an alternative to marginal cost pricing that ensures that consumers reap some of the benefits of declining average total cost?

Question 674

A set of actions that a firm takes to achieve a goal is the definition of a
A) business plan.
Question 675

Explain the difference between substitutes and complements.


Question 676

Let D = demand, S = supply, P = equilibrium price, Q = equilibrium quantity. What happens in the market for tropical hardwood trees if the governments restrict the amount of forest lands that can be logged?

A) D decreases, S no change, P and Q decrease
B) S decreases, D no change, P increases, Q decreases
C) D and S decrease, P and Q increase
D) D no change, S decreases, P increases, Q increases


Question 677

The Federal Reserve’s two main _______ are the money supply and the interest rate.

A) monetary policy targets
B) policy tools
C) fiscal policy targets
D) fiscal tools


Question 678

Expansionary fiscal policy will

A) shift the aggregate demand curve to the left.
B) shift the aggregate demand curve to the right.
C) not shift the aggregate demand curve.
D) shift the short-run aggregate supply curve to the left.


Question 679

Some policymakers have argue that products like cigarettes, alcohol, and sweetened soda generate negative externalities in consumption. All else equal, if the government decided to impose a tax on soda, the equilibrium quantity of soda would _______ and the equilibrium price of soda would _______.

A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease


Question 680

What is the difference between physical capital and human capital?


Question 681

As spending on government purchases increases, income rises and money demand falls.

[ ] True [ ] False


Question 682

Tastes for products such as beer differ. As a result

A) we see countries specializing completely in the production of beer.
B) consumers of beer have difficulty deciding what type of imported beer to buy.
C) the quality of imported beer is less than it could be.
D) different countries may each have a comparative advantage in producing different types of beer.
Question 683
Which of the following factors help to explain the sustained increases in health care spending in the United States, and which do not:

a. the additional paperwork, duplication, and waste generated in the U.S. health care system compared to systems in other countries
b. the increasing costs of malpractice insurance and malpractice lawsuit settlements
c. the number of uninsured patients receiving hospital treatment that could have been performed at a lower cost in doctors’ offices
d. the slow growth in labor productivity in health care compared to that in the economy as a whole
e. the aging population
f. increases in the cost of providing health care

Question 684
What economic impact would the closing of a nearby military base have on a town? Would people and businesses that did not directly deal with the military personnel be affected?

Question 685
A sharp increase in the divorce rate increases the number of lawyers hired to determine divorce settlements. This will

A) increase GDP and increase well being in the economy.
B) increase GDP and decrease well being in the economy.
C) decrease GDP and increase well being in the economy.
D) decrease GDP and decrease well being in the economy.

Question 686
Corporate managers and shareholders always have the same goals.

[i]True[/i] or [i]false[/i]?

Question 687
The additional benefit to a consumer from consuming one more unit of a good or service

A) is equal to consumer surplus.
B) is equal to the opportunity cost of consuming the good or service.
C) is equal to marginal benefit.
D) is equal to economic surplus.

Question 688
Which of the following is not an option for a perfectly competitive firm that suffers short-run losses?

A) shutting down
B) reducing production
C) reducing the use of variable factors
D) raising price

Question 689
Economic efficiency in a competitive market is achieved when

A) economic surplus is equal to consumer surplus.
B) consumers and producers are satisfied.
C) the marginal benefit equals the marginal cost from the last unit sold.
D) producer surplus equals the total amount firms receive from consumers minus the cost of production.

Question 690
Which of the following is the best example of a quota?

A) a subsidy from the U.S. government to domestic manufacturers of tires to enable them to compete more effectively with foreign producers
B) a limit on the quantity of tires that can be imported from a foreign country
C) a 40% fee imposed on all imported tires
Question 691

How does a market system prevent people from getting as many goods and services as they wish?
A) Governments interfere with the market mechanism to influence the allocation of goods and services.
B) In a market system, firms can charge any price they want, thus preventing poor people from getting as many goods and services as they wish.
C) The market system allocates goods and services to those who are able to pay for those products and therefore income is a limiting factor.
D) The government imposes taxes on those who earn beyond a certain amount of income.


Question 692

The unattainable points in a production possibilities diagram are
A) the points within the production possibilities frontier.
B) the points along the production possibilities frontier.
C) the points of the horizontal and vertical intercepts.
D) the points outside the production possibilities frontier.


Question 693

Use the dynamic aggregate demand and aggregate supply model and start with Year 1 in a long-run macroeconomic equilibrium. For Year 2, graph aggregate demand, long-run aggregate supply, and short-run aggregate supply such that the condition of the economy will induce the president and the Congress to conduct expansionary fiscal policy. Briefly explain the condition of the economy and what the president and the Congress are attempting to do.


Question 694

Which of the following questions or statements regarding medical school is normative?
A) How do changes in expected future incomes affect the decisions of medical students about which specialty to choose?
B) Medical students who enter specialized fields make a larger contribution to society than do students who enter primary care.
C) What role does tuition play in a student's decision about whether to attend medical school?
D) Have tuition increases had a large effect or a small effect on the number of applications to medical school?


Question 695

Which of the following would shift the supply curve for energy drinks to the left?
A) a decrease in the expected future price of energy drinks
B) an increase in consumer income (assuming that energy drinks are normal goods)
C) a decrease in the number of firms that produce energy drinks
D) a decrease in the price of an input used to produce energy drinks


Question 696

If a straight line passes through the point $x = 14$ and $y = 3$ and also through the point $x = 4$ and $y = 10$, the slope of this line is
A) negative 11 divided by 6.
B) seven tenths.
C) negative seven tenths.
D) 6 divided by 11.


Question 697

Which of the following explains why two firms, Apex and Bongo, would engage in implicit collusion, rather than explicit collusion?
A) Implicit collusion allows Apex to increase its profits at the expense of Bongo without Bongo knowing that collusion has occurred; if Apex engages in explicit collusion, Bongo will realize collusion has taken place and retaliate against Apex.
B) Implicit collusion is less costly to both firms than explicit collusion; therefore, profits will be greater for both firms if they engage in implicit collusion.
C) explicit collusion is illegal; if the managers of Apex and Bongo engage in implicit collusion they may be within the law.
D) Implicit collusion always has an enforcement mechanism that forces both firms to collude; explicit collusion does not have an enforcement mechanism.

Question 698

Which of the following financial securities is most liquid?
A) a savings account
B) a share of stock
C) a cashier's check
D) a $20 bill

Question 699

In response to already low interest rates doing little to stimulate the economy, the Fed began buying 10-year Treasury notes and certain mortgage-backed securities to keep interest rates low. This policy is known as
A) inflation targeting.
B) contractionary monetary policy.
C) securities-bubble deflating.
D) quantitative easing.

Question 700

The Federal Reserve plays a larger role than Congress and the president in stabilizing the economy because
A) the Federal Reserve can more quickly change monetary policy than the president and the Congress can change fiscal policy.
B) the Federal Reserve can immediately recognize when real GDP is below or above potential GDP.
C) changes in interest rates have a considerably larger effect on the economy than changes in government purchases or taxes.
D) changes in interest rates have their full effect on the economy in a short period of time, whereas changes in government spending and taxes have their full effect over a long period of time.

Question 701

Werner & Sons is a manufacturer of three-ring binders operating in a perfectly competitive industry. Table 9-5 shows the firm's cost schedule.

Table 9-5

<table>
<thead>
<tr>
<th>Quantity (cases)</th>
<th>Variable Cost</th>
<th>Total Cost</th>
<th>Marginal Cost</th>
<th>Average Variable Cost</th>
<th>Average Total Cost</th>
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</table>

Use the table to answer the following questions.

a. Complete Table 9-5 by filling in the blank cells.
b. Werner is selling in a perfectly competitive market at a price of $40. What is the profit maximizing or loss-minimizing output?
c. Calculate the firm's profit or loss.
d. Should the firm continue to produce in the short run? Explain.
e. If the firm's fixed costs were $30 higher what would be the profit-maximizing output level in the short run? Indicate whether the output level will increase, decrease or remain unchanged compared to your answer in b.
f. Suppose fixed cost remains at $76. If the price of three-ring binders falls to $20 what is the profit-maximizing or loss-minimizing output?
g. Calculate the profit or loss. Should the firm continue to produce in the short run? Explain your answer.
h. Suppose the fixed cost remains at $76. What price corresponds to the shut-down point?
i. Suppose the fixed cost remains at $76. What price corresponds to the break-even point?

Question 702

Expansionary monetary policy to prevent real GDP from falling below potential real GDP would cause the inflation rate to be relatively ________ and real GDP to be relatively ________.
A) higher; higher
B) higher; lower
C) lower; higher
D) lower; lower
Question 703

Use the dynamic model of aggregate demand and supply to illustrate a situation where the economy is growing but experiencing inflation in the long run.


Question 704

The payment received by suppliers of entrepreneurial skills is called profit. [i]True[/i] or [i]false[/i]?


Question 705

If demand for a product is perfectly inelastic a change in price will not change total revenue. [i]True[/i] or [i]false[/i]?


Question 706

The Philippines and Vietnam have roughly the same size population. Suppose the GDP of the Philippines is $1,000 billion and the GDP of Vietnam is $10,000 billion. You should conclude
A) a typical person in Vietnam is 10 times as well off as the typical person in the Philippines.
B) a typical person in Vietnam is more than 10 times as well off as the typical person in the Philippines.
C) a typical person in Vietnam is less than 10 times as well off as the typical person in the Philippines.
D) it is not possible to make a good comparison of the economic well being of a typical individual in the 2 countries without additional information.


Question 707

Direct finance includes the sale by a corporation of stocks or bonds, but does not include borrowing money from a bank. [i]True[/i] or [i]false[/i]?


Question 708

Potential GDP is always greater than real GDP in an economy. [i]True[/i] or [i]false[/i]?


Question 709

A prisoner's dilemma leads to a noncooperative equilibrium. [i]True[/i] or [i]false[/i]?


Question 710

Suppose Joe is maximizing total utility within his budget constraint. If the price of the last pair of jeans purchased is $25 and it yields 100 units of extra satisfaction and the price of the last shirt purchased is $20, then, using the rule of equal marginal utility per dollar spent, the extra satisfaction received from the last shirt must be
A) 2,000 units of utility.
B) 500 units of utility.
C) 100 units of utility.
D) 80 units of utility.


Question 711

Trade restrictions tend to preserve ________ in the protected industries and lead to ________ in other industries.
A) almost all jobs; economic growth
B) well over half of the jobs; price decreases
C) relatively few jobs; job losses
D) no jobs; increased productivity

Question 712
Since 1950
A) economic expansions in the United States have been so short that expansions barely exist.
B) the average length of expansions in the United States have become shorter as compared to before 1950.
C) the average length of expansions in the United States have become longer as compared to before 1950.
D) the average length of expansions in the United States are about the same length as compared to before 1950.

Question 713
If, as economist Alwyn Young has suggested, high growth rates in Singapore are not a result of technological progress, how are growth rates in Singapore expected to change over time?
A) Without technological progress, the high growth rates cannot be sustained.
B) As long as the labor force participation rate is rising, growth can still continue, despite a lack of technological progress.
C) As long as the amount of capital per hour worked continues to expand, the growth rate in Singapore will continue to rise at an increasing rate.
D) Agricultural workers will continue to expand their productivity, thereby allowing Singapore to achieve growth rates above those of higher-income countries.

Question 714
At market equilibrium
A) demand equals supply.
B) quantity demanded equals quantity supplied.
C) surpluses are greater than shortages.
D) shortages are greater than surpluses.

Question 715
Which of the following represents the true economic cost of production when firms produce goods that cause negative externalities?
A) the private cost of production
B) the social cost of production
C) the external cost of production
D) the explicit cost of production

Question 716
Which of the following statements is used to justify protectionism?
A) Free trade leads to higher prices for imported goods.
B) Free trade increases employment by protecting domestic firms.
C) A country should not rely on other countries for goods that are critical to its national defense.
D) Trade restrictions are not necessary to protect new firms since they can gain experience and become more productive without protection.

Question 717
Government imposed quantitative limits on the amount of pollution firms are allowed to produce is an example of
A) the Pigovian method of pollution control.
B) command and control approach to pollution reduction.
C) Coasian solution to pollution reduction.
D) a tradable emission allowance system of pollution control.

Question 718
The development of a new good or a new process for making a good is called
A) an innovation.
B) an invention.
C) a factor of production.
D) a service.
Question 719

All of the following are examples of explicit cost a firm might incur except
A) the out-of-pocket expense to hire employees.
B) taxes owed to the state government.
C) the rental value of the warehouse space the company owns and uses for itself.
D) the revenue a firm generates in using its resources.

Question 720

Declines in spending on residential construction are often due to increases in interest rates. The collapse in residential construction prior to and during the recession of 2007-2009 was due more to ________ than to higher interest rates.
A) the financial crisis that began in 2007
B) the rapid inflation of the early 2000s
C) increases in the price of lumber
D) rising wages in the construction industry

Question 721

The income effect of a price change refers to the change in the quantity demanded of a good that results from a change in the price of a substitute product.
[i]True[/i] or [i]false[/i]?

Question 722

What is meant by the statement that “optimal decisions are made at the margin”?

Question 723

Health insurance plans which typically reimburse doctors mainly by paying a flat fee per patient are known as
A) fee-for-service plans.
B) preferred provider organizations.
C) single-health-payer systems.
D) health maintenance organizations.

Question 724

The most widely used measure of inflation is based on which of the following price indices?
A) the producer price index
B) the consumer price index
C) the GDP deflator
D) the wholesale price index

Question 725

The period of expansion ends with a ________ and the period of recession ends with a ________.
A) business cycle peak; business cycle trough
B) business cycle trough; business cycle peak
C) business cycle peak; business cycle peak
D) business cycle trough; business cycle trough

Question 726

A rapid increase in the price of oil will tend to
A) shift short-run aggregate supply to the left.
B) shift long-run aggregate supply to the left.
C) shift long-run aggregate supply to the right.
D) shift aggregate demand to the right.
Question 727
Basic supply and demand analysis indicates that having firms rather than the government provide health insurance to workers
A) changes both the composition of the compensation that firms pay and its level.
B) changes the composition of the compensation that firms pay, but does not change its level.
C) does not change the composition of the compensation that firms pay, but does change its level.
D) changes neither the composition of the compensation that firms pay nor its level.

Question 728
Of the following high-income countries, which has the lowest life expectancy at birth?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 729
"The distribution of income should be determined by the government" is an example of a positive economic statement.
[i]True[/i] or [i]false[/i]?

Question 730
Mortgages issued to borrowers whose credit histories include failures to make payments on bills are known as ________ mortgages.
A) catastrophic
B) variable rate
C) subprime
D) Alt-A

Question 731
Optimal decisions are made at the point where marginal benefit is maximized.
[i]True[/i] or [i]false[/i]?

Question 732
The money demand curve has a negative slope because
A) lower interest rates cause households and firms to switch from money to financial assets.
B) lower interest rates cause households and firms to switch from financial assets to money.
C) lower interest rates cause households and firms to switch from money to stocks.
D) lower interest rates cause households and firms to switch from money to bonds.

Question 733
If in the market for peaches, the supply curve has shifted to the left
A) the supply of peaches has increased.
B) the supply of peaches has decreased.
C) the quantity of peaches supplied has increased.
D) the quantity of peaches supplied has decreased.

Question 734
The amount of national income in an economy equals the money supply in an economy.
[i]True[/i] or [i]false[/i]?

Question 735
Lionel's Lawn Care is a company that maintains residential yards. Lionel's cost for his standard package of mowing, edging, and trimming is $15, and he charges $25 for this service. For a total price of $40, Lionel will also trim shrubs, a service that adds an additional $10 to the total cost of the
standard package. What is Lionel's marginal benefit if he sells the standard package?
A) $10
B) $15
C) $25
D) $40

Question 736

If the federal budget has an actual budget deficit of $100 billion and a cyclically adjusted budget deficit of $75 billion, then the economy
A) must be at potential real GDP.
B) must be below potential real GDP.
C) must be above potential real GDP.
D) could be below or above potential real GDP.

Question 737

An organization of producers that limits the amount of a good produced is known as a
A) free market organization.
B) guild.
C) collective.
D) co-op.

Question 738

A series of bank runs in a country should have no effect on M1 as money simply moves from checking deposits to currency.
[i]True[/i] or [i]false[/i]?

Question 739

Which of the following is the best example of a voluntary export restraint?
A) a limit set by the Japanese government on the number of sports utility vehicles that the United States can import from Japan
B) a subsidy granted by the U.S. government to domestic garment manufacturers so they can compete more effectively with foreign garment manufacturers
C) a tax placed on all sports utility vehicles sold in the domestic market
D) a $5,000 per-car fee imposed on all sports utility vehicles imported into the United States

Question 740

If the tax multiplier is -1.5 and a $200 billion tax increase is implemented, what is the change in GDP, holding everything else constant? (Assume the price level stays constant.)
A) a $300 billion decrease in GDP
B) a $300 billion increase in GDP
C) a $30 billion increase in GDP
D) a $133.33 billion decrease in GDP
E) a $133.33 billion increase in GDP

Question 741

The income effect due to a price decrease will result in an increase in the quantity demanded for
A) a Giffen good.
B) an inferior good.
C) a public good.
D) a normal good.

Question 742

The Congressional Budget Office estimates that the additional taxes and fees enacted under the ACA will be enough to pay for the plan and reduce the federal government's budget deficit.
[i]True[/i] or [i]false[/i]?
Question 743

Damian owns a tattoo parlor and has hired three tattoo artists to work for him. The marginal product of labor is 8 for the first artist, 12 for the second artist, and 7 for the third artist. What is Damian's average product of labor for these three tattoo artists?


Question 744

Select the phrase that correctly completes the following statement. "A positive change in technology caused an increase in the supply of flat-screen televisions. As a result"
A) the price of flat-screen televisions decreased and the demand for flat-screen televisions increased.
B) the equilibrium quantity of flat-screen televisions decreased.
C) the price of flat-screen televisions decreased and the quantity demanded of flat-screen televisions increased.
D) the price of flat-screen televisions decreased. The lower price caused the supply of flat-screen televisions to decrease.


Question 745

If aggregate demand just increased, which of the following may have caused the increase?
A) an increase in government purchases
B) an increase in the interest rate
C) an increase in the price level
D) an increase in imports


Question 746

The rule of 70 states that
A) it takes an economy 70 years to double its real GDP.
B) the number of years it takes an economy to double in size is 70 divided by the growth rate.
C) the number of years it takes an economy to double in size is the growth rate times 70.
D) the number of years it takes an economy to double in size is the growth rate divided by 70.


Question 747

New York Times writer Michael Lewis wrote that "The sad truth, for investors, seems to be that most of the benefits...are passed through to consumers free of charge." To which of the following did Lewis refer?
A) apple farming in New York State
B) the Enron accounting scandal
C) the medical screening industry
D) new technologies developed in the 1990s


Question 748

The largest and fastest-growing category of federal government expenditures is
A) grants to state and local governments.
B) interest on the national debt.
C) national park spending.
D) transfer payments.


Question 749

Suppose you see a 2006 Scion xB Sport Wagon advertised in the local newspaper for $8,500. If you knew the car was reliable, you would be willing to pay $10,000 for it. If you knew the car was unreliable, you would only be willing to pay $5,500 for it. Under what circumstances should you buy the car?


Question 750

Fast food restaurants produce a range of menu items such as hamburgers, chicken sandwiches, salads, and french fries. What fundamental economic question are they addressing by offering this range of items?
A) How to produce goods that consumers want?
B) Why produce a variety of menu items?
C) What to produce?
D) Who to produce the menu items for?

**Question 751**

Consider a demand curve that has a constant elasticity value of 0. What happens to quantity demanded and total revenue when price increases?
A) The quantity demanded and total revenue remain the same.
B) The quantity demanded does not change but total revenue increases.
C) The quantity demanded and total revenue fall to zero.
D) The quantity demanded does not change but total revenue decreases.

**Question 752**

Which of the following would explain why economic profit might be less than accounting profit?
A) A firm's net income is less than its accounting profit.
B) A firm has only explicit costs.
C) A firm's net income is greater than its accounting profit.
D) A firm has implicit costs as well as explicit costs.

**Question 753**

Suppose the economy is at a short-run equilibrium GDP that lies below potential GDP. Which of the following will occur because of the automatic mechanism adjusting the economy back to potential GDP?
A) Output will decrease.
B) Prices will increase.
C) Unemployment will rise.
D) Short-run aggregate supply will shift to the right.

**Question 754**

Starbucks started out small in 1971, but by 1993 Starbucks was a national chain and had coffeehouses in 38 countries. A key to the company's success was the realization by executives that
A) there was a demand for coffeehouses where consumers could sit and drink high-quality coffee.
B) coffee prices would have to be cut in order for Starbucks to compete with other stores that sold coffee.
C) they had to keep their stores open longer hours to attract a large number of customers.
D) their stores should be located close to other stores that sold similar products.

**Question 755**

If inflation is higher than expected, this helps borrowers (by reducing the real interest rate they pay) and hurts lenders (by reducing the real interest rate they receive).
[i]True[/i] or [i]false[/i]?

**Question 756**

If Lisa spends her income on veggie burgers and pints of soy milk and the price of veggie burgers is three times the price of a pint of soy milk, then when Lisa maximizes her utility she will buy
A) both goods until the marginal utility of veggie burgers is three times the marginal utility of soy milk.
B) three times as many veggie burgers as pints of soy milk.
C) three times as many pints of soy milk as veggie burgers.
D) both goods until the marginal utility of a pint of soy milk is three times the marginal utility of veggie burgers.

**Question 757**

Relative to a perfectly competitive market, a monopoly results in
A) a gain in producer surplus equal to the gain in consumer surplus.
B) a gain in producer surplus equal to the loss in consumer surplus.
C) a gain in producer surplus less than the loss in consumer surplus.
D) greater economic efficiency.
Question 758

On average, people in high-income countries ________ than people in low-income countries.
A) have a shorter life expectancy
B) are subject to a higher infant mortality rate
C) are taller
D) are exposed to more severe diseases

Question 759

The Congressional Budget Office estimates that the payments to settle malpractice lawsuits and the premiums doctors pay for malpractice insurance account for ________ of health care costs in the United States.
A) between 20 and 30 percent
B) roughly half
C) less than 1 percent
D) a vast majority

Question 760

If the Fed buys Treasury bills, this will shift the
A) money supply curve to the right.
B) money supply curve to the left.
C) money demand curve to the right.
D) money demand curve to the left.

Question 761

The difference between the highest price a consumer is willing to pay for a good and the price the consumer actually pays is called
A) producer surplus.
B) the substitution effect.
C) the income effect.
D) consumer surplus.

Question 762

The cost of producing cigarettes in the U.S. has increased and at the same time, more and more Americans are choosing to not smoke cigarettes. Which of the following best explains the effect of these events in the cigarette market?
A) The supply curve has shifted to the right and the demand curve has shifted to the left. As a result there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
B) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
C) Both the supply and demand curves have shifted to the right. As a result, there has been a decrease in the equilibrium quantity and an uncertain effect on the equilibrium price.
D) The supply curve has shifted to the right and the demand curve has shifted to the left. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.

Question 763

Assume the average annual CPI values for 2012 and 2013 were 207.3 and 215.3, respectively. What was the percent increase in the CPI between these two years?
A) 0.96
B) 1.04
C) 3.86
D) 8.0

Question 764

In evaluating the degree of economic efficiency in a market, we can state that the size of the deadweight loss in a market will be smaller
A) the greater the difference between marginal cost and price.
B) the smaller the difference between marginal cost and average total cost.
C) the smaller the difference between marginal cost and price.
D) the greater the difference between marginal cost and average revenue.

Question 765
Collusion would be common in an oligopoly and a monopolistically competitive industry.
[i]True[/i] or [i]false[/i]?

Question 766
Optimal decisions are made
A) in the marketplace.
B) if information about prices and marginal utilities is known.
C) when marginal utility is minimized.
D) at the margin.

Question 767
During its run on Broadway, the play The Producers regularly sold out all available tickets at the St. James Theater. The theater could have raised ticket prices from $75 to $125 and still sold all available tickets but chose not to do so. The best explanation for this decision is
A) theater owners are unaware of the elasticity of demand for Broadway shows.
B) theater owners do not want to raise their tickets on weekends, when demand is high, and then have to lower prices during the week, when demand is lower.
C) firms sometimes give up profits in the short run to keep their customers happy and increase their profits in the long run.
D) theater owners are not motivated to maximize their profits.

Question 768
What is one difference between stocks and bonds?
A) Bonds earn a higher rate of return than stocks.
B) Stocks earn a higher rate of return than bonds.
C) Bonds are purchased at a bank, while stocks are purchased through the federal government.
D) Stocks represent partial ownership in a firm, while bonds do not.

Question 769
If at a price of $50, Ghani sells 20 hand-made leather cell-phone covers but at a price of $60, zero units are sold. Based on this information, the demand for his cell-phone covers is
A) elastic or perfectly inelastic
B) elastic or perfectly elastic.
C) unit-elastic.
D) perfectly inelastic.

Question 770
If the market price is at equilibrium, the deadweight loss is maximized.
[i]True[/i] or [i]false[/i]?

Question 771
If, when price changes by 35 percent, the quantity demanded changes by 7 percent, then the absolute value of the price elasticity of demand is 5.
[i]True[/i] or [i]false[/i]?

Question 772
If opportunity costs are ________, the production possibilities frontier would be graphed as a negatively sloped straight line.
A) decreasing
B) increasing
C) negative
D) constant

Question 773

Generally with bond ratings, the lower the rating, the ________ the interest rate an investor will receive and the ________ the risk that the issuer of the bond will default.
A) higher; higher
B) higher; lower
C) lower; higher
D) lower; lower

Question 774

An outward shift of a nation's production possibilities frontier can occur due to
A) a reduction in unemployment.
B) a natural disaster like a hurricane or bad earthquake.
C) a change in the amounts of one good desired.
D) an increase in the labor force.

Question 775

If, for the last unit of a good produced by a perfectly competitive firm, MR > MC, then in producing it, the firm
A) added more to total costs than it added to total revenue.
B) added more to total revenue than it added to total cost.
C) is maximizing marginal profit.
D) has minimized its losses.

Question 776

Which of the following is a normative economic statement?
A) Falling global demand for pesticides has led to decreases in the price of pesticides.
B) With falling mortgage rates and falling unemployment rates, the number of new homes being built has increased.
C) The state of Florida's unemployment rate dropped when several large companies relocated to the Miami area.
D) Global warming should be at the top of every economic agenda.

Question 777

Which of the following describes the growth in real GDP per person in the United States from 1900 to the present?
A) It has decreased.
B) It has increased by more than eight times.
C) It has doubled.
D) It has increased twenty times.

Question 778

The De Beers diamond mining and marketing company of South Africa became one of the most profitable and longest-lived monopolies in history. Which of the following has always threatened De Beers' control of the diamond market?
A) Since few diamonds are ever destroyed, De Beers has constantly faced possible competition from other firms reselling diamonds.
B) Competition from imitation diamonds. Technology has made it possible to make fake diamonds look exactly like real diamonds.
C) Competition from other gemstones, including rubies and emeralds, that have become more popular over time.
D) At different times in the past some countries have banned the importation of diamonds from South Africa for political reasons.

Question 779

The table below shows the demand and cost data facing "Velvet Touches," a monopolistically competitive producer of velvet throw pillows.

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Price</th>
<th>Total Revenue</th>
<th>Marginal Revenue</th>
<th>Total Cost</th>
<th>Marginal Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$30</td>
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<td>43</td>
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<td>24</td>
<td>64</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
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5 22 76
6 20 90
7 18 106
8 16 126

Use the data to answer the following questions.
a. Complete the Total Revenue (TR), Marginal Revenue (MR) and Marginal Cost (MC) columns above.
b. What are the profit-maximizing price and quantity for Velvet Touches?
c. Is the firm making a profit or a loss? How much is the profit or loss? Show your work.
d. Is this firm operating in the long run or in the short run? Explain your answer.
e. If the firm's profit or loss is typical of all firms in the market for throw pillows, what is likely to happen in the future? Will there be more firms or will some existing firms leave the industry? Explain your answer.
f. What will happen to the typical firm's profit or loss after all entry/exit adjustments?


Question 780

An increase in government purchases of $200 billion will shift the aggregate demand curve to the right by
A) $200 billion.
B) less than $200 billion.
C) more than $200 billion.
D) None of the above are correct. This policy shifts the long-run aggregate supply curve.


Question 781

Which of the following would be considered an active fiscal policy?
A) The Fed increases the money supply.
B) Tax incentives are offered to encourage the purchase of fuel efficient cars.
C) Spending on the war in Afghanistan is increased to promote homeland security.
D) A tax cut is designed to stimulate spending passed during a recession.


Question 782

Suppose a decrease in the supply of bottled water results in a decrease in revenue. This indicates that
A) the demand for bottled water is inelastic in the price range considered.
B) the demand for bottled water is elastic in the price range considered.
C) the supply of bottled water is inelastic in the price range considered.
D) the supply of bottled water is elastic in the price range considered.


Question 783

What role do well functioning financial markets play in a market economy?


Question 784

Assume that the demand curve for MP3 players shifts to the right and the supply curve for MP3 players shift to the left, but the supply curve shifts more than the demand curve. As a result
A) both the equilibrium price and quantity of MP3 players will decrease.
B) the equilibrium price of MP3 players will decrease; the equilibrium quantity will increase.
C) the equilibrium price of MP3 players may increase or decrease; the equilibrium quantity will decrease.
D) the equilibrium price of MP3 players will increase; the equilibrium quantity will decrease.


Question 785

There is a shortage of every good that is scarce.
[True] or [False]


Question 786

If a state requires all drivers to buy health insurance, the problem of adverse selection is eliminated.
[True] or [False]

Question 787

A firm's net income is also its
A) economic profit.
B) balance sheet.
C) accounting profit.
D) opportunity cost.

Question 788

In a market economy, those who are willing and able to buy what is produced
A) receives what the government allows them to receive.
B) receive the most of what is produced.
C) receive no more than everyone else in the market.
D) solely determine what is produced.

Question 789

Changes in the health of the average person are an important indicator of changes in the standard of living.
[i]True[/i] or [i]false[/i]?

Question 790

In the real world we don’t observe countries completely specializing in the production of goods for which they have a comparative advantage. One reason for this is
A) comparative advantage works better in theory than in practice.
B) some countries have more resources than other countries.
C) tastes for many traded goods are similar in many countries because of globalization.
D) production of most goods involves increasing opportunity costs.

Question 791

Suppose the extra cost to a doctor of keeping her office open on Saturdays is $800. Then, the doctor should not stay open on Saturdays if keeping the office open can only bring in additional revenue of $800.
[i]True[/i] or [i]false[/i]?

Question 792

For allocative efficiency to hold
A) price must equal marginal revenue of the last unit sold.
B) price must equal the marginal cost of the last unit produced.
C) average variable cost is minimized in production.
D) average total cost is minimized in production.

Question 793

Prices of California Merlot wine (assume that this is a normal good) have risen steadily in recent years. Over this same period, prices for French oak barrels used for wine storage have dropped and consumer incomes have risen. Which of the following best explains the rising prices of California Merlots?
A) The supply curve for Merlot has shifted to the right while the demand curve for Merlot has shifted to the left.
B) The demand curve for Merlot has shifted to the right more than the supply curve has shifted to the right.
C) The demand curve and the supply curve for Merlot have both shifted to the left.
D) The supply curve for Merlot has shifted to the right more than the demand curve has shifted to the right.

Question 794

In many corporations, there is "separation of ownership from control." What does this mean?
A) The shareholders control the corporation, although the board of directors owns the corporation.
B) The managers of the corporation run the corporation, although the shareholders own the corporation.
C) The board of directors controls corporate operations, although the managers of the corporation own the corporation.

Question 795

Explain how it would be possible for the equilibrium price and equilibrium quantity to both increase in the market for motorcycles if consumer preference for motorcycles increases and the number of motorcycle manufacturers decreases.

Question 796

A tax rebate by the government would
A) increase your pretax income, but not your disposable income.
B) increase your disposable income, but not your pretax income.
C) decrease your pretax income, but not your disposable income.
D) decrease your disposable income, but not your pretax income.

Question 797

Because of the slope of the aggregate demand curve, we can say that
A) a decrease in the price level leads to a lower level of real GDP demanded.
B) an increase in the price level leads to no change in the level of real GDP demanded.
C) a decrease in the price level leads to a higher level of real GDP demanded.
D) an increase in the price level leads to a higher level of real GDP demanded.

Question 798

In the United States from 1981 to 2011, deaths from diabetes increased largely due to the effects of
A) foreign-produced insulin.
B) stress in the workplace.
C) a larger immigrant population.
D) increasing obesity.

Question 799

Workers in industries protected by tariffs and quotas are likely to support these trade restrictions because
A) they do not want to offend their employers who want them.
B) politicians lobby to convince workers the restrictions will make them better off.
C) they believe the restrictions will protect their jobs.
D) they don't understand that the restrictions will threaten their jobs.

Question 800

The GDP deflator in year 2 is 105, using year 1 as the base year. This means that, on average, the cost of goods and services is
A) 5% higher in year 2 than in year 1.
B) 105% higher in year 2 than in year 1.
C) 5% higher in year 1 than in year 2.
D) 105% higher in year 1 than in year 2.

Question 801

How can tax simplification be beneficial to the economy?

Question 802

In the United States in 2012, the percentage of people without some form of private health insurance was about
A) 17%.
B) 29%.
C) 36%.
D) 83%.
Question 803

If a straight line passes through the point $x = 8$ and $y = 4$ and also through the point $x = 12$ and $y = 6$, the slope of this line is
A) negative 4 divided by 2.
B) two.
C) negative one half.
D) one half.

Question 804

The substitution effect explains why there is a direct relationship between the price of a product and the quantity of the product demanded.
[i]True[/i] or [i]false[/i]?

Question 805

Jewelry manufacturers produce a range of products such as rings, necklaces, bracelets, and brooches. What fundamental economic question are they addressing by offering this range of items?
A) How to produce goods that consumers want?
B) Why produce a variety of items?
C) What to produce?
D) Who to produce the items for?

Question 806

A critical function of the government in facilitating the operation of a market economy is
A) producing goods and services for low income households.
B) setting up and enforcing private property rights.
C) ensuring an equal distribution of income to all citizens.
D) controlling the market prices of food items.

Question 807

The informal sector can be a significant drag on the economies of developing countries because the firms in the informal sector
A) produce goods and services no one wants.
B) sell their goods and services to citizens in other countries.
C) do not pay taxes to the government.
D) employ illegal immigrants from other countries.

Question 808

Assume the market for organic produce sold at farmers' markets is perfectly competitive. All else equal, as more farmers choose to produce and sell organic produce at farmers' markets, what is likely to happen to the equilibrium price of the produce and profits of the organic farmers in the long run?
A) The equilibrium price is likely to increase and profits are likely to remain unchanged.
B) The equilibrium price is likely to remain unchanged and profits are likely to increase.
C) The equilibrium price is likely to decrease and profits are likely to decrease.
D) The equilibrium price is likely to increase and profits are likely to increase.

Question 809

The supply of loanable funds has a ________ slope because the greater the interest rate, the ________ the reward to saving, and the ________ the quantity of loanable funds supplied.
A) positive; lesser; lesser
B) positive; greater; lesser
C) negative; lesser; greater
D) positive; greater; greater

Question 810
When the marginal product of labor rises
A) the marginal cost of production will exceed the average total cost.
B) the marginal cost of production also rises.
C) the marginal cost of production falls.
D) the average total cost of production also rises.

Question 811
The difference between the _______ and the _______ from the sale of a product is called producer surplus.
A) lowest price a firm would have been willing to accept; price it actually receives
B) highest price a firm would have been willing to accept; lowest price it was willing to accept
C) cost to produce a product; price a firm actually receives
D) cost to produce a product; profit received

Question 812
What is the endowment effect?
A) the phenomenon that economic agents are endowed with different qualities and abilities so that trade among individuals increase efficiency
B) the tendency for economic agents with abundant resources to consume a proportionately greater quantity of goods and services
C) the tendency of people to be unwilling to sell something they already own even if they are offered a price that is greater than the price they would be willing to pay to buy the good if they didn't already own it.
D) the tendency of firms to use celebrities endowed with good looks to promote their products

Question 813
Elvira decreased her consumption of bananas when the price of peanut butter increased. For Elvira, peanut butter and bananas are
A) substitutes in consumption.
B) both inferior goods.
C) complements in consumption.
D) both luxury goods.

Question 814
Explain why the timing of fiscal policy may be more difficult than the timing of monetary policy.

Question 815
If the average variable cost curve is above the marginal cost curve, then
A) marginal costs must be decreasing.
B) average variable costs must be increasing.
C) marginal costs must be increasing.
D) marginal costs can be either increasing or decreasing.

Question 816
Give three reasons why the U.S. economy is more stable since 1950.

Question 817
When Americans decrease their demand for Japanese goods
A) the demand for dollars will rise, and the demand for yen will rise.
B) the demand for dollars will fall, and the demand for yen will rise.
C) the supply of dollars will rise, and the demand for yen will rise.
D) the supply of dollars will fall, and the demand for yen will fall.

Question 818
The dynamic aggregate demand and aggregate supply model accounts for the price level rising every year.
[i]True[/i] or [i]false[/i]?
**Question 819**

Contractionary fiscal policy is used to decrease aggregate demand in an attempt to fight rising inflation.  
[i]True[/i] or [i]false[/i]?


**Question 820**

According to the quantity theory of money, inflation is caused by  
A) the money supply growing slower than real GDP.  
B) GDP growing faster than the money supply.  
C) GDP growing at the same rate as the money supply.  
D) the money supply growing faster than real GDP.


**Question 821**

If a monopolist’s price is $50 per unit and its marginal cost is $25, then  
A) to maximize profit the firm should increase output.  
B) to maximize profit the firm should decrease output.  
C) to maximize profit the firm should continue to produce the output it is producing.  
D) Not enough information is given to say what the firm should do to maximize profit.


**Question 822**

When the Federal Reserve increases the money supply, at the previous equilibrium interest rate households and firms will now have  
A) more money than they want to hold.  
B) less money than they want to hold.  
C) the amount of money that they want to hold.  
D) to sell Treasury bills.


**Question 823**

Suppose the U.S. government encouraged consumers to trade in their old automobiles for more efficient, new models by paying up to $5,000 for the old automobiles. These consumers would be exemplifying the economic idea that  
A) people are rational.  
B) people respond to economic incentives.  
C) optimal decisions are made at the margin.  
D) equity is more important than efficiency.


**Question 824**

According to the production possibility model, if more resources are allocated to the production of physical and human capital, then which of the following is likely to happen?  
A) fewer goods will be produced for consumption today.  
B) the production possibilities frontier will be shift inward in the future  
C) future economic growth will decline.  
D) the country’s total production will fall.


**Question 825**

What is corporate governance?  


**Question 826**

Suppose you borrow $1,000 at an interest rate of 12 percent. If the expected real interest rate is 5 percent, then the rate of inflation over the upcoming year that would be most beneficial to you would be a rate of inflation  
A) equal to 0 percent.  
B) greater than 7 percent.  
C) equal to 7 percent.
### Question 827
What is the underground economy and how could it hurt an economy? How does it hurt developing economies?

### Question 828
Inflation is measured:
A) using the level of the consumer price index.
B) as the percentage change in the consumer price index.
C) using the level of real GDP.
D) as the percentage change in real GDP.

### Question 829
If a corporate bond with face value of $5,000 has an interest rate of 4 percent paid once a year for a term of 30 years, what is the size of the coupon payment?
A) $4
B) $200
C) $1,250
D) $5,000

### Question 830
A government budget surplus from reduced government spending (no change in net taxes) will ________ the level of investment in the economy and ________ the level of saving (private plus public) in the economy.
A) increase; decrease
B) increase; increase
C) decrease; increase
D) decrease; decrease

### Question 831
Economists refer to a market where buying and selling take place at prices that violate government price regulations as
A) a black market.
B) an outlaw market.
C) a noncompetitive market.
D) a restricted market.

### Question 832
Which of the following is part of an economic model?
A) preferences of economic agents
B) data
C) norms
D) opinions

### Question 833
Inflation usually increases during a recession and decreases during an expansion.  
[True] or [False]?

### Question 834
If an increase in income leads to an increase in the demand for sushi, then sushi is
A) a normal good.
B) a neutral good.
C) a complement.

Question 835
A monetary policy target is a variable that the Fed can affect directly, which then affects one or more of the Fed’s policy goals.
[i]True[/i] or [i]false[/i]?


Question 836
Which antitrust law prohibited firms from buying stock in competitors and from having directors serve on the boards of competing firms?
A) the Clayton Act
B) the Securities and Exchange Act
C) the Sherman Act
D) the Robinson-Patman Act


Question 837
What is scarcity, and why is it a fundamental concept in economics?


Question 838
What is an oligopoly? Give two examples of oligopolistic industries in the United States.


Question 839
The minimum efficient scale is
A) the level of output where diminishing returns have not set in yet.
B) the plant size that yields the most profit.
C) level of operation where long-run average costs are lowest.
D) the smallest output level where the firm finally reaches productive efficiency.


Question 840
A tax rebate, which is expected to be offered in this and all future years, will
A) have a small positive effect on consumption and aggregate demand.
B) have no effect on consumption and aggregate demand.
C) will have a significant positive effect on consumption and aggregate demand, with aggregate demand growing by a multiple of the tax rebate.
D) increase aggregate supply and aggregate demand.


Question 841
Dr. Goldfinger decides to invest in companies which he believes can "improve the productivity and efficiency” of health care services. How can Dr. Goldfinger strive to achieve this productive efficiency?
A) by investing in companies that produce goods and services based on consumer preferences
B) by investing in companies that produce goods and services at the lowest possible cost
C) by investing in companies that fairly distribute their products and services
D) by investing in companies that produce up to the point where the marginal benefit of the last unit produced is equal to the marginal cost of producing it.


Question 842
The German Hyperinflation of the early 1920s was caused by
A) the German government raising funds for expenditures by selling bonds to the central bank.
B) an overly aggressive monetary policy implemented to combat a severe recession.
C) rising oil prices after World War I caused a severe stagflation and hyperinflation.
D) large deficits resulting from the high levels of war spending and falling taxes.


Question 843
If we use a narrow definition of monopoly, then a monopoly is defined as a firm
A) that has been granted special production rights by the government.
B) that can ignore the actions of all other firms because it produces a superior product compared to its rivals’ products.
C) that can ignore the actions of all other firms because it produces a product for which there are no close substitutes.
D) that has the largest market share in an industry.

Question 844
A study discussed in the Making the Connection feature in the text found that there is ______ that some consumers are not well aware of prices, even for goods they buy regularly.
A) no evidence
B) substantial evidence
C) little evidence
D) no reason to believe

Question 845
Which of the following best describes an assumption economists make about human behavior?
A) They assume that individuals act rationally all the time in all circumstances.
B) They assume that rational behavior is useful in explaining choices people make even though people may not behave rationally all the time.
C) They assume that people take into account the question of fairness in all decisions they make.
D) They assume that individuals act randomly.

Question 846
Since the 1950s
A) the United States has not experienced a business cycle.
B) U.S. business cycle fluctuations have become more volatile.
C) U.S. business cycle fluctuations have become milder.
D) U.S. business cycle fluctuations have not changed.

Question 847
What is the difference between “diminishing marginal returns” and “diseconomies of scale”?
A) Both concepts explain why marginal cost increases after some point but diminishing marginal returns applies only in the short run when there is at least one fixed factor, while diseconomies of scale applies in the long run when all factors are variable.
B) Both concepts explain why average total cost increases after some point but diminishing marginal returns applies only in the short run when there is at least one fixed factor, while diseconomies of scale applies in the long run when all factors are variable.
C) Diminishing marginal returns, which applies only in the short run when at least one factor is fixed, explains why marginal cost increases, while diseconomies of scale, which applies in the long run when all factors are variable, explains why average cost increases.
D) Diminishing marginal returns, which applies only in the short run when at least one factor is fixed, explains why average variable cost increases, while diseconomies of scale, which applies in the short run when at least one factor is fixed, explains why average total cost increases.

Question 848
Average fixed costs of production
A) remain constant.
B) will rise at a fixed rate as more is produced.
C) graph as a U-shaped curve.
D) fall as long as output is increased.

Question 849
Behavioral economics is the study of situations in which people make rational choices.
[i]True[/i] or [i]false[/i]?

Question 850
Currently, the base year for the CPI is the average of prices in the years 1982 to 1984.
[i]True[/i] or [i]false[/i]?

Question 851
How do lower taxes affect aggregate demand?
A) They increase disposable income, consumption, and aggregate demand.
B) They reduce disposable income, consumption, and aggregate demand.
C) They increase corporate investment and aggregate demand.
D) They increase aggregate supply and thus increase aggregate demand as well.

Question 852
Explain two different ways to determine the profit-maximizing level of output for a firm in a perfectly competitive market.

Question 853
Which of the following generates productive efficiency?
A) competition among sellers
B) competition among buyers
C) government inspectors
D) government production rules and regulations

Question 854
Oligopolies are difficult to analyze because
A) the firms are so large.
B) demand and cost curves do not exist for these types of industries.
C) how firms respond to a price change by a rival is uncertain.
D) oligopolies are a recent development so economists have not had time to develop models.

Question 855
Health insurance markets have a problem with insuring people who are "poor health risks" while many people who are "good health risks" do not buy insurance. This problem is an example of
A) moral hazard.
B) adverse selection.
C) market signaling.
D) asymmetric information.

Question 856
Producer surplus is the difference between the highest price a firm is willing to accept for a product and the price it actually receives for the product.
[i]True[/i] or [i]false[/i]?

Question 857
The crowding out of private spending by government spending will be greater the
A) less sensitive consumption, investment, and net exports are to changes in interest rates.
B) more sensitive consumption, investment, and net exports are to changes in interest rates.
C) less sensitive consumption, investment, and net exports are to changes in the price level.
D) more sensitive consumption, investment, and net exports are to changes in the price level.

Question 858
Jeremy is thinking of starting up a small business selling NASCAR memorabilia. He is considering setting up his business as a sole proprietorship. What is one disadvantage to Jeremy of setting up his business as a sole proprietorship?
A) As a sole proprietor, Jeremy would be taxed twice.
B) As a sole proprietor, Jeremy would not have control of the business.
C) As a sole proprietor, Jeremy would face unlimited liability.
D) As a sole proprietor, Jeremy would be subject to significant rules and regulations.
Question 859

Stagflation occurs when aggregate supply and aggregate demand both increase.
[i]True[/i] or [i]false[/i]?


Question 860

"The price of digital cameras fell because of improvements in production technology. As a result, the demand for non-digital cameras decreased. This caused the price of non-digital cameras to fall; as the price of non-digital cameras fell the demand for non-digital cameras decreased even further."

Evaluate this statement.
A) The statement is false because the demand for non-digital cameras would increase as the price of digital cameras fell.
B) The statement is false. A decrease in the price of digital cameras would decrease the demand for non-digital cameras, but a decrease in the price of non-digital cameras would not cause the demand for non-digital cameras to decrease.
C) The statement is false because it confuses the law of demand with the law of supply.
D) The statement is false because digital camera producers would not reduce their prices as a result of improvements in technology; doing so would reduce their profits.


Question 861

Which of the following would be a consequence of substitution bias in the CPI?
A) Social Security payments would not adequately compensate retired workers for inflation.
B) Businesses would over-compensate employees for inflation when giving the cost of living rises.
C) The inflation rate based on the CPI would under-estimate the true level of inflation.
D) Judges would award child support payments that would not adequately keep up with the true cost of inflation.


Question 862

Average total cost is equal to average variable cost minus average fixed cost.
[i]True[/i] or [i]false[/i]?


Question 863

In economics, the study of the decisions of firms in industries where the profits of each firm depend on its interactions with other firms is called
A) decision theory.
B) game theory.
C) market structure analysis.
D) profit analysis.


Question 864

What would happen in the market for knee replacement surgery if insurance companies started to cover a smaller portion of the cost of the surgery, and fewer doctors decide to enter the field of joint replacement surgery?
A) Demand will decrease, but this will not shift the supply curve.
B) Supply will decrease, but this will not shift the demand curve.
C) Demand and supply will both decrease.
D) Demand will decrease and supply will increase.


Question 865

An increase in the price level will
A) shift the short-run aggregate supply curve to the left.
B) shift the short-run aggregate supply curve to the right.
C) move the economy up along a stationary short-run aggregate supply curve.
D) move the economy down along a stationary short-run aggregate supply curve.


Question 866

Laura's Pizza Place incurs $800,000 per year in explicit costs and $100,000 in implicit costs. The restaurant earns $1.3 million in revenues. Based on
this information, what is accounting profit for Laura’s Pizza Place?
A) $200,000
B) $400,000
C) $500,000
D) $900,000

Question 867
Due to adverse selection, very few lemons will be sold in the market for used cars.
[i]True[/i] or [i]false[/i]?

Question 868
An oligopolistic industry is characterized by a few large firms acting independently.
[i]True[/i] or [i]false[/i]?

Question 869
We should never assume that an inelastic demand curve is a perfectly inelastic demand curve because
A) there has never been evidence of a perfectly inelastic demand curve.
B) an inelastic demand curve may be perfectly inelastic at some times but not others.
C) perfectly inelastic demand curves are rare.
D) an inelastic demand curve may be elastic at high prices.

Question 870
A linear downward sloping demand curve has price elasticities (in absolute values) that
A) increase as price decreases.
B) remain constant along the demand curve.
C) decrease as price decreases.
D) are greater than or equal to 1.

Question 871
Which of the following statements is true?
A) Individuals who have never been the best at doing anything cannot have a comparative advantage in producing any product.
B) Individuals who have never been the best at doing anything can still have a comparative advantage in producing some product.
C) Individuals who have never been the best at doing anything perform all tasks at a higher opportunity cost than others.
D) Individuals who have never been the best at doing anything must have an absolute advantage in at least one task.

Question 872
Hyperinflations occur because governments want to spend more than they raise in taxes, and they pay for the extra purchases by printing money.
[i]True[/i] or [i]false[/i]?

Question 873
In the United States, currency includes
A) gold, silver, and paper money.
B) checking and savings account deposits.
C) paper money and coins in circulation.
D) traveler’s checks.

Question 874
A tax imposed by a government on imports of a good into a country is called a
A) tariff.
B) quota.
C) value added tax.
Question 875

How does expansionary monetary policy increase spending in the economy compared to how expansionary fiscal policy increases spending in the economy?


Question 876

How are the fundamental economic decisions determined in Canada?
A) Individuals, firms, and the government interact in a market to make these economic decisions.
B) These decisions are made by the country's elders who have had much experience in answering these questions.
C) The government decides because Canada is a centrally planned economy.
D) The United Nations decides because Canada is a developing economy.


Question 877

How will an interest rate decrease in the United States affect equilibrium in the foreign exchange market?
A) The equilibrium exchange rate will increase, and the equilibrium quantity of dollars traded cannot be determined.
B) The equilibrium exchange rate will decrease, and the equilibrium quantity of dollars traded cannot be determined.
C) The equilibrium exchange rate cannot be determined, and the equilibrium quantity of dollars traded will increase.
D) The equilibrium exchange rate will increase, and the equilibrium quantity of dollars traded will increase.


Question 878

Making optimal decisions "at the margin" requires
A) making decisions according to one's whims and fancies.
B) making consistently irrational decisions.
C) weighing the costs and benefits of a decision before deciding if it should be pursued.
D) making borderline decisions.


Question 879

When the economy reaches a trough in a business cycle, which of the following will occur?
A) Income, production, and employment will continue to fall.
B) Income, production, and employment will begin to rise.
C) Income and production will rise, but employment will continue to fall.
D) Employment rises, but income and production will continue to fall.


Question 880

Which of the following is true of a typical firm in a monopolistically competitive industry?
A) Product differentiation allows a successful firm to emerge as a market leader in the industry.
B) All firms have identical cost structures.
C) The more successful firms have an incentive to merge in order to exert greater market power.
D) Each firm acts independently.


Question 881

Between 2013 and 2014, the CPI of a small nation rose from 182 to 185. If household incomes rose by 3% during that period of time, which of the following is true?
A) The purchasing power of household income rose between 2013 and 2014.
B) The purchasing power of household income fell between 2013 and 2014.
C) The purchasing power of household income remained constant between 2013 and 2014.
D) The CPI cannot be used to determine how the purchasing power of household income changes over time.


Question 882

Suppose Congress increased spending by $100 billion and raised taxes by $100 billion to keep the budget balanced. What will happen to real
equilibrium GDP?
A) Real equilibrium GDP will fall.
B) Real equilibrium GDP will rise.
C) There will be no change in real equilibrium GDP.
D) Real equilibrium GDP will initially rise, but then fall below its previous equilibrium value.

Question 883
Vaccinating people against a communicable disease such as influenza not only reduces the chances that the person vaccinated will catch the disease but also reduces the probability that an epidemic of the disease will occur. Which of the following statements is true?
A) Reducing the chances that the person vaccinated will catch the disease is a private cost while reducing the probability of an influenza epidemic is a social benefit.
B) Vaccinating people against communicable diseases yields private benefits in excess of social benefits.
C) Reducing the chances that the person vaccinated will catch the disease is a private benefit while reducing the probability of an influenza epidemic is a social benefit.
D) The benefits of the influenza vaccination outweigh the costs.

Question 884
Tax cuts on business income ______ aggregate demand.
A) would decrease
B) would increase
C) would not change
D) may increase or decrease

Question 885
What is the common feature displayed by the following items?
a. eating in a newly opened “fusion” cuisine restaurant
b. attending a Red Sox game in Fenway Park
c. wearing Lucky Brand designer jeans
A) They are all highly inelastic goods.
B) The consumption of these goods takes place privately.
C) The consumption of these goods takes place publicly.
D) They tend to be consumed by better educated people.

Question 886
In July, market analysts predict that the price of gold will rise in August. What happens in the gold market in July, holding everything else constant?
A) The supply curve shifts to the right.
B) The supply curve shifts to the left.
C) The quantity demanded and the quantity supplied of gold increase.
D) The demand curve shifts to the left.

Question 887
Which one of the following about a monopoly is false?
A) A monopoly could make profits in the long run.
B) A monopoly could break even in the long run.
C) A monopoly must have some kind of government privilege or government imposed barrier to maintain its monopoly.
D) A monopoly status could be temporary.

Question 888
How might a company that offers to handle all paperwork involved with a health insurance claim for a flat fee face the problem of adverse selection?

Question 889
People hold money as opposed to financial assets because money
A) earns interest.
Question 890

Use a graph to show the effects of a contractionary monetary policy to reduce inflation and move an economy back to potential real GDP. Explain what happens to aggregate demand, real GDP, and the price level.

Question 891

Which of the following has occurred as the baby-boom generation ages?
A) The demand for soft drinks has increased in the U.S. market.
B) The demand for soft drinks has decreased in the U.S. market.
C) The global demand for soft drinks has decreased.
D) The global demand for soft drinks has remained relatively low.

Question 892

The Federal Reserve cannot target both the money supply and the interest rate because it does not control
A) bank reserves.
B) money demand.
C) the discount rate.
D) open market operations.

Question 893

A free market fails when
A) there is government intervention.
B) there is an external effect in either production, consumption, or both.
C) firms that produce goods which create positive externalities go bankrupt.
D) firms that produce goods which create negative externalities earn high profits.

Question 894

An agreement negotiated by two countries that places a numerical limit on the quantity of a good that can be imported by one country from another country is called
A) a non-tariff trade barrier.
B) an export quota.
C) an import quota.
D) a voluntary export restraint.

Question 895

What is equity, and how does it differ from efficiency?

Question 896

Which of the following is an example of adverse selection?
A) The odds of a fire rise after a building is insured because the person with fire insurance is likely to pay less attention to fire hazards.
B) Someone who did not install fire alarms and a sprinkler system in a building he owns buys insurance for the building.
C) Someone with automobile insurance drives more recklessly than someone without insurance.
D) People prefer to buy new cars rather than used cars.

Question 897

Cigars are becoming increasingly popular in the United States, and a growing number of cigar manufacturers in the Caribbean and Central America have begun producing and exporting cigars to the U.S. market. How has this affected the equilibrium price and quantity of cigars?
**Question 898**


**Question 899**

In periods when prices are falling, on average
A) real GDP will grow slower than nominal GDP.
B) real GDP will grow faster than nominal GDP.
C) real GDP will grow as fast as nominal GDP.
D) one cannot calculate real GDP.


**Question 900**

A downward sloping marginal product of labor curve demonstrates the law of diminishing marginal returns.

[i]True[/i] or [i]false[/i]?


**Question 901**

If a buyer in an economic transaction has more information than the seller, the buyer benefits at the expense of the seller. This phenomenon is due to
A) moral hazard.
B) adverse selection.
C) economically irrational behavior.
D) gains from trade.


**Question 902**

It is possible for a market for a good to experience a surplus and a shortage at the same time.

[i]True[/i] or [i]false[/i]?


**Question 903**

It is necessary for all economic systems to provide people with goods and services and also restrict them from getting as much of these goods and services as they wish, because failure to do this could ______ the efficiency of the system by producing some goods and services that are ______

A) reduce; not as highly valued as others
B) increase; not as highly valued as others
C) reduce; valued more than others
D) increase; valued more than others


**Question 904**

If, in a closed economy, real GDP is $30 billion, consumption is $20 billion, and government purchases are $5 billion, what is total saving in the economy?
A) $5 billion
B) $15 billion
C) $45 billion
D) $55 billion


**Question 905**

List three reasons why demand for a product will often increase if the product is endorsed by a celebrity.


**Question 906**

Scarcity
A) stems from the incompatibility between limited resources and unlimited wants.
B) can be overcome by discovering new resources.
C) can be eliminated by rationing products.
D) is a bigger problem in market economies than in socialist economies.

**Question 907**

A firm in a market economy must do all of the following to succeed except
A) produce the goods and services that consumers want at a lower cost than consumers themselves can produce.
B) organize the factors of production into a functioning, efficient unit.
C) have access to sufficient funds.
D) be organized as a corporation.

**Question 908**

An increase in government purchases, ceteris paribus, will
A) increase public saving.
B) increase the supply of loanable funds.
C) reduce investment.
D) reduce real GDP.

**Question 909**

How does a decrease in the tax rate on income earned on saving affect saving, investment, the interest rate, and economic growth?

**Question 910**

Since 1950, expansions in the United States have become ______, while recessions have become ______.  
A) longer; longer  
B) shorter; shorter  
C) shorter; longer  
D) longer; shorter  

**Question 911**

Explain why international trade is less important to the United States than it is to many other countries.

**Question 912**

The ______ demonstrates the roles played by households and firms in the market system.
A) production possibilities frontier  
B) circular flow model  
C) theory of comparative advantage  
D) business cycle  

**Question 913**

If property rights are not well enforced, all of the following are likely to occur except
A) fewer goods and services will be produced.  
B) economic efficiency will be reduced.  
C) an economy will produce inside its production possibilities frontier.  
D) a significant number of people will be willing to risk their funds by investing them in local businesses.

**Question 914**

Using the market for loanable funds, which of the following has the potential to raise the real interest rate?  
A) an increase in the demand for loanable funds  
B) an increase in the quantity of loanable funds demanded  
C) an increase in the supply of loanable funds  
D) an increase in the quantity of loanable funds supplied  
### Question 915
Which of the following functions of money would be violated if inflation were high?

A) unit of account  
B) store of value  
C) certificate of gold  
D) medium of exchange  


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### Question 916
The only type of business that faces limited liability is a corporation.  
[i]True[/i] or [i]false[/i]?


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### Question 917
Studies have shown links between calcium consumption and a reduction in osteoporosis. How does this affect the market for calcium?

A) The calcium supply curve shifts to the right because of a change in tastes in favor of calcium.  
B) The calcium demand curve shifts to the right because of a change in tastes in favor of calcium.  
C) The calcium demand curve shifts to the left because this new information will increase the price of calcium.  
D) The calcium supply curve shifts to the left because this new information will increase the price of calcium.  


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### Question 918
All but one of the following statements is used to justify protectionism. Which statement is not used to justify protectionism?

A) Free trade leads to higher prices for imported goods.  
B) Free trade reduces employment by driving domestic firms out of business.  
C) A country should not rely on other countries for goods that are critical to its national defense.  
D) Trade restrictions are necessary to protect new firms until they can gain experience and become more productive.  


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### Question 919
A college must decide if it wants to offer more Internet-based classes. This decision involves answering the economic question of "what to produce."

[i]True[/i] or [i]false[/i]?


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### Question 920
An increase in a firm's fixed cost will not change the firm's profit-maximizing output in the short run.  
[i]True[/i] or [i]false[/i]?


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### Question 921
If a country has an absolute advantage in producing a product, it may not have a comparative advantage in producing that product.  
[i]True[/i] or [i]false[/i]?


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### Question 922
Define macroeconomics.


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### Question 923
In May 2012, Facebook stock sold for $38 per share in its initial public offering (IPO). More than a year later, in June 2013, the value of Facebook stock

A) had more than doubled in price.  
B) had declined by nearly 40 percent from the IPO price.  
C) languished at the same $38 per share price.  
D) had increased by almost 60 percent from the IPO price.  

Question 924

At the beginning of the recession of 2007-2009, real GDP in the United States was ________ potential GDP, and in June 2009, real GDP was ________ potential GDP.

A) below; above
B) below; below
C) above; below
D) above; above


Question 925

Which of the following statements regarding a firm's long-run average total cost (LRATC) curve and its short-run average total cost (SRATC) curve is true?

A) The shape of the LRATC is affected by the law of diminishing returns.
B) The SRATC, but not the LRATC, can be used by a firm's managers for planning.
C) The LRATC shows the lowest cost at which a firm is able to produce a given level of output when no inputs are fixed.
D) The contribution of average fixed cost to LRATC is greater than its contribution to SRATC.


Question 926

Which of the following statements is true?

A) If the price of a good is lowered and total revenue decreases, demand is elastic.
B) If the price of a good is raised and total revenue does not change, demand is perfectly elastic.
C) If the price of a good is raised and total revenue increases, demand is inelastic.
D) If the price of a good is lowered and total revenue increases, demand is inelastic.


Question 927

When you purchase a new surfboard you do so in the

A) resource market.
B) product market.
C) input market.
D) factor market.


Question 928

When an investor buys a corporate bond, the ________ the bond is a loan to the corporation.

A) interest on
B) face value of
C) coupon payment on
D) dividend payment on


Question 929

Traditionally, Wall Street investment banks had been organized as partnerships, but by 2000 they had converted to being publicly traded companies. As partnerships, the principal-agent problem is ________ because there is ________ separation of ownership from control.

A) reduced; much
B) reduced; little
C) increased; much
D) increased; little


Question 930

The way in which a corporation is structured and the impact a corporation's structure has on the firm's behavior is referred to as

A) corporate taxation.
B) structure composition theory.
C) structural behavior.
D) corporate governance.

<table>
<thead>
<tr>
<th>Question 931</th>
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<tbody>
<tr>
<td>How can the influence of a third variable be shown on a two-dimensional graph?</td>
</tr>
<tr>
<td>A) by allowing the relationship to be nonlinear</td>
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<td>B) by allowing the position of the relationship line or curve to shift on the graph</td>
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<tr>
<td>C) by drawing a third axis coming out of the two axes</td>
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<tr>
<td>D) by super-imposing the third variable on the two-dimensional graph</td>
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<tr>
<th>Question 932</th>
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<tr>
<td>The popularity of digital cameras has enticed large discount stores like Wal-Mart and Costco to offer digital photo printing services. How does this affect the digital photo printing market?</td>
</tr>
<tr>
<td>A) The demand curve for digital photo printing services shifts to the right.</td>
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<tr>
<td>B) The demand curve for digital photo printing services shifts to the left.</td>
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<tr>
<td>C) The supply curve for digital photo printing services shifts to the right.</td>
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<tr>
<td>D) The supply curve for digital photo printing services shifts to the left.</td>
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<th>Question 933</th>
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<tbody>
<tr>
<td>An decrease in supply is caused by a decrease in the price of the product.</td>
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<tr>
<td>[i]True[/i] or [i]false[/i]?</td>
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<tr>
<th>Question 934</th>
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<tbody>
<tr>
<td>Some economists and policymakers who are in favor of government-provided health care believe that providing health care will</td>
</tr>
<tr>
<td>A) generate additional moral hazard.</td>
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<tr>
<td>B) create negative externalities.</td>
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<tr>
<td>C) reduce asymmetric information.</td>
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<td>D) generate more adverse selection.</td>
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<th>Question 935</th>
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<tbody>
<tr>
<td>Using the Taylor rule, if the current inflation rate equals the target inflation rate and real GDP is greater than potential GDP, then the federal funds target rate ________ the sum of the current inflation rate plus the real equilibrium federal funds rate.</td>
</tr>
<tr>
<td>A) will be greater than</td>
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<tr>
<td>B) will be less than</td>
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<tr>
<td>C) will be the same as</td>
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<tr>
<td>D) may be greater than or less than</td>
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<tr>
<th>Question 936</th>
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<tbody>
<tr>
<td>An example of a factor of production is</td>
</tr>
<tr>
<td>A) stock issued by Dell.</td>
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<td>B) the computers exported by Dell.</td>
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<tr>
<td>C) a computer produced by an Dell.</td>
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<tr>
<td>D) a worker hired by Dell.</td>
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<th>Question 937</th>
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<tr>
<td>In order to avoid the imposition of other types of trade barriers, foreign producers will sometimes agree to limit their exports to a country. What are these types of agreements called?</td>
</tr>
<tr>
<td>A) involuntary export restraints</td>
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<tr>
<td>B) voluntary export restraints</td>
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<tr>
<td>C) implicit quotas</td>
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<td>D) sanctions</td>
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<th>Question 938</th>
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<tr>
<td>Organizing a successful firm in a market economy has become ________ over the last century.</td>
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Question 939

Firms pay famous individuals to endorse their products because
A) apparently demand is affected not just by the number of people who use a product but also by the type of person that uses the product.
B) the firms are irrational and are wasting advertising expenditures.
C) famous people obviously know what are the best goods and services.
D) famous people only consume high quality products.

Question 940

If a monopolist's price is $50 at the output where marginal revenue equals marginal cost and average total cost is $43, then the incremental profit from the last unit sold is $7.
[i]True[/i] or [i]false[/i]?

Question 941

If whole tomatoes were money, which of the following functions of money would be the hardest for tomatoes to satisfy?
A) unit of account
B) store of value
C) certificate of gold
D) medium of exchange

Question 942

A firm has an incentive to decrease supply now and increase supply in the future if it expects that
A) more firms will enter the market in the future.
B) the prices of inputs used to produce the product will rise in the future.
C) the price of its product will be lower in the future than it is today.
D) the price of its product will be higher in the future than it is today.

Question 943

Which of the following would result in GDP for an economy equal to $10 trillion?
A) C = $6 trillion
   I = $2 trillion
   G = $1.5 trillion
   NX = -$2 trillion
B) C = $7 trillion
   I = $2 trillion
   G = $4 trillion
   NX = $3 trillion
C) C = $5 trillion
   I = $5 trillion
   G = $2 trillion
   NX = -$2 trillion
D) C = $4 trillion
   I = $3 trillion
   G = $2 trillion
   NX = -$1 trillion

Question 944

The cyclically adjusted budget deficit or surplus measures what the deficit or surplus would be if the economy was
A) in a recession.
B) in an expansion.
Question 945

Dumping refers to countries exporting unwanted and inferior products to other countries.  
[i]True[/i] or [i]false[/i]?


Question 946

If equilibrium is achieved in a competitive market
A) there is no deadweight loss.  
B) the deadweight loss will be maximized.  
C) the deadweight loss will equal the sum of consumer surplus and producer surplus.  
D) the deadweight loss will be the same as the opportunity cost of the last unit of output sold.


Question 947

Allison's Auto Art is a company that applies pinstripes to vehicles. Allison's cost for a basic 1-color pinstriping job is $35, and she charges $95 for this service. For a total price of $175, Allison will apply a fancier 3-color pinstripe application to an automobile, a service that adds an additional $40 to the total cost of the package. Should Allison continue to offer the 3-color pinstripe application?  
A) Yes, she still makes a profit by selling the 3-color application.  
B) Yes, but only if she lowers the price of the 1-color application.  
C) No, her marginal benefit is less than her marginal cost.  
D) More information is needed for Allison to make this decision.


Question 948

What is voluntary exchange?


Question 949

Total revenue equals  
A) price per unit times quantity sold.  
B) price per unit times quantity supplied.  
C) price per unit times change in quantity sold.  
D) change in price per unit times quantity sold.


Question 950

Increases in real GDP would overstate the increase in the well-being of a country over time if, over that time period, the  
A) average hours worked per week increased.  
B) amount of pollution decreased.  
C) price level increased.  
D) crime rate decreased.


Question 951

If price is equal to average variable cost, a perfectly competitive firm breaks even.  
[i]True[/i] or [i]false[/i]?


Question 952

Why are the long-run effects of an increase in aggregate demand on price and output different from the short-run effects?


Question 953

Cutting taxes  
A) will lower disposable income and lower spending.
B) will raise disposable income and lower spending.
C) will lower disposable income and raise spending.
D) will raise disposable income and raise spending.

Question 954

A four-firm concentration ratio measures
A) the fraction of an industry's sales accounted for by the four largest firms.
B) the production of any four firms in an industry.
C) how the four largest firms became so concentrated.
D) the fraction of employment of the four largest firms in an industry.

Question 955

If the Federal Open Market Committee wants to decrease the money supply through open market operations it will
A) buy U.S. Treasury Securities.
B) sell U.S. Treasury Securities.
C) increase the discount rate.
D) decrease the discount rate.

Question 956

Pookie's Pinball Palace restores old Pinball machines. Pookie has just spent $300 purchasing and cleaning a 1960s-era machine which he expects to sell for $2,000 once he is finished with the restoration. After having spent $300, Pookie discovers that he will need to rewire the entire machine at a cost of $1,100 in order to finish the restoration. Alternatively, he can sell the machine "as is" now for $1,000. What is his marginal benefit if he sells the machine "as is" now?
A) $300
B) $900
C) $1,000
D) The marginal benefit cannot be determined.

Question 957

Textbook examples of trade between two nations are simplified in order to show how two nations both benefit from trade. These examples are misleading because
A) in the real world, rich countries can take advantage of poor countries.
B) they do not account for the reduction in wages that occurs in both countries as a result of trade.
C) some individuals in both countries may be made worse off because of trade.
D) trade restrictions are likely to be imposed as trade grows over time.

Question 958

All of the following are examples of oligopolistic markets except
A) the broadcasting industry.
B) aircraft manufacture.
C) college bookstores.
D) seafood restaurant chains.

Question 959

The endowment effect suggests that that people
A) have a strong attachment to their entitlement, regardless of whether they paid to acquire them.
B) have a strong sense of fairness.
C) are concerned about the welfare of others.
D) act in ways to distort market prices.

Question 960

Which of the following would be most likely to induce Congress and the president to conduct expansionary fiscal policy? A significant increase in investment spending.
Question 961

The U.S. work week has declined from 60 hours in 1890 to 40 hours today. The impact of the decline in working hours
A) increases U.S. GDP and increases the well-being of a typical working person in the U.S.
B) increases U.S. GDP and decreases the well-being of a typical working person in the U.S.
C) decreases U.S. GDP and increases the well-being of a typical working person in the U.S.
D) decreases U.S. GDP and decreases the well-being of a typical working person in the U.S.

Question 962

Why does the short-run aggregate supply curve shift to the right in the long run, following a decrease in aggregate demand?
A) Workers and firms adjust their expectations of wages and prices downward and they accept lower wages and prices.
B) Workers and firms adjust their expectations of wages and prices downward and they push for higher wages and prices.
C) Workers and firms adjust their expectations of wages and prices upward and they push for higher wages and prices.
D) Workers and firms adjust their expectations of wages and prices upward and they accept lower wages and prices.

Question 963

A) grants the creator of a book, film, or piece of music the exclusive right to use the creation for 20 years.
B) grants the creator of a book, film, or piece of music the exclusive right to use the creation during the creator’s lifetime.
C) gives a firm the exclusive right to a new product for 20 years from the date the product is invented.
D) gives the firm the exclusive right to a new product during the product inventor's lifetime.

Question 964

A person’s wealth is the same as his income.
[i]True[/i] or [i]false[/i]?

Question 965

Which of the following is not a tool the Fed uses to manage the money supply?
A) open market operations
B) setting the discount rate
C) expanding and contracting deposit insurance
D) setting reserve requirements for deposits in the banking system

Question 966

Suppose the government wants to maintain a balanced budget. To achieve this goal, when the economy falls into recession government would need to ________ taxes, which would cause aggregate demand to ________.
A) decrease; decrease
B) decrease; increase
C) increase; decrease
D) increase; increase

Question 967

Which of the following is the best example of a quota?
A) a subsidy from the U.S. government to domestic manufacturers of residential air conditioners to enable them to compete more effectively with foreign producers
B) a limit on the quantity of residential air conditioners that can be imported from a foreign country
C) a $150 fee imposed on all imported residential air conditioners
D) a tax placed on all residential air conditioners sold in the domestic market to help offset the impact of emissions on the environment
Question 968

Assume a hypothetical case where an industry begins as perfectly competitive and then becomes a monopoly. As a result of this change
A) price will be higher, output will be lower and the deadweight loss will be eliminated.
B) consumer surplus will be smaller, producer surplus will be greater and there will be a reduction in economic efficiency.
C) price will be higher, consumer surplus will be greater and output will be greater.
D) consumer surplus will be smaller and producer surplus will be greater. There will be a net increase in economic surplus.

Question 969

The provision of the Patient Protection and Affordable Care Act (ACA) which states that, with limited exceptions, every resident of the United States must have health insurance that meets certain basic requirements is the ________ provision.
A) employer mandate
B) state health exchanges
C) individual mandate
D) regulation of health insurance

Question 970

The only Giffen goods that have been identified so far in the real world are luxury goods.
[i]True[/i] or [i]false[/i]?

Question 971

Consumption expenditures do not include household purchases of
A) medical care.
B) education.
C) new houses.
D) durable goods.

Question 972

The relationship between GDP and the money supply has gotten stronger since the 1980s.
[i]True[/i] or [i]false[/i]?

Question 973

What actions should the Fed take if it believes the economy is about to experience a high rate of inflation?

Question 974

Which of the following does not hold true for a perfectly competitive firm in long-run equilibrium?
A) Its economic profit will be zero.
B) It will minimize average total cost.
C) It will charge a price equal to marginal cost.
D) Marginal cost will be minimized.

Question 975

Which of the following is an example of a "how much" decision?
A) The Pleasantville movie theatre is open only in the evenings. The theatre's manager is debating whether to add daily matinee shows.
B) The Zhous have demolished their old home and are debating whether to build a ranch-style house or a Craftsman home.
C) You're planning to hold a graduation party and must decide between having your party catered or having a pot-luck.
D) Chelsea has withdrawn from the swim team to take up a full-time job.

Question 976

If firms are protected by substantial barriers to entry, short-run profits can turn into long-run profits.
[i]True[/i] or [i]false[/i]?
**Question 977**

Which of the following is a positive economic statement?

A) People should use public transportation more often.
B) The government should ban diesel engines in automobiles.
C) Due to a decrease in state funding, university tuition has risen.
D) Foreign citizens should not be allowed to work without a work visa.


**Question 978**

When there is a positive externality

A) the private benefit received by consumers is greater than the external benefit.
B) the social benefit received by consumers is greater than the private benefit.
C) the private benefit received by consumers is greater than the private cost.
D) the private benefit received by consumers is greater than the social benefit.


**Question 979**

In the countries that have adopted inflation targeting, the inflation rate has typically

A) increased.
B) decreased.
C) decreased to zero.
D) not changed.


**Question 980**

Which of the following would cause both the equilibrium price and equilibrium quantity of cotton (assume that cotton is a normal good) to increase?

A) an increase in consumer income
B) a drought that sharply reduces cotton output
C) a decrease in consumer income
D) unusually good weather that results in a bumper crop of cotton


**Question 981**

What type of business is the easiest to set up?

A) sole proprietorship
B) partnership
C) corporation
D) There is no difference in the ease of establishment.


**Question 982**

A majority of people in the United States do not have private health insurance.

[i]True[/i] or [i]false[/i]?


**Question 983**

Facing stiff competition, Hendrix College, a small liberal arts institution in Conway, Ark., decided two years ago to bolster its academic offerings, promising students at least three hands-on experiences outside the classroom, including research, internships and service projects. Although it raised tuition and fees by 29 percent, enrollment in the freshman class rose by 37 percent.


Based on the information above, the demand for Hendrix College education is

A) unit-elastic.
B) perfectly elastic.
C) relatively inelastic.
D) More information is needed to answer the question.

Question 984
As a percentage of GDP, imports are greater than exports for which of the following countries?
A) Germany
B) Japan
C) the Netherlands
D) the United States

Question 985
Federal Reserve Board Chairmen Paul Volcker, Alan Greenspan, and Ben Bernanke all have focused on which of the following as their main goal of monetary policy?
A) high employment
B) price stability
C) economic growth
D) stability of financial markets

Question 986
If the Federal Reserve raises or lowers interest rates too late, it could result in a ________ policy that destabilizes the economy.
A) fiscal
B) budgetary
C) procyclical
D) countercyclical

Question 987
David Myers, former controller for WorldCom, pleaded guilty to falsely reported costs for WorldCom that were ________ than they actually were, resulting in reported accounting profits for WorldCom that were ________ than their actual level.
A) higher; higher
B) lower; higher
C) lower; lower
D) higher; lower

Question 988
On a diagram of a production possibility frontier, opportunity cost is represented by the slope of the production possibility frontier.
[i]True[/i] or [i]false[/i]?

Question 989
Which of the following will shift the aggregate demand curve to the left, ceteris paribus?
A) an increase in interest rates
B) an increase in disposable income
C) an increase in expected profits for firms
D) an increase in net exports

Question 990
Which of the following models has as its central idea that workers and firms have rational expectations?
A) the monetarist model
B) the new classical model
C) the real business cycle model
D) the new Keynesian model

Question 991
What is a mixed economy?
Question 992

A monopolistically competitive firm can increase its profits beyond the long-run equilibrium break-even level by deliberately lowering its price to force some of its competitors out of the market.

[i]True[/i] or [i]false[/i]?

Question 993

If a demand curve shifts to the right, then
A) demand has increased.
B) quantity demanded has increased.
C) demand has decreased.
D) quantity demanded has decreased.

Question 994

If the quantity of goods and services produced in the economy decreases
A) it may be possible for real GDP to increase.
B) real GDP would certainly increase.
C) it may be possible for nominal GDP to increase.
D) nominal GDP would certainly increase.

Question 995

In the United States in 2012, the percentage of firms that employed between 3 and 199 workers and offered health insurance as a fringe benefit to the workers was about
A) 29%.
B) 42%.
C) 61%.
D) 98%.

Question 996

At a product’s equilibrium price
A) anyone who needs the product will be able to buy the product, regardless of ability to pay.
B) the federal government will provide the product to anyone who cannot afford it.
C) not all sellers who are willing to accept the price will find buyers for their products.
D) any buyer who is willing and able to pay the price will find a seller for the product.

Question 997

For each of the following pairs of products state which are complements, which are substitutes, and which are unrelated.
a. Swim fins and scuba tanks
b. Coca Cola and Volkswagens
c. Printers and ink cartridges
d. Ice and ice chests
e. Heineken and Corona

Question 998

The government purchases multiplier is defined as
A) .
B) .
C) .
D) .

Question 999

Suppose the extra cost for a doctor to keep his office open for one extra hour is $200. Then, the doctor should stay open for the extra hour even if he
can generate additional revenue of $200 for that hour.

[i]True[/i] or [i]false[/i]?

**Question 1000**

Which of the following is motivated by an efficiency concern?
A) In December 2006, the Bush administration restarted a short-term housing assistance program for victims of Hurricane Katrina.
B) Each year, the University of Notre Dame conducts a lottery to parcel out the 30,000 seats available to contributors, former athletes and parents in the 80,000-seat stadium.
C) The United Network for Organ Sharing advocates a system of rationing scarce kidneys that would favor young patients over old in an effort to wring more life out of donated organs.
D) The federal government's housing choice voucher program assists very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.

**Question 1001**

If the demand curve for a product shifts to the right and the supply curve for the product shifts to the left, equilibrium price and equilibrium quantity will both increase.
[i]True[/i] or [i]false[/i]?

**Question 1002**

As the recession persisted into 2009, the unemployment rate in the United States rose to ________, the highest rate since the recession of 2001-2002 and the second highest since the Great Depression.
A) 5.5 percent
B) 9.3 percent
C) 17.6 percent
D) 25.1 percent

**Question 1003**

Some policymakers have argue that products like cigarettes, alcohol, and sweetened soda generate negative externalities in consumption. If the government decided to impose a tax on soda, the government will cause
A) consumers to internalize the externality.
B) producers to internalize the externality.
C) the external cost to drinking soda to become a private cost paid by the government.
D) the external cost to drinking soda to become a private cost paid by producers.

**Question 1004**

The interest payment on a bond is called
A) the coupon payment.
B) principal.
C) the interest rate.
D) the face value.

**Question 1005**

Which of the following is a normative economic statement?
A) Tobacco products should be banned in all public spaces.
B) The increase in tobacco taxes has caused an increase in the price of cigarettes.
C) Better awareness of health risks has decreased tobacco use.
D) A reduction in tobacco subsidies has caused the price of tobacco to increase.

**Question 1006**

The people firms hire to attempt to convince state legislators and members of Congress to pass laws that are favorable to the economic interests of the firms are called
A) economic advisors.
B) legislative assistants.
C) government bureaucrats.  
D) lobbyists.  

**Question 1007**

Congress passed the Freedom to Farm Act in 1996. What was the purpose of this Act?  
A) to encourage more people to become farmers  
B) to grant free land to farmers in order to produce crops that were particularly scarce  
C) to phase out the use of price ceilings in agricultural markets  
D) to phase out price floors and return to a free market in agriculture  

**Question 1008**

You have just opened a new Italian restaurant in your hometown where there are three other Italian restaurants. Your restaurant is doing a brisk business and you attribute your success to your distinctive northern Italian cuisine using locally grown organic produce. What is likely to happen to your business in the long run?  
A) Your competitors are likely to change their menus to make their products more similar to yours.  
B) Your success will invite others to open competing restaurants and ultimately your profits will be driven to zero.  
C) If your success continues, you will be likely to establish a franchise and expand your market size.  
D) If you continue to maintain consistent quality, you will be able to earn profits indefinitely.  

**Question 1009**

If the market price is at equilibrium, the deadweight loss is zero.  
[i]True[/i] or [i]false[/i]?  

**Question 1010**

What is the "reverse causality" problem in determining cause and effect?  
A) It is a problem that occurs when one concludes that a change in variable X caused a change in variable Y when in actual fact, it is a change in variable Z that caused a change in variable Y.  
B) It is a problem that occurs when one observes that a change in variable X caused a change in variable Y which caused a change in variable Z and concludes that a change in variable X caused a change in variable Z.  
C) It is a problem that occurs when one concludes that a change in variable X caused a change in variable Y when in actual fact, it is a change in variable Y that caused a change in variable X.  
D) It is a problem that arises when two variables are inter-connected so that a change in variable X causes a change in variable Y, and a change in variable Y causes a change in variable X.  

**Question 1011**

The consumer price index is the  
A) cost of a market basket of goods and services typically consumed in the base year.  
B) cost of a market basket of goods and services typically consumed in the current period.  
C) average of the prices of the goods and services purchased by a typical urban family of four.  
D) average of the prices of new final goods and services produced in the economy over a period of time.  

**Question 1012**

Which of the following is most likely to be able to sustain economic growth in an economy?  
A) sustained increases in the labor force participation rate  
B) technological change  
C) increases in capital per hour worked  
D) accumulations of economic resources  

**Question 1013**

The ________ the sale of an additional unit of a product is a marginal benefit to the firm.  
A) revenue received from  
B) extra cost of  
C) total value of
Question 1014

What do the highest stock price and the lowest stock price over the previous year indicate?
A) Add them together and divide by two to get the stock's current market price.
B) What the stock's price-earnings ratio is
C) How volatile the stock's market price has been
D) They generate the dividend yield.

Question 1015

A barter economy is an economy where
A) goods and services are exchanged for money.
B) money is exchanged for goods and services.
C) goods and services are exchanged for other goods and services.
D) goods and services are exchanged for liabilities.

Question 1016

Research has shown that most economic profits from selling a prescription drug are eliminated 20 years after the drug is first offered for sale. The main reason for the elimination of profits is
A) after 20 years most people who have taken the drug have passed away or are cured of the illness the drug was intended to treat.
B) firms sell their patent rights to other firms so that they can concentrate on finding drugs to treat new illnesses.
C) the quantity demanded of the drug has increased enough that the demand becomes inelastic and revenue falls.
D) after 20 years patent protection is ended and other firms can produce less expensive generic versions of the drug.

Question 1017

If a restaurant was a natural monopoly, dividing the restaurant equally into two separate restaurants would
A) decrease marginal cost.
B) raise average total cost.
C) increase total revenue.
D) make marginal revenue less elastic.

Question 1018

Would a change in the price of in-line skates cause a change in the supply of in-line skates? Why or why not?

Question 1019

Suppose you buy a house for $250,000. One year later, the market price for the house has fallen to $200,000. What is the return on your investment in the house if you made a down payment of 10 percent and took out a mortgage loan for the other 90 percent?

Question 1020

Social Security
A) has not been successful in reducing poverty among elderly Americans.
B) is a system whereby current retirees are paid from taxes collected from current workers.
C) has a greater number of workers per retiree today as compared to when it started.
D) currently pays retirees benefits equal to what they paid into the system.

Question 1021

Measuring the impact of a quota or tariff on the U.S. economy is an example of ________. Stating that a quota or tariff should be eliminated is an example of ________.
A) statistical analysis; economic analysis
B) positive analysis; normative analysis
C) econometric analysis; protectionism
Question 1022

The lawsuit the Justice Department brought against Apple regarding the pricing of e-books for its iPad is an example of attempts by the government
A) to prevent vertical mergers which would significantly reduce competition.
B) to prevent horizontal mergers which would significantly reduce competition.
C) to regulate a natural monopoly by establishing government-regulated prices.
D) to keep firms from artificially restricting competition to raise prices.

Question 1023

What is expansionary fiscal policy? What is contractionary fiscal policy?

Question 1024

An increase in the price of inputs will cause the supply curve for a product to shift to the right. [i]True[/i] or [i]false[/i]?

Question 1025

An oligopolist differs from a perfect competitor in that
A) there is cutthroat competition in perfect competition but little competition in oligopoly because firms have significant market power.
B) firms in an oligopoly do not produce homogeneous products while firms in perfect competition do.
C) the market demand curve for a perfectly competitive industry is perfectly elastic but it is downward-sloping in an oligopolistic industry.
D) there are no entry barriers in perfect competition but there are entry barriers in oligopoly.

Question 1026

If households and firms decide to hold less of their money in checking account deposits and more in currency, then the money supply
A) will not change.
B) will increase.
C) will decrease.
D) may increase or decrease.

Question 1027

Economies of scale will create a barrier to entry in an oligopoly industry when
A) a firm's minimum efficient scale occurs where long-run average total costs are constant.
B) the typical firm's long-run average total cost curve reaches a minimum at a level of output that is a large fraction of total industry sales.
C) the typical firm's long-run average total cost curve reaches a minimum at a level of output that is a small fraction of total industry sales.
D) the industry's four-firm concentration ratio is less than 40 percent.

Question 1028

Which of the following statements is true?
A) An explicit cost is an actual cost; an implicit cost is a theoretical cost.
B) Economic costs include both explicit costs and implicit costs.
C) An explicit cost is more important, dollar for dollar, than an implicit cost.
D) Explicit costs are accounting costs, not economic costs; implicit costs are economic costs, not accounting costs.

Question 1029

How will the purchase of $100 million of government securities by the Federal Reserve change bank reserves and total checking account deposits in the banking system as a whole? Assume that banks do not hold any excess reserves, that households and firms do not change the amount of currency they hold, and that the required reserve ratio is 20 percent.

Question 1030
Adam Smith's behavioral assumption about humans was that people
A) typically act irrationally.
B) usually act in a rational, self-interested way.
C) are consistently greedy.
D) typically act randomly.

Question 1031
In 2013, the dividend yield on Abercrombie & Fitch (ANF) stock rose from a low of 1.33% in May to 2.24% in October. Which of the following would have generated that result?
A) The closing price of ANF stock rose.
B) ANF announced an increase in the dividend it would pay per share.
C) The price-earnings ratio fell.
D) ANF issued bonds with a coupon rate equal to 2.24%.

Question 1032
The change in a firm's total cost from producing one more unit of a good or service is
A) the result of economies of scale.
B) the definition of marginal product
C) the definition of marginal cost.
D) impossible to observe in large firms with many manufacturing plants.

Question 1033
As recently as 2000, _______ percent of doctors were in private practice and by 2013, _______ percent of doctors were in private practice.
A) only 20; more than 70
B) nearly 60; less than 40
C) about 50; about 50
D) over 80; less than 15

Question 1034
Over the past twenty years, the number of small family farms has fallen significantly and in their place there are fewer, but larger, farms owned by corporations. Which of the following best explains this trend?
A) diseconomies of scale in farming
B) economies of scale in farming
C) diminishing returns to labor in farming
D) declining productivity

Question 1035
Suppose that to increase sales of hybrid vehicles, auto manufacturers are offering large cash incentives. This is an example of a macroeconomics topic.
[i]True[/i] or [i]false[/i]?

Question 1036
Ceteris paribus, a rise in interest rates in the United States will cause the yen price of the dollar in international exchange markets to _______. i.e., the dollar _______ in value against the yen.
A) increase; appreciates
B) increase; depreciates
C) decrease; depreciates
D) decrease; appreciates

Question 1037
Lowering the interest rate will
A) decrease spending on consumer durables.
B) increase investment projects by firms.
Question 1038

If a firm shuts down in the short run
A) its loss equals zero.
B) its loss equals its fixed cost.
C) is makes zero economic profit.
D) its total revenue is not large enough to cover its fixed cost.

Question 1039

Holding all other personal characteristics—such as age, gender, and income—constant, economists would expect that
A) people without health insurance will be less likely to be overweight than people with health insurance.
B) people without health insurance will be more likely to be overweight than people with health insurance.
C) people without health insurance will be equally likely to be overweight as people with health insurance.
D) there is no correlation between not having health insurance and being overweight.

Question 1040

Illustrate and explain the effects of tax reduction and simplification using the dynamic aggregate demand and supply model. To simplify the analysis, assume that aggregate demand is not affected by the tax cut.

Question 1041

Suppose real GDP is $12.6 trillion and potential GDP is $12.4 trillion. To move the economy back to potential GDP, Congress should
A) lower government purchases by an amount less than $200 billion.
B) lower government purchases by $200 billion.
C) raise taxes by $200 billion.
D) lower taxes by $200 billion.
E) raise taxes by an amount more than $200 billion.

Question 1042

Why would a company continue to operate for many years while never once turning a profit rather than shut down immediately? Using revenue and cost analysis, explain when the company would shut down.

Question 1043

The process of countries becoming more open to foreign trade and investment is known as
A) autarky.
B) foreign exchange.
C) globalization.
D) protectionism.

Question 1044

Arnold Kim began blogging about Apple products during his fourth year of medical school. Kim’s website, MacRumors.com, became so successful that he decided to give up his medical career and work full time on his website, despite the nearly $200,000 he had invested in his education. In making his decision, Kim decided to ignore the money and time he spent on his education. Economists would say that Kim made a
A) rational decision to ignore these sunk costs.
B) poor decision since he had already invested his time and money on his medical career.
C) poor decision since doctors are in greater demand than bloggers.
D) hasty decision by not waiting to recoup his financial investment before giving up his medical career.

Question 1045

If American demand for purchases of Mexican goods has increased, how would you expect the equilibrium exchange rate in the market for dollars to
Question 1046

The size of a deadweight loss in a market is reduced by
A) government legislating a ceiling price.
B) government legislating a price floor.
C) market price being close to marginal cost.
D) creative destruction.

Question 1047

Explain what potential conflict exists between shareholders in a corporation and the corporation's managers.

Question 1048

If a firm wanted to know whether the demand for its product was elastic, unit-elastic, or inelastic, then the firm could
A) survey competitors and ask them what they think demand elasticity is for the product.
B) talk to its customers.
C) change price a little bit and observe what happens to total revenue.
D) not do anything as there is no way to find an elasticity value.

Question 1049

The Social Security and Medicare programs have been a failure in terms of reducing poverty among elderly U.S. citizens.
[i]True[/i] or [i]false[/i]?

Question 1050

Explain how mandatory seat belt laws may reduce the negative externalities of risky behavior.

Question 1051

What is meant by the term "long-run competitive equilibrium?"

Question 1052

Economists have long debated whether there is a significant loss of well-being to society in markets that are monopolistically competitive rather than perfectly competitive. Which of the following offers the best reason why some economists believe that monopolistically competitive markets are less efficient than perfectly competitive markets?
A) In contrast to perfectly competitive markets, neither allocative efficiency nor productive efficiency are achieved in monopolistically competitive markets.
B) In contrast to perfectly competitive markets, firms in monopolistically competitive markets earn economic profits in long-run equilibrium.
C) In contrast to perfectly competitive markets, firms in monopolistically competitive markets do not produce where price equals average total cost in long-run equilibrium.
D) In contrast to perfectly competitive markets, firms in monopolistically competitive markets can charge a price greater than average total cost in the short run.

Question 1053

Describe briefly how the final value of an iPhone must be equal to the sum of incomes generated by the production of the iPhone.

Question 1054

Suppose real GDP is $13 trillion, potential real GDP is $13.5 trillion, and Congress and the president plan to use fiscal policy to restore the economy to potential real GDP. Assuming a constant price level, Congress and the president would need to increase government purchases by
A) $500 billion.
B) less than $500 billion.
C) more than $500 billion.
D) None of the above are correct. Congress must act to decrease government purchases in this case.

**Question 1055**

In the circular flow model, households supply resources such as labor services in the factor market.
[i]True[/i] or [i]false[/i]?

**Question 1056**

Oligopolies exist and do not attract new rivals because
A) of competition.
B) of barriers to entry.
C) the firms keep profits and prices so low that no rivals are attracted.
D) there can be no product differentiation.

**Question 1057**

The cyclically adjusted budget is calculated at potential GDP.
[i]True[/i] or [i]false[/i]?

**Question 1058**

An increase in the tax wedge associated with a given economic activity will decrease the level of that activity.
[i]True[/i] or [i]false[/i]?

**Question 1059**

Last month, the Tecumseh Corporation supplied 400 units of three-ring binders at $6 per unit. This month, the company supplied the same quantity of binders at $4 per unit. Based on this evidence, Tecumseh has experienced
A) a decrease in supply.
B) an increase in supply.
C) an increase in the quantity supplied.
D) a decrease in the quantity supplied.

**Question 1060**

Actual real GDP will be above potential GDP if
A) firms are producing below capacity.
B) firms are producing at capacity.
C) firms are producing above capacity.
D) inflation is rising.

**Question 1061**

China has developed a comparative advantage in the production of children’s toys. The source of this comparative advantage is
A) superior process technology.
B) a large supply of unskilled workers and relatively little capital.
C) investment in capital used to produce toys.
D) a large supply of natural resources.

**Question 1062**

If production displays diseconomies of scale, the long run average cost curve is
A) above the short run average total cost curve.
B) above the long run marginal cost curve.
C) upward sloping.
D) downward sloping.
Question 1063
The only way the standard of living of the average person in a country can increase is if _______ increases faster than _______.
A) production; population  
B) population; GDP per capita  
C) population; production  
D) population; income

Question 1064
Suppose that when the price per ream of recycled printer paper rises from $4 to $4.50, the quantity demanded falls from 800 to 600 reams per day. Using the midpoint formula, what is the price elasticity of demand (in absolute value) over this range?
A) 0.003  
B) 0.41  
C) 2.43  
D) 4

Question 1065
Identify whether each of the following transactions will take place in the factor market or in the product market:
a. Graciela buys a Tesla Motors Model X.  
b. Lashan works 60 hours a week at a law firm.  
c. Tito sells his family's farmland to a housing developer.  
d. Tesla Motors increases employment at its Fremont, California plant.

Question 1066
Using the money demand and money supply model, show and explain why the Federal Reserve cannot achieve a target for both the money supply and an interest rate.

Question 1067
One would speak of a movement along a supply curve for a good, rather than a change in supply, if
A) the cost of producing the good changes.  
B) supplier expectations about future prices change.  
C) the price of the good changes.  
D) prices of substitutes in production change.

Question 1068
In cities with rent controls, the actual rents paid can be higher than the legal maximum. One explanation for this is
A) rent control laws are so complicated that landlords and tenants may not be aware of what the legal price is.  
B) landlords are allowed to charge more than the legal maximum on some apartments so long as they charge less on others.  
C) because there is a shortage of apartments, tenants often are willing to pay rents higher than the law allows.  
D) the legal penalty landlords face for charging more than the legal maximum rent is less than the revenue earned by charging their tenants more than the maximum rent.

Question 1069
Any output combination along a production possibility frontier is associated with overused or unattainable resources.  
[i]True[/i] or [i]false[/i]?

Question 1070
The Fed has adopted an interest rate target for most of the time since World War II.  
[i]True[/i] or [i]false[/i]?

Question 1071
If the long-run average cost curve is U-shaped, the optimal scale of production from society’s viewpoint is
A) the minimum efficient scale.
B) where maximum economic profit is earned by producers.
C) where firm profit is large enough to finance research and development.
D) one which guarantees economic profit.

**Question 1072**

Economic surplus is maximized in a competitive market when
A) demand is equal to supply.
B) the deadweight loss equals the sum of consumer surplus and producer surplus.
C) marginal benefit equals marginal cost.
D) producers sell the quantity that consumers are willing to buy.

**Question 1073**

Economists have used _______ and _______ in experiments designed to determine whether consumers care about fairness when they make decisions.
A) Giffen goods; luxury goods
B) the income effect; the substitution effect
C) the ultimatum game; the dictator game
D) network externalities; the endowment effect

**Question 1074**

At a long-run macroeconomic equilibrium, real GDP is always equal to potential GDP.
[i]True[/i] or [i]false[/i]?

**Question 1075**

The shape of the average total cost curve is determined by the shape of
A) the marginal cost curve.
B) the average fixed cost curve.
C) the average product curve.
D) the firm's production function.

**Question 1076**

A normal good is a good for which the demanded decreases as income decreases, holding everything else constant.
[i]True[/i] or [i]false[/i]?

**Question 1077**

Why are individual buyers and sellers in perfect competition called price takers?

**Question 1078**

The resource income earned by those who supply labor services is called
A) wages and salaries.
B) stock options.
C) profit.
D) bonus.

**Question 1079**

Economists have noted that businesses of a certain type tend to congregate geographically, attracting workers with skills in those fields. This, in turn, lures more firms seeking employees with those skills. Some examples include commercial banking, software development, and the automobile industry. What mechanism is at work here? Briefly explain how the mechanism works to the advantage of employers and employees.
Question 1080

Households
A) purchase final goods and services in the factor market.
B) purchase final goods and services in the product market.
C) purchase resources in the product market.
D) purchase resources in the factor market.

Question 1081

For many years the Aluminum Company of America (Alcoa) controlled most of the world's supply of high-quality bauxite, the ore needed to produce aluminum. What type of entry barrier was responsible for Alcoa's position in the aluminum industry?
A) ownership of a key input
B) a government-imposed barrier
C) a patent on the manufacture of aluminum
D) economies of scale

Question 1082

If a firm is experiencing diseconomies of scale, its long-run average cost curve is increasing.
[i]True[/i] or [i]false[/i]?

Question 1083

Collusion makes firms better off because if they act as a single entity (a cartel) they can reduce output and increase their prices and profits. But some cartels have failed and others are unstable. Which of the following is a reason why cartels often break down?
A) Most cartels do not have a dominant strategy.
B) When a cartel is profitable the amount of competition it faces increases.
C) Members of a cartel may resent having to share their profits equally.
D) Each member of a cartel has an incentive to "cheat" on the collusive agreement by producing more than its share when everyone else sticks with the collusive agreement.

Question 1084

Experience with patents in the pharmaceutical industry shows that when patents on drugs expire
A) most patients will continue to buy the drugs from the same firms because their doctors recommend they buy brand-name drugs.
B) prices remain high without patent protection because of a lack of competition. Firms that are not granted patents cannot compete with firms that are granted patents.
C) other firms are free to produce chemically identical drugs. Competition reduces the profits that had been earned by the firms that received patents.
D) firms will find ways to obtain additional patent protection - often by making cosmetic changes in drugs that were patented - so that they can continue charging high prices.

Question 1085

Explain how the static aggregate demand and aggregate supply model gives us misleading results about the price level, particularly with respect to decreases in aggregate demand. Describe how the aggregate demand curve is different in the dynamic model as compared to the static model. Describe how potential GDP is different in the dynamic model as compared to the static model.

Question 1086

Which of the following are primarily macroeconomic topics and which are primarily microeconomic topics?
a. college tuition rates
b. farm subsidies
c. national income
d. automobile prices
e. air traffic congestion
f. economic recession
Question 1087
Many economists ________ protectionism because it ________ consumers and ________ jobs in domestic industries that use protected products.
A) support; benefits; creates
B) criticize; causes losses to; eliminates
C) support; lowers prices for; raises wages for
D) criticize; unfairly rewards; relocates

Question 1088
Suppose the economy is at a short-run equilibrium GDP that lies above potential GDP. Which of the following will occur because of the automatic mechanism adjusting the economy back to potential GDP?
A) Output will increase.
B) Prices will decline.
C) Unemployment will decline.
D) Short-run aggregate supply will shift to the left.

Question 1089
Whenever a firm can charge a price greater than marginal cost,
A) the firm must be a monopolist.
B) there is some loss of economic efficiency.
C) consumers have the ability to choose a close substitute.
D) the firm will earn economic profits.

Question 1090
The response of investment spending to an increase in the government budget deficit is called
A) expansionary investment.
B) private dissaving.
C) crowding out.
D) income minus net taxes.

Question 1091
What is meant by the term opportunity cost?

Question 1092
What is asymmetric information?

Question 1093
If the market price is $25, the average revenue of selling five units is
A) $5.
B) $12.50.
C) $25.
D) $125.

Question 1094
Briefly describe are the 6 main provisions of the Patient Protection and Affordable Care Act (ACA)?

Question 1095
Total dividend payments plus retained earnings divided by outstanding stock shares equals
A) the price-earnings ratio.
B) earnings per share.
C) the dividend yield.

Question 1096
A firm’s technology may depend on which of the following factors?
A) the skill of its managers
B) the training of its workers
C) the speed and efficiency of its equipment
D) all of the above

Question 1097
Your roommate is having trouble grasping how monetary policy works. Which of the following explanations could you use to correctly describe the mechanism by which the Fed can affect the economy through monetary policy? Increasing the money supply
A) lowers the interest rate, and firms increase investment spending.
B) causes people to spend more because they know prices will rise in the future.
C) raises the interest rate and consumers decrease spending on durable goods.
D) lowers the interest rate, raises the value of the dollar, lowers the prices of exports, and raises net exports.

Question 1098
Which of the following characteristics of a farmers’ market make it a good example of a perfectly competitive market?
A) Selling product at a farmers’ market was very profitable for farmers in the early 2000s. As result, many farmers sold their farms to larger firms.
B) Farmers who sell product at a farmers’ market are similar to other entrepreneurs who introduce products that earn short-run profits but invite competition that drives down prices and profits in the long run.
C) Farmers who sell product at a farmers’ market are similar to other business owners who take advantage of the willingness of some consumers to pay high prices for new and different products.
D) Farmers selling product at a farmers’ market provide a product that is a necessity, rather than a luxury.

Question 1099
A.C. Pigou argued that the government can deal with a positive externality in consumption by giving consumers a subsidy equal to the value of the externality.
[i]True[/i] or [i]false[/i]?

Question 1100
The new Keynesians emphasize the importance of
A) rational expectations.
B) the monetary growth rule.
C) real causes of the business cycle.
D) sticky wages and prices.

Question 1101
The word “util” has been used by economists in the past as an objective measure of utility. Today economists believe that
A) utility cannot be measured objectively.
B) utility can be measured objectively because people can use prices of different goods to measure utility.
C) all of the important conclusions of the economic model of consumer behavior depend on utility being measured objectively.
D) the util truly is an objective, rather than a subjective, measure of utility.

Question 1102
Hurricane Katrina damaged a large portion of refining and pipeline capacity when it swept through the Gulf coast states in August 2005. As a result of this, many gasoline distributors were not able to maintain normal deliveries. At the pre-hurricane equilibrium price (i.e., at the initial equilibrium price), we would expect to see
A) a surplus of gasoline.
B) the quantity demanded equal to the quantity supplied.
C) a shortage of gasoline.
D) an increase in the demand for gasoline.
Question 1103

If the price of milk was $1.25 a gallon and it is now $2.25 a gallon, what is the percentage change in price?
A) 4.4 percent
B) 8 percent
C) 44 percent
D) 80 percent

Question 1104

If the required reserve ratio (RR) is 20 percent, the simple deposit multiplier is
A) 2.
B) 5.
C) 10.
D) 20.

Question 1105

When banks gain ________, they can ________ their loans; and the money supply ________.
A) reserves; increase; contracts
B) withdrawals; increase; expands
C) withdrawals; decrease; expands
D) reserves; increase; expands

Question 1106

Draw a demand curve and label it D1. On the graph, illustrate an increase in demand and a decrease in demand, and label the curves D2 and D3, respectively. Starting on demand curve D1, explain the shift that would result from each of the following events:
a. a decrease in income and the good is a normal good
b. a decrease in income and the good is an inferior good
c. an increase in the price of a substitute good
d. an increase in the price of a complementary good
e. a decrease in the taste for the good
f. an increase in population
g. a decrease in the expected future price of the good

Question 1107

Proponents of the real business cycle model argue that the short-run aggregate supply curve is
A) flat.
B) positively sloped.
C) vertical.
D) negatively sloped.

Question 1108

The difference between a firm's assets and liabilities is its
A) accounting profit.
B) economic profit.
C) net worth.
D) implicit costs.

Question 1109

A reason why there is more competition among restaurants than among large discount department stores is that restaurants
A) have to cater to a variety of consumer tastes while department stores do not.
B) unlike department stores, have to abide by government sanitation rules.
C) unlike department stores, do not have significant economies of scale.
D) have more elastic demand for their product compared to department stores.
Question 1110
Which of the following statements is true about scarcity?
A) Scarcity refers to the situation in which unlimited wants exceed limited resources.
B) Scarcity is not a problem for the wealthy.
C) Scarcity is only a problem when a country has too large a population.
D) Scarcity arises when there is a wide disparity in income distribution.

Question 1111
How is accounting profit found?

Question 1112
Monopolistic competition differs from oligopoly in that in monopolistic competition firms act independently while in oligopoly firms act interdependently.  
[i]True[/i] or [i]false[/i]?

Question 1113
All of the following questions or statements regarding medical school are positive except:
A) How do changes in expected future incomes affect the decisions of medical students about which specialty to choose?
B) Medical students who enter specialized fields make a larger contribution to society than do student who enter primary care.
C) What role does tuition play in a student's decision about whether to attend medical school?
D) Have tuition increases had a large effect or a small effect on the number of applications to medical school?

Question 1114
An increase in imports increases aggregate demand.  
[i]True[/i] or [i]false[/i]?

Question 1115
The only firms that do not have market power are
A) firms in industries with low barriers to entry.
B) firms that do not advertise their products.
C) firms in perfectly competitive markets.
D) firms that sell identical products.

Question 1116
If you invest $10,000 in a bond that earns 8% interest per year, how many years will it take to double your money?
A) 1 year and 3 months
B) 2 years and 6 months
C) 8 years
D) 8 years and 9 months

Question 1117
The production possibilities frontier model shows that
A) if consumers decide to buy more of a product its price will increase.
B) a market economy is more efficient in producing goods and services than is a centrally planned economy.
C) economic growth can only be achieved by free market economies.
D) if all resources are fully and efficiently utilized, more of one good can be produced only by producing less of another good.

Question 1118
Because consumers who have insurance provided by their employers usually only pay a deductible for a visit to the doctor's office, they ________ of health care services than they would if they paid a price that better represented the true cost of providing the service.
A) demand a larger quantity
B) demand a smaller quantity
C) supply a larger quantity
D) supply a smaller quantity

Question 1119

When production reflects consumer preferences, ________ occurs.
A) allocative efficiency
B) productive efficiency
C) equity
D) efficient central planning

Question 1120

Long-run economic growth requires all of the following except
A) technological change.
B) increases in capital per hour worked.
C) government provision of secure property rights.
D) political instability.

Question 1121

Suppose Warren Buffet withdraws $1 million from his checking account at Chase Manhattan Bank. If the required reserve ratio is 20 percent, what is the maximum change in deposits in the banking system?
A) -$5 million
B) -$4 million
C) -$200,000
D) $1 million
E) $5 million

Question 1122

A stock's dividend yield is determined by
A) dividing the dividend payment by the stock's initial price.
B) dividing the dividend payment by the stock's closing market price.
C) dividing the stock's closing market price by the dividend payment.
D) subtracting the stock's initial purchase price from the stocks' closing market price on a given day.

Question 1123

Reserves of a bank equal its
A) vault cash.
B) deposits with the Federal Reserve.
C) vault cash plus deposits with the Federal Reserve.
D) vault cash plus deposits of its customers.

Question 1124

A decrease in input costs in the production of LCD televisions caused the price of LCD televisions to decrease. Holding everything else constant, how would this affect the market for video game consoles (a complement to LCD televisions)?
A) The supply of video game consoles would increase and the equilibrium price of video game consoles would decrease.
B) The demand for video game consoles would decrease and the equilibrium price of video game consoles would decrease.
C) The demand for video game consoles would decrease because consumers could afford to buy fewer LCD televisions and video game consoles.
D) The demand for video game consoles would increase and the equilibrium price of video game consoles would increase.

Question 1125

The phrase "demand has decreased" means that
A) a demand curve has shifted to the left.
B) there has been an upward movement along a demand curve.
C) there has been a downward movement along a demand curve.
D) a demand curve has shifted to the right.

Question 1126

If gold is used as money in an economy, the money supply is easy to control.
[i]True[/i] or [i]false[/i]?

Question 1127

Of the following industries, which are perfectly competitive? For those that are not perfectly competitive, explain why.
 a. Restaurants
 b. Corn
 c. College education
 d. Local radio and television

Question 1128

During a deflationary period
A) the nominal interest rate is less than the real interest rate.
B) the real interest rate is less than the nominal interest rate.
C) the price level rises.
D) the nominal interest rate does not change.

Question 1129

In long-run competitive equilibrium, the perfectly competitive firm produces where price equals minimum average total cost.
  a. What is this efficiency criterion called?
  b. How does it benefit consumers?

Question 1130

Which of the following contributed to the downfall of the Soviet Union in 1991?
A) government dissatisfaction with high living standards and political freedom
B) an inability to produce low-cost consumer goods that households wanted
C) an overabundance of high-quality goods and services
D) the lack of a strong dictator who can coordinate economic activities

Question 1131

What is the difference between "shutting down temporarily" and "exiting the industry"?

Question 1132

The production possibilities frontier shows the _______ combinations of two products that may be produced in a particular time period with available resources.
A) minimum attainable
B) maximum attainable
C) only
D) equitable

Question 1133

In the short run, if average product is at its maximum, then average variable cost is at its minimum.
[i]True[/i] or [i]false[/i]?

Question 1134
If total utility increases at a decreasing rate as a consumer consumes more coffee, then marginal utility must
A) remains constant.
B) increase also.
C) decrease.
D) be negative.

Question 1135

If Joey Kobayashi experiences diminishing marginal utility from eating hot dogs then
A) his total utility from eating hot dogs is negative.
B) the marginal utility from the next hot dog Joey eats will be negative.
C) the additional satisfaction he receives from eating another hot dog will be less than the satisfaction he received from his eating his last hot dog.
D) Joey is maximizing the marginal utility per dollar he receives from eating hot dogs.

Question 1136

In an experiment that employed the dictator game, economists at Cornell University gave student “allocators” the option of dividing $20 in only two ways (a) $18 for themselves and $2 to another student, or (b) $10 for themselves and $10 to another student. What was one result from this experiment?
A) Most allocators chose to give themselves $18 and $2 to the other students.
B) Most of the students who were not allocators did not like having someone else make decisions for them.
C) A majority of the female allocators chose option (a); a majority of the male allocators chose option (b).
D) Most of the allocators apparently valued acting fairly.

Question 1137

Which two factors make regulating mergers complicated?
A) First, firms may lobby government officials to influence their decision to approve the merger. Second, by the time the government officials reach a decision regarding the merger, the firms often decide not to merge.
B) First, the time it takes to reach a decision to approve a merger is so long that the firms often have new owners and managers. Second, by law, government officials are not allowed to consider the impact of foreign trade (exports and imports) on the degree of competition in the markets of the merged firms.
C) First, the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice must both approve mergers. Second, the concentration ratios that are used to evaluate the degree of competition the merged firms face are flawed.
D) First, it is not always clear what market firms are in. Second, the newly merged firm might be more efficient than the merging firms were individually.

Question 1138

What is technology and what factors does it depend on?

Question 1139

Marginal benefit is the total benefit to a consumer from consuming one more unit of a good or service.
[i]True[/i] or [i]false[/i]?

Question 1140

Oligopoly differs from perfect competition and monopolistic competition in that
A) barriers to entry are lower in oligopoly industries than they are in perfectly competitive and monopolistically competitive industries.
B) demand and marginal revenue curves are more useful for analyzing oligopoly than they are for analyzing perfect competition and monopolistic competition.
C) because oligopoly firms often react when other firms in their industry change their prices, it is difficult to know what the oligopolist's demand curve looks like.
D) the concentration ratios of oligopoly industries are lower than they are for perfectly competitive and monopolistically competitive firms.

Question 1141

___ is maximized in a competitive market when marginal benefit equals marginal cost.
A) Deadweight loss
B) Marginal profit
Question 1142
Which of the following are included in gross domestic product for an economy in a given year?
A) the value of intermediate goods produced in that year
B) the value of used goods sold in that year
C) the value of final goods produced in that year
D) All of the above would be included in gross domestic product for an economy in a given year.

Question 1143
If the Fed's policy is contractionary, it will
A) use open market operations to buy Treasury bills.
B) use open market operations to sell Treasury bills.
C) lower the discount rate.
D) lower the reserve requirement.

Question 1144
Behavioral economics helps explain why customers ________ at J.C. Penney.
A) favored the policy of everyday low prices and not sales and coupons
B) favored sales and coupons and not the policy of everyday low prices
C) were equally happy with sales and coupons and the policy of everyday low prices
D) responded negatively to both sales and coupons and the policy of everyday low prices

Question 1145
An insurance company is likely to attract customers like Clancy who want to purchase insurance because he knows better that the company that he is more likely to make a claim on a policy. What is the term used to describe the situation above?
A) moral hazard
B) adverse selection
C) asymmetric information
D) economic irrationality

Question 1146
Moral hazard refers to the actions people take after they have entered into a transaction that make the other party to the transaction worse off. [i]True[/i] or [i]false[/i]?

Question 1147
"A decrease in the price of digital cameras will decrease the demand for camera film." This statement is an example of a positive economic statement. [i]True[/i] or [i]false[/i]?

Question 1148
Lowering the discount rate will
A) decrease reserves, encourage banks to make fewer loans, and decrease the money supply.
B) decrease reserves, encourage banks to make fewer loans, and increase the money supply.
C) increase reserves, encourage banks to make more loans, and increase the money supply.
D) increase reserves, encourage banks to make more loans, and decrease the money supply.

Question 1149
Assume that a perfectly competitive market is in long-run equilibrium. Suppose as a result of a health hazard associated with the industry's product, demand decreases drastically. What is the immediate result of this event?
A) The market price falls and the typical firm suffers an economic loss.
<table>
<thead>
<tr>
<th>Question 1150</th>
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<tbody>
<tr>
<td>Since 1960, out-of-pocket spending on health care has increased sharply as a fraction of all health care spending. True or False?</td>
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<table>
<thead>
<tr>
<th>Question 1151</th>
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<tbody>
<tr>
<td>What is the difference between a monopoly's marginal revenue curve and a perfect competitor's marginal revenue curve?</td>
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<thead>
<tr>
<th>Question 1152</th>
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<tbody>
<tr>
<td>Which of the following is a source of market failure? A) unforeseen circumstances which leads to the bankruptcy of many firms B) a lack of government intervention in a market C) incomplete property rights or inability to enforce property rights D) an inequitable income distribution</td>
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<table>
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<tr>
<th>Question 1153</th>
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<tbody>
<tr>
<td>Explain how “menu costs” affect the slope of the short-run aggregate supply curve.</td>
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<tr>
<th>Question 1154</th>
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<tbody>
<tr>
<td>What is a mortgage? What were the important developments in the mortgage market during the years after 1970?</td>
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<tr>
<th>Question 1155</th>
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<tbody>
<tr>
<td>The cost of group health insurance is lower than if an individual buys a policy on his own because A) the problem of adverse selection is reduced. B) moral hazard costs of a group tend to move to a low average. C) it is easier for the company to deny claims from a large group. D) insuring a group eliminates the problem of buyers having more information than the seller.</td>
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<tr>
<th>Question 1156</th>
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<tbody>
<tr>
<td>Domestic producers require time to gain experience and lower their unit costs; this will allow these producers to compete successfully in international markets. This statement describes the ________ argument for protectionism. A) diseconomies of scale B) protecting national security C) anti-dumping D) infant industry</td>
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<tr>
<th>Question 1157</th>
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<tbody>
<tr>
<td>Which of the following is not a characteristic of long-run equilibrium in a monopolistically competitive market? A) Selling price equals average total cost. B) Production is at minimum average total cost. C) Marginal revenue equals marginal cost. D) Selling price is greater than marginal cost.</td>
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<table>
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<tr>
<th>Question 1158</th>
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<tbody>
<tr>
<td>Economies cannot function without money. True or False?</td>
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</tbody>
</table>
Question 1159

If prices are rising on average, then
A) real GDP will always be equal to nominal GDP.
B) real GDP will be greater than nominal GDP in the years after the base year.
C) real GDP will be less than nominal GDP in the years before the base year.
D) real GDP will be greater than nominal GDP in the years before the base year.

Question 1160

The Sarbanes-Oxley Act of 2002 requires that each member of the board of directors personally certify the accuracy of financial reports.
[i]True[/i] or [i]false[/i]?

Question 1161

Which of the following activities create a negative externality?
A) cleaning up the sidewalk on your block
B) graduating from college
C) repainting the house you live in to improve its appearance
D) keeping a junked car parked on your front lawn

Question 1162

What is always true at the quantity where a firm's average total cost equals average revenue?
A) The firm's revenue is maximized.
B) The firm's profit is maximized.
C) The firm breaks even.
D) Marginal cost equals marginal revenue.

Question 1163

Provide two examples of a government barrier to entry?

Question 1164

Explain whether FedEx’s sales are likely to fluctuate more or less than the sales of each of the following firms as the economy moves from recession to expansion and back to recession.
- Whirlpool Corporation (appliance manufacturer)
- Taco Bell
- The Boeing Company (aircraft manufacturer)
- GameStop (video game sales and rentals)

Question 1165

Assume that the price for lawn care has fallen and sales of lawn care services have also fallen. One can conclude that
A) the law of supply has been violated.
B) the number of lawn care service companies has increased.
C) the demand for lawn care service has decreased.
D) lawn care services are deliberately charging low prices because they want to discourage people from maintaining their own lawns.

Question 1166

When Tesla, a U.S. company, purchases Italian-made Pirelli tires for its automobiles, the purchase is
A) both a U.S. and an Italian import.
B) a U.S. import and an Italian export.
C) a U.S. export and an Italian import.
D) neither an export nor an import for either country.
Question 1167
A worker is hired in a
A) goods and services market.
B) product market.
C) government market.
D) factor market.

Question 1168
While many analysts defended the actions taken by the Fed and the Treasury to respond to the financial crisis in 2008, others were critical of these actions. The critics were concerned that by not allowing large firms to fail
A) smaller firms will resent not receiving similar assistance.
B) stockholders and bondholders of these firms were not allowed to receive the proceeds from the sale of assets that would have occurred if the firms had declared bankruptcy.
C) there is an increased likelihood that other firms will engage in risky behavior in the future with the expectation that they will also not be allowed to fail.
D) there will be less competition in the U.S. economy, which could lead to higher prices for consumers.

Question 1169
Trade that is within a country or between countries is based on the principle of
A) absolute advantage.
B) scarcity.
C) competition.
D) comparative advantage.

Question 1170
A decrease in the demand for eggs due to changes in consumer tastes, accompanied by a decrease in the supply of eggs as a result of an outbreak of Avian flu, will result in
A) a decrease in the equilibrium quantity of eggs and no change in the equilibrium price.
B) a decrease in the equilibrium price of eggs and no change in the equilibrium quantity.
C) a decrease in the equilibrium price of eggs; the equilibrium quantity may increase or decrease.
D) a decrease in the equilibrium quantity of eggs; the equilibrium price may increase or decrease.

Question 1171
If the price of refillable butane lighters was to decrease, then
A) the demand for butane would decrease.
B) the demand for butane would increase.
C) the quantity of butane demanded would increase.
D) the quantity of butane demanded would decrease.

Question 1172
List the Fed's four main monetary goals.

Question 1173
In the dynamic aggregate demand and aggregate supply model, what is the result of aggregate demand increasing slower than potential real GDP?

Question 1174
In recent years, a monetary growth rule has fallen out of favor because
A) it is believed that active monetary policy destabilizes the economy and makes the business cycle worse.
B) the growth rate of GDP has been highly unstable.
C) the close relationship between movements in M1 and movements in real GDP has become weaker.
D) the growth rate of M1 has become more stable.
Question 1175

A Herfindahl-Hirschman Index is calculated by
A) summing the amount of sales by the four largest firms and dividing by total industry sales.
B) dividing the number of firms wanting to merge by the total number in the industry.
C) summing the squares of the market shares of each firm in the industry.
D) summing the advertising expenditures of the firms that want to merge by total industry advertising expenditures.


Question 1176

For each of the following pairs of products state which are complements, which are substitutes, and which are unrelated.
a. House plants and potato chips
b. Eyeglasses and contact lenses
c. Motorcycles and gasoline
d. Smartphone and smartphone apps
e. Red wine and white wine


Question 1177

Monetary policy refers to the actions the
A) President and Congress take to manage the money supply and interest rates to pursue their economic objectives.
B) Federal Reserve takes to manage the money supply and interest rates to pursue its macroeconomic policy objectives.
C) President and Congress take to manage government spending and taxes to pursue their economic objectives.
D) Federal Reserve takes to manage government spending and taxes to pursue its economic objectives.


Question 1178

Dr. Goldfinger decides to invest in companies which he believes can "improve the productivity and efficiency" of health care services. What would Dr. Goldfinger need to do to try to achieve allocative efficiency?
A) invest in companies that produce goods and services based on consumer preferences
B) invest in companies that produce goods and services at the lowest possible cost
C) invest in companies that fairly distribute their products and services
D) invest in companies that produce up to the point where the marginal cost of the last unit produced is zero.


Question 1179

Reducing the marginal tax rate on income will
A) reduce the tax wedge faced by workers and increase labor supplied.
B) raise the return to entrepreneurship and encourage the opening of new businesses.
C) increase the after-tax return on saving, and encourage saving.
D) All of the above are correct.


Question 1180

If households in the economy decide to take money out of checking account deposits and hold it as currency, this will initially
A) not change M1 and increase M2.
B) decrease M1 and decrease M2.
C) decrease M1 and not change M2.
D) not change M1 and not change M2.


Question 1181

A four-firm concentration ratio measures
A) the extent to which industry sales are concentrated among the four largest firms in the industry.
B) the price elasticity of demand among the four largest firms in an industry.
C) the number of firms in an industry.
D) the price elasticity of demand in an industry.

Question 1182

Sole proprietorships are ________ type of business.

A) the most profitable
B) the least common
C) the most common
D) the least risky


Question 1183

In August 2011, Standard & Poor's (S&P) changed its rating on U.S. Treasury bonds from ________ based on the state of the federal government's budget deficit.

A) "A" to "D"
B) "A" to "AAA"
C) "A+" to "B+
D) "AAA" to "AA+


Question 1184

What are the most important differences between perfectly competitive markets and monopolistically competitive markets?


Question 1185

By the height of the housing bubble in 2005 and early 2006, lenders had greatly loosened the standards for obtaining a mortgage loan, with many mortgages being granted to ________ borrowers with flawed credit histories and ________ borrowers who did not document their incomes.

A) sub-prime; "Alt-A"
B) adjustable rate; shadow-banking
C) "credit crunch"; black market
D) "fresh-start"; prime rate


Question 1186

Over the past several decades there has been a rapid growth in international trade. This growth has been due to all except one of the following factors. Which factor has not contributed to the growth of international trade?

A) the spread of reliable communications
B) a change in the tariffs charged on many goods
C) a reduction in shipping costs
D) favorable changes in government policies


Question 1187

_______ are financial securities that represent promises to repay a fixed amount of funds.

A) Stocks
B) Bonds
C) Interest rates
D) Mutual funds


Question 1188

Assume that a doctor can earn an additional $20,000 of revenue each year from keeping his office open for one additional hour per week. What must the additional cost of keeping the office open this additional hour per week be to make staying open for the extra hour economically rational?


Question 1189

If the population increases and input prices increase, the equilibrium price of a product will definitely increase.

[i]True[/i] or [i]false[/i]?


Question 1190
<table>
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<tr>
<th>Question 1191</th>
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<tbody>
<tr>
<td>The federal budget was in deficit from 1931 to 1939, except in the year 1937. Given this fact, how do you explain E. Cary Brown's statement, &quot;Fiscal policy then, seems to have been an unsuccessful recovery device in the 'thirties—not because it did not work, but because it was not tried.&quot;</td>
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<tr>
<th>Question 1192</th>
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<tr>
<td>Use the formula for the GDP deflator to explain how it is affected by an increase in prices in the economy. If the value of the deflator equals 100, what does that tell you about that year with respect to the base year?</td>
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<tr>
<th>Question 1193</th>
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<tbody>
<tr>
<td>Currency traders expect the dollar to appreciate. What impact will this have on equilibrium in the foreign exchange market?</td>
</tr>
<tr>
<td>A) The dollar will appreciate, and the equilibrium quantity of dollars will decrease.</td>
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<tr>
<td>B) The dollar will depreciate, and the equilibrium quantity of dollars exchanged will decrease.</td>
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<tr>
<td>C) The dollar will appreciate, and the equilibrium quantity of dollars will increase.</td>
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<tr>
<td>D) The dollar will appreciate, and the change in the equilibrium quantity of dollars exchanged cannot be determined.</td>
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<th>Question 1194</th>
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<tr>
<td>Long-run cost curves are U-shaped because</td>
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<tr>
<td>A) of the law of demand.</td>
</tr>
<tr>
<td>B) of the law of diminishing returns.</td>
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<tr>
<td>C) of economies and diseconomies of scale.</td>
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<td>D) of the law of supply.</td>
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<tr>
<th>Question 1195</th>
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<tr>
<td>If the Federal Reserve decided to include virtual money like Bitcoins in its measure of the money supply, what would be the effect on M1 or M2?</td>
</tr>
<tr>
<td>A) M1 would rise.</td>
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<tr>
<td>B) M1 would fall.</td>
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<tr>
<td>C) M1 would rise and M2 would remain constant.</td>
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<tr>
<td>D) M2 would rise but M1 would remain constant.</td>
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<tbody>
<tr>
<td>Identify the one statement that does not demonstrate how social effects influence consumer choice.</td>
</tr>
<tr>
<td>A) Students in an Economics class are required to purchase a textbook assigned by the professor.</td>
</tr>
<tr>
<td>B) There is utility gained from consuming goods or services that others are consuming.</td>
</tr>
<tr>
<td>C) Some products that people consume are determined by the social popularity of the products.</td>
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<tr>
<td>D) Companies such as Zappos.com and Netflix invite their consumers to write reviews about their experience with their products which are then posted on the internet for others to see.</td>
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<tr>
<th>Question 1197</th>
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<tr>
<td>When prices are rising, which of the following will be true?</td>
</tr>
<tr>
<td>A) The real interest rate will be lower than the nominal interest rate.</td>
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<tr>
<td>B) The real interest rate will be negative.</td>
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<tr>
<td>C) The real interest rate will be higher than the nominal interest rate.</td>
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<tr>
<td>D) The nominal interest rate will be negative.</td>
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<tr>
<th>Question 1198</th>
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</table>
The person hired by a corporation's board of directors to run the day-to-day operations of the corporation is known as the
A) chairman of the board.
B) chief executive officer.
C) owner-manager.
D) corporate governor.

Question 1199
All economic questions arise from the fact that resources are unlimited.
[i]True[/i] or [i]false[/i]?

Question 1200
The Fed can use expansionary monetary policy to lower interest rates to stimulate aggregate demand.
[i]True[/i] or [i]false[/i]?

Question 1201
If the Federal Reserve targets the money supply, and the money demand curve shifts to the left, then the Fed
A) cannot maintain the money supply target.
B) can maintain the money supply target, but at a lower interest rate.
C) can maintain the money supply target, but at a higher interest rate.
D) can maintain the money supply target with no change in the interest rate.

Question 1202
When BMW, an German company, purchases a welding machine that was made in Toronto, the purchase is
A) both a German and a Canadian import.
B) a German import and a Canadian export.
C) a German export and a Canadian import.
D) neither an export nor an import for either country.

Question 1203
A budget constraint
A) represents the bundles of consumption that make a consumer equally happy.
B) refers to the limited amount of income available to consumers to spend on goods and services.
C) reflects the desire by consumers to increase their income.
D) shows the prices that a consumer chooses to pay for products he consumes.

Question 1204
If full-employment GDP is equal to $4.2 trillion, what does the long-run aggregate supply curve look like?
A) It is a horizontal line at $4.2 trillion of GDP.
B) It is a vertical line at a level of GDP below $4.2 trillion.
C) It is a vertical line at $4.2 trillion of GDP.
D) It is a vertical line at a level of GDP above $4.2 trillion.

Question 1205
An increase in the equilibrium price for a product will result
A) when the quantity demanded for the product exceeds the quantity supplied.
B) when there is a decrease in supply and an increase in demand for the product.
C) when there is a decrease in supply and a decrease in demand for the product.
D) when there is an increase in demand and an increase in the number of firms producing the product.

Question 1206
As a percentage of GDP, health care spending on Medicare and Medicaid is expected to double over the next 40 years unless health care costs begin
Question 1207
A natural monopoly is characterized by large fixed costs relative to variable costs.  
[i]True[/i] or [i]false[/i]?  

Question 1208
Unlike a perfect competitor, a monopolist faces the market demand curve.  
[i]True[/i] or [i]false[/i]?  

Question 1209
Stagflation occurs when short-run aggregate supply decreases.  
[i]True[/i] or [i]false[/i]?  

Question 1210
Suppose your marginal utility from consuming the 3rd slice of cake is zero, then your total utility from consuming cake is  
A) maximized.  
B) decreasing.  
C) negative.  
D) increasing.  

Question 1211
If the probability of losing your job remains ________, a recession would be a good time to purchase a home because the Fed usually ________ interest rates during this time.  
A) low; lowers  
B) low; raises  
C) high; lowers  
D) high; raises  
E) low; does not change  

Question 1212
What is the principle monetary policy tool used by the Fed. Why?  

Question 1213
Examining the conditions that could lead to economic growth is an example of macroeconomic topic.  
[i]True[/i] or [i]false[/i]?  

Question 1214
In a closed economy, private saving is equal to which of the following? (Y = GDP, C = Consumption, G = Government purchases, T = Taxes, and TR = Transfers)  
A) Y - C - T  
B) Y - G - T  
C) Y - G - T + TR  
D) Y + TR - C - T  

Question 1215
Examining the conditions that could lead to inflation in an economy is an example of microeconomics topic.  
[i]True[/i] or [i]false[/i]?  

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Question 1216

a. Draw a production possibilities frontier for a country that produces two goods, beer and pretzels. Assume that resources are equally suited to both tasks.
b. Define opportunity costs.
c. Use your production possibilities frontier graph to demonstrate the principle of opportunity costs.

Question 1217

Firms that participate in regular open market transactions with ______ are called primary dealers.
A) commercial banks
B) Treasury banks
C) the Federal Reserve
D) mortgage lenders

Question 1218

The new classical model has as its central idea that
A) wage and price stickiness explains fluctuations in real GDP.
B) workers and firms have rational expectations.
C) the Federal Reserve should adopt a monetary growth rule.
D) shifts in aggregate demand have no impact on real GDP.

Question 1219

When there few close substitutes available for a good, demand tends to be
A) perfectly inelastic.
B) perfectly elastic.
C) relatively inelastic.
D) relatively elastic.

Question 1220

What is adverse selection?
A) It refers to the private, self-interested actions people that people pursue, which when taken collectively leads to a loss in economic surplus.
B) It refers to the actions people take after they have entered into a transaction that make the other party to the transaction worse off.
C) It refers to the situation in which one party to a transaction takes advantage of knowing more than the other party to the transaction.
D) It refers to the actions people take before they enter into a transaction so as to mislead the other party to the transaction.

Question 1221

Describe how Wal-Mart has used positive technological change to manage its inventory.

Question 1222

Which of the following explains the cause of the change in the unemployment rate at the end of a recession?
A) Firms are hesitant to rehire laid off workers as they continue to operate below capacity.
B) Firms rapidly hire new workers at the first sign of an increase in demand for their goods.
C) Discouraged workers return to the labor force and this makes the unemployment rate fall.
D) Discouraged workers leave the labor force and this makes the unemployment rate rise.

Question 1223

We can derive the market demand curve for gold earrings
A) only if the tastes of all gold earring consumers are similar.
B) by adding horizontally the individual demand curves of each gold earring consumer.
C) by adding vertically the quantity demanded of each gold earring consumed at each price.
D) by adding the prices each gold earring consumer is willing to pay for each quantity.
Question 1224

Imposing tariffs in cases of dumping
A) is allowed under the WTO agreement.
B) is not allowed under the WTO agreement.
C) is not addressed by the WTO agreement.
D) has never occurred, even though it is allowed under the WTO agreement.

Question 1225

Which of the following is an advantage of starting a new business as a corporation?
A) double taxation
B) ease in setting up
C) low expenses of legally organizing
D) greater ability to raise funds

Question 1226

An externality refers to economic events outside a market.
[i]True[/i] or [i]false[/i]?

Question 1227

The supply curve for watches
A) shows the supply of watches consumers are willing and able to buy at any given price.
B) is downward sloping.
C) shows the relationship between the quantity of watches firms are willing and able to supply and the quantity of watches consumers are willing and able to purchase.
D) shows the relationship between the price of watches and the quantity of watches supplied.

Question 1228

A bank's largest liability is its
A) short-term borrowing.
B) long-term debt.
C) deposits of its customers.
D) shareholder equity.

Question 1229

Macroeconomics, as opposed to microeconomics, includes the study of what determines the level of
A) employment in a specific industry.
B) employment in the economy.
C) output of a specific firm.
D) output of a specific industry.

Question 1230

If a consumer receives 22 units of marginal utility for consuming the first can of soda, 20 units from consuming the second, and 15 from the third, the total utility of consuming the three units is
A) 57 utility units.
B) 35 utility units.
C) 15 utility units.
D) unknown as more information is needed to determine the answer.

Question 1231

What are the main sources of health insurance in the United States?
### Question 1232

Consider a used car market in which half the cars are good and half are bad (lemons). Suppose the average price of a good car is $9,000 and the average price of a lemon is $3,000. If rational buyers are willing to pay $6,000 for a used car, then sellers will agree to sell mostly the lemons at this price. What is the term used to describe this situation?

A) moral hazard  
B) adverse selection  
C) an efficient market  
D) economic irrationality


### Question 1233

An increase in input costs in the production of electric automobiles caused the price of electric automobiles to rise. Holding everything else constant, how would this affect the market for gasoline-powered automobiles (a substitute for electric automobiles)?

A) The supply of gasoline-powered automobiles would increase and the equilibrium price of gasoline-powered automobiles would decrease.  
B) The demand for gasoline-powered automobiles would increase and the equilibrium price of gasoline-powered automobiles would increase.  
C) The demand for gasoline-powered automobiles would decrease because consumers could afford to buy fewer gasoline-powered automobiles.  
D) The demand for gasoline-powered automobiles would increase and the equilibrium price of gasoline-powered automobiles would decrease.


### Question 1234

One effect of adverse selection in a market is that the equilibrium quantity of the product may be smaller than it would have been if there were no information problems.  

[i]True[/i] or [i]false[/i]?


### Question 1235

If a hospital knows that an insurance company will pay for most of a patient’s bill, the hospital has more of an incentive to require additional medical procedures and tests, even if the patient may not require them. This is an example of

A) moral hazard.  
B) the principle-agent problem.  
C) asymmetric information.  
D) adverse selection.


### Question 1236

Technological advances generally result in

A) decreased incomes.  
B) increased life expectancy.  
C) increased infant mortality rates.  
D) increased average number of hours worked per day.


### Question 1237

Suppose favorable weather resulted in a bumper crop of oranges in Florida. In the market for oranges

A) the supply curve shifted to the right resulting in a decrease in the equilibrium price.  
B) the supply curve shifted to the right resulting in an increase in the equilibrium price.  
C) the demand curve shifted to the left resulting in a decrease in the equilibrium price.  
D) the demand curve shifted to the right resulting in an increase in the equilibrium price.


### Question 1238

The "underground economy" is also referred to as

A) the informal sector.  
B) the formal sector.  
C) the halfway economy.  
D) the net domestic product economy.

Question 1239
Maintaining a strong dollar in international currency markets is not one of the four monetary policy goals of the Fed listed in the textbook. True or false?

Question 1240
A permanent tax cut would likely ______ consumption spending ______ than would a tax rebate like the one issued in 2008.
A) increase; more
B) increase; less
C) decrease; more
D) decrease; less

Question 1241
Collusion is
A) common among monopoly firms.
B) an agreement among firms to charge the same price or otherwise not to compete.
C) necessary for firms to raise money by borrowing from investors or from banks in order to fund research and development required to develop new products.
D) legal under U.S. antitrust laws if the intent is to increase competition.

Question 1242
Which of the following characteristics is common to monopolistic competition and perfect competition?
A) Firms produce identical products.
B) Entry barriers into the industry are low.
C) Each firm faces a downward-sloping demand curve.
D) Firms take market prices as given.

Question 1243
Juanita goes to the Hardware Emporium to buy a new circular saw. She is willing to pay $120 for a new saw, but buys one on sale for $85. Juanita's consumer surplus from the purchase is
A) $35.
B) $85.
C) $120.
D) $205.

Question 1244
Assume price exceeds average variable cost over the relevant range of demand. If a monopolistically competitive firm is producing at an output where marginal revenue is $23 and marginal cost is $19, then to maximize profits the firm should
A) continue to produce the same quantity.
B) increase output.
C) decrease output.
D) shutdown.

Question 1245
Which of the following is considered a negative supply shock?
A) increasing immigration in the economy causes the labor supply to rise
B) an improvement in technology
C) an increase in unemployment
D) an unexpected decrease in the refining capacity for oil

Question 1246
The business cycle ______ on FedEx since the company's inception over 40 years ago.
Question 1247

Two economists from Northwestern University estimated the benefit households received from subscribing to broadband Internet service. They found that in the year they analyzed, 47 million consumers paid an average of $36 per month to subscribe to a broadband Internet service, and estimated the value of total consumer surplus for these subscribers was equal to $890.5 million. Based on these numbers, what was the average monthly consumer surplus per subscriber for broadband Internet service?

A) $0.05  
B) $0.77  
C) $13.06  
D) $18.95  

Question 1248

In the United States, the average length of expansions from 1950 to 2009 was more than twice as long than they were from 1900 to 1950.  
[i]True[/i] or [i]false[/i]?


Question 1249

In the economic sense, almost everything is scarce. ________ of a good or service occurs when the quantity demanded is greater than the quantity supplied at the current market price.  
A) Scarcity  
B) A shortage  
C) A surplus  
D) An overstock  

Question 1250

In 1986, an Apple IIe computer with 65 kilobytes of memory cost around $1,500. Today, a $1,500 iMac computer (also made by Apple) comes with 8 gigabytes of memory. This illustrates the potential for what kind of bias in CPI calculations?  
A) new product bias  
B) increase in quality bias  
C) substitution bias  
D) outlet bias  

Question 1251

One of the most widely followed stock indexes in the United States is the Dow Jones Industrial Average. This index represents  
A) the stock prices of 500 large U.S. firms.  
B) an over-the-counter market.  
C) the stock prices of more than 4,000 U.S. firms.  
D) the stock prices of 30 large U.S. corporations.  

Question 1252

Consider a U-shaped long-run average cost curve that has a minimum efficient scale at 6,000 units of output. In this case, this industry would be  
A) perfectly competitive if the market quantity demanded is 20,000 units.  
B) monopolistically competitive if the market quantity demanded is 12,000 units.  
C) an oligopoly if the market quantity demanded is 18,000 units.  
D) an oligopoly if the four-firm concentration ratio is more than 10 percent.  

Question 1253

Which of the following criteria should be used to evaluate if government intervention in a market for the purpose of environmental protection is justified?  
A) Does the intervention program reduce pollution to zero using the least costly method?
B) Is the intervention program economically efficient?
C) Does the intervention program make the amount of economic surplus as large as possible?
D) Is the damage to the environment from government intervention as small as possible?

Question 1254
In a simple circular flow diagram, who supplies factors of production in markets and who buys these factors of production? Who supplies goods and services in markets and who buys these goods and services?

Question 1255
Which of the following is not part of the "state health exchanges" provision of the Patient Protection and Affordable Care Act (ACA)?
A) Each state is required to establish an Affordable Insurance Exchange by 2014.
B) Small businesses with fewer than 50 employees will be exempt from being required to participate in the program.
C) Low-income individuals will be eligible for tax credits to offset the costs of buying health insurance.
D) Health insurance policies that meet certain specified requirements will be offered by state-run agencies, by non-profit firms, or by the federal government.

Question 1256
The term "trust" in antitrust refers to a board of trustees that has collusive control over different companies.
[i]True[/i] or [i]false[/i]?

Question 1257
Suppose the required reserve ratio is 20 percent. If banks are conservative and choose not to loan all of their excess reserves, the real-world deposit multiplier is
A) less than 5.
B) equal to 5.
C) greater than 5.
D) equal to 20.

Question 1258
The Federal Reserve was established in 1913 to
A) prevent inflation by decreasing the money supply.
B) stimulate the economy by increasing bank reserves.
C) stop bank panics by acting as a lender of last resort.
D) prevent bad loans by requiring banks to hold reserves.

Question 1259
Use the money demand and money supply model to show graphically and briefly explain the effect on the interest rate if real GDP increases.

Question 1260
Vipsana's Gyros House sells gyros. The cost of ingredients (pita, meat, spices, etc.) to make a gyro is $2.00. Vipsana pays her employees $60 per day. She also incurs a fixed cost of $120 per day. Calculate Vipsana's total cost per day when she produces 50 gyros using two workers?
A) $100
B) $124.40
C) $220
D) $340

Question 1261
Consumers maximize total utility within their budget constraint by
A) buying the cheapest goods they can find.
B) buying whatever they like the best.
C) buying the goods with the largest marginal utility per dollar spent.
Question 1262
An industry’s long-run supply curve shows
A) the relationship in the long run between market price and quantity supplied.
B) how the government determines the price of the product.
C) how average productivity is changing.
D) greater than normal profit.

Question 1263
An explicit cost is
A) a nonmonetary opportunity cost.
B) a cost specifically related to government rules and regulations.
C) a cost that involves spending money.
D) a cost unique to corporations.

Question 1264
Consider a tax cut which affects not only consumer disposable income, but also after-tax earnings from labor supplied to labor markets and from financial assets acquired through saving. In the long run we would expect this tax cut to
A) decrease both the price level and increase real GDP.
B) increase both the price level and the level of real GDP.
C) increase the level of real GDP.
D) increase the price level.

Question 1265
How does the long run equilibrium of a monopolistically competitive industry differ from that of a perfectly competitive industry?
A) A firm in monopolistic competition will earn economic profits but a firm in perfect competition earns zero profit.
B) A firm in monopolistic competition will charge a price higher than the average cost of production but a firm in perfect competition charges a price equal to the average cost of production.
C) A firm in monopolistic competition does not take full advantage of its economies of scale but a firm in perfect competition produces at the lowest average cost possible.
D) A firm in monopolistic competition produces an allocatively efficient output level while a firm in perfect competition produces a productively efficient output level.

Question 1266
If the price of smartphones was to increase, then
A) the demand for smartphone apps would decrease.
B) the demand for smartphone apps would increase.
C) the quantity of smartphone apps demanded would increase.
D) the quantity of smartphone apps demanded would decrease.

Question 1267
If the percentage change in the quantity of teapots demanded is greater than the percentage change in the price of teapots, then
A) the price elasticity of demand for teapots is greater than 1 in absolute value.
B) the demand for teapots is unit-elastic.
C) the price elasticity of demand for teapots is equal to zero.
D) the price elasticity of demand for teapots is less than 1 in absolute value.

Question 1268
Buyers rush to purchase stocks in California vineyards following a forecast of a 30 percent decline in this year’s grape harvest. What happens in the California wine market as a result of this announcement?
A) The demand curve for California wine shifts to the left in anticipation of higher prices in the future.
B) The demand curve for California wine shifts to the right in anticipation of higher prices in the future.

C) The supply curve for California wine shifts to the right in anticipation of higher prices in the future.
D) The supply curve for California wine shifts to the left in anticipation of lower quantities in the future.

**Question 1269**

If it costs Sinclair $300 to produce 3 suede jackets and $420 to produce 4 suede jackets, then the difference of $120 is the marginal cost of producing the 4th suede jacket.
[i]True[/i] or [i]false[/i]?

**Question 1270**

To maximize profit, a firm will produce the level of output where MR = MC. If a firm actually makes a profit depends on the relationship of price to average total cost. What are the three possible relationships between price and average total cost that determine if a firm will make a profit, experience a loss, or break even?

**Question 1271**

A study by Edward Prescott found that the ________ marginal tax rates in the United States relative to Europe resulted in a ________ quantity of labor supplied in the United States.
A) higher; larger
B) lower; larger
C) higher; smaller
D) lower; smaller

**Question 1272**

Since 1981, deaths from cardiovascular diseases have decreased in the United States.
[i]True[/i] or [i]false[/i]?

**Question 1273**

Suppose the price of gasoline in July 2004 averaged $1.35 a gallon and 15 million gallons a day were sold. In October 2004, the price averaged $2.15 a gallon and 14 million gallons were sold. If the demand for gasoline did not shift between these two months, use the midpoint formula to calculate the price elasticity of demand. Indicate whether demand was elastic or inelastic.

**Question 1274**

A firm that has the ability to control to some degree the price of the product it sells
A) is also able to dictate the quantity purchased.
B) faces a demand curve that is inelastic throughout the range of market demand.
C) is a price maker.
D) faces a perfectly inelastic demand curve.

**Question 1275**

The National Football League has long-term leases with the stadiums in major cities. Control of these stadiums is an entry barrier to a potential new football league.
[i]True[/i] or [i]false[/i]?

**Question 1276**

Which of the following statements is true about marginal revenue?
A) If marginal revenue is zero, it means that quantity demanded falls to zero when a firm changes its price.
B) If marginal revenue is negative, the additional revenue received from selling 1 more unit of the good is smaller than the revenue lost from receiving a lower price on all the units that could have been sold at the original price.
C) If marginal revenue is positive, the additional revenue received from selling 1 more unit of the good is smaller than the revenue lost from receiving a lower price on all the units that could have been sold at the original price.
D) Marginal revenue increases as price falls and quantity sold increases.
Question 1277

How have government policies and programs affected the volatility of the business cycle in the United States since 1950? Explain and provide at least two specific examples of policies or programs that may have had an impact.


Question 1278

Compared to a perfectly competitive firm, the demand curve facing a monopolistically competitive firm is
A) more elastic because there are many close substitutes for the product of a monopolistically competitive firm.
B) less elastic because monopolistically competitive firms produce similar, but not identical, products.
C) just as elastic because there are many sellers in both markets.
D) more elastic because in the long run, the demand curve is tangent to the firm's average total cost curve.


Question 1279

In what way does long-run equilibrium under monopolistic competition differ from long-run equilibrium under perfect competition?
A) Firms in perfect competition achieve productive and allocative efficiency while firms in monopolistic competition achieve neither allocative nor productive efficiency.
B) The only difference is that in a monopolistically competitive market there are many brands to choose from while in a perfectly competitive market there is one standard product.
C) Firms in perfect competition achieve productive efficiency while firms in monopolistic competition achieve allocative efficiency.
D) Firms in perfect competition achieve allocative efficiency while firms in monopolistic competition achieve brand efficiency.


Question 1280

Countries without well-developed financial systems are able to sustain high levels of economic growth.
[i]True[/i] or [i]false[/i]?


Question 1281

Economist Jerry Hausman estimated the price elasticity of demand for "Post Raisin Bran" and "All types of breakfast cereals." He found that the price elasticity of demand for Post Raisin Bran was -2.5 and the price elasticity of demand for "All types of breakfast cereals" was -0.9. Which of the following can be implied from Hausman's estimates?
A) The demand for "All types of breakfast cereals" is elastic.
B) A 1 percent increase in the price of Post Raisin Bran will lead to a 25 percent decrease in the quantity demanded of Post Raisin Bran.
C) The demand for Post Raisin Bran is more elastic than the demand for "All types of breakfast cereals."
D) A 1 percent decrease in the price of breakfast cereals will lead to a 2.5 percent increase in the quantity demanded of Post Raisin Bran.


Question 1282

A country with no trade and no borrowing and lending relationships with other countries is known as a(n)
A) planned economy.
B) market economy.
C) open economy.
D) closed economy.


Question 1283

If the growth rate of real GDP rises from 3% to 4% per year, then the number of years required to double real GDP will decrease from
A) 23.3 years to 17.5 years.
B) 28.0 years to 21.0 years.
C) 11.2 years to 10.8 years.
D) 23.3 years to 20.6 years.


Question 1284

A monopolistically competitive firm chooses
A) both the quantity of output to produce and the price at which it will sell its output.
B) the price of the product it sells but market forces determine the quantity it will be able to sell.
C) the quantity of output to produce but the price of the product it sells is determined collectively by all firms in the industry.
D) the price of the product it sells but the quantity of output to produce is agreed upon by all firms in the industry.

Question 1285

When someone takes out a mortgage loan to buy a house, the mortgage lender can take possession of the house and sell it if the borrower defaults by failing to make payments on the loan because the house is being pledged as ________ for the loan.
A) goodwill
B) a liability
C) insurance
D) collateral

Question 1286

What is a market failure?
A) It refers to the inability of the market to allocate resources efficiently up to the point where marginal social benefit equals marginal social cost.
B) It refers to the inability of the market to allocate resources efficiently up to the point where marginal social benefit equals marginal private cost.
C) It refers to a situation where an entire sector of the economy (for example, the airline industry) collapses because of some unforeseen event.
D) It refers to a breakdown in a market economy because of widespread corruption in government.

Question 1287

Trade-offs force society to make choices when answering what three fundamental questions?
A) What will be the prices of goods and services; how will these goods and services be produced; and who will receive them?
B) What goods and services to produce; how will these goods and services be produced; and who receives them?
C) Who gets jobs; what wages do workers earn; and who owns what property?
D) How much will be saved; what will be produced; and how can these goods and services be fairly distributed?

Question 1288

Why would a higher tax rate lower the government purchases multiplier? What does the tax rate have to do with the government purchases multiplier?

Question 1289

"Cost disease" refers to the tendency for high productivity in the service sector to lead to lower costs in those industries.
[i]True[/i] or [i]false[/i]?

Question 1290

In international exchange markets, a rise in interest rates in the United States will cause the demand for dollars to ________ and the supply of dollars to ________.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 1291

If additional units of a good could be produced at an increasing opportunity cost, the production possibility frontier would be linear.
[i]True[/i] or [i]false[/i]?

Question 1292

A surplus is defined as the situation that exists when the quantity of a good supplied is greater than the quantity demanded.
[i]True[/i] or [i]false[/i]?

Question 1293

Which of the following best describes the "wealth effect"?
A) When the price level falls, the real value of household wealth falls.
B) When the price level falls, the nominal value of household wealth falls.
C) When the price level falls, the nominal value of household wealth rises.
D) When the price level falls, the real value of household wealth rises.

Question 1294

Using the money demand and money supply model, an increase in money demand would cause the equilibrium interest rate to
A) decrease.
B) increase.
C) not change.
D) increase, then decrease.

Question 1295

If Finland has an absolute advantage in the production of two goods compared to Latvia, Finland can still benefit from trade with Latvia.
[i]True[/i] or [i]false[/i]?

Question 1296

The basic aggregate demand and aggregate supply curve model helps explain ________ fluctuations in real GDP and the price level.
A) short-term
B) long-term
C) both short-term and long-term
D) unrelated

Question 1297

Buying a house during a recession may be a good idea if your job is secure because the Federal Reserve often
A) raises interest rates during recessions.
B) lowers interest rates during recessions.
C) lowers income taxes during recessions.
D) sells Treasury bills to help the housing market.

Question 1298

Assume that the demand curve for DVD players shifts to the left and the supply curve for DVD players shifts to the right, but the supply curve shifts
less than the demand curve. As a result
A) both the equilibrium price and quantity of DVD players will decrease.
B) the equilibrium price of DVD players will decrease; the equilibrium quantity may increase or decrease.
C) the equilibrium price of DVD players may increase or decrease; the equilibrium quantity will increase.
D) the equilibrium price of DVD players will decrease; the equilibrium quantity will increase.

Question 1299

In the United States in 2011, over 90 percent of people without health insurance were below the age of 34.
[i]True[/i] or [i]false[/i]?

Question 1300

As a firm hires more labor in the short run, the
A) level of total product stays constant.
B) output per worker rises.
C) extra output of another worker may rise at first, but eventually must fall.
D) costs of production are increasing at a fixed rate per unit of output.

Question 1301

The provision of the Patient Protection and Affordable Care Act (ACA) Insurance companies are required to participate in a high-risk pool that will
insure individuals with pre-existing medical conditions who have been unable to buy health insurance for at least six months is the ________ provision.
A) employer mandate
B) state health exchanges
C) individual mandate
D) regulation of health insurance

Question 1302
If tablet computers are considered substitutes for e-readers, the decline in the price of e-readers would, all else equal
A) increase the demand for tablet computers.
B) decrease the demand for tablet computers.
C) increase the quantity of tablet computers demanded.
D) decrease the quantity of tablet computers demanded.

Question 1303
According to the real business cycle model, ________ in aggregate demand ________ GDP.
A) increases; decrease
B) increases; increase
C) increases; do not affect
D) decreases; increase

Question 1304
A wheat farmer and a firm in a perfectly competitive market are similar in that
A) both face vertical demand curves.
B) both have to lower their prices if a rival firm lowers its price.
C) both face horizontal demand curves.
D) both will earn an economic profit if their total revenue equals their total cost.

Question 1305
Starting from long-run equilibrium, use the basic aggregate demand and aggregate supply diagram to show what happens in both the long run and the short run when there is an increase in wealth.

Question 1306
If you liquidate $3,000 of your mutual fund and transfer the funds to your checking account, then initially, M1 will ________ and M2 will ________.
A) not change; decrease
B) increase; decrease
C) increase; not change
D) not change; not change

Question 1307
The income effect of a price change results in a
A) shift of the demand curve when income changes.
B) movement along the demand curve due to a change in relative prices.
C) shift of the demand curve due to a change in purchasing power brought about by the price change.
D) movement along the demand curve due to a change in purchasing power brought about by the price change.

Question 1308
At the end of an expansion, wages of workers are usually rising faster than prices.
[i]True[/i] or [i]false[/i]?

Question 1309
What is the difference between explicit and implicit costs?
### Question 1310
A decrease in the price level results in a(n) ________ in the quantity of real GDP demanded because a lower price level ________ consumption, investment, and net exports.
- A) decrease; increases
- B) increase; increases
- C) decrease; decreases
- D) increase; decreases

**Answer:** B) increase; increases

### Question 1311
Examining the conditions that could lead to unemployment in an economy is an example of microeconomics topic.

- [i]True[/i] or [i]false[/i]?

**Answer:** [i]True[/i]

### Question 1312
Consumers benefit from monopolistic competition by
- A) being able to choose from products more closely suited to their tastes.
- B) paying the lowest possible price for the product.
- C) paying the same price as everyone else.
- D) being able to purchase high-quality products at low prices.

**Answer:** A) being able to choose from products more closely suited to their tastes.

### Question 1313
Economic decline (negative growth) is represented on a production possibilities frontier model by the production possibility frontier
- A) shifting outward.
- B) shifting inward.
- C) becoming steeper.
- D) becoming flatter.

**Answer:** B) shifting inward.

### Question 1314
Expansionary fiscal policy is used to increase aggregate demand in an attempt to fight rising inflation.

- [i]True[/i] or [i]false[/i]?

**Answer:** [i]True[/i]

### Question 1315
A ________ curve shows the marginal cost of producing one more unit of a good or service.
- A) demand
- B) supply
- C) production possibilities
- D) marginal benefit

**Answer:** D) marginal benefit

### Question 1316
In the 1973 movie Save the Tiger, Jack Lemmon plays Harry Stoner, the CEO of a clothing manufacturer whose business has fallen on hard times. In one of the key scenes of the movie, Stoner tries to convince his partner that they should hire someone to burn one of their buildings in order to collect on their insurance policy. Harry Stoner’s actions are an example of
- A) adverse selection.
- B) moral hazard.
- C) self-interest.
- D) asymmetric information.

**Answer:** C) self-interest.

### Question 1317
Assume that both the demand curve and the supply curve for MP3 players shift to the right but the demand curve shifts more than the supply curve. As a result
- A) both the equilibrium price and quantity of MP3 players will increase.

**Answer:** A) both the equilibrium price and quantity of MP3 players will increase.
### Question 1318

The equilibrium price of cookies will increase; the equilibrium quantity may increase or decrease.


### Question 1319

In general, the costs tariffs and quotas impose on consumers are

A) large in total but relatively small per person.
B) small in total but relatively large per person.
C) large in total and large per person.
D) small in total and small per person.


### Question 1320

The law of diminishing marginal returns

A) explains why the average total cost and marginal cost curves are U-shaped in the short run.
B) explains why the average total cost, average fixed cost and the marginal cost curves are U-shaped in the short run.
C) causes average total costs to rise at a decreasing rate as output increases.
D) causes the difference between average total cost and average variable cost to get smaller as output increases.


### Question 1321

Productive efficiency does not hold for a profit-maximizing, monopolistically competitive firm in the long-run equilibrium because the firm operates along the diseconomies-of-scale region of its average total cost curve.

[True] or [False]


### Question 1322

Legalizing all forms of illegal activities

A) reduces GDP and the size of the underground economy.
B) reduces GDP and increases the size of the underground economy.
C) increases GDP and reduces the size of the underground economy.
D) increases GDP and increases the size of the underground economy.


### Question 1323

Define a sole proprietorship.


### Question 1324

What is an externality?


### Question 1325

The stated interest rate on a loan is the

A) real interest rate.
B) nominal interest rate.
C) actual inflation rate.
D) expected inflation rate.


### Question 1326

The equilibrium in the prisoner's dilemma is a dominant strategy Nash equilibrium.

[True] or [False]

Question 1327
Economics promotes which of the following as the way to make the best decision?
A) Continue an enjoyable activity as long as you do not have to pay for it.
B) Continue an enjoyable activity until it is no longer enjoyable.
C) Continue an enjoyable activity until you cannot afford to pursue it.
D) Continue an enjoyable activity up to the point where its marginal benefit equals its marginal cost.

Question 1328
A characteristic of the long run is
A) there are fixed inputs.
B) all inputs can be varied.
C) plant capacity cannot be increased or decreased.
D) there are both fixed and variable inputs.

Question 1329
Which of the following is a function that money serves?
A) medium of exchange
B) unit of account
C) store of value
D) All of the above are correct.

Question 1330
How has organizing a successful firm in a market economy changed over the last century?
A) It has become easier as more and more firms discover how to do it.
B) As government intervention has decreased, firms now have more freedom.
C) There has been no change one way or the other over the last century.
D) It has become more difficult to organize an efficient and successful firm.

Question 1331
Studies on consumer behavior have found that most people value fairness enough that they will refuse to participate in transactions they consider unfair, even if they are worse off as a result. How does this affect a firm's decision to raise prices in the event of a temporary increase in demand?

Question 1332
The Sherman Act prohibited
A) marginal cost pricing.
B) setting price above marginal cost.
C) collusive price agreements among rival sellers.
D) selling below average total cost.

Question 1333
In a market with positive externalities, the market equilibrium price will be less than the efficient equilibrium price. 
[i]True[/i] or [i]false[/i]?

Question 1334
An individual seller in perfect competition will not sell at a price lower than the market price because
A) demand for the product will exceed supply.
B) the seller would start a price war.
C) the seller can sell any quantity she wants at the prevailing market price.
D) demand is perfectly inelastic.
Question 1335

Although gold is highly valued by most people, it is difficult to use as a medium of exchange. Explain.

Question 1336

If the ________ cost of production for two goods is different between two countries then mutually beneficial trade is possible.
A) marginal
B) explicit
C) opportunity
D) implicit

Question 1337

Dalton, Georgia, a town with a population less than 35,000, has developed into a leading producer of carpets, despite its small size. Some government officials argue that the success achieved by firms in Dalton in developing a comparative advantage in carpet making because of external economies can be used to justify trade barriers as a means to protect an “infant industry.” After an infant industry gains experience it can compete in international markets and the trade barriers can be removed. What objections do economists make to this argument in favor of trade barriers?

Question 1338

When a grocery store accepts your $5 bill in exchange for bread and milk, the $5 bill serves as a
A) medium of exchange.
B) unit of account.
C) store of value.
D) standard of deferred payment.

Question 1339

A shortage is defined as the situation that exists when the quantity of a good supplied is greater than the quantity demanded.
[i]True[/i] or [i]false[/i]?

Question 1340

A characteristic found only in oligopolies is
A) break even level of profits.
B) interdependence of firms.
C) independence of firms.
D) products that are slightly different.

Question 1341

An increase in the quantity of a product supplied is caused by an increase in the price of the product.
[i]True[/i] or [i]false[/i]?

Question 1342

Currency traders expect the dollar to depreciate. What impact will this have on equilibrium in the foreign exchange market?
A) The dollar will appreciate, and the equilibrium quantity of dollars will decrease.
B) The dollar will depreciate, and the equilibrium quantity of dollars exchanged will decrease.
C) The dollar will appreciate, and the equilibrium quantity of dollars will increase.
D) The dollar will depreciate, and the change in the equilibrium quantity of dollars exchanged cannot be determined.

Question 1343

Tax increases on business income decrease aggregate demand by decreasing
A) business investment spending.
B) consumption spending.
C) government spending.
Question 1344

Corporate governance involves the way in which
A) the government nationalizes corporations.
B) the government licenses corporations.
C) a corporation is subject to government regulations.
D) a corporation is structured.

Question 1345

Which of the following best explains why airlines often cut their ticket prices at the last-minute in order to fill the remaining empty seats on their flights?
A) Fixed costs in the airline industry are very large, but the marginal cost of flying one more passenger is very low.
B) Airlines receive a subsidy from the government for each flight that is fully booked and departs on time.
C) The Federal Aviation Administration ranks each airline based on the percentage of flights that are fully booked. These rankings affect the decisions of firms to use a particular airline to fly their employees to business meetings.
D) Cutting prices makes the airlines more popular with their customers, who may fly with the same airline in the future as the result of buying low-price tickets.

Question 1346

Hyperinflation can be caused by
A) the government selling bonds to the central bank.
B) the central bank selling bonds to the public.
C) the government selling bonds to the public.
D) the central bank selling bonds to the government.

Question 1347

Which of the following is not a factor of production?
A) an acre of farmland
B) a drill press in a machine shop
C) the manager of the local tire shop
D) $1,000 in cash

Question 1348

Adam Smith's invisible hand refers to
A) the government's unobtrusive role in ensuring that the economy functions efficiently.
B) property ownership laws and the rule of the court system.
C) the process by which individuals acting in their own self-interest bring about a market outcome that benefits society as a whole.
D) the laws of nature that influence economics decisions.

Question 1349

When a celebrity has the desire to have his image protected following his death, this is best described as an example of the protection of
A) an invention.
B) a patent.
C) a trademark.
D) intellectual property.

Question 1350

Sarita can bake either a combination of 25 cakes and 15 pies or a combination of 10 cakes and 20 pies. If she now bakes 10 cakes and 20 pies, what is the opportunity cost of baking an additional 15 cakes?
A) 5 pies
B) 10 pies
C) 15 pies
D) 20 pies
Question 1351
Suppose a bank has $100 million in checking account deposits with no excess reserves and the required reserve ratio is 10 percent. If the Federal Reserve reduces the required reserve ratio to 4 percent, then the bank can make a maximum loan of
A) $0.
B) $4 million.
C) $6 million.
D) $10 million.

Question 1352
The deflation of the 1930s impacted the U.S. economy because it led some consumers to ________ and because it ________.
A) postpone purchases while they waited for prices to fall even lower; increased the burden on borrowers.
B) demand higher wages in anticipation of prices eventually rising again; increased manufacturing since firms could afford to hire more labor.
C) borrow more money since money was now cheap; reduced the amount of money consumers would have to pay back on their outstanding loans.
D) increase purchases to take advantage of the falling prices; increased the burden on lenders.

Question 1353
What is a circular flow diagram and what does it demonstrate?

Question 1354
Use the general relationship between marginal and average values to explain why a marginal cost curve must intersect an average total cost curve and an average variable cost curve at their minimum points.

Question 1355
To complement actions by the Fed to reduce inflation, Congress and the President can cut spending and/or raise taxes.
[i]True[/i] or [i]false[/i]?

Question 1356
A guild is
A) a group of independent producers competing with each other.
B) an organization of producers that limits the amount of a good produced.
C) a group of nations who agree not to compete with each other.
D) a nation that is a free market benchmark.

Question 1357
Contractionary monetary policy causes
A) aggregate demand to rise and the price level to rise.
B) aggregate demand to fall and the price level to fall.
C) aggregate demand to rise and the price level to fall.
D) aggregate demand to fall and the price level to rise.

Question 1358
Who controls a sole proprietorship?
A) stockholders
B) bondholders
C) the owner
D) all of these

Question 1359
A perfectly competitive firm's horizontal demand curve implies that the firm does not have to lower its price to sell more output.
### Question 1360

A firm increased its production and sales because the firm’s manager rearranged the layout of his factory floor. This is an example of

A) investment in human capital.
B) economies of scale.
C) positive technological change.
D) inspired management.


### Question 1361

Which of the following will lead to a decrease in the equilibrium interest rate in the economy?

A) an increase in the price level
B) a sale of government securities by the Fed
C) a decrease in GDP
D) an increase in the discount rate
E) an increase in the reserve requirement


### Question 1362

Hurricane Katrina damaged a large portion of oil refining and pipeline capacity in the Gulf coast states. In the market for gasoline

A) the supply curve shifted to the left resulting in an increase in the equilibrium price.
B) the supply curve shifted to the right resulting in an increase in the equilibrium price.
C) the demand curve shifted to the left resulting in a decrease in the equilibrium price.
D) the demand curve shifted to the right resulting in an increase in the equilibrium price.


### Question 1363

Some online penny auctions charge a fee, such as $1, for every bid placed. Why should these costs of $1 per bid be considered sunk costs? Would it be smart for someone who has "already invested $5 in bidding costs" to keep bidding to "protect his or her sunk investments"? Why or why not?


### Question 1364

The term "market" refers to trading arrangements by which buyers and sellers come together.

[i]True[/i] or [i]false[/i]?


### Question 1365

Which of the following will shift the demand for the euro to the right?

A) an increase in interest rates in the European Union
B) an increase in incomes in countries that buy goods from the European Union
C) expectations among speculators that the price of the euro will rise in the future
D) All of the above will shift the demand for the euro to the right.


### Question 1366

During the turmoil in the market for subprime mortgages in 2007 and 2008, the Fed increased the volume of discount loans. The goal of the Fed was to

A) reduce the rate of inflation.
B) stimulate economic growth.
C) reduce unemployment.
D) reassure financial markets and promote financial stability.
E) reduce the current account deficit.


### Question 1367

Which of the following is not a function of the Federal Reserve System, or the “Fed”?

A) acting as a lender of last resort
B) acting as a banker's bank  
C) performing check clearing services  
D) insuring deposits in the banking system  
E) taking actions to control the money supply  

Question 1368

Behavioral economists examine choices that consumers make that are not economically rational. Economists generally assume that people are rational; that is, they weigh the benefits and costs of an action and choose an action only if the benefits outweigh the costs. Why do consumers not act rationally when the result is that they make themselves worse off?  

Question 1369

The Jeans Store sells 7 pairs of jeans per day when it charges $100 per pair. It sells 8 pairs of jeans per day at a price of $90 per pair. The marginal revenue of the eighth pair of jeans is  
A) $20.  
B) $90.  
C) $100.  
D) $700.  

Question 1370

Professor Parallax chooses two students in his economics class, Jasmine and Cassandra, to participate in the ultimatum game. He chooses Jasmine to be the allocator and Cassandra to be the recipient. He gives Jasmine $50 and as the allocator, she gets to decide how to split the money with Cassandra. If Cassandra decides to accept the amount allocated to her by Jasmine, both students get to keep the money. If Cassandra decides to reject her allocation, neither student gets to keep the money. How much will each student end up with if each student acts as if fairness is important? How much will each student end up with if only Cassandra acts as if fairness is important? How much will each student end up with if neither student cares about fairness?  

Question 1371

How does a network externality serve as a barrier to entry? Is this barrier surmountable? Explain.  

Question 1372

Some environmentalists have criticized tradable emissions allowances on the grounds that they give permit holders a license to pollute. Furthermore, environmentalists argue that those who sell their permits receive a monetary benefit from their contribution to polluting the environment. Use economic reasoning to evaluate this criticism.  

Question 1373

When large firms in oligopoly markets cut their prices  
A) rival firms will also cut their prices to avoid losing sales.  
B) rival firms will not change their prices because most of their customers have signed contracts that commit them to doing business with the same firms for the life of their contracts.  
C) we don't know for sure how rival firms will respond.  
D) rival firms will not cut their prices because they fear that the federal government will accuse them of collusion.  

Question 1374

Which of the following is an example of spending on goods and services in the circular flow model?  
A) Micah purchases a new wrench for his auto repair business.  
B) Chester buys a first-class ticket from Atlanta to London for his long-awaited vacation.  
C) Toby buys a new lawn mower to use in his lawn care business.  
D) Lily purchases a new massage table for use in her therapy center.  

Question 1375

Potential GDP is estimated to grow at a rate of 3.2% in the United States. Actual GDP in the U.S.
A) always grows at a slower rate than potential GDP.
B) always grows at a faster rate than potential GDP.
C) always grows at the same rate as potential GDP.
D) is the same as potential GDP if all firms in the economy were working at capacity.


Question 1376

If demand is perfectly inelastic, the absolute value of the price elasticity coefficient is

A) infinity.
B) zero.
C) more than one.
D) equal to the absolute value of the slope of the demand curve.


Question 1377

In the United States, consumers usually pay ________ than the true cost of medical treatment because of ________.

A) more; adverse selection
B) more; rising insurance premiums
C) less; third-party payers
D) less; rising insurance deductibles


Question 1378

A monopolistically competitive firm is producing an output level where marginal revenue is greater than marginal cost. What should this firm do to increase its profit or reduce its losses?

A) The firm should raise its price.
B) The firm should decrease its fixed costs.
C) The firm should increase its implicit costs.
D) The firm should lower its price.


Question 1379

The satisfaction a person receives from consuming goods and services is called

A) contentment.
B) psychic income.
C) wealth.
D) utility.


Question 1380

Expansionary fiscal policy

A) can be effective in the short run.
B) causes complete crowding out in the short run.
C) is never effective because of crowding out.
D) can be effective in the long run.


Question 1381

Which of the following is an example of a trade restriction?

A) Japan places a tax on all Korean automobiles.
B) Domestic wine is more expensive than wine imported from Chile.
C) The United States, Canada, and Mexico sign the NAFTA agreement.
D) Consumers prefer German beer to domestic beer.


Question 1382

Which of the following would cause the equilibrium price of apple juice to decrease and the equilibrium quantity of apple juice to increase?

A) a decrease in the price of apples
B) an increase in the price of apples
C) an increase in the price of orange juice, a substitute for apple juice
Question 1383
Which of the following statements is true?
A) A decrease in the crime rate increases GDP as people will spend more on security.
B) Household production is counted in GDP as it amounts to real production.
C) GDP accounting rules do not adjust for production that pollutes the economy.
D) GDP growth distributes income equally to people in the economy.

Question 1384
If Japanese workers are more productive than French workers then trade between Japan and France
A) can take place only if France has an absolute advantage in producing a good or service Japanese buyers want.
B) cannot take place because Japanese goods and services will be less expensive than French goods and services.
C) cannot take place until French workers become more productive.
D) will take place so long as each country has a comparative advantage in a good or service that buyers in the other country want.

Question 1385
The size of the underground economy as a percent of GDP is larger in the United States as compared to poorer countries such as Zimbabwe.
[i]True[/i] or [i]false[/i]?

Question 1386
Competition has driven the economic profits in the video rental business to zero. Surya Bacha, who owns a video rental business, would be better off
leaving the industry for another alternative.
[i]True[/i] or [i]false[/i]?

Question 1387
Imagine that you borrow $1,000 for one year and at the end of the year you repay the $1,000 plus $100 of interest. If the inflation rate was 7%, what was the real interest rate you paid?
A) 17 percent
B) 10 percent
C) 7 percent
D) 3 percent

Question 1388
If the economy is falling below potential real GDP, which of the following would be an appropriate fiscal policy to bring the economy back to long-run aggregate supply? An increase in
A) the money supply and a decrease in interest rates.
B) government purchases.
C) oil prices.
D) taxes.

Question 1389
The recession of 2007-2009 began in ________, with the end of the economic expansion that had begun in ________.
A) January 2007; April 1984
B) December 2007; November 2001
C) July 2007; August 2006
D) March 2007; March 1995

Question 1390
In a free market there are virtually no restrictions, or at best few restrictions, on how a good or service can be produced or sold.
[i]True[/i] or [i]false[/i]?
Question 1391
In a production possibilities frontier model, a point inside the frontier is
A) allocatively efficient.
B) productively efficient
C) allocatively inefficient.
D) productively inefficient.

Question 1392
Since 1950, recessions in the United States
A) have not occurred.
B) have become more severe than before 1950.
C) have become less severe than before 1950.
D) are about as severe as they were before 1950.

Question 1393
If, as a perfectly competitive industry expands, it can supply larger quantities at the same long-run market price, it is
A) a constant-cost industry.
B) an increasing-cost industry.
C) a decreasing-cost industry.
D) a fixed-cost industry.

Question 1394
Suppose that in 2014, all prices in the economy double and that all wages and salaries also double. In 2014 you
A) are worse off than you were in 2013 as you can no longer afford to buy as many goods and services.
B) are better off than you were in 2013 as your salary is higher than it was in 2013 and you can now buy more goods and services.
C) are no better off or worse off than you were in 2013 as the purchasing power of your salary has remained the same.
D) cannot determine whether you are better off or worse off than you were in 2013, because the purchasing power of your salary cannot be determined.

Question 1395
Which of the following is not an example of a monopolistically competitive market?
A) automobile producers
B) supermarkets
C) video stores
D) makers of women's clothing

Question 1396
If you own a bond with a 3 percent coupon rate and new bonds are paying 8 percent, what will happen to your bond's market price?

Question 1397
Which of the following is evidence of a shortage of walnuts?
A) Firms lower the price of walnuts.
B) The price of cashews is lowered in order to make up for the walnut shortage.
C) The equilibrium price of walnuts falls due to a decrease in demand.
D) The quantity demanded of walnuts is greater than the quantity supplied.

Question 1398
Red Stone Creamery currently hires 5 workers. When it added a 6th worker, its output actually fell. Which of the following statements is true?
A) The marginal product of the sixth worker must be negative.
B) The average product of the sixth worker is negative.
Question 1399
Marginal cost is the additional cost to a firm of producing one more unit of a good or service. True or False?

Question 1400
The federal funds rate
A) is determined administratively by the Fed.
B) is determined by the supply of and demand for bank reserves.
C) is determined directly by household demand for funds.
D) is determined directly by firm demand for funds.

Question 1401
Consider the following statement, “The Federal Reserve fights recessions by increasing the money supply so people will have more money to spend.” What is wrong with the statement and how can it be corrected?

Question 1402
If the rate of growth in real GDP exceeds the rate of growth in the money supply, the quantity theory of money predicts a price deflation. True or False?

Question 1403
A decrease in investment causes the price level to ________ in the short run and ________ in the long run.
A) increase; increase further
B) increase; decrease
C) decrease; decrease further
D) decrease; increase

Question 1404
What is the name of the organization that defines business cycle peaks and troughs in the United States?
A) the Bureau of Labor Statistics
B) the Federal Reserve
C) the National Bureau of Economic Research
D) the National Peak and Trough Committee

Question 1405
If technological change increases the profitability of new investment for firms, then the ________ curve for loanable funds will shift to the ________ and the equilibrium real interest rate will ________.
A) supply; right; fall
B) supply; left; rise
C) demand; right; rise
D) demand; left; fall

Question 1406
The ability of a firm or country to produce a good or service at a lower opportunity cost than other producers is called absolute advantage. True or False?

Question 1407
What type of business has the potential for double taxation of profits and why?
Question 1408

Explain the relationships between a corporation's shareholders, its board of directors, and its top managers.


Question 1409

The willingness of consumers to buy a product at different prices is shown on a
A) demand curve.
B) supply curve.
C) production possibilities frontier.
D) marginal cost curve.


Question 1410

If nominal GDP exceeds real GDP for a specific year, then the GDP deflator must be
A) equal to 100.
B) greater than 100.
C) less than 100.
D) less than 0.


Question 1411

The measure of production that values production using current prices is called
A) value-added GDP.
B) nominal GDP.
C) real GDP.
D) underground GDP.


Question 1412

Microeconomics is the study of
A) how households and firms make choices.
B) the economy as a whole.
C) the global economy.
D) topics such as unemployment, inflation, and economic growth.


Question 1413

Which term refers to a legally established maximum price that firms may charge?
A) a price ceiling
B) a subsidy
C) a price floor
D) a tariff


Question 1414

If a union successfully negotiates for higher wages and benefits for steel workers, what impact would this have on the supply and demand in the market for steel, assuming no other changes take place in this market?


Question 1415

A monetary growth rule means that
A) the Fed will lower interest rates if it thinks a recession is on the horizon.
B) the Fed will raise interest rates if it thinks the economy is growing faster than potential.
C) the money supply should grow at a constant rate.
D) the money supply should grow in response to economic conditions.

Question 1416
What is consumer surplus? Why would policy makers be interested in consumer surplus?

Question 1417
Economists estimate that ________ of U.S. currency is outside the United States and held primarily by ________.
A) over half; households and firms in countries where there is little confidence in the local currency
B) over half; foreign banks and foreign governments
C) less than one quarter; households and firms in countries where there is little confidence in the local currency
D) less than one quarter; foreign banks and foreign governments

Question 1418
A positive externality results when
A) economists are sure that a good or service provides benefits to consumers.
B) someone pays for a good or service even though she is not directly affected by the production or consumption of it.
C) when people who live in one country benefit from the production of a good or service that occurs in another country.
D) people who are not directly involved in producing or paying for a good or service benefit from it.

Question 1419
State the law of diminishing returns. How do diminishing returns differ from diseconomies of scale? Be sure to define diseconomies of scale in your answer.

Question 1420
In 2008, the Treasury and Federal Reserve took several actions in response to the deepening financial crisis. One action was the Treasury's move to have the federal government take control of
A) the Federal Deposit Insurance Corporation (FDIC).
B) Fannie Mae and Freddie Mac.
C) JPMorgan Chase.
D) Lehman Brothers.

Question 1421
Refer to the Article Summary. All else equal, a depreciation of the Indian rupee relative to a currency such as the U.S. dollar should ________ Indian exports and ________ imports to India.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 1422
If firms in a monopolistically competitive industry are making profits in the short run
A) barriers to entry will be erected to keep out rivals.
B) some firms will ultimately exit the industry.
C) they will resort to advertising wars to help sustain these profits.
D) new firms will enter the market.

Question 1423
Canada has a single-payer health care system in which the government provides national health insurance to all Canadian residents. [i]True[/i] or [i]false[/i]?

Question 1424
An increase in the number of firms in a market will cause the quantity of a good supplied to increase.
Question 1425

Between September 2007 and March 2008 there was a substantial reduction in the demand for housing. What action did the Fed take in response to
the reduction in the demand for housing?
A) The Federal Reserve decreased the required reserve rate.
B) The Fed conducted open market sales of Treasury securities.
C) The Federal Reserve cut the federal funds rate seven times.
D) The Federal Reserve raised the discount rate by 3 percentage points.

Question 1426

Shrimp is an increasingly popular part of the American diet. Louisiana shrimpers who represent the bulk of the U.S. industry were almost all put out of
business by Hurricane Katrina. How did this affect the equilibrium price and quantity of shrimp?

Question 1427

Nominal income is equal to real income if the CPI is less than 100.
[i]True[/i] or [i]false[/i]?

Question 1428

Standard economic theory asserts that sunk costs are irrelevant in making economic decisions, yet studies conducted by behavioral economists reveal
that sunk costs often affect economic decisions. Which of the following could explain this observation?
A) People measure the value of a good in terms of its purchase price.
B) Even though sunk costs cannot be recovered, it has been incurred and therefore should be treated as part of the product's value.
C) If consumers maximize their utility, it makes sense to consider the full purchase price of a product in their consumption decisions.
D) Sunk costs have a higher opportunity cost than costs that can be recovered.

Question 1429

Economists assume that
A) individuals behave in unpredictable ways.
B) consumer behavior is explained by the existence of unlimited resources.
C) people put other people's interests ahead of their own.
D) optimal decisions are made at the margin.

Question 1430

Crowding out will be greater
A) the less sensitive consumption spending is to changes in the interest rate.
B) the further equilibrium GDP is below potential GDP.
C) the more sensitive investment spending is to changes in the interest rate.
D) if the economy is in recession, rather than at full employment.

Question 1431

Firms are more likely to find themselves in a prisoner's dilemma in sequential games as opposed to simultaneous games.
[i]True[/i] or [i]false[/i]?

Question 1432

If a perfectly competitive firm achieves productive efficiency then
A) it will raise its price in order to earn an economic profit.
B) the price of the good it sells is equal to the benefit consumers receive from consuming the last unit of the good sold.
C) it is producing at minimum efficient scale.
D) it is producing the good it sells at the lowest possible cost.
Question 1433

If a country is producing efficiently and is on the production possibilities frontier, the only way to produce more of one good is with an advance in technology.

[i]True[/i] or [i]false[/i]?

Question 1434

A supply curve shows
A) the quantities sold at different prices.
B) the marginal cost of producing one more unit of a good or service.
C) the marginal benefit from buying one more unit of a good or service.
D) the total cost of producing different quantities of a good or service.

Question 1435

If the demand for a product increases and the supply of the same product decreases, the equilibrium price will increase.

[i]True[/i] or [i]false[/i]?

Question 1436

A bank's liabilities are
A) things owned by or owed to the bank.
B) things the bank owes to someone else.
C) a measure of the bank's net losses.
D) included as part of the bank's reserves.

Question 1437

Credit card balances are
A) part of M1.
B) part of M2.
C) part of M3.
D) not part of the money supply.

Question 1438

In the United States, corporate profits are taxed
A) only at the corporate level.
B) only when investors receive dividends.
C) at both the corporate level and when investors receive dividends.
D) neither at the corporate level nor when investors receive dividends.

Question 1439

In comparing China to Canada, China's relatively _______ growth rate in GDP would make you more likely to take a job in China, and China's relatively _______ level of GDP would make you less likely to take a job in China.
A) high; low
B) high; high
C) low; low
D) low; high

Question 1440

One reason for the success that firms have in getting the government to erect barriers to foreign competition is that jobs lost to foreign competition are easy to identify but jobs created by foreign trade are often hard to identify. Which of the following is a second reason?
A) The costs that tariffs and quotas impose on consumers are large in total but relatively small per person.
B) People who benefit from foreign trade tend not to vote in elections; people who are harmed by foreign trade are much more likely to vote.
C) Firms that benefit from trade barriers have more money to lobby government officials to support the barriers than do firms that are harmed by trade
D) The benefits from free trade are less than the costs.

Question 1441

On the long-run aggregate supply curve
A) a decrease in the price level decreases the level of potential GDP.
B) a decrease in the price level increases the aggregate quantity of GDP supplied.
C) a decrease in the price level decreases the aggregate quantity of GDP supplied.
D) a decrease in the price level has no effect on the aggregate quantity of GDP supplied.

Question 1442

In 1960, out-of-pocket spending on health care in the United States was
A) 2.2 percent.
B) 6 percent.
C) 48 percent.
D) 64 percent.

Question 1443

When there is a negative externality, the private cost of production ______ the social cost of production.
A) is greater than
B) is equal to
C) eliminates
D) is less than

Question 1444

Increases in real GDP since 1900 can actually underestimate growth in the standard of living for Americans since 1900 because
A) the level of pollution in 1900 was much higher than it is today.
B) the crime rate was higher in 1900 than it is today.
C) goods and services are more expensive today as compared to 1900.
D) the quality of health care that exists today was not available in 1900.

Question 1445

On January 2, 1971, all cigarette advertising was banned on U.S. television and radio stations. Did this ban likely increase or decrease the profits of cigarette companies in 1971? Briefly explain.

Question 1446

In an open economy, the relationship between GDP (Y) and expenditures is Y = C + I + G. [i]True[/i] or [i]false[/i]?

Question 1447

The "Buy American" provision in the 2009 stimulus package required that stimulus money be spent only on U.S.-made goods, effectively acting as a quota of zero imports when stimulus money was being spent. In the market for steel, the "Buy American" provision would ______ the price of steel in the United States and ______ the quantity of steel demanded in the United States.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 1448

In 2013, the U.S. auto industry experienced rising sales. The automobile industry was experiencing the effects of
A) inflation.
B) the underground economy.
C) the business cycle.
D) depreciation.

Question 1449

The restriction that a consumer's total expenditure on goods and services purchased cannot exceed the income available is referred to as
A) maximizing behavior.
B) economizing behavior.
C) the price constraint.
D) the budget constraint.

Question 1450

Several studies have shown promising links between green tea consumption and cancer prevention. How does this affect the market for green tea?
A) The quantity of green tea demanded increases because of a change in tastes in favor of green tea.
B) The green tea demand curve shifts to the right because of a change in tastes in favor of green tea.
C) The green tea demand curve shifts to the left because this new information will increase the price of green tea.
D) The quantity of green tea demanded decreases because this new information will increase the price of green tea.

Question 1451

The 1994 agreement that eliminated most tariffs among the United States, Canada, and Mexico is known as
A) the Pacific Trade Association.
B) Trade Without Borders.
C) NAFTA.
D) the Western Trade Union.

Question 1452

To decrease the money supply, the Federal Reserve could
A) lower the discount rate.
B) raise income taxes.
C) raise the required reserve ratio.
D) conduct an open market purchase of Treasury securities.

Question 1453

According to the "Rule of 70," how many years will it take for real GDP per capita to double when the growth rate of real GDP per capita is 5%?
A) less than 1 year
B) 5 years
C) 14 years
D) 35 years

Question 1454

Arturo runs a Taco Bell franchise. He is selling 250 Gordita Supremes per week at a price of $2.75. If he lowers the price to $2.70, he will sell 251 Gordita Supremes. What is the marginal revenue of the 251st Gordita Supreme? If selling the extra Gordita Supreme adds $0.20 to Arturo's costs, what will be the effect on his profit from selling 251 Gordita Supremes instead of 250?

Question 1455

Market power in the United States causes a huge loss of economic efficiency.
[i]True[/i] or [i]false[/i]?

Question 1456

There are two firms in the residential paint industry, Cool Shades (C) and Warm Hues (W). They collude to share the market equally. They jointly set a monopoly price and split the quantity demanded at that price. Here are their options:
i. They continue to collude (no cheating) and make $12 million each in profits.
ii. One firm cheats and the other does not. The firm that cheats makes a profit of $14 million whereas the firm that doesn’t makes a profit of $9 million.
iii. They both cheat and each firm makes a profit of $7 million.

a. Construct a payoff matrix for these two firms.
b. How does this situation relate to the prisoner’s dilemma?
c. If each firm acted noncooperatively, how much profit would each make?
d. Are the firms better off colluding (with no cheating) or competing? Explain.


Question 1457

How are sunk costs and fixed costs related?
A) They are not related in any way.
B) Sunk costs cannot be recovered and fixed costs can be avoided by shutting down.
C) In the short run they are equal to each other.
D) In the long run they are equal to each other.


Question 1458

Rent control is an example of a price ceiling.
[I]True[/I] or [I]false[/I]?


Question 1459

Let D = demand, S = supply, P = equilibrium price, Q = equilibrium quantity. What happens in the market for walnuts if the Centers for Disease Control and Prevention announces that consuming a half cup of walnuts each week helps to lower bad levels of cholesterol?
A) D increases, S no change, P and Q increase
B) S increases, D no change, P decreases, Q increases
C) D and S increase, P decreases, Q increases
D) D no change, S increases, P decreases, Q decreases


Question 1460

When a firm produces 50,000 units of output, its total cost equals $6.5 million. When it increases its production to 70,000 units of output, its total cost increases to $9.4 million. Within this range, the marginal cost of an additional unit of output is
A) $41.43.
B) $134.29.
C) $135.
D) $145.


Question 1461

In 1995, the General Agreement on Tariffs and Trade (GATT) was replaced by the World Trade Organization (WTO).
[I]True[/I] or [I]false[/I]?


Question 1462

When a proposed merger between two companies is reviewed by the government, the relevant market is defined by
A) whether or not there are close substitutes for the products of the two firms.
B) how elastic the demand is for each firm's product.
C) counting the number of firms that produce the same product.
D) how much advertising is done in the industry.


Question 1463

Many economists do not believe that network externalities lock consumers into the use of products that have technology inferior to other, similar products. These economists believe that
A) consumers are always rational.
B) in practice, the gains from using a superior technology exceed the losses consumers incur from switching costs.
C) there is no good evidence that switching costs exist.
Question 1464

M2 includes M1 plus
A) currency in circulation, checking account deposits in banks, and holdings of traveler's checks.
B) savings account balances, money market deposit accounts in banks, small-denomination time deposits, and noninstitutional money market fund shares.
C) checking account deposits, large-denomination time deposits, and noninstitutional money market fund shares.
D) currency in circulation, savings account balances, and small-denomination time deposits.

Question 1465

Which of the following describes the difference between "scarcity" and "shortage"?
A) There is no difference; either word can be used to describe the situation that exists when there is less of a good or service available than people want.
B) In the economic sense, almost everything is scarce. A shortage of a good or service occurs when the quantity demanded is greater than the quantity supplied at the current market price.
C) There is a shortage of almost everything. Scarcity occurs only if the quantity demanded of a good or service is greater than the quantity supplied at the current market price.
D) In the economic sense, almost everything is scarce. A shortage of a good or service occurs when the quantity demanded is greater than the quantity supplied at the equilibrium price.

Question 1466

When housing prices fall, as they did beginning in 2006 following the housing market bubble, consumption spending on furniture, appliances, and home improvements ________ as many households found it ________ to borrow against the value of their homes.
A) declined; easier
B) declined; harder
C) increased; easier
D) increased; harder

Question 1467

Economic profit is the difference between a firm's revenue and its opportunity costs.
[i]True[/i] or [i]false[/i]?

Question 1468

Explain and show graphically how an increase in government spending affects the equilibrium interest rate in the market for loanable funds.

Question 1469

Markets promote
A) equity and competition.
B) voluntary exchange and equality.
C) equity and equality.
D) competition and voluntary exchange.

Question 1470

When Mr. Peabody decides on the companies to which he will donate his time and money, a ________ issue is being addressed.
A) microeconomic
B) macroeconomic
C) positive economic
D) normative economic

Question 1471
A virtuous cycle refers to the development of new products that follows when a monopoly earns economic profits.
[i]True[/i] or [i]false[/i]?

Question 1472

The long-run aggregate supply curve is vertical.
[i]True[/i] or [i]false[/i]?

Question 1473

Suppose your expenses for this term are as follows: tuition: $9,000, room and board: $1,500, books and other educational supplies: $1,000. Further, during the term, you can only work part-time and earn $3,000 instead of your full-time salary of $8,000. What is the opportunity cost of going to college this term, assuming that your room and board expenses would be the same even if you did not go to college?
A) $10,000
B) $13,000
C) $15,000
D) $18,000

Question 1474

Scott is a woodworker and charges $125 an hour for his time manufacturing custom-made wood products. For his wife's birthday, he designs and creates an intricate birdseye maple jewelry box that takes him 15 hours to complete. By how much and in what direction does GDP change as a result of his efforts?
A) GDP rises by $1,875.
B) GDP is not affected by Scott's production of the jewelry box.
C) GDP rises by $125.
D) GDP falls by $1,875.

Question 1475

In 2012, the largest exporter in the world was
A) Japan.
B) Germany.
C) China.
D) the United States.

Question 1476

Compare the effect on the price level and real GDP of a decrease in tax rates assuming a supply-side effect versus no supply-side effect. Compared to no supply-side effect, including a supply-side effect for the decrease in tax rates will cause the price level to increase ________ and real GDP to increase ________.
A) less; less
B) less; more
C) more; less
D) more; more

Question 1477

Using a supply and demand graph, illustrate the market for rent-controlled apartments with the following data:
Equilibrium rent without rent control: $1,500
Rent with rent control: $700
Quantity of apartments demanded with rent control: 50,000
Quantity of apartments supplied with rent control: 20,000
What is the value of the initial shortage of apartments with rent control?
Now assume rent control leads to a reduction in the supply of apartments, and the new quantity supplied is now 15,000. Illustrate this on your graph.
What is the value of the shortage of apartments following the decrease in supply?

Question 1478

A balance sheet
A) measures flows of income and expenditure over a given period of time.
B) measures assets, liabilities, and net worth at a giving instance in time.
C) equates flows of revenue with flows of expenditure.
D) None of the above are correct.

**Question 1479**

Which of the following would cause the short-run aggregate supply curve to shift to the right?
A) an increase in the price level
B) a decrease in inflation expectations
C) a technological advance
D) an increase in interest rates

**Question 1480**

If a firm lowered the price of the product it sells and found that total revenue did not change, then the demand for its product is
A) perfectly inelastic.
B) perfectly elastic.
C) unit-elastic.
D) relatively elastic.

**Question 1481**

What causes a production possibilities frontier to shift outward?

**Question 1482**

In theory, in the long run, monopolistically competitive firms earns zero profits. However, in reality there are some ways by which a firm can avoid losing profits. Which of the following is one such way?
A) gradually increase the mark up on the goods produced
B) lower the price of its products to expand its market share
C) identify new markets and develop products precisely for those markets
D) find a market niche and keep it as narrow as possible so as to prevent other producers from entering this market segment

**Question 1483**

If consumers purchase fewer of those products that increase most in price and more of those products that decrease in price as compared to the CPI basket, then
A) changes in the CPI accurately reflect the true rate of inflation.
B) changes in the CPI understate the true rate of inflation.
C) changes in the CPI overstate the true rate of inflation.
D) changes in the CPI are unrelated to the true rate of inflation.

**Question 1484**

An increase in the price of MP3 players will result in
A) a smaller quantity of MP3 players supplied.
B) a larger quantity of MP3 players supplied.
C) a decrease in the demand for MP3 players.
D) an increase in the supply of MP3 players.

**Question 1485**

Why do banks create money? Do they create money to help the Federal Reserve control the money supply or is there a more basic reason?

**Question 1486**

Corporations are legally owned by their shareholders.
[i]True[/i] or [i]false[/i]?
Selling tickets to graduation ceremonies has long been a tradition among students at institutions that limit the number of guests. Suppose your classmate, Heidi purchased two tickets for $40 each. Is this transaction economically efficient?
A) No, people should never be allowed to sell items they received for free.
B) Yes, it was a voluntary exchange that benefited both parties.
C) No, Heidi paid too much for the tickets.
D) Yes, it is efficient only from the perspective of the seller and not from the perspective of the buyer.

High-income countries such as the United States spend a greater amount on services as compared to goods. [i]True[/i] or [i]false[/i]?

In economics, the term “free market” refers to a market where no sales tax is imposed on products sold. [i]True[/i] or [i]false[/i]?

All of the following are part of the “taxes” provision of the Patient Protection and Affordable Care Act (ACA) except
A) pharmaceutical firms and health insurance firms will pay new taxes.
B) investors earning more than $200,000 will pay a new tax on their investment income.
C) beginning in 2018, all taxes on employer-provided health insurance plans will be reduced or eliminated.
D) workers earning more than $200,000 will have their share of the Medicare payroll tax increase.

Which of the following would cause an increase in the equilibrium price and decrease in the equilibrium quantity of watermelon?
A) a decrease in demand and an increase in supply
B) a decrease in supply
C) an increase in demand and an increase in supply greater than the increase in demand
D) an increase in demand and an increase in supply

Which of the following criteria would make gold a poor medium of exchange?
A) its value depends on its purity, and its purity is not easy to visibly identify
B) durability so that value is not lost by spoilage
C) value relative to its weight so that amounts large enough to be useful in trade can be easily transported
D) divisibility because different goods are valued differently

If, when a firm doubles all its inputs, its average cost of production decreases, then production displays
A) diminishing returns.
B) economies of scale.
C) diseconomies of scale.
D) declining fixed costs.

Which of the following describes the relative positions of the demand curve and the average total cost (ATC) curve of a monopolistically competitive firm that earns a profit in the short run?
A) In the short run, the firm’s demand curve will lie above its ATC curve. The demand curve will be tangent to the ATC curve in the long run.
B) In the short run, the firm’s demand curve will lie below its ATC curve. The demand curve will be tangent to the ATC curve in the long run.
C) In the short run, the firm’s demand curve will cross its ATC curve at the ATC curve’s lowest point. The demand curve will be above the ATC curve in
the long run.

D) In the short run, the firm's ATC curve will cross the demand curve at the profit maximizing level of output. The demand curve will be tangent to the ATC curve in the long run.


### Question 1495

If more insurance companies decide to cover part of the price of voluntary laser eye surgery and more doctors decide to enter the field of laser eye surgery, what will happen in the market for laser eye surgery as a result of these two factors?

A) Demand will increase, but these two factors will not shift the supply curve.
B) Supply will increase, but these two factors will not shift the demand curve.
C) Demand and supply will both increase.
D) Demand will increase and supply will decrease.


### Question 1496

If the demand for a product increases and the supply of the product does not change, equilibrium price and equilibrium quantity will both increase. 

[i]True[/i] or [i]false[/i]?


### Question 1497

Which of the following did not contributed to the overall decline in death rates in the United States since 1981?

A) a decline in smoking
B) the decline in the population
C) the availability of new prescription drugs
D) new surgical techniques


### Question 1498

If real GDP is $300 billion below potential GDP and the tax multiplier equals -1.5, then how much would the government need to change taxes to bring the economy to equilibrium at potential?


### Question 1499

In economics, the total amount received for selling a good or service is referred to as

A) revenue.
B) profit.
C) capital gains.
D) factor payments.


### Question 1500

Suppose there are two cities that have rent controlled apartments. In one city (Albany) all apartments are subject to rent control; in the other city (Halftrack) one-half of the apartments are rent controlled. Which of the following is most likely to be true?

A) It will be difficult to find a rent-controlled apartment in Albany or Halftrack; rents for the Halftrack apartments not subject to controls will be higher than they would be without rent control.
B) It will be easier to find an affordable apartment in Albany since rents will be low across the board.
C) It will be easier to find an affordable apartment in Halftrack, either a rent-controlled apartment or another apartment, at a reasonable price.
D) It will be impossible to rent an apartment in either city at any price.


### Question 1501

At a short-run macroeconomic equilibrium, real GDP is always equal to potential GDP.

[i]True[/i] or [i]false[/i]?


### Question 1502

If the short-run aggregate supply increases by less than the long-run aggregate supply, then, at the short-run equilibrium

A) GDP will be below potential GDP.
B) aggregate demand will increase.
C) GDP will be above potential GDP.
D) GDP will be equal to potential GDP.

Question 1503
Which of the following is a positive economic statement?
A) People should not buy imported fruits and vegetables.
B) The government should subsidize solar power for homeowners.
C) The minimum wage law causes unemployment.
D) The number of work visas should not be limited by the government.

Question 1504
Fiscal policy is defined as changes in federal ________ and ________ to achieve macroeconomic objectives such as price stability, high rates of economic growth, and high employment.
A) taxes; interest rates
B) taxes; the money supply
C) interest rates; money supply
D) taxes; expenditures

Question 1505
An advantage of imposing a tax on the producer that generates pollution is that
A) it forces the polluting producer to internalize the external cost of the pollution.
B) the government can keep tabs on exactly what is produced in an industry.
C) it will eliminate pollution.
D) a producer can pass the cost of the pollution to consumers.

Question 1506
Suppose real GDP is currently $12.5 trillion and potential real GDP is $13 trillion. If the president and the Congress increased government purchases by $500 billion, what would be the result on the economy?

Question 1507
Which of the following would shift the supply curve for MP3 players to the right?
A) an increase in the price of a substitute in production
B) an increase in consumer income (assuming that all MP3 players are normal goods)
C) a decrease in the number of firms that produce MP3 players
D) a decrease in the price of an input used to produce MP3 players

Question 1508
The principle of opportunity cost is that
A) in a market economy, taking advantage of profitable opportunities involves some money cost.
B) the economic cost of using a factor of production is the alternative use of that factor that is given up.
C) taking advantage of investment opportunities involves costs.
D) the cost of production varies depending on the opportunity for technological application.

Question 1509
The president of Toyota's Georgetown plant was quoted as saying, "Demand for high volumes saps your energy. Over a period of time, it eroded our focus [and] thinned out the expertise and knowledge we painstakingly built up over the years." Based on this quote, what must be true of the plant's average cost of production curve?
A) It is upward-sloping.
B) It is downward-sloping.
C) It is a ray from the origin.
D) It is U-shaped.
Question 1510
How are unemployment, inflation, and the business cycle related?

Question 1511
Few firms in the United States are monopolies because
A) few firms experience economies of scale.
B) of antitrust laws.
C) when a firm earns profits, other firms will enter its market.
D) most products that firms produce have substitutes.

Question 1512
Contractionary fiscal policy involves decreasing government purchases or increasing taxes.
[i]True[/i] or [i]false[/i]?

Question 1513
Jake sells Star Wars memorabilia on Ebay. His annual revenue is $42,000 per year, the explicit costs of his business are $10,000, and the opportunity costs of his business are $18,000 per year. What are the implicit costs of his business?
A) $8,000
B) $18,000
C) $24,000
D) $32,000

Question 1514
The substitution effect of a price change refers to
A) the change in quantity demanded that results from a change in price making a good more or less expensive relative to other goods that are substitutes.
B) the shift of a demand curve when the price of a substitute good changes.
C) the movement along the demand curve due to a change in purchasing power brought about by the price change.
D) the shift in the demand curve due to a change in purchasing power brought about by the price change.

Question 1515
Define allocative efficiency. Explain the significance of this concept in economics?

Question 1516
Which of the following statements is false?
A) When marginal cost equals average total cost, average total cost is at its highest value.
B) The marginal cost curve intersects the average variable cost curve and the average total cost curve at their minimum points.
C) The difference between average total cost and average fixed cost is average variable cost.
D) Firms often refer to the process of lowering average fixed cost as “spreading the overhead.”

Question 1517
Changes in interest rates affect all four components of aggregate demand.
[i]True[/i] or [i]false[/i]?

Question 1518
Stricter laws and regulations to protect intellectual property rights
A) will help to create a more successful market system.
B) will only benefit those companies whose intellectual property rights have in the past been ignored.
C) will tend to have little impact on an economy since intellectual property is not tangible.
D) will create a stronger and more successful black market for intellectual property.
Question 1519

You are planning to open a new Italian restaurant in your hometown where there are three other Italian restaurants. You plan to distinguish your restaurant from your competitors by offering northern Italian cuisine and using locally grown organic produce. What is likely to happen in the restaurant market in your hometown after you open?
A) Your competitors are likely to change their menus to make their products more similar to yours.
B) The demand curve facing each restaurant owner shifts to the right.
C) The demand curve facing each restaurant owner becomes more elastic.
D) While the demand curves facing your competitors becomes more elastic, your demand curve will be inelastic.


Question 1520

What would happen in the market for laser eye surgery if insurance companies started to cover a portion of the price of voluntary procedures?
A) Demand will increase, but this will not shift the supply curve.
B) Supply will increase, but this will not shift the demand curve.
C) Demand and supply will both increase.
D) Demand will increase and supply will decrease.


Question 1521

The total amount of physical capital available in a country is known as the country's
A) labor productivity.
B) savings.
C) investment.
D) capital stock.


Question 1522

The quantity theory of money seeks to explain the connection between money and
A) interest rates.
B) unemployment.
C) output.
D) prices.


Question 1523

Which of the following is counted as "capital" in economics?
A) the money people have
B) the machines workers have to work with
C) the accumulated skills and training workers have
D) the wealth people have


Question 1524

Assume that in recent years the cost of producing microbrew beer in the U.S. has decreased largely due to technological improvements. At the same time, more and more Americans prefer microbrew beer over wine. Which of the following best explains the effect of these events in the microbrew beer market?
A) The supply curve has shifted to the right and the demand curve has shifted to the left. As a result there has been a decrease in the equilibrium quantity and an uncertain effect on the equilibrium price.
B) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
C) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in both the equilibrium price and the equilibrium quantity.
D) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.


Question 1525

Retained earnings are sufficient to finance a firm's rapid expansion in a high-growth economy.
Question 1526

Which of the following are positive economic statements and which are normative economic statements?

a. An increase in the minimum wage causes unemployment.
b. The government should raise the minimum wage above $7.25 per hour.
c. The prolonged recession has caused the unemployment rate to reach a 30-year high.
d. Interest rates need to be lower for the economy to emerge from the recession.
e. Inflation has decreased since the onset of the recession.
f. Once the recession has ended, interest rates should increased to assure that inflation does not go up.


Question 1527

If the best surgeon in town is also the best at cleaning swimming pools, then according to economic reasoning, this person should

A) should pursue the activity he enjoys more.
B) specialize in cleaning swimming pools because it is more labor-intensive.
C) split his time evenly between being a surgeon and cleaning swimming pools.
D) specialize in being a surgeon because its opportunity cost is lower.


Question 1528

Consider a good whose consumption takes place publicly. Your decision to buy that good depends

A) both on the characteristics of the product and on how many other people are buying the good.
B) only on the characteristics of the good.
C) only on how many other people buy the good.
D) only on the price of the good.


Question 1529

Suppose a negative technological change in the production of disease-resistant wheat caused the price of wheat to rise. Holding everything else constant, how would this affect the market for corn (a substitute for wheat)?

A) The supply of corn would decrease and the equilibrium price of corn would increase.
B) The demand for corn would increase and the equilibrium price of corn would increase.
C) The demand for corn would decrease because consumers could afford to buy less wheat and corn.
D) The demand for corn would increase and the equilibrium price of corn would decrease.


Question 1530

The coupon rate of a bond is equal to

A) the coupon payment.
B) the interest payment.
C) the interest rate.
D) the face value.


Question 1531

Prisoner's dilemma games imply that cooperative behavior between two people or two firms always breaks down. But reality teaches us that people and firms often cooperate successfully to achieve their goals. Why do the results from prisoner's dilemma games fail to predict real world results?

A) Prisoner's dilemma games do not permit people or firms from reneging on agreements, which often occurs in real word situations.
B) The prisoner's dilemma does not apply to most business situations that are repeated over and over.
C) Prisoner's dilemma games predict the behavior of people and firms that engage in illegal activity; most people and firms do not resort to illegal activity.
D) Most real world situations involve more than two people or firms; the prisoner's dilemma is only applicable to situations that involve two parties.


Question 1532

In explaining consumer behavior economists explain how consumer tastes and preferences are formed.

[i]True[/i] or [i]false[/i]?

Question 1533
Which of the following is an asset for a bank?
A) deposits of its customers
B) short-term borrowing
C) shareholders’ equity
D) loans

Question 1534
Which of the following is an examples of spending on factors of production in the circular flow model?
A) Tuan purchases a cappuccino at the student union.
B) Laurence rents a car to drive to a wedding in San Diego.
C) Yvette pays $50 to join a softball league.
D) The “Lucky Ducky” casino buys a new craps table for the casino floor.

Question 1535
Explain the difference between a firm’s revenue and its profit.

Question 1536
The cyclically adjusted budget deficit calculates the budget surplus or deficit at
A) real GDP.
B) potential GDP.
C) nominal GDP.
D) average GDP.

Question 1537
The most liquid measure of money supply is
A) M0.
B) M1.
C) M2.
D) M3.

Question 1538
Only one of the following statements is correct. The statements compare perfectly competitive (PC) markets and monopolistically competitive (MC) markets. Which statement is correct?
A) Productive efficiency is achieved in both PC and MC markets. Allocative efficiency is achieved only in MC markets.
B) Allocative efficiency is achieved in both PC and MC markets. Productive efficiency is achieved only in PC markets.
C) Productive efficiency and allocative efficiency are both achieved in PC markets. Neither is achieved in MC markets.
D) Allocative efficiency is achieved only in PC markets. Productive efficiency is achieved only in MC markets.

Question 1539
How do a sole proprietorship and a corporation differ?
A) Proprietors have unlimited liability while corporations have limited liability.
B) Corporations can issue stocks and bonds, while proprietorships cannot.
C) Corporations face more taxes than do proprietorships.
D) All of these are differences between the two types of businesses.

Question 1540
Both individual buyers and sellers in perfect competition
A) can influence the market price by their own individual actions.
B) can influence the market price by joining with a few of their competitors.
C) have to take the market price as a given.
D) have the market price dictated to them by government.

**Question 1541**

Some economists argue that the federal government should normally run a deficit at potential GDP, with the borrowed funds applied to
A) consumption goods.
B) investment goods.
C) social security benefits.
D) health care costs.

**Question 1542**

The multiplier effect following an increase in expenditure is generated by induced increases in consumption expenditure as income rises.  
[i]True[/i] or [i]false[/i]?

**Question 1543**

If in the long run a firm makes zero profit, it should exit the industry.  
[i]True[/i] or [i]false[/i]?

**Question 1544**

In the long run which of the following is true?
A) Total cost = fixed cost + variable cost.
B) The size of a firm’s physical plant can be changed but the firm cannot adopt new technology.
C) There are no fixed costs.
D) The firm can vary its explicit costs but not its implicit costs.

**Question 1545**

The short-run aggregate supply curve has a(n) ________ slope because as prices of ________ rise, prices of ________ rise more slowly.
A) positive; final goods and services; inputs
B) infinite; final goods and services; inputs
C) positive; inputs; final goods and services
D) infinite; inputs; final goods and services

**Question 1546**

Explain how the listed events (a-d) would affect the following at Hilton Hotels.
  i. Marginal cost
  ii. Average variable cost
  iii. Average fixed cost
  iv. Average total cost
a. Hilton decides on an across-the-board 5 percent increase in executive salaries.
b. Hilton decides to eliminate all print advertising.
c. Hilton signs a new contract with the Culinary Workers Union that requires the company to increase wages for all its kitchen workers.
d. The federal government starts to levy a $5 room tax on all hotel rooms.

**Question 1547**

Suppose a developing country receives more machinery and capital equipment as foreign entrepreneurs increase the amount of investment in the economy. As a result
A) the long-run aggregate supply curve will shift to the right.
B) the long-run aggregate supply curve will shift to the left.
C) the economy will move up along the long-run aggregate supply curve.
D) the economy will move down along the long-run aggregate supply curve.

**Question 1548**
Which of the following is a normative economic statement?
A) Rising corn prices have increased the price of corn-based ethanol.
B) With rising home prices and falling mortgage interest rates, the amount of home foreclosures has decreased.
C) The federal government is considering increasing regulations on the use of fossil fuels to promote the use of wind power.
D) Farmers should not be allowed to grow and sell genetically-modified crops.

Which of the following statements about the prisoner's dilemma is false?
A) The prisoner's dilemma in a one-shot game leads to a noncooperative, equilibrium outcome.
B) The prisoner's dilemma in repeated games could lead to cooperation especially if there is some enforcement mechanism that punishes a player who does not cooperate.
C) Players caught in a prisoner's dilemma act in selfish ways that lead to an equilibrium that is sub-optimal.
D) The prisoner's dilemma game can never reach a Nash equilibrium as long as players do not cooperate.

If a per-unit tax on output sold is imposed on a monopoly's product, the monopolist will increase its market price by the full amount of the tax. [i]True[/i] or [i]false[/i]?

Music writer Anthony Kuzminski praised rock star Tom Petty in a 2007 article in the online Unrated Magazine. Kuzminski wrote: "Something Petty never can get enough credit for is his fan-friendly attitude. He kept ticket prices for [his concerts] at $50 when other acts this summer are charging upwards of $100 for stadium gigs. Petty could charge more, but he doesn't see the point. He has stated time and time again he still makes millions when he's on the road, regardless of his ticket prices. He is the last of the fan friendly rock stars out there." Use economic reasoning to write a rationale for Tom Petty's decision to charge prices for his band's ("Tom Petty and the Heartbreakers") concerts that are less than market clearing prices.
Source: Anthony Kuzminski, "Tom Petty & The Heartbreakers at the Vic Theater" http://www.unratedmagazine.com/

There is often a trade-off between
A) productive efficiency and allocative efficiency.
B) limited and unlimited resources.
C) voluntary and involuntary exchanges.
D) economic efficiency and economic equity.

When you buy newly-issued shares of Facebook stock, this transaction takes place in the
A) primary market.
B) bond market.
C) secondary market.
D) bear market.

All of the following are considered intellectual property except
A) books.
B) films.
C) software.
D) shares fo stock.

________ of unemployment during ________ make it easier for workers to ________ wages.
A) High levels; a recession; negotiate higher
B) Low levels; an expansion; negotiate higher
C) Low levels; a recession; accept lower
Question 1556
The aging of the U.S. population has tended to ________ spending on health care, and the development of new drugs and medical equipment has tended to ________ spending on health care.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 1557
If a country produces only two goods, then it is not possible to have an absolute advantage in the production of both those goods.
[i]True[/i] or [i]false[/i]?

Question 1558
In comparison to a government that runs a balanced budget, when the government runs a budget deficit
A) the equilibrium interest rate will fall.
B) business investment will fall.
C) household savings will fall.
D) none of the above

Question 1559
If the price of train tickets decreases, what will be the impact in the market for bus travel?
A) The demand curve for bus travel shifts to the right.
B) The quantity of bus travel demanded increases.
C) The demand curve for bus travel shifts to the left.
D) The quantity of bus travel demanded decreases.

Question 1560
If tolls on a toll road can be raised significantly before commuters will consider using a free alternative, demand for using the toll road must be
A) inelastic.
B) elastic.
C) unit elastic.
D) perfectly elastic.

Question 1561
Suppose real GDP is $13 trillion, potential real GDP is $13.5 trillion, and Congress and the president plan to use fiscal policy to restore the economy to potential real GDP. Assuming a constant price level, Congress and the president would need to decrease taxes by
A) $500 billion.
B) less than $500 billion.
C) more than $500 billion.
D) None of the above are correct. Congress should raise taxes in this case.

Question 1562
Which of the following is true?
A) The money market model is essentially a model that determines the short-term nominal rate of interest.
B) The money market model is essentially a model that determines the short-term real rate of interest.
C) The loanable funds model is essentially a model that determines the short-term real rate of interest.
D) The loanable funds model is essentially a model that determines the long-term nominal rate of interest.

Question 1563
A farm worker gets paid today in money, but plans to spend the money next week. This illustrates which function of money?  
A) medium of exchange  
B) unit of account  
C) store of value  
D) standard of deferred payment  

**Question 1564**

Carefully define the two categories of saving in the economy.  

**Question 1565**

If prices in the economy rise, then  
A) the purchasing power of a dollar rises.  
B) the purchasing power of a dollar stays constant.  
C) the purchasing power of a dollar declines.  
D) the purchasing power of a dollar cannot be determined.  

**Question 1566**

Life expectancy at birth in the United States has more than doubled since 1850.  
[i]True[/i] or [i]false[/i]?  

**Question 1567**

Between 1981 and 2011, deaths from cancer have increased in the United States.  
[i]True[/i] or [i]false[/i]?  

**Question 1568**

The branch of economics which studies how households and firms make choices, interact in markets and how government attempts to influence their choices is called  
A) macroeconomics.  
B) microeconomics.  
C) positive economics.  
D) normative economics.  

**Question 1569**

The real interest rate equals the nominal interest rate _______ the inflation rate.  
A) times  
B) divided by  
C) plus  
D) minus  

**Question 1570**

Suppose in the United States, the opportunity cost of producing a motor engine is 4 auto bodies. In Canada, the opportunity cost of producing a motor engine is 2 auto bodies.  

a. What is the opportunity cost of producing an auto body for the United States?  
b. What is the opportunity cost of producing an auto body for Canada?  
c. Which country has a comparative advantage in the production of auto bodies?  
d. Which country has a comparative advantage in the production of motor engines?  

**Question 1571**

Health insurance companies impose deductibles on policies and co-payments on claims  
A) to increase sales.  
B) to reduce moral hazard problems.  
C) to reduce sunk costs.  
D) to increase prices.  
Answer: [link]

**Question 1572**

The Federal Open Market Committee consists of  
A) the seven member Board of Governors of the Federal Reserve.  
B) the 12 Federal Reserve Bank Presidents.  
C) five of the Federal Reserve Bank Presidents.  
D) the Board of Governors plus five of the Federal Reserve Bank Presidents.  
Answer: [link]

**Question 1573**

The argument advanced by Milton Friedman for adopting a monetary growth rule is that  
A) active monetary policy potentially destabilizes the economy.  
B) the Fed can control the money supply, but not the level of interest rates.  
C) a constant rate of growth in the money supply would eliminate the booms and recessions that make up the business cycle.  
D) the growth rate of M1 has been unstable.  
Answer: [link]

**Question 1574**

Indirect finance includes the sale by a corporation of stocks or bonds, but does not include borrowing money from a bank.  
 [i]True[/i] or [i]false[/]?  
Answer: [link]

**Question 1575**

As the economy nears the end of an expansion, interest rates usually ______ and wages raise more ______ than prices.  
A) rise; rapidly  
B) rise; slowly  
C) fall; rapidly  
D) fall; slowly  
Answer: [link]

**Question 1576**

During the expansion phase of the business cycle, which of the following eventually increases?  
A) production  
B) employment  
C) income  
D) all of the above  
Answer: [link]

**Question 1577**

Which of the following will not shift the demand for the euro to the right?  
A) an increase in interest rates in the European Union  
B) an increase in incomes in countries that buy goods from the European Union  
C) expectations among speculators that the price of the euro will rise in the future  
D) a decrease in the demand for European goods  
Answer: [link]

**Question 1578**

If a firm expects that the price of its product will be lower in the future than it is today  
A) the firm has an incentive to increase supply now and decrease supply in the future.  
B) the firm has an incentive to decrease supply now and increase supply in the future.  
C) the firm has an incentive to increase quantity supplied now and decrease quantity supplied in the future.  
D) the firm will not change supply until it knows for certain what will happen to its price.  
Answer: [link]

**Question 1579**

Which of the following is a characteristic of a firm in a perfectly competitive market?
A) The firm cannot make a profit in the short run because it is too small a part of the total market.
B) The firm can make a profit in the long run but not in the short run.
C) The firm can sell as much as it wants without having to lower its price.
D) The firm must lower its price in order to increase quantity demanded.

Question 1580
Positive technological change in the production of LCD televisions caused the price of LCD televisions to fall. Holding everything else constant, how would this affect the market for Blu-ray players (a complement to LCD televisions)?
A) The supply of Blu-ray players would increase and the equilibrium price of Blu-ray players would decrease.
B) The demand for Blu-ray players would increase and the equilibrium price of Blu-ray players would increase.
C) The demand for Blu-ray players would decrease because consumers could afford to buy fewer LCD televisions and Blu-ray players.
D) The demand for Blu-ray players would increase and the equilibrium price of Blu-ray players would decrease.

Question 1581
Stan owns a software design business. He does not have time to expand his office space or redesign the layout of his office. He can increase the amount of work he does by working more hours, asking his current employees to work more hours, or hiring more employees. The relationship between Stan’s inputs and the maximum output his firm can produce is called his
A) long-run production function.
B) production possibilities frontier.
C) short-run production function.
D) cost function.

Question 1582
Centrally-planned economies tend to grow more quickly than market economies.
[i]True[/i] or [i]false[/i]?

Question 1583
The Internet has created a new category in the book selling market, namely, the “barely used” book. How does the availability of barely used books affect the market for new books?
A) The demand curve for new books shifts to the right.
B) The demand curve for new books shifts to the left.
C) The supply curve for new books shifts to the right.
D) The supply curve for new books shifts to the left.

Question 1584
When deflation occurs
A) the real interest rate is greater than the nominal interest rate.
B) the nominal interest rate is greater than the real interest rate.
C) the nominal interest rate is equal to the real interest rate and inflation is negative.
D) the nominal interest rate is equal to the real interest rate and inflation is positive.

Question 1585
Eighty-five percent of all firms employ ________ workers.
A) only one or two
B) fewer than 20
C) 50 or more
D) over 100

Question 1586
If in a perfectly competitive industry, the market price facing a firm is below its average total cost but above average variable cost at the output where marginal cost equals marginal revenue
A) the industry supply will not change.
B) new firms are attracted to the industry.
Question 1587

Before a doctor decides to keep her office open on Saturdays, she should
A) make sure that the marginal cost of doing so will exceed the marginal benefit.
B) only consider the increase in total profit from doing so.
C) weigh the costs and benefits of staying open on Saturdays before deciding if she should go through with this idea.
D) only look at the marginal benefit of doing so, because marginal cost will not change.

Question 1588

What is the marginal product of labor and what is the average product of labor.

Question 1589

In a decreasing-cost industry, the entry of new firms lowers average cost at each level of output.
[i]True[/i] or [i]false[/i]?

Question 1590

The income effect of a price change refers to the change in the quantity demanded of a good that results from a change in the price of a complementary product.
[i]True[/i] or [i]false[/i]?

Question 1591

Jeremy is thinking of starting up a small business selling NASCAR memorabilia. He is considering setting up his business as a corporation. What is one advantage to Jeremy of setting up his business as a corporation?
A) By setting up the business as a corporation, Jeremy would not face double taxation.
B) By setting up the business as a corporation, Jeremy would have the ability to share risk with shareholders.
C) By setting up the business as a corporation, Jeremy would have both ownership and control over the business.
D) All of the above would be advantages of setting up his business as a corporation.

Question 1592

Ceteris paribus, an increase in the money supply will lower short-term interest rates.
[i]True[/i] or [i]false[/i]?

Question 1593

Suppose a price floor on sparkling wine is proposed by the Health Minister of the country of Vinyardia. What will be the likely effect on the market for sparkling wine in Vinyardia?
A) Quantity demanded will decrease, quantity supplied will increase, and a surplus will result.
B) Quantity demanded will increase, quantity supplied will decrease, and a surplus will result.
C) Quantity demanded will decrease, quantity supplied will increase, and a shortage will result.
D) Quantity demanded will increase, quantity supplied will decrease, and a shortage will result.

Question 1594

Which of the following statements is + about a simple circular flow model?
A) Producers are neither buyers nor sellers in the product market.
B) Households are neither buyers nor sellers in the input market.
C) Producers are buyers in the factors market.
D) Households are sellers in the product market.

Question 1595
Marco goes to the pet store to buy a dozen Koi fish for his new Koi pond. He is willing to pay $200 for the dozen fish, but buys them for a total of $140. Marco's consumer surplus from the purchase is

A) $5.
B) $60.
C) $140.
D) $200.


**Question 1596**

Monetary policy could be procyclical if the Federal Reserve

A) is late recognizing that a recession has begun and conducts expansionary monetary policy.
B) is quick to recognize that a recession has begun and conducts expansionary monetary policy.
C) is late recognizing that a recession has begun and does not conduct expansionary monetary policy.
D) is quick to recognize that a recession has begun and does not conduct expansionary monetary policy.


**Question 1597**

If income is unequally distributed in an economy, increases in GDP may not raise well-being in an economy.

[i]True[/i] or [i]false[/i]?


**Question 1598**

A corporation is

A) the easiest type of business to set up.
B) the least expensive type of business to set up.
C) the most difficult type of business to set up.
D) the least profitable type of business to set up.


**Question 1599**

The recession of 2007-2009 made many consumers pessimistic about their future incomes. How does this increased pessimism affect the aggregate demand curve?

A) This will move the economy up along a stationary aggregate demand curve.
B) This will move the economy down along a stationary aggregate demand curve.
C) This will shift the aggregate demand curve to the left.
D) This will shift the aggregate demand curve to the right.


**Question 1600**

In the term "real GDP," what does "GDP" stand for and what does it measure? What does "real" indicate?


**Question 1601**

Under autarky, consumer surplus is represented by the area

A) above the supply curve and below the equilibrium price.
B) above the supply curve and below the demand curve.
C) below the demand curve and above the equilibrium price.
D) above the demand curve and below the supply curve.


**Question 1602**

Suppliers will be willing to supply a product only if

A) the price received is less than the additional cost of producing the product.
B) the price received is at least equal to the additional cost of producing the product.
C) the price is higher than the average cost of producing the product.
D) the price received is at least double the additional cost of producing the product.


**Question 1603**
If a firm produces 20 units of output and incurs a total cost of $1,000 and a variable cost is $700, calculate the firm's average fixed cost of production if it expands output to 25 units.
A) $300
B) $15
C) $12
D) It is impossible to determine without additional information.

Question 1604
Assume there is a shortage in the market for digital music players. Which of the following statements correctly describes this situation?
A) The demand for digital music players is greater than the supply of digital music players.
B) Some consumers will be unable to obtain digital music players at the market price and will have an incentive to offer to buy the product at a higher price.
C) The price of digital music players will rise in response to the shortage; as the price rises the quantity demanded will increase and the quantity supplied will decrease.
D) The shortage will cause an increase in the equilibrium price of digital music players.

Question 1605
Mortgage lenders often resell mortgages in secondary markets. How might this make lenders act differently than if they intended to hold the mortgages themselves?

Question 1606
A perfectly competitive wheat farmer in a constant-cost industry produces 3,000 bushels of wheat at a total cost of $36,000. The prevailing market price is $15. What will happen to the market price of wheat in the long run?
A) The price remains constant at $15.
B) The price falls to $12.
C) The price rises above $15.
D) There is insufficient information to answer the question.

Question 1607
Dollar bills in the modern economy serve as money because
A) they are backed by the gold stored in Fort Knox.
B) they can be redeemed for gold by the central bank.
C) they have value as a commodity independent of their use as money.
D) people have confidence that others will accept them as money.

Question 1608
Zane's Vanes is a service that restores old weather vanes. Zane has just spent $125 purchasing a 1920s era weather vane which he expects to restore and sell for $500 once the work is completed. After having spent $125, Zane realizes that he will need to spend an additional $200 on materials to complete the restoration. Alternatively, he can sell the weather vane without restoring it for $200. What is his marginal cost to complete the restoration?
A) $75
B) $125
C) $200
D) $300

Question 1609
In 1980, one Zimbabwean dollar was worth 1.47 U.S. dollars. By the end of 2008, the exchange rate was one U.S. dollar to 2 billion Zimbabwean dollars. When an economy experiences rapid increases in the price level such as what occurred in Zimbabwe, the economy is said to experience
A) stagflation.
B) deflation.
C) inflation.
D) hyperinflation.
Question 1610
Of the $840 billion American Recovery and Reinvestment Act stimulus package which was enacted in 2009, approximately ________ took the form of tax cuts and ________ took the form of increases in government expenditures.
A) one-half; one-half
B) three-fourths; one-fourth
C) one-tenth; nine-tenths
D) one-third; two-thirds

Question 1611
The cost incurred from the production of an additional unit of a product
A) is a marginal cost to the firm.
B) is called a loss.
C) is called opportunity cost.
D) must be zero for a firm to be efficient.

Question 1612
When every good or service is produced up to the point where the last unit provides ________, allocative efficiency occurs.
A) a marginal benefit to society equal to the marginal cost of producing it
B) a marginal benefit to society greater than the marginal cost of producing it
C) a marginal benefit to society less than the marginal cost of producing it
D) a marginal benefit to society equal to zero

Question 1613
For a monopolistically competitive firm, price equals average revenue.
[i]True[/i] or [i]false[/i]?

Question 1614
When a business is set up as a sole proprietorship, the owner of the business faces limited liability.
[i]True[/i] or [i]false[/i]?

Question 1615
Households
A) have no influence on the circular flow in a market economy.
B) purchase resources in the factor market.
C) sell goods in the product market.
D) sell resources in the factor market.

Question 1616
Explain how collusion makes firms better off. Given the incentives to collude, briefly explain why every industry does not become a cartel.

Question 1617
The quantity theory of money assumes that
A) the velocity of money is negative.
B) the velocity of money is constant.
C) the velocity of money is zero.
D) the velocity of money fluctuates unpredictably.

Question 1618
Briefly describe the Sarbanes-Oxley Act and explain why it was passed.
Question 1619
The three categories of federal government expenditures, in addition to government purchases, are
A) interest on the national debt, grants to state and local governments, and transfer payments.
B) interest on the national debt, defense spending, and transfer payments.
C) defense spending, budgets of federal agencies, and transfer payments.
D) defense spending, Social Security, and Medicare.

Question 1620
A bank's assets are
A) things owned by or owed to the bank.
B) things the bank owes to someone else.
C) a measure of the bank's net worth.
D) always greater than the bank's liabilities.

Question 1621
How do unlimited and limited liability differ?

Question 1622
Suppose you are a famous international economic advisor. You have been asked to assess the possibilities for growth in an African country. It is a country abundant in labor and some natural resources. The capital to labor ratio is low. It has a free market economy. You have found that this country does not have a very strong and healthy banking system, however the political system is stable and the government does a good job protecting property rights. Assess this country's prospects for growth. Recommend two things that would enhance the country's growth.

Question 1623
The price elasticity of demand for beef is estimated to be 0.60 (in absolute value). This means that a 20 percent increase in the price of beef, holding every thing else constant, will cause the quantity of beef demanded to
A) decrease by 12 percent.
B) decrease by 26 percent.
C) decrease by 32 percent.
D) decrease by 60 percent.

Question 1624
In 2002, the Enron corporation was accused of falsifying information regarding liabilities on Enron's balance sheets, thereby
A) increasing Enron's assets on the balance sheet.
B) reducing Enron's profit on the balance sheet.
C) increasing Enron's net worth on the balance sheet.
D) reducing Enron's net income on the income statement.

Question 1625
What is minimum efficient scale? What is likely to happen in the long run to firms that do not reach minimum efficient scale?

Question 1626
Which of the following is not part of the "taxes" provision of the Patient Protection and Affordable Care Act (ACA)?
A) Pharmaceutical firms and health insurance firms will pay new taxes.
B) Investors earning more than $200,000 will pay a new tax on their investment income.
C) Beginning in 2018, all taxes on employer-provided health insurance plans will be reduced or eliminated.
D) Workers earning more than $200,000 will have their share of the Medicare payroll tax increase.

Question 1627
Crowding out, following an increase in government spending, results from (the exchange rate is the foreign exchange price of the domestic currency)
Question 1628

If the marginal utility Ida Mae receives from eating chicken wings is negative then
A) her total utility from eating chicken wings has fallen.
B) her total utility from eating chicken wings is negative as well.
C) Ida Mae definitely does not like chicken wings.
D) her total utility has risen, but by less from the last chicken wing than from the next to last chicken wing.

Question 1629

If a firm experiences positive technological change, it is able to produce more output using the same inputs.
[i]True[/i] or [i]false[/i]?

Question 1630

If a vineyard wants to raise funds to purchase a new bottling machine, it does so in the
A) factor market.
B) output market.
C) product market.
D) alcoholic beverages market.

Question 1631

Define the term "property rights." Explain why the lack of well defined and enforceable property rights is detrimental to the smooth functioning of a market system.

Question 1632

In which of the following situations would the Fed conduct contractionary monetary policy?
A) The Fed believes that aggregate demand was growing too slowly to keep up with potential GDP.
B) The Fed fears that unemployment is climbing above the natural rate.
C) The Fed is concerned that aggregate demand would continue to exceed the growth in potential GDP.
D) The Fed is worried that deflation will become a problem.

Question 1633

Protectionism
A) is the use of cheap labor to protect firms from paying high wages.
B) is the use of trade barriers to protect domestic firms from foreign competition.
C) refers to reductions in tariffs and other barriers that protect consumers from paying high prices.
D) refers to the use of copyright and trademark laws to protect inventors and artists from losing the rights to their creative efforts.

Question 1634

The term "property rights" refers to
A) the physical possession of a house or any other property which the owner legally purchased.
B) the ability to exercise control over one's own resources within the confines of the law.
C) the government's right to appropriate land from wealthy land owners to redistribute to peasants.
D) the right of a business not to have its assets confiscated by the government in the event that the business is accused of committing fraud.

Question 1635

Why do we not count the value of intermediate goods and services in gross domestic product? Does the value of intermediate goods and services show up in gross domestic product? If so, how?
Question 1636

If the firm is producing no output in the short run, then its total costs are zero.

[i]True[/i] or [i]false[/i]?


Question 1637

Max Shreck, an accountant, quit his $80,000-a-year job and bought an existing tattoo parlor from its previous owner, Sylvia Sidney. The lease has five years remaining and requires a monthly payment of $4,000. The lease

A) is a fixed cost of operating the tattoo parlor.
B) is a variable cost of operating the tattoo parlor.
C) is an implicit cost of operating the tattoo parlor.
D) is part of the marginal cost of operating the tattoo parlor.


Question 1638

The ABC Company manufactures routers that are used to provide high-speed Internet service. ABC sells an average of 1,000 routers each month, but to exhaust economies of scale in its industry ABC would have to sell 3,000 routers each month. Therefore

A) ABC is experiencing diseconomies of scale.
B) ABC is experiencing diminishing returns.
C) to reach minimum efficient scale ABC would have to sell at least 3,000 routers each month.
D) ABC will soon go out of business.


Question 1639

If Callum is consuming his utility maximizing bundle and the price of one good rises, what happens to the marginal utility per dollar spent on this good (MU/P), and what should Callum do?

A) MU/P has increased and Callum should buy more of this good.
B) MU/P has increased and Callum should buy less of this good.
C) MU/P has decreased and Callum should buy more of this good.
D) MU/P has decreased and Callum should buy less of this good.


Question 1640

Marginal utility can be

A) negative.
B) zero.
C) positive.
D) positive, negative or zero.


Question 1641

What is a long-run supply curve? What does a long-run supply curve look like on a perfectly competitive market graph?


Question 1642

Crowding out refers to a decrease in government purchases as a result of an increase in private expenditures.

[i]True[/i] or [i]false[/i]?


Question 1643

Prices of commercial airline tickets (assume that this is a normal good) have fallen in recent months. Over this same period, the price of jet fuel has risen and consumer incomes have fallen. Which of the following best explains the falling prices of airline tickets?

A) The supply curve for airline tickets has shifted to the left while the demand curve for airline tickets has shifted to the left.
B) The demand curve for airline tickets has shifted to the left more than the supply curve has shifted to the left.
C) The demand curve and the supply curve for airline tickets have both shifted to the right.
D) The supply curve for airline tickets has shifted to the left more than the demand curve has shifted to the left.

Question 1644
If the value added of a firm is positive, will the firm necessarily have positive profits?

Question 1645
During the 1990s, Japan experienced periods of deflation and very low nominal interest rates, approaching zero percent. Why would lenders of money agree to a nominal interest rate of almost zero?

Question 1646
During World War II, prisoners of war used ________ as money.
A) bullets
B) cowrie shells
C) chocolate
D) cigarettes

Question 1647
The drawback to calculating real GDP using base-year prices is that
A) real GDP in one year is not comparable to real GDP in another year.
B) relative prices change over time and these are not reflected in base-year prices, and this distorts GDP.
C) relative prices change over time and these changes are reflected in base-year prices.
D) quality changes are reflected in base-year prices.

Question 1648
All of the following represent differences between stocks and bonds except
A) a stock can possibly pay dividends forever, but bonds have a fixed number of payments.
B) differences of opinion about a stock's future may vary considerably but there is less difference about a bond's future.
C) the future growth of a stock is more uncertain than the payments of a bond.
D) bonds represent partial ownership in a firm but stocks do not.

Question 1649
Which of the following is a flow in the circular flow model?
A) the flow of goods and services from households to firms
B) the flow of profit and the flow of revenue
C) the flow of income earned by firms and the flow of expenditures earned by households
D) the flow of revenue received by firms and the flow of payments to resource owners

Question 1650
Suppose a monopoly is producing its profit-maximizing output level. Now suppose the government imposes a lump-sum tax on the monopoly, independent of its output. As a result the monopolist will increase the price of its product to cover its higher cost.
[i]True[/i] or [i]false[/i]?

Question 1651
Home Depot sells new and used doors to contractors who build new homes. Home Depot also sells new and used doors to homeowners. Which of the following would be counted in GDP?
A) the sale of a used door to a homeowner
B) the sale of a new door to homeowner
C) the sale of a used door to TapKon construction for installation into a new home
D) the sale of a new door to TapKon construction for installation into a new home

Question 1652
Suppose your grandfather earned a salary of $12,000 in 1964. If the CPI is 31 in 1964 and 219 in 2013, then the value of your grandfather's salary in
<table>
<thead>
<tr>
<th>Question 1653</th>
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<tbody>
<tr>
<td>A cash withdrawal reduces deposits, reserves and excess reserves in the banking system.</td>
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<tr>
<td>[i]True[/i] or [i]false[/i]?</td>
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<tr>
<th>Question 1654</th>
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<tbody>
<tr>
<td>&quot;Being the only seller in the market, the monopolist can choose any price and quantity it desires.&quot; Evaluate this statement: is it true or false? Explain your answer.</td>
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<th>Question 1655</th>
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<tbody>
<tr>
<td>Suppose Jason owns a small pastry shop. Jason wants to maximize his profit, and thinking back to the college microeconomics class he took in college, he decides he needs to produce a quantity of pastries which will minimize his average total cost. Will Jason's strategy necessarily maximize profits for his pastry shop?</td>
</tr>
<tr>
<td>A) Yes; Since Jason's pastry shop is in a perfectly competitive market, the only way to maximize profit is to produce the quantity where average total cost is minimized.</td>
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<tr>
<td>B) Not necessarily; This strategy will only maximize Jason's profit in the long run, but not in the short run.</td>
</tr>
<tr>
<td>C) No; In order to maximize profit, Jason would never want to produce the quantity where average total cost is minimized.</td>
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<tr>
<td>D) Not necessarily; Depending on demand, Jason may maximize profit by producing a quantity other than that where average total cost is at a minimum.</td>
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<tr>
<td>The impact of Hurricane Katrina on consumers in the economy was to make them very pessimistic about their future incomes. How does this increased pessimism affect the aggregate demand curve?</td>
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<tr>
<td>A) This will move the economy up along a stationary aggregate demand curve.</td>
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<tr>
<td>B) This will move the economy down along a stationary aggregate demand curve.</td>
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<tr>
<td>C) This will shift the aggregate demand curve to the left.</td>
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<td>D) This will shift the aggregate demand curve to the right.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Question 1657</th>
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<tbody>
<tr>
<td>Why will there be less crowding out of private spending by government spending the less sensitive consumption, investment, and net exports are to changes in interest rates?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question 1658</th>
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</thead>
<tbody>
<tr>
<td>If the absolute value of the tax multiplier equals 1.6, real GDP is $13 trillion, and potential real GDP is $13.4 trillion, then taxes would need to be cut by ______ to restore the economy to potential real GDP.</td>
</tr>
<tr>
<td>A) $250 billion</td>
</tr>
<tr>
<td>B) $400 billion</td>
</tr>
<tr>
<td>C) $640 billion</td>
</tr>
<tr>
<td>D) None of the above are correct. Taxes should be increased in this case.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question 1659</th>
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<tbody>
<tr>
<td>Health insurance typically pays for most preventive care procedures in all of the following countries except</td>
</tr>
<tr>
<td>A) Canada.</td>
</tr>
<tr>
<td>B) Japan.</td>
</tr>
<tr>
<td>C) the United Kingdom.</td>
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<tr>
<td>D) the United States.</td>
</tr>
</tbody>
</table>
Question 1660

The difference between the lowest price a firm would have been willing to accept and the price it actually receives from the sale of a product is called
A) producer surplus.
B) profit.
C) marginal revenue.
D) price differential.

Question 1661

DeShawn’s Detailing is a service that details cars at the customers’ homes or places of work. DeShawn’s cost for a basic detailing package is $40, and he charges $75 for this service. For a total price of $90, DeShawn will also detail the car’s engine, a service that adds an additional $20 to the total cost of the package. What is DeShawn’s marginal benefit if he sells a basic detailing package?
A) $35
B) $75
C) He makes a marginal loss of $15, not a marginal benefit.
D) The marginal benefit cannot be determined.

Question 1662

In a Nash equilibrium, all players select non-dominant strategies.
[i]True[/i] or [i]false[/i]?

Question 1663

Higher personal income taxes
A) increase aggregate demand.
B) increase disposable income.
C) decrease aggregate demand.
D) both B and C

Question 1664

Why are laws aimed at regulating monopolies called “antitrust” laws?
A) The rise of large firms (e.g., Standard Oil) in the late 1800s in the United States caused consumers to lose trust in private business.
B) “Trust” was a word in Old English that meant monopoly in the Middle Ages. Therefore, “antitrust” is a term that means “against monopoly.”
C) In the late 1800s, firms in several industries formed trusts; the firms were independent but gave voting control to a board of trustees. Antitrust laws were passed to regulate these trusts.
D) In the late 1800s, firms in several industries formed trusts; they were called “trusts” because when corporate officials were questioned about their business they would claim that business was good for the country and that they should trusted.

Question 1665

When you purchase a new pair of jeans you do so in the
A) factor market.
B) input market.
C) product market.
D) resource market.

Question 1666

The selling of a product for a price below its cost of production is called
A) fair competition.
B) dumping.
C) unfair competition.
D) operating at a loss.

Question 1667
Since 1950, the average length of a recession in the United States has been
A) such that recessions barely exist.
B) less than a year.
C) between 1 and 2 years.
D) greater than 2 years.

**Question 1668**

To maximize profit, a perfectly competitive firm
A) should sell the quantity of output determined by the interaction between industry demand and supply.
B) should sell the quantity of output that results in a value for total revenue that is equal to total cost.
C) should produce the quantity of output that results in the greatest difference between total revenue and total cost.
D) should produce the quantity of output that results in the greatest difference between marginal revenue and marginal cost.

**Question 1669**

Despite saving Lehman Brothers from failing, the Fed and the Treasury decided to allow Bear Stearns to go bankrupt, which it did in September, 2008.
[i]True[/i] or [i]false[/i]?

**Question 1670**

The market demand curve for a perfectly competitive industry is the horizontal summation of each individual firm's demand curve.
[i]True[/i] or [i]false[/i]?

**Question 1671**

Which of the following is an example of an activity undertaken by an entrepreneur?
A) designing your landscaping for your new home
B) holding a position as the president of a liberal arts college
C) running for the president of the United States
D) starting your own pet sitting business

**Question 1672**

An inward shift of the production possibilities frontier represents
A) positive economic growth.
B) negative economic growth.
C) a rise in the unemployment rate.
D) technological improvement.

**Question 1673**

In August 2008, Ethan Nicholas developed the iShoot application for the apple iPhone 3G, and within five months had earned $800,000 from this program. By May 2009, Nicholas had dropped the price from $4.99 to $1.99 in an attempt to maintain sales. This example indicates that in a competitive market
A) earning an economic profit in the long run is extremely easy.
B) earning an economic profit in the long run is extremely difficult.
C) it is impossible to earn an economic profit in either the short run or the long run.
D) economic profits are only earned in the long run.

**Question 1674**

If the exchange rate changes from $2.00 = 1 euro to $1.98 = 1 euro then
A) the dollar has depreciated.
B) the dollar has appreciated.
C) the euro has appreciated.
D) the euro has stayed constant in value.
Question 1675
What is a firm's balance sheet?

Question 1676
If Ewan is consuming his utility maximizing bundle and the price of one good falls, what happens to the marginal utility per dollar spent on this good (MU/P), and what should Ewan do?
A) MU/P has increased and Ewan should buy more of this good.
B) MU/P has increased and Ewan should buy less of this good.
C) MU/P has decreased and Ewan should buy more of this good.
D) MU/P has decreased and Ewan should buy less of this good.

Question 1677
The difference between technology and technological change is that
A) technology refers to the processes used by a firm to transform inputs into output while technological change is a change in a firm's ability to produce a given level of output with a given quantity of inputs.
B) technology is carried out by firms producing physical goods but technological change is an intellectual exercise into seeking ways to improve production.
C) technology is product-centered, that is, developing new products with our limited resources while technological change is process-centered in that it focuses on developing new production techniques.
D) technology involves the use of capital equipment while technological change requires the use of brain power.

Question 1678
If the Fed pursues expansionary monetary policy,
A) aggregate demand will rise, and the price level will rise.
B) aggregate demand will fall, and the price level will fall.
C) aggregate demand will rise, and the price level will fall.
D) aggregate demand will fall, and the price level will rise.

Question 1679
The average price of gasoline in your neighborhood is $3.53 per gallon. Your neighbor, Diana tells you that you can "save a lot" by frequenting a gas station 20 miles outside your neighborhood where the price of gasoline is $3.46 per gallon. However, she cautions you that there usually long lines at that station. Is her suggestion beneficial to you?
A) Yes, since gasoline is a necessity for car owners, the total cost savings would be relatively substantial.
B) No, if one factors in the non-monetary opportunity costs (driving time and waiting in line), it could prove more costly to go to the lower-priced gasoline station.
C) Yes, the lower price of gasoline at the rival station increases my purchasing power and enables me to consume more of other goods.
D) No, my friend is misled; clearly, the lower priced gasoline must be of inferior quality and could damage vehicles.

Question 1680
Explain and show graphically how a decrease in household saving affects the equilibrium interest rate and the equilibrium quantity of loanable funds.

Question 1681
If people speculate that a run on one bank will cause a run on all banks in the financial system, and this speculation proves accurate, then the financial system would experience what is known as a
A) commodity crisis.
B) securitization meltdown.
C) bank panic.
D) institutional death spiral.

Question 1682
The demand curve of a monopolistically competitive firm
Question 1683

Which of the following describes how output changes in the short run? Because of specialization and the division of labor, as more workers are hired
A) output will first increase at an increasing rate, then output will increase at a decreasing rate.
B) output will first decrease at an increasing rate, then increase at a decreasing rate.
C) the marginal product of labor will first decrease, then increase at a decreasing rate.
D) the marginal product of labor will first be negative and then will be positive.

Question 1684

In a typical year, ______ new firms open in the United States.
A) more than 600,000
B) more than 1 million
C) less than 200,000
D) approximately 125,000

Question 1685

Briefly explain the economic concept of elasticity.

Question 1686

A consumer is willing to purchase a product up to the point where
A) he spends all of his income.
B) the marginal benefit is equal to the price of the product.
C) the quantity demanded is equal to the quantity supplied.
D) he is indifferent between consuming and saving.

Question 1687

The market for smart phones has grown rapidly over the past few years, due in part to the overwhelming success of the Apple iPhone. Following the successful launch of the iPhone in 2007, companies such as Samsung, HTC, and LG have all introduced products to compete with the iPhone. The smart phones introduced to compete with the iPhone would be considered
A) complements to the iPhone.
B) substitutes for the iPhone.
C) inferior goods compared to the iPhone.
D) normal goods compared to the iPhone.

Question 1688

What effect does a depreciation of the dollar have on real GDP in the United States in the short run?
A) Real GDP will fall.
B) Real GDP will rise.
C) Real GDP will be unaffected by the depreciation of the dollar.
D) Real GDP will be unchanged, but nominal GDP will rise.

Question 1689

In a small economy, consumption spending in 2013 is $6,000, government spending is $1,200, gross investment is $1,500, exports are $2,000, and imports are $1,000. What is gross domestic product in 2013?
A) $9,700
B) $9,800
C) $10,800
D) $11,700
Question 1690
If the price of a product is above equilibrium, what forces it down?

Question 1691
As a measure of competition in an industry, concentration ratios have several flaws. One of these flaws is that concentration ratios
A) assume that all industries have low barriers to entry.
B) assume that a ratio less than 40 percent means an industry is perfectly competitive.
C) assume there are only four firms in an industry.
D) are calculated for the national market, even though competition in some industries is mainly local.

Question 1692
Some economists and policymakers who are in favor of government-provided health care believe that providing health care will generate
A) additional moral hazard.
B) positive externalities.
C) greater asymmetric information.
D) more adverse selection.

Question 1693
Which of the following would be classified as fiscal policy?
A) The federal government passes tax cuts to encourage firms to reduce air pollution.
B) The Federal Reserve cuts interest rates to stimulate the economy.
C) A state government cuts taxes to help the economy of the state.
D) The federal government cuts taxes to stimulate the economy.
E) States increase taxes to fund education.

Question 1694
One reason a country does not specialize completely in production is that production of most goods involves increasing opportunity costs.
[i]True[/i] or [i]false[/i]?

Question 1695
The relationship between sales and revenue is
A) an inverse relationship.
B) a direct relationship.
C) a negative relationship.
D) independent.

Question 1696
If the absolute value of the price elasticity of demand for aspirin equals 0.8 then
A) aspirin is a normal good.
B) the demand for aspirin is inelastic.
C) aspirin has few substitutes.
D) the demand for aspirin is elastic.

Question 1697
What is potential GDP?
A) It is the level of real GDP in the long run.
B) It is the difference between current GDP and maximum GDP.
C) It is the level of real GDP in the short run.
D) It is the level of GDP at which inflation is constant.
Question 1698

If a perfectly competitive firm raises the price it charges to consumers, which of the following is the most likely outcome?

A) The firm’s revenue will not change because some consumers will refuse to pay the higher price.
B) The firm will not sell any output.
C) The firm’s total revenue will increase only if the demand for its product is inelastic.
D) The firm’s total revenue will increase only if the demand for its product is elastic.


Question 1699

Of the $840 billion American Recovery and Reinvestment Act stimulus package which was enacted in 2009, approximately one-third took the form of ________ and two-thirds took the form of increases in ________.

A) discretionary government spending; transfer payments
B) tax rebates; tax cuts
C) treasury bond purchases; the money supply
D) tax cuts; government expenditures


Question 1700

Expansionary fiscal policy ________ the price level and ________ equilibrium real GDP.

A) decreases; increases
B) increases; decreases
C) increases; increases
D) decreases; decreases


Question 1701

If the amount you owe on your house is less than the price of the house, you have

A) positive equity in your house.
B) an adjustable-rate mortgage on your house.
C) negative equity in your house.
D) a reverse mortgage on your house.


Question 1702

The situation in which short-term interest rates are pushed to zero, leaving the central bank unable to lower them further is known as

A) the Taylor rule.
B) a liquidity trap.
C) a zero-sum game.
D) an interest rate panic.


Question 1703

If there is public dissaving, investment spending in the economy will decline, holding everything else constant.

[i]True[/i] or [i]false[/i]?


Question 1704

According to the Taylor rule, does the target for the federal funds rate respond differently for an increase in inflation caused by an increase in aggregate demand and for an increase in inflation caused by a decrease in short-run aggregate supply? Explain whether there is or is not a difference in how the target for the federal funds rate changes.


Question 1705

The principle of ________ is that the economic cost of using a factor of production is the alternative use of that factor that is given up.

A) marginal cost
B) opportunity cost
C) normative economics
D) entrepreneurship
Question 1706
Consumers have to make tradeoffs in deciding what to consume because
A) not all goods give them the same amount of satisfaction.
B) the prices of goods vary.
C) they are limited by a budget constraint.
D) there are not enough of all goods produced.

Question 1707
Firms in an oligopoly are said to be interdependent. What does this mean?

Question 1708
In the short-run, even if a monopoly’s total revenue does not cover its variable costs, it should continue to produce because ultimately in the long run, the monopoly will start earning profits.
[i]True[/i] or [i]false[/i]?

Question 1709
In June, buyers of titanium expect that the price of titanium will fall in July. What happens in the titanium market in June, holding everything else constant?
A) The demand curve shifts to the right.
B) The quantity demanded increases.
C) The quantity demanded decreases.
D) The demand curve shifts to the left.

Question 1710
If you purchase a share of stock from your friend who initially purchased the stock three years ago, your purchase of the stock represents a transaction in the primary financial market.
[i]True[/i] or [i]false[/i]?

Question 1711
Suppose Barry is maximizing his utility from consuming used paperback novels and audio books. The price of a used novel = $4 and the price of an audio book = $8. If the marginal utility of the last novel was 32 units of utility (utils) what was the marginal utility of the last audio book purchased?
A) 2 utils
B) 12 utils
C) 16 utils
D) 64 utils

Question 1712
From an initial long-run equilibrium, if aggregate demand grows more slowly than long-run and short-run aggregate supply, then Congress and the president would most likely
A) increase the required reserve ratio and decrease government spending.
B) decrease government spending.
C) decrease oil prices.
D) decrease taxes.
E) lower interest rates.

Question 1713
What type of protection does U.S. law grant the creator of a book, film or piece of music?
A) A public franchise, which grants the exclusive right to use the creation during the author's lifetime and to his or her heirs for 70 years after the author's death.
B) A copyright, which grants exclusive rights to the creation's author for 20 years after the work is created.
C) A patent, which grants the exclusive right to use the creation during the author's lifetime and to his or her heirs for 70 years after the author's death.
D) A copyright, which grants the exclusive right to use the creation during the author's lifetime and to his or her heirs for 70 years after the author's death.

**Question 1714**

Orange juice drinkers want to consume more orange juice at a lower price. Which of the following events would have this effect?
A) a decrease in the price of orange juice processing
B) an increase in the cost of fertilizer used for orange groves
C) a decrease in income, assuming orange juice is a normal good
D) a decrease in the population

**Question 1715**

What is meant by "excess capacity"? How does it relate to consumer utility?

**Question 1716**

Even when the demand for one good is high, the price of the good is also affected by supply. The textbook illustrates this by comparing the price of two items that were auctioned on the same day. Which of the following describes the results of the auction?
A) A letter written by Abraham Lincoln sold for a higher price than a letter written by John Wilkes Booth.
B) A letter written by Abraham Lincoln was sold for a higher price than a letter written by Adam Smith.
C) A letter written by John Wilkes Booth sold for a higher price than a letter written by Lee Harvey Oswald.
D) A letter written by John Wilkes Booth sold for a higher price than a letter written by Abraham Lincoln.

**Question 1717**

If GDP calculations included measurements of pollution and environmental damage, GDP values would most likely be
A) greater than their values without these measurements.
B) less than their values without these measurements.
C) unchanged from their values without these measurements.
D) meaningless, since GDP values without these measurements would no longer be of value.

**Question 1718**

Recent estimates put the size of the underground economy in the United States at ________ of measured GDP.
A) 2 percent
B) 8 percent
C) 13 percent
D) over 50 percent

**Question 1719**

The overall mortality rate in the United States has declined for the past 30 years.
[i]True[/i] or [i]false[/i]?

**Question 1720**

Which of the following statements is true?
A) If a tax is imposed on a product sold by a monopolist, the monopolist will maximize its profits by producing where marginal revenue equals marginal cost.
B) A monopolist will always charge the highest possible price.
C) If a tax is imposed on a product sold by a monopolist, the monopolist can increase its price to pass along the entire tax to consumers.
D) Because a monopolist faces no competition, the demand for its product is perfectly inelastic.

**Question 1721**

India's rapid growth can be explained by
A) reduced regulations and market-based reforms.
**Question 1722**

In 2011, ________ of the uninsured were younger than age 34.

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>A)</td>
<td>10%</td>
</tr>
<tr>
<td>B)</td>
<td>27%</td>
</tr>
<tr>
<td>C)</td>
<td>54%</td>
</tr>
<tr>
<td>D)</td>
<td>83%</td>
</tr>
</tbody>
</table>

**Question 1723**

If marginal utility of apples is diminishing and is a positive amount, consuming one more apple will cause

- A) total utility to decrease.
- B) a consumer to get no satisfaction from consuming apples.
- C) a consumer's total utility to increase.
- D) a consumer to go beyond her optimal consumption of apples.

**Question 1724**

The demand for loanable funds is determined by the willingness of ________ to borrow money to engage in new investment projects.

<table>
<thead>
<tr>
<th>Option</th>
<th>Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>government</td>
</tr>
<tr>
<td>B)</td>
<td>households</td>
</tr>
<tr>
<td>C)</td>
<td>banks</td>
</tr>
<tr>
<td>D)</td>
<td>firms</td>
</tr>
</tbody>
</table>

**Question 1725**

In addition to covering the costs of unpredictable events, health insurance typically covers many planned expenses, such as routine checkups, annual physicals, and the cost of vaccinations. Because of this, health insurance

- A) discourages overuse of health care services.
- B) encourages overuse of health care services.
- C) generates an efficient quantity of health care services.
- D) is not accepted by most doctors and hospitals.

**Question 1726**

Discuss the correct and incorrect economic analysis in the following statements.

"If good weather in Hawaii creates a bumper crop of pineapples, the supply of pineapples will increase. This will result in a price decrease, which will then cause the supply of pineapples to decrease."

**Question 1727**

________ of unemployment during ________ make it easier for workers to ________ wages.

<table>
<thead>
<tr>
<th>Option</th>
<th>Conditions</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>High levels; a recession; accept lower</td>
<td></td>
</tr>
<tr>
<td>B)</td>
<td>Low levels; an expansion; accept lower</td>
<td></td>
</tr>
<tr>
<td>C)</td>
<td>Low levels; a recession; negotiate higher</td>
<td></td>
</tr>
<tr>
<td>D)</td>
<td>High levels; an expansion; negotiate higher</td>
<td></td>
</tr>
</tbody>
</table>

**Question 1728**

Because the copyright on the L. Frank Baum book The Wonderful Wizard of Oz expired many years ago, the actual written words from the book are in the public domain, which means

- A) any publisher can now can claim copyright of Baum's words.
- B) only the first publisher to reissue the book can claim copyright of Baum's words.
- C) no publisher can claim copyright of Baum's words, but the book can be reissued by any publisher.
- D) no publisher can claim copyright of Baum's words because the book can never be reissued.
Question 1729
Which of the following statements is true?
A) The marginal revenue of a monopolistically competitive firm will be positive at high prices and negative at low prices.
B) Because the demand curve for a monopolistically competitive firm is downward-sloping its marginal revenue will be negative.
C) The marginal revenue of a monopolistically competitive firm will be always be positive.
D) The marginal revenue of a monopolistically competitive firm will be positive at low prices and negative at high prices.

Question 1730
Hurricane Katrina destroyed oil and natural gas refining capacity in the Gulf of Mexico. This subsequently drove up natural gas, gasoline, and heating oil prices. As a result, this should
A) shift the short-run aggregate supply curve to the left.
B) shift the short-run aggregate supply curve to the right.
C) move the economy up along a stationary short-run aggregate supply curve.
D) move the economy down along a stationary short-run aggregate supply curve.

Question 1731
Collusion between two firms occurs when
A) the firms independently pursue strategies that could hurt each other.
B) firms explicitly or implicitly agree to adopt a uniform business strategy.
C) announce that each will match its rival's market price.
D) firms act altruistically to bring about the economically efficient outcome.

Question 1732
In the market for factors of production, firms earn income by selling factors of production to households.
[i]True[/i] or [i]false[/i]?

Question 1733
Describe how a lender can lose during inflation if the inflation is unanticipated and the loan is a fixed-interest-rate loan. How would a variable-interest-rate loan (one that adjusts over the contract period) eliminate these losses?

Question 1734
In the short-run, changes in output can only be brought about by a change in the quantity of variable inputs.
[i]True[/i] or [i]false[/i]?

Question 1735
Why is the study of asymmetric information associated with the market for "lemons"?
A) Sellers of citrus fruit—lemons, oranges, grapefruit—know the difference between bad fruit and good fruit; buyers do not have this information.
B) Because there is little advertising in the market for lemons, buyers have difficulty determining the quality of lemons before they are purchased.
C) Potential buyers of used cars have difficulty separating good used cars from bad used cars; bad used cars are often referred to as "lemons."
D) Most sellers of used cars have less information about their cars than the dealers who buy them; used cars are often referred to as "lemons."

Question 1736
From the 1960s to 2012, transfer payments
A) have risen from about 25 percent to 46 percent of federal government expenditures.
B) remained the same percentage of total federal government expenditures.
C) have declined by half as a percentage of total federal government expenditures.
D) have grown very slowly as a percentage of total federal government expenditures.

Question 1737
According to the "wealth effect," when the ________ falls, the ________ rises.
A) inflation rate; nominal value of household assets
B) unemployment rate; average level of household income
C) price level; the nominal value of household wealth
D) price level; the real value of household wealth

**Question 1738**

Economists _______ that price controls are desirable.
A) are in agreement
B) are reluctant to state
C) never believe
D) only recently agree

**Question 1739**

If the price of music downloads was to decrease, then
A) the demand for MP3 players would decrease.
B) the demand for MP3 players would increase.
C) the supply of MP3 players would increase.
D) the quantity demanded of MP3 players would decrease.

**Question 1740**

In a modern mixed economy, who decides what goods and services will be produced?
A) only the producers
B) only consumers
C) only the government
D) all of the above

**Question 1741**

Purchases of which of the following goods would be dramatically reduced during a recession?
A) tomatoes
B) ink pens
C) gasoline
D) refrigerators

**Question 1742**

The International Nickel Company of Canada is often cited as an example of monopoly. What was the source of the barrier to entry that gave this firm monopoly power?
A) It was a public enterprise; therefore, the Canadian government blocked entry into the market for nickel.
B) There were important network externalities in the production of nickel.
C) Economies of scale resulted in the company becoming a natural monopoly.
D) control of a key resource

**Question 1743**

Macroeconomics seeks to understand
A) economic growth, business cycles, and inflation.
B) industry sales, marketing strategies and corporate growth.
C) product demand, product cost, and profit maximization.
D) public choices, private choices, and consumer maximization.

**Question 1744**

The most important determinant of the price elasticity of demand for a good is
A) the definition of the market for a good.
B) the availability of substitutes for the good.
C) the share of the good in the consumer's budget.
Question 1745

Real interest rates at times have been negative. Why would anyone lending money agree to a negative real interest rate?

Question 1746

Suppose the extra cost for a plumber to keep her shop open for one extra hour is $145. Then, the plumber should not stay open for the extra hour if she can only generate additional revenue of $145 for that hour.
[i]True[/i] or [i]false[/i]?

Question 1747

Which of the following statements best describes the concept of consumer surplus?
A) “Safeway was having a sale on Dreyer’s ice cream so I bought 3 quarts.”
B) “I was all ready to pay $300 for a new leather jacket that I had seen in Macy’s but I ended up paying only $180 for the same jacket.”
C) “I paid $130 for a printer last week. This week the same store is selling the same printer for $110.”
D) “I sold my Blu-ray copy of Ben-Hur for $18 at a garage sale even though I was willing to sell it for $10.”

Question 1748

Ordinarily, governments attempt to promote competition in markets. Why do governments use patents to block entry into some markets when this prohibits competition?
A) Patents encourage firms to spend money on research necessary to create new products.
B) Politicians sometimes succumb to pressure from lobbyists to grant favors to businesses for political reasons.
C) Patents are an important source of government revenue.
D) Patents are justified because they are an important means for creating network externalities.

Question 1749

“The distribution of income should be determined by the government” is an example of a normative economic statement.
[i]True[/i] or [i]false[/i]?

Question 1750

Suppose you are an advisor to the Business Cycle Dating Committee. You are asked to look at macroeconomic data to evaluate whether the economy has entered a recession this year. Which data do you look at? How does the economy behave at the onset of a recession?

Question 1751

Workers expect inflation to rise from 3% to 5% next year. As a result, this should
A) shift the short-run aggregate supply curve to the left.
B) shift the short-run aggregate supply curve to the right.
C) move the economy up along a stationary short-run aggregate supply curve.
D) move the economy down along a stationary short-run aggregate supply curve.

Question 1752

The Patient Protection and Affordable Care Act (ACA) is scheduled _______, at which point more than 30 million additional individuals are expected to have health care coverage.
A) to be phased in over the next 20 years
B) to be fully implemented by 2019
C) to be phased out by 2015
D) to be completely in place by 2012

Question 1753

Who receives the goods and services produced in the United States depends largely on
### Question 1754

Which of the following describes a situation in which the person is hurt by inflation?

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>A retiree whose pension is adjusted for inflation</td>
</tr>
<tr>
<td>B)</td>
<td>A person who borrows money during a period when inflation is under-predicted</td>
</tr>
<tr>
<td>C)</td>
<td>A person who lends money during a period when inflation is over-predicted</td>
</tr>
<tr>
<td>D)</td>
<td>A person paid a fixed income during an inflationary period</td>
</tr>
</tbody>
</table>

Answer: A retiree whose pension is adjusted for inflation

### Question 1755

If additional units of a good could be produced at a constant opportunity cost, the production possibility frontier would be linear.

- **True** or **False**?

Answer: True

### Question 1756

If it costs Vijay $150 to design 5 websites and $175 to design 6 websites, then $175 is the marginal cost of producing the 6th website.

- **True** or **False**?

Answer: True

### Question 1757

Suppose there are economies of scale in the production of a specialized memory chip that is used in manufacturing microwaves. This suggests that the microwave industry is a decreasing-cost industry.

- **True** or **False**?

Answer: False

### Question 1758

In long-run equilibrium, compared to a perfectly competitive market, a monopolistically competitive industry produces a ________ level of output and charges a ________ price.

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>higher; lower</td>
</tr>
<tr>
<td>B)</td>
<td>lower; lower</td>
</tr>
<tr>
<td>C)</td>
<td>lower; higher</td>
</tr>
<tr>
<td>D)</td>
<td>higher; higher</td>
</tr>
</tbody>
</table>

Answer: lower; higher

### Question 1759

Psychologists Daniel Kahneman and Amos Tversky conducted the following experiments by asking a sample of people the following questions:

**Scenario A:** Imagine that you have decided to see a play and paid the admission price of $10 per ticket. As you enter the theater you discover that you have lost the ticket. The seat was not marked and the ticket cannot be recovered. Would you pay $10 for another ticket?

**Scenario B:** Imagine that you have decided to see a play where admission is $10 per ticket. As you enter the theater you discover that you have lost a $10 bill. Would you still pay $10 for a ticket for the play?

As long as additional tickets are available, there's no meaningful difference between losing $10 in cash before buying a ticket, and losing the $10 ticket after buying it. In both cases, you are out $10. Yet, far more subjects (88 percent) in Scenario B say they would pay $10 for another ticket and see the play while in Scenario A, only 46 percent of the subjects say they would be willing to spend another $10 to see the play.

Which of the following is the best explanation for the results of the experiment?

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>The endowment effect applies in Scenario A since people already own the ticket and therefore it is more valuable but this is not so in Scenario B.</td>
</tr>
<tr>
<td>B)</td>
<td>In Scenario B, people had not anticipated spending an additional $10 so in effect the price of the ticket is $20 and not $10 whereas in Scenario A, the price of the ticket is still $10.</td>
</tr>
<tr>
<td>C)</td>
<td>In Scenario A, people make an immediate connection between the lost ticket and the play and feel poorer by incorrectly assigning a greater value to the value of the ticket whereas in Scenario B, they do not make the connection between the lost $10 bill and the play.</td>
</tr>
<tr>
<td>D)</td>
<td>The net benefit derived from watching the play is lower in Scenario A where the effective cost is $20 compared to the net benefit in Scenario B.</td>
</tr>
</tbody>
</table>

Answer: In Scenario B, people had not anticipated spending an additional $10 so in effect the price of the ticket is $20 and not $10 whereas in Scenario A, the price of the ticket is still $10.

### Question 1760

To maintain a monopoly, a firm must have

A) a perfectly inelastic demand.
Question 1761

Autarky is a situation in which a country
A) only exports products.
B) only imports products.
C) does not trade with other countries.
D) has no absolute advantage in any production.

Question 1762

The U.S. economy has been more stable since 1950.
[i]True[/i] or [i]false[/i]?

Question 1763

Gertrude Stork's Chocolate Shoppe normally employs 4 workers. When the Chocolate Shoppe hired a 5th worker the Shoppe's total output decreased. Therefore
A) the marginal product of the 5th worker is negative.
B) the total output of Gertrude Stork's Chocolate Shoppe is negative.
C) the average product of the 5th worker is negative.
D) the 5th worker should be hired only if he is willing to accept a wage lower than the wage paid to the other 4 workers.

Question 1764

The demand for loanable funds is downward sloping because the ________ the interest rate, the ________ the number of profitable investment projects a firm can undertake, and the ________ the quantity demanded of loanable funds.
A) lower; greater; greater
B) lower; smaller; greater
C) greater; greater; greater
D) greater; smaller; greater

Question 1765

When the actual inflation rate turns out to be greater than the expected inflation rate, who gains — the borrower or the lender — and who loses? Explain why.

Question 1766

Of the following high-income countries, which has the lowest mortality ratio for cancer?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 1767

Trade between countries that is without restrictions is called
A) unobstructed commerce.
B) unabated trade.
C) free trade.
D) unencumbered trade.

Question 1768

A supply schedule
A) is a table that shows the relationship between the price of a product and the quantity of the product supplied.
B) is a curve that shows the relationship between the price of a product and the quantity of the product supplied.
C) is the relationship between the supply of a good and the cost of producing the good.
D) is a table that shows the relationship between the price of a product and the quantity that producers and consumers are willing to exchange.

Question 1769
The main goal of monetary policy for recent Fed Chairmen has been to maintain high employment in labor markets.
[i]True[/i] or [i]false[/i]?

Question 1770
The income effect of a price change refers to the impact of a change in
A) income on the price of a good.
B) demand when income changes.
C) the quantity demanded when income changes.
D) the price of a good on a consumer's purchasing power.

Question 1771
Price leadership is a form of explicit collusion where one firm in an oligopoly announces a price change and expects all other firms to follow suit.
[i]True[/i] or [i]false[/i]?

Question 1772
The graph below represents the market for alfalfa. The market price is $7.00 per bushel. Identify the areas representing consumer surplus, producer surplus, and economic surplus.

Question 1773
If tablet computers are considered substitutes for e-readers, the decline in the price of tablet computers would, all else equal,
A) increase the demand for e-readers.
B) decrease the demand for e-readers.
C) increase the quantity demanded for e-readers.
D) decrease the quantity demanded for e-readers.

Question 1774
There is a strong link between changes in the money supply and inflation
A) in both the short run and the long run.
B) in neither the short run nor the long run.
C) in the short run, but not in the long run.
D) in the long run, but not in the short run.

Question 1775
Which of the following is one explanation as to why the aggregate demand curve slopes downward?
A) Decreases in the price level raise the interest rate and increase consumption spending.
B) Decreases in the price level raise the interest rate and increase investment spending.
C) Decreases in the U.S. price level relative to the price level in other countries lower net exports.
D) Decreases in the price level raise real wealth and increase consumption spending.

Question 1776
In a competitive market when there is no deadweight loss
A) consumer surplus is minimized.
B) producer surplus is minimized.
C) consumer surplus plus producer surplus is minimized.
Question 1777
In 2014, the average life expectancy at birth in the United Kingdom and other high-income countries was around ________ years.
A) 60
B) 70
C) 80
D) 90

Question 1778
Beginning with long-run equilibrium, use the aggregate demand and aggregate supply model to illustrate what happens in the short run when the economy suffers a negative supply shock.

Question 1779
To increase the money supply, the Federal Reserve could
A) lower the discount rate.
B) decrease income taxes.
C) raise the required reserve ratio.
D) conduct an open market sale of Treasury securities.

Question 1780
Assume that the demand curve for sunblock is linear and downward sloping. Which of the following statements about the slope of the demand curve for sunblock and the price elasticity of demand for sunblock are true?
A) The slope and the price elasticity of demand are constant at all points along the demand curve for sunblock.
B) The slope is constant, but the price elasticity of demand is not constant at all points along the demand curve for sunblock.
C) The slope is not constant, but the price elasticity of demand is constant at all points along the demand curve for sunblock.
D) The slope of the demand curve for sunblock is constant and equal to zero; demand is perfectly inelastic.

Question 1781
Consider the following T-account for National City Bank:
\[
\begin{array}{c|c|c}
\text{Assets} & \text{Liabilities} \\
\hline
\text{Reserves} & $10,000 & \text{Deposits} \\
\text{Loans} & $90,000 & \text{ } \\
\end{array}
\]
If the required reserve ratio is lowered to 8 percent, how much can National City loan out?
A) $10,000
B) $8,000
C) $2,000
D) $0

Question 1782
If a perfectly competitive firm’s total revenue is less than its total variable cost, the firm
A) should raise its price above its average variable cost.
B) should continue to produce and increase its demand.
C) should stop production by shutting down temporarily.
D) should adopt new technology in order to lower its costs of production.

Question 1783
From a supply perspective, what impact would an increase in the price of motorcycles have on the market for motorcycles?

Question 1784
The costs to firms of changing prices are called menu costs.
Question 1785
Some corporate governance experts believe that serving on a company's board of directors for an extended length of time diminishes that member's independence from the company's CEO. If this is true, it would tend to
A) reduce the principal-agent problem.
B) increase the principal-agent problem.
C) be in the best interest of shareholders.
D) have no impact on the company's performance, since the CEO is only one member of top management.

Question 1786
Consider the following economic agents:
a. the government
b. consumers
c. producers
Who, in a market economy, decides what goods and services will be produced with the scarce resources available in that economy?
A) the government
B) producers
C) consumers
D) consumers and producers
E) the government, consumers and producers

Question 1787
A negative externality exists if
A) there are price controls in a market.
B) there are quantity controls in a market.
C) the marginal social cost of producing a good or service exceeds the private cost.
D) the marginal private cost of producing a good or service exceeds the social cost.

Question 1788
The market demand curve in a perfectly competitive market is downward-sloping.

Question 1789
A tariff is a tax imposed by a government on its own exports.

Question 1790
If the United States placed an embargo on Swedish products, what would happen in the U.S. market for Swedish furniture?
A) The supply curve would shift to the left.
B) The supply curve would shift to the right.
C) The demand curve would shift to the right.
D) The demand curve would shift to the left.

Question 1791
In 2011, the dividend yield on Microsoft (MSFT) stock rose from 1.97% to 3.10%. Which of the following would have generated that result?
A) The closing price of Microsoft stock rose.
B) Microsoft announced an increase in the dividend it would pay per share.
C) The price-earnings ratio rose.
D) Microsoft issued bonds with a coupon rate equal to 3.10%.
### Question 1792
Consider the following items:
- a. the novel "The Da Vinci Code" by Dan Brown
- b. the "The Spirited Shipper," an innovative wine shipping box
- c. a Swiss chef's award-winning recipe
- d. an original fabric design, for example, the fabric used for "Coach" bags and luggage

Which of the items listed is an example of intellectual property?
- A) a and b only
- B) a, b, and c
- C) a and d only
- D) all of the items listed


### Question 1793
Generally with bond ratings, the higher the rating, the ________ the interest rate an investor will receive and the ________ the risk that the issuer of the bond will default.
- A) higher; higher
- B) higher; lower
- C) lower; higher
- D) lower; lower


### Question 1794
The more excess reserves banks choose to keep
- A) the larger the deposit multiplier.
- B) the smaller the deposit multiplier.
- C) the higher the required reserve ratio.
- D) the lower the required reserve ratio.


### Question 1795
Economic costs of production differ from accounting costs in that
- A) economic costs include expenditures for hired resources while accounting costs do not.
- B) economic costs add the opportunity costs of a firm using its own resources while accounting costs do not.
- C) accounting costs include expenditures for hired resources while economic costs do not.
- D) accounting costs are always larger than economic cost.


### Question 1796
Assume a country is required by law to balance the budget every year. Suppose aggregate demand falls, causing a recession and a budget deficit. To balance the budget, what would the government need to do with the level of government spending and taxes? How would these changes in government spending and taxes affect aggregate demand and the economy?


### Question 1797
Under J.C. Penney's everyday low pricing policy, the everyday low prices
- A) ended up being the highest prices ever charged by the company.
- B) were always lower than the sale prices under the previous policy.
- C) were not actually charged every day, but only once a month during half-off sales.
- D) ended up being higher than the sale prices under the previous pricing policy.


### Question 1798
The Federal Reserve responded to the 2008 financial crisis in several ways. Which of the following is one of the ways the Fed responded?
- A) The Fed banned investment banks from obtaining discount loans.
- C) The Fed lowered the required reserve ratio on demand deposit accounts in order to increase the amount of bank reserves.
- D) The Fed helped Citibank to acquire General Motors and Chrysler.

Question 1799

If economies of scale are significant, the typical firm will not reach the minimum point on its long-run average cost curve until it has produced a large fraction of industry sales.

[i]True[i] or [i]false[i]?

Question 1800

Which of the following statements is true?
A) A decrease in demand causes a decrease in equilibrium price; the decrease in price causes supply to decrease.
B) A decrease in demand causes equilibrium price to fall; the decrease in price then results in a decrease in quantity supplied.
C) If both demand and supply increase, there must be an increase in equilibrium price; equilibrium quantity may either increase or decrease.
D) If demand decreases and supply increases one cannot determine if equilibrium price will increase or decrease without knowing which change is greater.

Question 1801

A firm can fund an expansion of its operations by
A) issuing bonds.
B) buying stock.
C) paying dividends.
D) loaning money.

Question 1802

Economists Gary Becker and Kevin Murphy are associated with which of the following?
A) the discovery of the first example of a Giffen good
B) They have argued that social factors are not important in explaining the choices consumers make.
C) Consumers appear to receive utility from consuming goods they believe are popular.
D) They discovered that price changes have both income and substitution effects.

Question 1803

The demand for heating oil in the short run is more elastic than the long run demand for heating oil.
[i]True[i] or [i]false[i]?

Question 1804

Most film processing companies have a policy of printing every picture on a roll of film and allowing customers to request a refund for pictures that were not clearly developed. The companies do this knowing that most customers do not ask for refunds. This is an example of consumers
A) failing to ignore sunk costs.
B) being overly optimistic about their future behavior.
C) not taking nonmonetary opportunity costs into account.
D) not making themselves aware of the policy regarding refunds.

Question 1805

Who hires the managers of a corporation?
A) the board of directors
B) stockholders
C) managers
D) employees

Question 1806

Since 1994, obesity rates in the United States
A) have been on a slow and steady decline.
B) have increased in all 50 states.
C) have primarily increased in the Southeast and remained constant or slightly decreased in the remainder of the country.
Question 1807

Which of the following is an example of market "production," as used by economist?
A) Garvey takes out a low-cost government loan to start his pet-sitting business.
B) Heidi makes a pizza for her family's dinner.
C) Katrina works as a cashier at the local produce stand.
D) The theatre and film studies department in Fine Art's College stages a play at the local theatre.


Question 1808

Which of the following is important in determining the extent of competition in an industry?
A) the minimum level of short run average total costs of production
B) the minimum efficient scale of production relative to market demand
C) whether or not the industry product is differentiated or standardized
D) the level of market demand for the industry's product


Question 1809

Along a downward sloping, linear demand curve, total revenue is the greatest
A) where demand is normal.
B) where demand is the most inelastic.
C) where demand is the most elastic.
D) where demand is unit-elastic.


Question 1810

The resource income earned by those who supply ________ is called wages.
A) labor
B) capital
C) natural resources
D) entrepreneurship


Question 1811

When President Obama took office in January 2009, he pledged to pursue an expansionary fiscal policy to try to pull the economy out of the recession. The next month, Congress passed the American Recovery and Reinvestment Act of 2009, an $840 billion package of spending increases and tax cuts that was
A) the largest fiscal policy action in U.S. history.
B) second in size only to the fiscal policy action taken during the Great Depression.
C) small in comparison to the actions taken during the recession of 1974-1975
D) roughly equal to the spending increases and tax cuts implemented during the recession of 1980-1982.


Question 1812

Equilibrium in a competitive market results in the greatest amount of economic surplus from the production of a good or service. [i]True[/i] or [i]false[/i]?


Question 1813

If the nominal rate of interest is 6.5% and the inflation rate is 3.0%, what is the real rate of interest?
A) -9.5%
B) -3.5%
C) 1.5%
D) 3.5%
E) 9.5%

Question 1814
What was the GATT, why was it established, and why and with what was it replaced?

Question 1815
Explain why a centrally planned economy might not grow as rapidly as a market economy.

Question 1816
As a form of business, a partnership
A) has limited liability.
B) has only one owner.
C) cannot issue stock.
D) has the most government rules and regulations affecting it.

Question 1817
A change in all of the following variables will change the market demand for a product except
A) the price of the product.
B) population and demographics.
C) income.
D) tastes.

Question 1818
In 2013, health care's share of gross domestic product in the United States was about
A) 6.5 percent.
B) 17.3 percent.
C) 45 percent.
D) 62.5 percent.

Question 1819
Explain and show graphically the effect of a decrease in U.S. budget deficits that decrease U.S. interest rates on the demand and supply of U.S. dollars for euros.

Question 1820
Of the following U.S. presidents, which was the first to propose a national health insurance program to Congress?
A) Barack Obama
B) Bill Clinton
C) John F. Kennedy
D) Harry Truman

Question 1821
Marginal analysis involves undertaking an activity
A) until its marginal costs start declining.
B) only when its marginal benefits are positive.
C) until its marginal benefits equal marginal costs.
D) only if its marginal costs are greater than its marginal benefits.

Question 1822
Which of the following would result in a higher absolute value of the price elasticity of demand for a product?
A) A wide variety of substitutes are available for the good.
B) The time period under consideration is short.
C) The good is a necessity.
<table>
<thead>
<tr>
<th>Question 1823</th>
</tr>
</thead>
</table>
| A tariff is a numerical limit on the quantity of a good that can be imported.  
[i]True[/i] or [i]false[/i]? |

<table>
<thead>
<tr>
<th>Question 1824</th>
</tr>
</thead>
</table>
| A bank holds its reserves as _______ and _______.  
A) securities; loans  
B) securities; deposits at the Federal Reserve  
C) vault cash; deposits at the Federal Reserve  
D) vault cash; loans |

<table>
<thead>
<tr>
<th>Question 1825</th>
</tr>
</thead>
</table>
| In 2008, Zimbabwe ran out of locally produced Coca Cola and local Coke bottlers were not able to import the concentrated syrup needed to make Coke from the United States because they could not obtain U.S. dollars. A small amount of Coke was imported from South Africa, but a single bottle sold for around 15 billion Zimbabwean dollars. Zimbabwe was experiencing rapid increases in the price level, which is known as  
A) stagflation.  
B) deflation.  
C) inflation.  
D) hyperinflation. |

<table>
<thead>
<tr>
<th>Question 1826</th>
</tr>
</thead>
</table>
| Falling interest rates can  
A) increase a firm's stock price, which causes firms to issue more stock shares, and thus increases funds for investment.  
B) raise the cost of borrowing for farms and decrease investment.  
C) raise the cost of buying new homes and fewer new homes will be purchased.  
D) lower the cost of buying new homes and fewer new homes will be purchased. |

<table>
<thead>
<tr>
<th>Question 1827</th>
</tr>
</thead>
</table>
| The Bureau of Economic Analysis divides its statistics on GDP into four major categories. List the categories of expenditures and define each.  

<table>
<thead>
<tr>
<th>Question 1828</th>
</tr>
</thead>
</table>
| Which of the following is likely to occur as the result of the law of diminishing marginal utility?  
A) Petra's utility from her second apple was less than her satisfaction from her first orange.  
B) Hudson enjoyed his second slice of pizza more than his first.  
C) Sabine's utility from her first granola bar is greater than Rachel's utility from her second granola bar.  
D) Wesley enjoyed his second bottle of iced tea less than his first bottle, other things constant. |

<table>
<thead>
<tr>
<th>Question 1829</th>
</tr>
</thead>
</table>
| The profit-maximizing rule for a monopolistically competitive firm is to select the quantity at which  
A) marginal revenue equals marginal cost.  
B) average revenue exceeds marginal cost by the greatest amount.  
C) price equals marginal cost.  
D) average revenue equals average total cost. |

<table>
<thead>
<tr>
<th>Question 1830</th>
</tr>
</thead>
</table>
| Suppose when the price of laptops fall, college students buy more laptops. This implies that  
A) there is a positive relationship between laptop prices and quantities purchased by college students.  
B) there is a negative relationship between laptop prices and quantities purchased by college students.  
C) there is a direct relationship between laptop prices and quantities purchased by college students. |

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D) there is a one-to-one relationship between laptop prices and quantities purchased by college students.

**Question 1831**

In the United States in 2012, the percentage of firms that employed between 3 and 199 workers and did not offer health insurance as a fringe benefit to the workers was about
A) 2%.
B) 39%.
C) 61%.
D) 98%.

**Question 1832**

In monopolistic competition, if a firm produces a highly desirable product relative to its competitors, the firm will be able to raise its price without losing any customers.
[i]True[/i] or [i]false[/i]?

**Question 1833**

The primary purpose of patents and copyrights is to
A) provide owners with large profit forever.
B) protect firms from being taken advantage of by competing firms.
C) protect domestic firms from foreign competition.
D) encourage the expenditure of funds on research and development to create new products.

**Question 1834**

In a free market there are significant restrictions on how a good or service can be produced or sold.
[i]True[/i] or [i]false[/i]?

**Question 1835**

Which of the following statements explains the difference between diminishing returns and diseconomies of scale?
A) Diminishing returns are the result of changes in explicit costs. Diseconomies of scale are the result of changes in explicit costs and implicit costs.
B) Diminishing returns refer to production while diseconomies of scale refer to costs.
C) Diminishing returns cause a firm's marginal cost curve to rise; diseconomies of scale cause a firm's marginal cost curve to fall.
D) Diminishing returns apply only to the short run; diseconomies of scale apply only in the long run.

**Question 1836**

If the Fed raises its target for the federal fund rate, this indicates that
A) the Fed is pursuing an expansionary monetary policy.
B) the Fed is pursuing a contractionary monetary policy.
C) the Fed is attempting to combat deflation.
D) The Fed is concerned that the growth in aggregate demand is too slow to keep up with potential GDP.

**Question 1837**

Suppose the Fed decreases the money supply. In response households and firms will ________ short term assets and this will drive ________ interest rates.
A) buy; up
B) buy; down
C) sell; up
D) sell; down

**Question 1838**

How are the fundamental economic decisions determined in Cuba?
A) Individuals, firms, and the government interact in a market to make these economic decisions.
B) These decisions are made by the country’s elders who have had much experience in answering these questions.
C) The government decides because Cuba is a centrally planned economy.
D) The United Nations decides because Cuba is a developing economy.

**Question 1839**

If you burn your trash in the back yard in spite of regulations against it, then you are
A) acting economically irrationally and creating a social cost.
B) avoiding the private costs associated with disposing your trash some other way and creating a social cost.
C) acting rationally and creating a positive externality.
D) saving landfill space and creating a social benefit.

**Question 1840**

If Gladys sells her 1998 Jeep Cherokee for $3,500 in 2013, the sale of her car contributes $3,500 to 2013 GDP.
[i]True[/i] or [i]false[/i]?

**Question 1841**

If government increases taxes by the same amount it increases government spending, there will be no effect on aggregate demand: the increase in government spending is offset by an equal decrease in consumption spending by households.
[i]True[/i] or [i]false[/i]?

**Question 1842**

The majority of the federal government debt is held by government agencies.
[i]True[/i] or [i]false[/i]?

**Question 1843**

Firms do not have market power in which of the following market structures?
A) perfect competition only
B) perfect competition and monopolistic competition
C) oligopoly
D) monopoly

**Question 1844**

What happens in the secondary market?
A) secondary inputs like electricity are sold
B) a corporate financial manager will raise funds for expansion of the firm
C) newly issued claims are sold by the borrowing firm to the initial buyer
D) already issued claims are sold from one investor to another

**Question 1845**

Which of the following is not a characteristic of a monopolistically competitive firm in long-run equilibrium?
A) Marginal revenue is equal to marginal cost.
B) Price is equal to average revenue.
C) The firm has excess capacity.
D) Price is equal to marginal cost.

**Question 1846**

A patent is a government-imposed entry barrier because
A) it allows a firm to achieve economies of scale.
B) it is a key input owned by the firm that is granted the patent.
C) it limits the quantity of a good that can be imported into a country.
D) it gives a firm the exclusive right to a new product for a period of 20 years from the date the product is invented.
Question 1847
Which of the following would explain why accounting profit might be greater than economic profit?
A) A firm has implicit costs as well as explicit costs.
B) A firm has only explicit costs.
C) A firm's net income is greater than its accounting profit.
D) A firm's net income is less than its accounting profit.

Question 1848
Inflation rates during the years 1979-1981 were the highest the United States has ever experienced during peacetime.
[i]True[/i] or [i]false[/i]?

Question 1849
Which of the following is a result of government price controls?
A) Some people win and some people lose.
B) Price controls benefit poor consumers but harm producers and wealthy consumers.
C) Price controls increase economic efficiency.
D) The deadweight loss from price ceilings is greater than the deadweight loss from price floors.

Question 1850
Suppose the government mandates the installation of certain type of pollution abatement equipment for the leather tannery industry. For some firms in the industry, installing this equipment may not be the most cost effective method of reducing pollution.
[i]True[/i] or [i]false[/i]?

Question 1851
Allison's Auto Art is a company that applies pinstripes to vehicles. Allison's cost for a basic 1-color pinstriping job is $35, and she charges $95 for this service. For a total price of $175, Allison will apply a fancier 3-color pinstripe application to an automobile, a service that adds an additional $40 to the total cost of the package. What is Allison's marginal benefit if she sells a basic 1-color job?
A) $35
B) $60
C) $95
D) The marginal benefit cannot be determined.

Question 1852
Which of the following is counted in GDP?
A) the value of goods and services produced in the underground economy
B) the cost of a speed boat purchased by drug smugglers
C) the value of do-it-yourself work
D) the value of leisure

Question 1853
A corporation's management
A) owns the corporation.
B) hires the board of directors.
C) are liable for the corporation's debts.
D) operates and controls a corporation in its day-to-day activities.

Question 1854
Which of the following would cause a decrease in the equilibrium price and decrease in the equilibrium quantity of papayas?
A) a decrease in supply and an increase in demand
B) a decrease in demand
<table>
<thead>
<tr>
<th>Question 1855</th>
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<tbody>
<tr>
<td>If, as a person consumes more and more of a good, each additional unit adds less satisfaction than the previous unit consumed, we are seeing the workings of</td>
</tr>
<tr>
<td>A) the law of demand.</td>
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<tr>
<td>B) the law of supply.</td>
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<tr>
<td>C) the law of increasing marginal opportunity cost.</td>
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<td>D) the law of diminishing marginal utility.</td>
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<thead>
<tr>
<th>Question 1856</th>
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<tbody>
<tr>
<td>The quantity theory of money was derived from the quantity equation by asserting that</td>
</tr>
<tr>
<td>A) real output was fixed.</td>
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<tr>
<td>B) the money supply was fixed.</td>
</tr>
<tr>
<td>C) the velocity of money was fixed.</td>
</tr>
<tr>
<td>D) the velocity of money was zero.</td>
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<thead>
<tr>
<th>Question 1857</th>
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<tbody>
<tr>
<td>If there is currently a surplus of dollars, which of the following would you expect to see in the foreign exchange market?</td>
</tr>
<tr>
<td>A) The dollar will appreciate.</td>
</tr>
<tr>
<td>B) The dollar will depreciate.</td>
</tr>
<tr>
<td>C) There will be a decrease in the demand for dollars.</td>
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<tr>
<td>D) There will be a decrease in the supply of dollars.</td>
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<table>
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<tr>
<th>Question 1858</th>
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<tbody>
<tr>
<td>The rate of interest banks charge other banks for overnight loans of reserves is the</td>
</tr>
<tr>
<td>A) discount rate.</td>
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<tr>
<td>B) prime rate.</td>
</tr>
<tr>
<td>C) federal funds rate</td>
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<tr>
<td>D) real rate.</td>
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<tr>
<th>Question 1859</th>
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<tbody>
<tr>
<td>A tax imposed by a government on imports of a good into a country is called</td>
</tr>
<tr>
<td>A) an import levy.</td>
</tr>
<tr>
<td>B) an import fine.</td>
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<tr>
<td>C) a tariff.</td>
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<tr>
<td>D) an import quota.</td>
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<table>
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<tr>
<th>Question 1860</th>
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<tbody>
<tr>
<td>An increase in the price of pineapples will result in</td>
</tr>
<tr>
<td>A) a smaller quantity of pineapples supplied.</td>
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<tr>
<td>B) a larger quantity of pineapples supplied.</td>
</tr>
<tr>
<td>C) a decrease in the demand for pineapples.</td>
</tr>
<tr>
<td>D) an increase in the supply of pineapples.</td>
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<table>
<thead>
<tr>
<th>Question 1861</th>
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<tbody>
<tr>
<td>If the number of firms producing mouthwash increases and consumer preference for mouthwash increases, the equilibrium price of mouthwash will definitely increase.</td>
</tr>
<tr>
<td>[ ] True [ ] or [ ] False</td>
</tr>
</tbody>
</table>
Question 1862
An increase in the discount rate ________ bank reserves and ________ the money supply if banks respond appropriately to the change in the rate.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Question 1863
If the price of propane-fueled gas grills was to decrease, then
A) the demand for propane would decrease.
B) the demand for propane would increase.
C) the quantity of propane demanded would increase.
D) the quantity of propane demanded would decrease.

Question 1864
Jenna runs a small boutique in Capitola. She tells one of her suppliers that she is willing to pay $6 for a pair of wool hand warmers and not a dime more. On the basis of this information, what can you conclude about her price elasticity of demand for wool hand warmers?
A) It is elastic.
B) It is perfectly elastic.
C) It is perfectly inelastic.
D) The price elasticity coefficient is 0.

Question 1865
The interest rate that banks charge other banks for overnight loans is the
A) prime rate.
B) discount rate.
C) federal funds rate.
D) Treasury bill rate.

Question 1866
Government intervention in agriculture began in the United States in the 1890s.
[i]True[/i] or [i]false[/i]?

Question 1867
If you transfer all of your currency to your checking account, then initially, M1 will ________ and M2 will ________.
A) increase; not change
B) not change; increase
C) not change; not change
D) decrease; increase

Question 1868
Which of the following are implicit costs for a typical firm?
A) the cost of labor
B) the opportunity cost of capital owned and used by the firm
C) the cost of energy used in production
D) a business licensing fee

Question 1869
Identify two ways by which the government controls monopolies?
Question 1870

Use the money demand and money supply model to show graphically and explain the effect on interest rates of the Federal Reserve's open market purchase of Treasury securities.

Question 1871

As a consumer consumes more and more of a product in a particular time period, eventually marginal utility
A) rises.
B) is constant.
C) declines.
D) fluctuates.

Question 1872

The cost of raising beef cattle has risen at the same time as consumer preference for beef has fallen. In the market for beef, this would be represented by the equilibrium price ________ and the equilibrium quantity ________.
A) increasing; increasing or decreasing
B) increasing or decreasing; decreasing
C) decreasing; increasing or decreasing
D) increasing or decreasing; increasing

Question 1873

Compared to other high-income countries, health care spending per person in the United States has been
A) growing at a faster rate.
B) declining at a faster rate.
C) growing at approximately the same rate.
D) declining at approximately the same rate.

Question 1874

Suppose your expenses for this term are as follows: tuition: $5,000, room and board: $3,000, books and other educational supplies: $500. Further, during the term, you can only work part-time and earn $4,000 instead of your full-time salary of $10,000. What is the opportunity cost of going to college this term, assuming that your room and board expenses would be the same even if you did not go to college?
A) $5,500
B) $8,500
C) $11,500
D) $14,500

Question 1875

In 1995 ________, which was established in 1948, was replaced by ________.
A) the GATT; the WTO
B) the WTO; NAFTA
C) the Smoot-Hawley Tariff; the GATT
D) NAFTA; the Smoot-Hawley Tariff

Question 1876

Adverse selection is a situation in which one party to a transaction takes advantage of knowing more than the other party to the transaction.
[i]True[/i] or [i]false[/i]?

Question 1877

Which of the following could explain why there is an increase in potential GDP but the equilibrium level of GDP falls?
A) SRAS shifted to the right by more than LRAS.
B) AD shifted to the right by more than SRAS.
C) AD shifted to the right by less than SRAS.

### Question 1878

If by purchasing more apples and fewer oranges you increase your total utility, then apples must be cheaper than oranges.  
**[i]True[/i]** or **[i]false[/i]**?  

### Question 1879

Economists played a key role in the development of merger guidelines by the Department of Justice and the Federal Trade Commission in 1982. These guidelines have three main parts. What are these parts?  
A) concentration ratios; the Herfindahl-Hirschman Index; market standards  
B) concentration standards; concentration ratios; competitive analysis  
C) economic analysis; political analysis; dynamic analysis  
D) market definition; measure of concentration; merger standards  

### Question 1880

Recent changes occurring within the U.S. health care system, including lower insurance reimbursement rates, have resulted in  
A) a growing number of doctor's choosing to open private practices.  
B) more medical practices being owned by hospitals than by individual doctors.  
C) a majority of hospitals closing routine medical practices in order to focus only on emergency care facilities.  
D) a majority of doctors working directly for insurance companies.  

### Question 1881

The money market model is concerned with ______ and the loanable funds market model is concerned with ______.  
A) short-term real interest rates; long-term nominal interest rates  
B) short-term nominal interest rates; long-term nominal interest rates  
C) short-term real interest rates; long-term real interest rates  
D) short-term nominal interest rates; long-term real interest rates  

### Question 1882

If, in response to a decrease in the price of grapes, the quantity of grapes demanded increases, economists would describe this as  
A) an increase in demand.  
B) an increase in quantity demanded.  
C) a change in consumer income.  
D) an increase in consumers' taste for coffee.  

### Question 1883

The financial statement that sums up a firm's revenues, costs, and profit over a period of time is its  
A) income statement.  
B) balance sheet.  
C) dividend yield statement.  
D) price-earnings statement.  

### Question 1884

Wendell can sell five motor homes per week at a price of $22,000. If he lowers the price of motor homes to $20,000 per week he will sell six motor homes. What is the marginal revenue of the sixth motor home?  
A) $10,000  
B) $12,000  
C) $20,000  
D) $22,000  

### Question 1885
Question 1886

Protectionism refers to the use of trade barriers to shield domestic firms from foreign competition.
[i]True[/i] or [i]false[/i]?

Question 1887

Which of the following is the largest category of federal government expenditures?
A) defense spending
B) transfer payments
C) interest on the debt
D) grants to state and local governments

Question 1888

In the Taylor rule, does the target for the federal funds rate respond differently for a recession caused by a decrease in aggregate demand and for a recession caused by a decrease in short-run aggregate supply? Explain whether there is or is not a difference in how the target for the federal funds rate changes.

Question 1889

The demand for durable goods
A) has decreased over time.
B) declines by a greater percentage than does GDP during a recession.
C) declines by a smaller percentage than does GDP during a recession.
D) rises by a greater percentage than does GDP during a recession.

Question 1890

Some economists have argued that certain characteristics of the delivery of health care justify government intervention. One of these characteristics is
A) health care is a public good.
B) health care is nonrivalrous and nonexcludable.
C) health care generates negative externalities.
D) health care generates positive externalities.

Question 1891

In a report made to the U.S. Congress in 2001, the National Academy of Sciences cautioned that if fuel economy encourages the production of smaller and lighter cars, "Some additional traffic fatalities would be expected." This statement suggests that
A) U.S. auto manufacturers are more concerned about producing fuel efficient cars to compete with their Japanese and South Korean rivals than about consumer safety.
B) there is a tradeoff between safety and fuel economy.
C) society should value safety more highly than fuel economy.
D) society should value fuel economy more highly than consumer safety because of the long term environment benefits generated by less gasoline use.

Question 1892

What is moral hazard?

Question 1893

The most important barrier to entry is economies of scale.
[i]True[/i] or [i]false[/i]?
Question 1894
Zane’s Vanes is a service that restores old weather vanes. Zane has just spent $125 purchasing a 1920s era weather vane which he expects to restore and sell for $500 once the work is completed. After having spent $125, Zane realizes that he will need to spend an additional $200 on materials to complete the restoration. Alternatively, he can sell the weather vane without restoring it for $200. What should he do?
A) He should sell the weather vane now to make the most profit.
B) It does not matter what he does; he is going to take a loss on the project.
C) He should finish the restoration and then sell the weather vane.
D) He should sell the weather vane back to the party he purchased it from and cut his losses.

Question 1895
What is the main difference between a consumption tax and an income tax?
A) A consumption tax requires households to pay taxes only on the income they have left after consumption, while an income tax requires households to pay taxes on all earned income before consumption.
B) A consumption tax requires households to pay taxes only on the income they spend, while an income tax requires households to pay taxes on all earned income.
C) A consumption tax always generates less revenue than an income tax.
D) There is no difference between a consumption tax and an income tax.

Question 1896
Which of the following refers to the increase in the usefulness of a product as the number of consumers who use it increases?
A) positive externalities
B) network externalities
C) external marginal utility
D) the impact of celebrity endorsements

Question 1897
In a closed economy, which of the following components of GDP is not included?
A) investment
B) government spending
C) net exports
D) consumption

Question 1898
If a perfectly competitive firm's price is above its average total cost, the firm
A) is earning a profit.
B) should shut down.
C) is incurring a loss.
D) is breaking even.

Question 1899
Briefly describe the types of health care systems in Canada, Japan, and the United Kingdom.

Question 1900
Suppose when the price of hybrid automobiles rises, consumers buy fewer hybrid automobiles. This implies that
A) there is a positive relationship between hybrid automobile prices and quantities purchased by consumers.
B) there is a negative relationship between hybrid automobile prices and quantities purchased by consumers.
C) there is a direct relationship between hybrid automobile prices and quantities purchased by consumers.
D) there is a one-to-one relationship between hybrid automobile prices and quantities purchased by consumers.

Question 1901
Jake sells Star Wars memorabilia on eBay. His annual revenue is $42,000 per year, the explicit costs of his business are $10,000, and the opportunity
costs of his business are $18,000 per year. What is his economic profit?
A) $14,000
B) $24,000
C) $32,000
D) $34,000

Which of the following best describes supply-side economics?
A) Labor productivity affects aggregate supply.
B) Education affects labor productivity which affects aggregate supply.
C) Education affects the incentive to work, save, and invest and, therefore, aggregate supply.
D) Tax rates, particularly marginal tax rates, affect the incentive to work, save, and invest and, therefore, aggregate supply.

The total amount of producer surplus in a market is equal to the area below the supply curve.
[True] or [False]?

How does the decreasing use of DVD players affect the market for prerecorded DVDs?
A) The demand curve for prerecorded DVDs shifts to the right.
B) The quantity of prerecorded DVDs demanded decreases.
C) The quantity of prerecorded DVDs demanded increases.
D) The demand curve for prerecorded DVDs shifts to the left.

The Herfindahl-Hirschman Index is one factor used to determine whether a merger between two firms should be allowed. Which of the following statements regarding the value of the Index for a given industry is true?
A) If a merger would result in an Index value less than 1,000, the merger would not be challenged.
B) If a merger would result in an Index value of 1,000 or more, the industry would be considered a monopoly and the merger would be challenged.
C) If a merger resulted in an Index of between 1,000 and 1,800, the industry would be considered competitive and the merger would not be challenged.
D) If a merger would increase the Index by 100, the industry would be considered a monopoly and the merger would be challenged.

Which term refers to a legally established minimum price that firms may charge?
A) a price ceiling
B) a subsidy
C) a price floor
D) a tariff

One example of human capital is the amount of savings that you have.
[True] or [False]?

A period of expansion in the business cycle ends when
A) real GDP is equal to potential GDP.
B) the business cycle reaches its peak.
C) the business cycle reaches its trough.
D) real GDP is less than potential GDP.
Question 1909

Which of the following is a macroeconomics question?
A) What determines the unemployment rate?
B) How is the production quantity of digital cameras determined?
C) What factors determine the price of iPhones?
D) What determines the wages and benefits of flight attendants?

Question 1910

Deflation occurs when
A) there is a sustained increase in the price level.
B) there is a one-time increase in the price level.
C) there is a decline in the price level.
D) there is a decrease in the expected rate of inflation.

Question 1911

A tariff is a tax imposed by a government on imports.
[i]True[/i] or [i]false[/i]?

Question 1912

When there is an externality in a market
A) the externality will move the market to an economically efficient equilibrium.
B) the externality will cause the market price to be less than or greater than the equilibrium price.
C) the government should use price controls to enable the market to reach equilibrium.
D) government intervention may increase economic efficiency.

Question 1913

According to Marx, which of the following factors of production did not contribute anything of value to production?
A) labor
B) capital
C) natural resources
D) entrepreneurship

Question 1914

An increase in government spending increases the supply of money in our economy.
[i]True[/i] or [i]false[/i]?

Question 1915

The income effect explains why there is an inverse relationship between the price of a product and the quantity of the product demanded.
[i]True[/i] or [i]false[/i]?

Question 1916

Which of the following is a factor of production?
A) an oven in a bakery
B) a share of General Motors stock
C) a credit card
D) a $500 Treasury bond

Question 1917

Once an industry becomes established in a certain area firms that locate in that area gain advantages over firms located elsewhere, leading to lower costs of production. Economists refer to the lower costs that result from increases in the size of an industry in a certain area as
A) external economies.  
B) positive externalities.  
C) strategic advantages.  
D) technological change.  

Question 1918

Your roommate, Serafina, a psychology major, said, “The problem with economics is that it assumes that consumers and firms always make the correct decision. But we know that everyone’s human, and we all make mistakes.” Do you agree with her comment?  
A) Yes, I agree with her. One cannot make predictions about economic behavior because in reality people make incorrect choices in many situations.  
B) I disagree with her. Economics does not study correct or incorrect behaviors but rather it assumes that economic agents behave rationally, meaning they make the best decisions given their knowledge of the costs and benefits.  
C) Yes, I agree with her. Economic theory should allow for irrational behavior so that we can have more reliable predictions.  
D) I disagree with her. If we cannot assume that decisions are correct, then we will not be able to examine the moral implications of these decisions.  

Question 1919

If the exchange rate changes from $0.08 = 1 mexican peso to $0.09 = 1 mexican peso, then  
A) both the peso and dollar have appreciated.  
B) both the peso and dollar have depreciated.  
C) the peso has appreciated and the dollar has depreciated.  
D) the peso has depreciated and the dollar has appreciated.  

Question 1920

Peanut butter and jelly are complements. If the price of peanut butter increases, the demand for jelly will increase.  
[i]True[/i] or [i]false[/i]?  

Question 1921

The quantity equation states that  
A) the money supply (M) divided by the velocity of money (V) equals the price level (P) divided by real output (Y), i.e., M/V = P/Y.  
B) M × V = P × Y.  
C) M + V = P + Y.  
D) M - V = P - Y.  

Question 1922

Suppose that nominal GDP in 2013 was less than real GDP in 2013. Given this information, we know for certain that  
A) the price level in 2013 was greater than the price level in the base year.  
B) the price level in 2013 was less than the price level in the base year.  
C) real GDP in 2013 was less than real GDP in the base year.  
D) real GDP in 2013 was greater than real GDP in the base year.  

Question 1923

What is a private cost of production? What is a social cost of production? When is the private cost of production equal to the social cost of production?  

Question 1924

Suppose in Belgium, the opportunity cost of producing a trombone is 8 clarinets. In Denmark, the opportunity cost of producing a trombone is 6 clarinets.  
a. What is the opportunity cost of producing a clarinet for Belgium?  
b. What is the opportunity cost of producing a clarinet for Denmark?  
c. Which country has a comparative advantage in the production of clarinets?  
d. Which country has a comparative advantage in the production of trombones?  

Question 1925
For each pair of items below determine which product would have the higher price elasticity of demand (in absolute value).

a. Insulin for a diabetic or aspirin for someone suffering a headache.
b. A new Whirlpool 27 cu.ft. side-by-side refrigerator or electricity to power your all-electric home.
c. A can of Red Bull or soft drinks in general.

Answer: [Link to forum discussion]

Question 1926

Most payments in the United States for goods and services are made using
A) currency.
B) checking account deposits.
C) traveler's checks.
D) gold.

Answer: [Link to forum discussion]

Question 1927

Which of the following is an example of an implicit cost a firm might incur?
A) the out-of-pocket expense to hire resources
B) taxes owed to the state and Federal governments
C) the rental value of the office space the company owns and uses for itself
D) the revenue a firm generates in using its resources

Answer: [Link to forum discussion]

Question 1928

All of the following would be considered explicit costs of operating a business except
A) rent paid to a landlord.
B) bonuses paid to employees.
C) a normal rate of return for investors.
D) corporate income taxes.

Answer: [Link to forum discussion]

Question 1929

________ is the ability to produce more of a good or service than competitors when using the same amount of resources.
A) Absolute advantage
B) Comparative advantage
C) Trade superiority
D) Trade autarky

Answer: [Link to forum discussion]

Question 1930

Bank panics have largely disappeared in the United States because
A) banks are now required to hold a larger fraction of deposits as reserves.
B) bank loans are more closely monitored by the Federal Reserve.
C) of low interest rates.
D) of deposit insurance.

Answer: [Link to forum discussion]

Question 1931

What are the three main sets of factors that cause the supply and demand curves in the foreign exchange market to shift?

Answer: [Link to forum discussion]

Question 1932

A monopolistically competitive firm should lower its price if its marginal revenue exceeds its marginal cost. [True] or [False]

Answer: [Link to forum discussion]

Question 1933

Fiat money is generally issued by
A) private banks.
B) central banks.

Answer: [Link to forum discussion]
<table>
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<tr>
<th>Question 1934</th>
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</table>
| **C) brokerage firms.**  
**D) major multinational corporations.**  

**Question 1935**

**Economist Steve Landsburg has pointed out that Ebenezer Scrooge's change in behavior from miser to spender might actually be detrimental to the economy because**

**A) Scrooge's miserly saving helped contribute to the production of investment goods rather than consumption goods.**

**B) Scrooge was happiest when he was saving money, and happiness is the key to economic growth.**

**C) saving has to be greater than consumption for the economy to grow.**

**D) Scrooge's consumption habits were more detrimental to the environment than were his earlier saving habits.**


**Question 1936**

**Suppose that the economy is producing above potential GDP and the Fed implements the correct change in monetary policy, but not until after the economy has passed the peak of the boom. Then**

**A) the Fed's contractionary policy will result in too large of a decrease in GDP.**

**B) the Fed's contractionary policy will result in too small of a decrease in GDP.**

**C) the Fed's expansionary policy will result in too small of a decrease in GDP.**

**D) the Fed's expansionary policy will result in too large of an increase in GDP.**


**Question 1937**

**Use a long-run average cost curve graph to illustrate how diseconomies of scale would not make it beneficial for two companies to go through with a merger.**


**Question 1938**

**The entry and exit of firms in a monopolistically competitive market guarantee that**

**A) marginal revenue equals marginal cost and average total cost is minimized.**

**B) firms can earn economic profits in the long run.**

**C) price equals average total cost in the long run.**

**D) firms can earn economic profits in the short run.**


**Question 1939**

**The relationship between consumer spending and disposable personal income is**

**A) an inverse relationship.**

**B) a direct relationship.**

**C) a negative relationship.**

**D) independent.**


**Question 1940**

**In a perfectly competitive industry, in the long-run equilibrium**

**A) the typical firm is producing at the output where its long-run average total cost is not minimized.**

**B) the typical firm is earning an accounting profit greater than its implicit costs.**

**C) the typical firm earns zero profit.**

**D) the typical firm is maximizing its revenue.**


**Question 1941**

**In the United States, health care spending as a percentage of GDP has declined since 1965.**

**[I]True[I] or [I]false[I]?**

Question 1942

Tanesha sells homemade candles over the Internet. Her annual revenue is $64,000 per year, the explicit costs of her business are $17,000, and the opportunity costs of her business are $22,000. What are the implicit costs of her business?

A) $17,000
B) $22,000
C) $39,000
D) $47,000

Question 1943

In Year 1 suppose the economy is at potential GDP and that the federal budget deficit equals $100 billion. In Year 2 the federal budget deficit rises to $150 billion, but the cyclically adjusted budget deficit falls to $75 billion. How can the actual budget deficit rise and the cyclically adjusted budget deficit fail?


Question 1944

Which of the following would increase public saving?

A) an increase in taxes
B) an increase in transfers
C) an increase in government purchases
D) All of the above would increase public saving.

Question 1945

The efficient level of paper production will occur where the
A) marginal private benefit from consuming paper is equal to the marginal social cost of production.
B) marginal social benefit from consuming paper is equal to the marginal social cost of production.
C) the economically efficient level of the output of paper is equal to the economically efficient level of inputs.
D) production of paper no longer produces negative externalities.

Question 1946

Is the value of U.S. exports typically larger or smaller than the value of U.S. imports.

Question 1947

If a firm's goal is to maximize revenue, it will price its product to correspond to the unit-elastic segment of its demand curve.

[i]True[/i] or [i]false[/i]?

Question 1948

In the long run
A) GDP = potential GDP.
B) unemployment is below its natural rate.
C) LRAS and SRAS lie on the same line.
D) unemployment is above its natural rate.

Question 1949

If firms do not earn economic profits in a competitive equilibrium, why would the firms choose to stay in business?

Question 1950

An increase in disposable income will shift the aggregate demand curve to the right.

[i]True[/i] or [i]false[/i]?
Question 1951
Which type of businesses earns the majority of profits in the United States?
A) corporations
B) partnerships
C) sole proprietorships
D) none of these

Question 1952
When voluntary exchange takes place, both parties gain from the exchange.
[i]True[/i] or [i]false[/i]?

Question 1953
In 1930, the U.S. government attempted to help domestic firms that were harmed by the Great Depression by passing the Smoot-Hawley Tariff. In response to this tariff, other countries _________ and international trade _________.
A) lowered their tariffs; thrived
B) raised their tariffs; collapsed
C) eliminated tariffs; began to grow outside of the United States
D) doubled their tariffs; became unrestricted

Question 1954
If workers leave a country to seek out better opportunities in another country, then this will
A) shift the short-run aggregate supply curve of the original country to the left.
B) shift the short-run aggregate supply curve of the original country to the right.
C) move the original economy up along a stationary short-run aggregate supply curve.
D) move the original economy down along a stationary short-run aggregate supply curve.

Question 1955
In which of the following countries are substantial co-payments typically required as a part of the health care system?
A) Canada and the United States
B) Japan and Canada
C) the United States and Japan
D) the United States and the United Kingdom

Question 1956
The principal-agent problem that exists between shareholders and managers also exists between managers and workers.
[i]True[/i] or [i]false[/i]?

Question 1957
All of the following cost curves are U-shaped except one. Which curve is not U-shaped?
A) the marginal cost curve
B) the average fixed cost curve
C) the average total cost curve
D) the average variable cost curve

Question 1958
The largest proportion of M1 is made up of
A) currency.
B) checking account deposits.
C) traveler’s checks.
D) savings account deposits.
E) time deposits.
Question 1959
Just before, during, and after the recession of 2007-2009, net exports in the United States
A) fell and remained negative
B) fell, but remained positive
C) rose and became positive.
D) rose, but remained negative.

Question 1960
Why is it necessary for all economic systems to not only provide people with goods and services, but also restrict them from getting as much of these goods and services as they wish?
A) Failure to do this could reduce the efficiency of the system by producing some goods and services that are not as highly valued as others.
B) Failure to do this could lead to an inequitable allocation of goods and services produced.
C) Failure to do this could lead to drastic shortages of goods and services.
D) Failure to do this could reduce efficiency and lead to an inequitable allocation of output.

Question 1961
If your nominal wage rises faster than the price level, we can say your real wage has ______ and the purchasing power of your income has ______.
A) fallen; fallen
B) fallen; risen
C) risen; risen
D) risen; fallen

Question 1962
Specializing in the production of a good or service in which one has a comparative advantage enables a country to do which of the following?
A) never have to engage in trade with other nations.
B) increase the variety of products that it can produce with a decrease in resources.
C) consume a combination of goods that lies outside its own production possibilities frontier.
D) produce a combination of goods that lies outside its own production possibilities frontier.

Question 1963
How does the owner of a sole proprietorship relate to the business?
A) The owner and the business are separate legal entities.
B) The owner and the business are not separate legal entities.
C) The assets of the owner are considered separate from the asset of the business.
D) None of these describe the legal relationship of the owner to the business.

Question 1964
A monopolistically competitive market is described as one in which there are
A) a few firms producing an identical product.
B) a large number of firms selling similar, but not identical, products.
C) a few firms producing differentiated products.
D) one large firm and many small firms producing identical products.

Question 1965
One consequence of adverse selection in the market for used cars is that most used cars sold will be lemons. [i]True[/i] or [i]false[/i]?

Question 1966
In order to derive an individual's demand curve for salmon, we would observe what happens to the utility-maximizing bundle when we change
### Question 1967

A firm will break even when

<table>
<thead>
<tr>
<th>Option</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>( P = ATC )</td>
</tr>
<tr>
<td>B)</td>
<td>( P &gt; ATC )</td>
</tr>
<tr>
<td>C)</td>
<td>( P &lt; AVC )</td>
</tr>
<tr>
<td>D)</td>
<td>( P = AVC )</td>
</tr>
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</table>

**Answer:** [Link](https://biology-forums.com/index.php?topic=319520)

### Question 1968

The U.S. Health Resources and Services Administration (HRSA) forecasts that in 2020

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
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<tbody>
<tr>
<td>A)</td>
<td>There will be a shortage of doctors in the United States.</td>
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<tr>
<td>B)</td>
<td>The number of doctors in the United States will decrease and the number of doctors needed will increase.</td>
</tr>
<tr>
<td>C)</td>
<td>The number of doctors in the United States will increase and the number of doctors needed will decrease.</td>
</tr>
<tr>
<td>D)</td>
<td>There will be a surplus of doctors in the United States.</td>
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</table>

**Answer:** [Link](https://biology-forums.com/index.php?topic=312126)

### Question 1969

A perfectly competitive firm's supply curve is its

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>A)</td>
<td>Marginal cost curve.</td>
</tr>
<tr>
<td>B)</td>
<td>Marginal cost curve above its minimum average total cost.</td>
</tr>
<tr>
<td>C)</td>
<td>Marginal cost curve above its minimum average variable cost.</td>
</tr>
<tr>
<td>D)</td>
<td>Marginal cost curve above its minimum average fixed cost.</td>
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</tbody>
</table>

**Answer:** [Link](https://biology-forums.com/index.php?topic=319571)

### Question 1970

The _______ curve is vertical.

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>A) short-run aggregate supply</td>
<td></td>
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<tr>
<td>B) short-run aggregate demand</td>
<td></td>
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<tr>
<td>C) long-run aggregate supply</td>
<td></td>
</tr>
<tr>
<td>D) long-run aggregate demand</td>
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**Answer:** [Link](https://biology-forums.com/index.php?topic=322576)

### Question 1971

The impact of crowding out may be the least

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
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<tbody>
<tr>
<td>A) during a deep recession.</td>
<td></td>
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<tr>
<td>B) when real GDP is above but close to potential GDP.</td>
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<tr>
<td>C) during an expansion.</td>
<td></td>
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<tr>
<td>D) when real GDP is below but close to potential GDP.</td>
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</tbody>
</table>

**Answer:** [Link](https://biology-forums.com/index.php?topic=324290)

### Question 1972

Consider the following statements:

a. Consumers buy more MP3 players from an electronics store that sells MP3 players at a lower price than other rival electronics stores in the area.
b. Schools take steps to increase security since they believe it is more costly to allow vandalism than to hire additional security guards.
c. Citrus growers produce more oranges when the selling price of oranges falls.

Which of the above statements demonstrates that economic agents respond to incentives?

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) a only.</td>
<td></td>
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<tr>
<td>B) b only.</td>
<td></td>
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<tr>
<td>C) c only.</td>
<td></td>
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<tr>
<td>D) a and b.</td>
<td></td>
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<tr>
<td>E) a, b, and c.</td>
<td></td>
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</tbody>
</table>

**Answer:** [Link](https://biology-forums.com/index.php?topic=311138)

### Question 1973

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Assume that you own a small boutique hotel. In an attempt to raise revenue you reduce your rates by 20 percent. However, your revenue falls. What does this indicate about the demand for your boutique hotel rooms?
A) Boutique hotel rooms are inferior goods.
B) Demand is inelastic.
C) The demand curve for your hotel rooms is vertical.
D) Demand is elastic.

Question 1974

The basic activity of a firm is
A) to set the prices of its products as high as possible.
B) to compete with other firms that produce similar products.
C) to provide jobs for its employees.
D) to use inputs to produce outputs of goods and services.

Question 1975

Which of the following could cause nominal GDP to decrease, but real GDP to increase?
A) The price level rises and the quantity of final goods and services produced rises.
B) The price level falls and the quantity of final goods and services produced rises.
C) The price level rises and the quantity of final goods and services produced falls.
D) The price level falls and the quantity of final goods and services produced falls.

Question 1976

The processes used to produce goods and services describes
A) innovation.
B) entrepreneurship.
C) technology.
D) capital.

Question 1977

All else equal, the decrease in consumer preference predicted by Apple for its iPhone 5 would be represented by a
A) shift the supply curve for iPhones to the right.
B) shift the supply curve for iPhones to the left.
C) shift the demand curve for iPhones to the right.
D) shift the demand curve for iPhones to the left.

Question 1978

Health Clubs typically experience an increase in one-year memberships in January, but many new customers cancel their memberships before the end of the year. Which of the following is the best explanation for this behavior?
A) Some health club members suffer minor injuries that prevent them from working out.
B) Some people are overly optimistic about their future behavior.
C) Some people fail to treat their membership fees as sunk costs.
D) Some members receive utility from activities they believe are popular.

Question 1979

The CPI in 2010 was 218, while the CPI in 1980 was 82. If you had $5,000 in 1980, its equivalent purchasing power in 2008 would be $10,850.
[i]True[/i] or [i]false[/i]?

Question 1980

Which of the following is not a reason why firms experience economies of scale?
A) Technology can make it possible to increase production with a smaller increase in at least one input.
B) Workers and managers can become more specialized, enabling them to be more productive.
C) Larger firms may be able to purchase inputs at lower costs than smaller competitors.
D) As output increases, the managers can begin to have difficulty coordinating the operations of their firms.
Question 1981

List the five main factors of production.


Question 1982

The level of aggregate supply in the long-run is not affected by
A) changes in technology.
B) changes in the capital stock.
C) changes in the price level.
D) changes in the number of workers.


Question 1983

Which of the following explains why a firm would be interested in knowing the price elasticity of demand for a good it sells?
A) The price elasticity of demand can be used to determine the impact of changes in income on quantity sold.
B) Knowing the price elasticity of demand allows the firm to determine how the cost of producing additional units of the good will change.
C) Knowing the price elasticity of demand allows the firm to calculate how changes in the price of the good will affect the firm's total profit.
D) The price elasticity of demand allows the firm to calculate how changes in the price of the good will affect the firm's total revenue.


Question 1984

If Sanjaya can shuck more oysters in one hour than Tatiana, then Sanjaya has a comparative advantage in shucking oysters.

[i]True[/i] or [i]false[/i]?


Question 1985

One factor which brought on the recession of 2007-2009 was the end of the housing bubble.

[i]True[/i] or [i]false[/i]?


Question 1986

If the market price is $25 in a perfectly competitive market, the marginal revenue from selling the fifth unit is
A) $5.
B) $12.50.
C) $25.
D) $125.


Question 1987

In the United States in 2012, the percentage of people without any form of health insurance was about
A) 16%.
B) 29%.
C) 64%.
D) 83%.


Question 1988

Improvements in inventory control represent a positive technological change because they allow firms to produce the same output with fewer inputs. In recent years, many firms have adopted an inventory system in which firms accept shipments from suppliers as close as possible to the time they will be needed. Wal-Mart has been a pioneer in using inventory control systems to this in its stores. This type of inventory system is called a ________ inventory system.
A) first-in-first-out
B) cash-and-carry
C) just-in-time
D) buy-now-pay-later

Question 1989

The tax wedge is the difference between the
A) amount of taxes needed to balance the federal budget and the actual amount of taxes.
B) amount of taxes needed to pay off the national debt and the actual amount of taxes.
C) pretax and posttax returns to an economic activity.
D) nominal and real interest rates.

Question 1990

If marginal cost is above the average variable cost, then average variable cost is decreasing.
[i]True[/i] or [i]false[/i]?

Question 1991

Which of the following is not true for a firm in perfect competition?
A) Profit equals total revenue minus total cost.
B) Price equals average revenue.
C) Average revenue is greater than marginal revenue.
D) Marginal revenue equals the change in total revenue from selling one more unit.

Question 1992

Molly received an autographed poster of David Hasselhoff for her 21st birthday. Her friend Helga offered her $50 for the poster, but Molly refused to
sell the poster even though she knows she would never pay that much to replace it if it was ever damaged or destroyed. Explain this inconsistency in
Molly's behavior.

Question 1993

"An increase in the price of oranges will increase the demand for grapefruits." This statement is an example of a normative economic statement.
[i]True[/i] or [i]false[/i]?

Question 1994

When a firm faces a downward-sloping demand curve, marginal revenue
A) must exceed price because the price effect outweighs the output effect.
B) is less than price because a firm must lower its price to sell more.
C) equals price because the firm sells a standardized product.
D) must exceed price because the output effect outweighs the price effect.

Question 1995

During the recession of 2007-2009 in the United States, ________ relative to potential GDP.
A) business fixed investment spending rose and net export spending declined
B) consumption spending rose and residential construction spending declined
C) federal government purchases rose and changes in business inventories declined
D) net export spending rose and consumption spending declined

Question 1996

Bill owns "Bill's Home of Blues" a store that specializes in selling CDs and DVDs of blues musicians of the 1960s and 1970s. Bill took out a loan from
his bank to pay for his store and its initial inventory. Bill pays the bank $900 per week for his loan. The $900 bank payment
A) is a long-run implicit cost.
B) is a fixed cost.
C) is a short-run implicit cost.
D) is a variable cost.

Question 1997
The circular flow diagram shows that
A) the value of total income is equal to the total value of expenditures on final goods and services.
B) firms pay households wages, and households receive transfer payments from firms.
C) household spend all their income on goods and services.
D) GDP will be less than the total value of expenditures on final goods and services in the economy.

Question 1998
A central bank like the Federal Reserve in the United States can help banks survive a bank run by
A) printing money.
B) acting as a lender of last resort.
C) raising the discount rate.
D) increasing the required reserve ratio.

Question 1999
A decrease in population shifts the production possibility frontier outwards over time.
[i]True[/i] or [i]false[/i]?

Question 2000
At the minimum efficient scale
A) all possible economies of scale have not been exhausted.
B) the firm has achieved the lowest possible average cost of production.
C) any increases in the scale of operation will encounter further economies of scale.
D) marginal cost is at its minimum.

Question 2001
How are efficiency and inefficiency represented on a production possibilities frontier?

Question 2002
The price elasticity of demand is equal to
A) the value of the slope of the demand curve.
B) the change in quantity demanded divided by the change in price.
C) the percentage change in price divided by the percentage change in quantity demanded.
D) the percentage change in quantity demanded divided by the percentage change in price.

Question 2003
Under the monetary growth rule proposed by the monetarists, the money supply would grow each year at a constant rate equal to the long-run rate of growth of
A) inflation.
B) real GDP.
C) interest rates.
D) employment.

Question 2004
In 18th century Europe, governments gave guilds legal authority to limit production of goods. This authority obstructed the market mechanism because the guild's actions prevented the forces of ________ from coordinating the self-interested decisions of producers and consumers.
A) absolute advantage
B) demand and supply
C) opportunity cost
D) nature

Question 2005
Explain and show graphically how government deficits can "crowd out" private investment.

**Question 2006**

When a firm's long-run average cost curve is horizontal for a range of output, then that range of production displays
A) increasing returns to scale.
B) constant returns to scale.
C) decreasing returns to scale.
D) constant average fixed costs.

**Question 2007**

Which of the following tools of monetary policy is used least often?
A) open market operations
B) setting the required reserve ratio
C) setting the discount rate
D) acting as a lender of last resort

**Question 2008**

An equilibrium in a game in which players pursue their own self-interest is called
A) a Nash equilibrium.
B) a cooperative equilibrium.
C) a noncooperative equilibrium.
D) a prisoner's dilemma.

**Question 2009**

Which of the following arguments could be made as evidence that the market for produce sold at a farmers' market is perfectly competitive?
A) The U.S. Department of Agriculture has established standards for the labeling of organic produce sold at farmers' markets.
B) Sales of organically grown food have increased at a rate of 20 percent per year.
C) As more farmers began selling their products at farmers' markets, the increase in supply has driven down prices to the point where they just cover the cost of production.
D) The profits earned by farmers who sell their products at farmers' markets have continued to grow, despite the increasing number of farmers entering this market.

**Question 2010**

When Audrina raised the price of her home made cookies, her total revenue increased. This suggests that the demand for Audrina's cookies is elastic. [i]True[/i] or [i]false[/i]?

**Question 2011**

By the year 2019, health care's share of gross domestic product in the United States is projected to
A) return to its 1995 level.
B) have declined to only 6.5 percent.
C) be more than three times as high as it was in 1965.
D) reach a level of 75 percent.

**Question 2012**

What is meant by productive efficiency? How does a perfectly competitive firm achieve productive efficiency?

**Question 2013**

By the 2000s, an important change in the mortgage market had occurred when ________ became significant participants in the secondary market for mortgages.
A) investment banks
B) Federal Reserve Banks
<table>
<thead>
<tr>
<th>Question 2014</th>
<th>How does the principal-agent problem extend to managers and employees?</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Question 2015</th>
<th>For which of the following products is social influence likely to have the greatest impact?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) toothpaste</td>
<td></td>
</tr>
<tr>
<td>B) restaurants</td>
<td></td>
</tr>
<tr>
<td>C) high-blood pressure medication</td>
<td></td>
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<tr>
<td>D) school textbook</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Question 2016</th>
<th>Some markets have many buyers and sellers but fall into the category of monopolistic competition rather than perfect competition. The most common reason for this is</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) there are high barriers to entering these markets.</td>
<td></td>
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<tr>
<td>B) firms in these markets sell identical products.</td>
<td></td>
</tr>
<tr>
<td>C) firms in these markets make high profits.</td>
<td></td>
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<tr>
<td>D) firms in these markets do not sell identical products.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Question 2017</th>
<th>If a firm has an incentive to increase supply now and decrease supply in the future, the firm expects that the</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) price of its product will be lower in the future than it is today.</td>
<td></td>
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<tr>
<td>B) price of its product will be higher in the future than it is today.</td>
<td></td>
</tr>
<tr>
<td>C) price of inputs will be lower in the future than they are today.</td>
<td></td>
</tr>
<tr>
<td>D) demand for the product will be lower in the future than it is today.</td>
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<table>
<thead>
<tr>
<th>Question 2018</th>
<th>Your roommate argues that he can think of no better situation than living in a deflationary economy, as prices of goods and services would continuously fall. You disagree and argue that during a deflation, people can be made worse off because</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) the purchasing power of people's incomes would increase.</td>
<td></td>
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<tr>
<td>B) the purchasing power of the currency would decrease.</td>
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<tr>
<td>C) the value of the real interest rate will drop below the nominal interest rate.</td>
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<tr>
<td>D) borrowers will have to pay increasing amounts in real terms over time.</td>
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<table>
<thead>
<tr>
<th>Question 2019</th>
<th>Which of the following countries is not one of the top three exporting countries in the world?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) China</td>
<td></td>
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<tr>
<td>B) Germany</td>
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<tr>
<td>C) South Korea</td>
<td></td>
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<tr>
<td>D) the United States</td>
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<table>
<thead>
<tr>
<th>Question 2020</th>
<th>The ________ shows the relationship between the price level and quantity of real GDP demanded.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) consumer price index</td>
<td></td>
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<tr>
<td>B) aggregate expenditure line</td>
<td></td>
</tr>
<tr>
<td>C) 45-degree line</td>
<td></td>
</tr>
<tr>
<td>D) aggregate demand curve</td>
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<thead>
<tr>
<th>Question 2021</th>
<th></th>
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</thead>
</table>
What is the law of supply? What does this law imply about the shape of the supply curve?

**Question 2022**

A perfectly competitive firm's marginal revenue
A) is greater than price.
B) is less than price because a firm must lower its price to sell more.
C) is equal to price.
D) may be either greater or less than price, depending on the quantity sold.

**Question 2023**

The period between a business cycle peak and a business cycle trough is called
A) expansion.
B) recession.
C) diffusion.
D) recalculation.

**Question 2024**

Economists who believe the supply-side effects of tax cuts are small essentially believe that
A) tax cuts mainly affect aggregate demand.
B) tax cuts mainly affect aggregate supply.
C) tax cuts will increase the quantity of labor supplied.
D) tax cuts will result in relatively small changes in the price level.

**Question 2025**

In the United States during the Great Depression, tariffs were ________ than they were following World War II, and ________ than they are today.
A) higher; higher
B) higher; lower
C) lower; higher
D) lower; lower

**Question 2026**

All of the following are reasons why the wages of workers and the prices of inputs rise more slowly than the prices of final goods and services except
A) unions are successful in pushing up wages.
B) firms are often slow to adjust wages.
C) contracts make prices and wages "sticky."
D) menu costs make some prices sticky.

**Question 2027**

The long-run aggregate supply curve
A) has a negative slope.
B) has a steep but positive slope.
C) is horizontal.
D) is vertical.

**Question 2028**

The required reserves of a bank equal its ________ the required reserve ratio.
A) deposits divided by
B) deposits multiplied by
C) loans divided by
D) loans multiplied by
Question 2029

One factor which brought on the recession of 2007-2009 was the financial crisis in 2008.  
[i]True[/i] or [i]false[/i]?


Question 2030

Natural monopolies in the United States are generally regulated by
A) the Federal Trade Commission.  
B) the Department of Justice.  
C) local or state regulatory commissions.  
D) the Department of Commerce. 


Question 2031

The demand curve for each seller's product in perfect competition is horizontal at the market price because  
A) each seller is too small to affect market price.  
B) the price is set by the government.  
C) all the sellers get together and set the price.  
D) all the demanders get together and set the price. 


Question 2032

What is adverse selection?


Question 2033

If a demand curve shifts to the left, then  
A) demand has increased.  
B) quantity demanded has increased.  
C) demand has decreased.  
D) quantity demanded has decreased. 


Question 2034

If production displays increasing marginal returns, then  
A) total product rises by a constant amount throughout.  
B) each new worker hired adds more to output than previous hires.  
C) the firm must be adding new capital to keep boosting productivity.  
D) total product reaches a maximum sooner than if production displayed decreasing returns. 


Question 2035

If, when a firm doubles all its inputs, its average cost of production increases, then production displays  
A) diminishing returns.  
B) economies of scale.  
C) diseconomies of scale.  
D) declining fixed costs. 


Question 2036

What can be done to deal with the principal-agent problem?  
A) threaten to liquidate the firm  
B) link top manager salaries to the profits of the firm or the price of the firm's stock  
C) have the CEO be a rotating position  
D) forbid managers from owning any company stock  


Question 2037
When the average total cost is $16 and the total cost is $800, then the number of units the firm is producing is
A) impossible to determined with the information given.
B) 12,800.
C) 784.
D) 50.

Question 2038
Jill Borts believes that the price elasticity of demand for her economics textbook is relatively inelastic. She argues “I was told I had to purchase a book written by Hubbard and O’Brien that is required by my instructor. If I wanted to buy a mystery novel I would have many authors to choose from. Therefore, the demand for mystery novels is more elastic than the demand for my textbook.” Is Jill correct?
A) The demand for the textbook is more inelastic, but Jill’s reasoning is incorrect. The reason the textbook has an inelastic demand is that it is more expensive than any novel.
B) She is correct.
C) She is confused. She should have concluded that the textbook has a more elastic demand than a novel.
D) She is correct that the textbook has a more inelastic demand, but that is because most students pay for their textbooks with credit or debit cards. Most people pay for novels and other books with cash or by check.

Question 2039
The terms of trade refers to
A) the rules and regulations that countries must adhere to when trading.
B) the ratio at which a country can trade its exports for imports from other countries.
C) the role of the government in overseeing international trade.
D) a legal document that specifies the trade quantities agreed to by two countries.

Question 2040
A change in which variable will change the market demand for a product?
A) the price of the product
B) expected future prices
C) the number of firms in the market
D) the quantity supplied of the product

Question 2041
If productive efficiency characterizes a market
A) the marginal cost of production is minimized.
B) firms produce the goods that consumers desire most.
C) the output is being produced at the lowest possible cost.
D) firms use the best technology available to produce the good.

Question 2042
Briefly explain how the miserliness of Ebenezer Scrooge might actually be beneficial for economic growth.

Question 2043
Ali’s Gyros operates near a college campus. Ali has been selling 120 gyros a day at $4.50 each and is considering a price cut. He estimates that he would be able to sell 200 gyros per day at $3.50 each.

a. Calculate the price elasticity of demand using the midpoint formula.
b. Calculate the change in revenue as a result of the price cut.

Question 2044
Marginal utility is
A) the change in total utility divided by the price of the last unit of a good or service consumed.
B) the change in total utility a person receives from consuming an additional unit of a good or service.
C) the utility from consuming a given quantity of a good or service.
D) the decrease in total utility from consuming more and more units of a good or service.
Question 2045
The international trade effect states that
A) an increase in the price level will raise net exports.
B) an increase in the price level will lower net exports.
C) an increase in the price level will raise exports.
D) an increase in the price level will lower imports.

Question 2046
The real rate of interest is
A) the nominal interest rate plus the inflation rate.
B) the nominal interest rate minus the inflation rate.
C) the interest rate determined by the supply and demand in the money market.
D) the nominal interest rate.

Question 2047
In October 2005, the U.S. Fish and Wildlife Service banned the importation of beluga caviar, the most prized of caviars, from the Caspian Sea. What happened in the market for caviar in the U.S.?
A) The supply curve shifted to the left.
B) The supply curve shifted to the right.
C) The demand curve shifted to the right.
D) The demand curve shifted to the left.

Question 2048
Briefly describe monetarism and the monetary growth rule.

Question 2049
When products that create positive externalities are produced, at the market equilibrium output, the social benefit generated by consuming the product exceeds the private benefit.
[i]True[/i] or [i]false[/i]?

Question 2050
If a monopolistically competitive firm lowers its price and, as a result, its total revenue decreases then
A) the output effect of the price change was less than the price effect.
B) the output effect of the price change was greater than the price effect.
C) the firm’s demand curve must have decreased.
D) the substitution effect of the price change was greater than the income effect.

Question 2051
Suppose a decrease in the supply of wheat results in an increase in revenue. This indicates that
A) the decrease in quantity sold is proportionately larger than the resulting change in price.
B) the resulting increase in price is proportionately greater than decrease in quantity sold.
C) the demand curve for wheat must be vertical.
D) the supply curve for wheat must be vertical.

Question 2052
All of the following are ways in which health insurance companies can potentially reduce adverse selection except
A) by insuring only large groups of people.
B) by lowering the co-payments and deductibles on the policies they issue.
C) by refusing to insure some applicants, for example based on prior health conditions.
D) by finding out as much information about a person applying for insurance, for example requiring a medical examination.
Question 2053
The money demand curve, against possible levels of interest rates, has a
A) positive slope.
B) negative slope.
C) zero slope.
D) positive slope for low levels of money demand, a negative slope for high levels of money demand.

Question 2054
In a market economy, ________ interact in markets to decide the answers to the fundamental economic questions.
A) state and local governments
B) large corporations
C) households and firms
D) the judicial and legislative branches of the federal government

Question 2055
Spending on the war in Afghanistan is essentially categorized as government purchases. How do increases in spending on the war in Afghanistan affect the aggregate demand curve?
A) They will move the economy up along a stationary aggregate demand curve.
B) They will move the economy down along a stationary aggregate demand curve.
C) They will shift the aggregate demand curve to the left.
D) They will shift the aggregate demand curve to the right.

Question 2056
Which of the following is a problem inherent in centrally planned economies?
A) Households and firms make poor decisions in choosing how resources are allocated.
B) There is too little production of low-cost, high-quality goods and services.
C) Production managers are more concerned with satisfying consumer wants than with satisfying government's orders.
D) Exports tend to exceed imports.

Question 2057
Every firm that has the ability to affect the price of the good or service it sells will
A) have a perfectly elastic demand curve.
B) have a marginal revenue curve that lies below its demand curve.
C) earn a short-run profit but break even in the long run.
D) shut down in the short run.

Question 2058
A "stockout" occurs when
A) brokers run out of shares of stock to sell of a particular company.
B) a disruption due to a power outage, etc., causes a temporary production shutdown.
C) a company holds too many goods in inventories.
D) a firm loses sales because goods consumers want are not available.

Question 2059
An asset is
A) anything of value owned by a person or a firm.
B) a payment by a corporation to its shareholders.
C) a nonmonetary opportunity cost.
D) anything owed by a person or a firm.
Question 2060
If in the market for bananas the supply curve has shifted to the right, then
A) the supply of bananas increased.
B) the quantity of bananas supplied has increased.
C) the supply of bananas has decreased.
D) the quantity of bananas supplied has decreased.

Question 2061
Every society faces trade-offs. Explain the concept of trade-offs.

Question 2062
If the demand for a product decreases and the supply of the same product decreases, the equilibrium price will decrease.
[i]True[/i] or [i]false[/i]?

Question 2063
Forecasts made by White House economists and economists at the Congressional Budget Office in 2011 projected that real GDP
A) would return to potential GDP by the end of 2011.
B) would not return to potential GDP until the first quarter of 2013.
C) would not return to potential GDP until 2016.
D) would never return to potential GDP.

Question 2064
Consider a country that produces only two goods: parrots and iguanas. Suppose it is impossible for this country to increase its production of parrots without producing fewer iguanas. In this case, its current output combination is efficient.
[i]True[/i] or [i]false[/i]?

Question 2065
Growth in potential GDP in the United States is estimated to be about
A) 8.25% per year.
B) 5.0% per year.
C) 3.2% per year.
D) 1.5% per year.

Question 2066
If the price of prime rib falls, the income effect due to the price change will cause
A) an increase in the demand for prime rib.
B) an increase in the demand for flank steak, a substitute for prime rib.
C) an increase in the quantity demanded of prime rib.
D) an increase in the quantity supplied of prime rib.

Question 2067
Suppose that when the price of raspberries increases, Lonnie increases his purchases of papayas. To Lonnie
A) raspberries and papayas are complements.
B) raspberries and papayas are inferior goods.
C) raspberries and papayas are normal goods.
D) raspberries and papayas are substitutes.

Question 2068
In economics, the term "equity" means
A) everyone has an equal standard of living.
B) the hardest working individuals consume all they want.
C) only elected officials have high standards of living.
D) economic benefits are distributed fairly.

Question 2069

The decisions General Motors makes in determining production levels for its Chevy Volt is an example of a microeconomics topic.
[ ] True or [ ] False?

Question 2070

In which of the following cartels is total cartel profit likely to be the highest?
A) a cartel made up of equal sized firms each producing different quantities of a differentiated product
B) a cartel made up of firms of various sizes each producing different quantities of a homogeneous product
C) a cartel made up of firms of various sizes each producing the same quantity of a differentiated product
D) a cartel made up of identical firms each producing the same quantity of a homogeneous product

Question 2071

An decrease in quantity supplied is represented by a leftward shift of the supply curve.
[ ] True or [ ] False?

Question 2072

In 1995, the General Agreement on Tariffs and Trade (GATT), which was established in 1948, was replaced by the World Trade Organization (WTO).
Why did members of the GATT push for the establishment of the WTO?
A) The GATT agreement only covered trade in goods. The WTO was created to cover trade in goods, services and intellectual property.
B) The charter of the GATT had run out and a new organization was needed to promote international trade.
C) The creation of the European Union (EU) made the GATT obsolete. The WTO was formed to regulate trade between the EU and other nations.
D) By 1995 tariffs had been eliminated. The WTO was created to reduce non-tariff trade barriers.

Question 2073

How do current tax laws in the United States favor employer-based health care insurance?
A) Individuals who receive health insurance benefits are allowed to deduct the value of these benefits from their taxable income.
B) Employers who provide health insurance benefits are reimbursed by the government and are not taxed on these reimbursements.
C) Individuals who receive health insurance benefits do not pay taxes on the value of these benefits.
D) Health insurance companies that provide insurance to employers are subject to a lower tax rate than those insurance companies that provide insurance to private individuals.

Question 2074

The Fed
A) always engages in countercyclical policy.
B) always intends to engage in procyclical policy.
C) can engage in procyclical policy if it mistimes its policy response.
D) never intends to engage in countercyclical policy.

Question 2075

Suppose that the Federal Reserve Open Market Committee adheres to the ideas expressed by _______. If the economy moves into a recession, the Fed would recommend that the federal funds target rate decrease as long as the inflation rate did not rise above the publicly announced goal for inflation.
A) the gold standard
B) the monetarist school of thought
C) inflation targeting
D) the Taylor Rule
Question 2076

The total amount of producer surplus in a market is equal to
A) the difference between quantity supplied and quantity demanded.
B) the area above the market supply curve and below the market price.
C) the area above the market supply curve.
D) the area between the demand curve and the supply curve below the market price.

Question 2077

Workers expect inflation to fall from 4% to 1% next year. As a result, this should
A) shift the short-run aggregate supply curve to the left.
B) shift the short-run aggregate supply curve to the right.
C) move the economy up along a stationary short-run aggregate supply curve.
D) move the economy down along a stationary short-run aggregate supply curve.

Question 2078

In response to the destructive bank panics of the Great Depression, future bank panics are designed to be prevented by
A) the Federal Reserve System acting as a lender of last resort.
B) the Federal Reserve System conducting open market operations.
C) the establishment of the Federal Deposit Insurance Corporation.
D) establishing a fractional reserve system of banking.
E) increasing the required reserve ratio to 100%.

Question 2079

Monique buys a new television for $795. She receives consumer surplus of $355 from the purchase. How much does Monique value her television?
A) $355
B) $440
C) $795
D) $1150

Question 2080

If a monopolistically competitive firm breaks even, the firm is earning as much in this industry as it could in any other comparable industry.
[i]True[/i] or [i]false[/i]?

Question 2081

Which of the following is the best example of a tariff?
A) a subsidy from the U.S. government to domestic manufacturers of residential air conditioners to enable them to compete more effectively with foreign producers
B) a limit on the quantity of residential air conditioners that can be imported from a foreign country
C) a $150 fee imposed on all imported residential air conditioners
D) a tax placed on all residential air conditioners sold in the domestic market to help offset the impact of emissions on the environment

Question 2082

Which of the following is a characteristic of a bond?
A) A bond represents a promise to repay a fixed amount of funds.
B) The face value or principal plus interest is repaid at a specified period of time.
C) The length of coupon payments is fixed by the stated maturity period.
D) All of these are characteristic of bonds.

Question 2083

Each price-quantity combination on a consumer's demand curve shows the utility-maximizing quantity at the given price.
[i]True[/i] or [i]false[/i]?
Question 2084

If Congress and the president pursue an expansionary fiscal policy at the same time as the Federal Reserve pursues an expansionary monetary policy, how might the expansionary monetary policy affect the extent of crowding out in the short run?


Question 2085

Consider the following T-account for a bank:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves $1,000</td>
<td>Deposits $5,000</td>
</tr>
<tr>
<td>Loans $4,000</td>
<td></td>
</tr>
</tbody>
</table>

If the required reserve ratio is 20 percent and the bank is holding no excess reserves, the bank at this point can make no more loans.

[i]True[i] or [i]false[i]?


Question 2086

How do firms and households interact in markets?


Question 2087

Firms in perfect competition are price takers because
A) one firm determines the price that all other firms in the industry will charge.
B) consumers have enough market power to set prices.
C) firms accept the price determined by the government.
D) each firm is too small relative to the market to be able to influence price.


Question 2088

How has economist Robert Fogel explained that economic growth is connected to life expectancy? Based on this connection, in what country would you expect to have a longer life expectancy, the United States or India? Explain.


Question 2089

Two consequences of asymmetric information are adverse selection and moral hazard. An important distinction between the two is
A) adverse selection exists prior to the completion of a transaction while moral hazard occurs after the transaction is completed.
B) moral hazard exists prior to the completion of a transaction while adverse selection occurs after the transaction is completed.
C) adverse selection leads to an inefficient quantity while moral hazard leads to an efficient quantity.
D) moral hazard leads to an inefficient quantity while adverse selection leads to an efficient quantity.


Question 2090

When exchange rates are ________, we say that the country's exchange rate is fixed.
A) determined in the market
B) set by a country's central bank
C) determined by supply and demand
D) relatively stable


Question 2091

Which of the following is a factor of production?
A) a necklace produced by a jewelry manufacturer
B) 50 shares of Google stock
C) the security guard at the local bank
D) $1,000 in casino chips


Question 2092

The 10-year protection period from generic competition for drug manufacturers is a form of
Question 2093

If another worker adds 9 units of output to a group of workers who had an average product of 7 units, then the average product of labor
A) will remain the same.
B) will increase.
C) will decrease.
D) and what will happen to it cannot be determined.

Question 2094

If the slope of a demand curve is equal to -0.1 then
A) demand is inelastic.
B) we don't know whether the demand is elastic or inelastic.
C) the demand is elastic at low prices and inelastic at high prices.
D) as price increases by 10 percent quantity demanded decreases by 1 percent.

Question 2095

Marginal cost is equal to the
A) change in total cost divided by the change in output.
B) change in average total costs divided by the change in output.
C) change in total product divided by the change in output.
D) change in average product divided by the change in output.

Question 2096

In the United States since 1900, life expectancy at birth has _______ and the death rate has _______.
A) increased; increased
B) increased; decreased
C) decreased; increased
D) decreased; decreased

Question 2097

Suppose that when the price of hamburgers decreases, the Landry family decreases their purchases of chicken nuggets. To the Landry family
A) hamburgers and chicken nuggets are complements.
B) hamburgers and chicken nuggets are inferior goods.
C) hamburgers and chicken nuggets are normal goods.
D) hamburgers and chicken nuggets are substitutes.

Question 2098

In the United States, health care spending on people _______ is six times greater than on people _______.
A) under age 3; over age 65
B) aged 18 to 24; 25 to 44
C) over age 65; aged 18 to 24
D) over age 65; aged 25 to 44

Question 2099

A market economy benefits from market power
A) if the majority of the population are entrepreneurs.
B) if firms with market power do research and development with the profits earned.
C) if market power gets so bad the government creates public enterprises.
D) under no circumstances.
Question 2100

A significant downside to network externalities is that
A) there may be large switching costs to consumers of changing products so that consumers end up using products with inferior technologies.
B) firms may network with unethical suppliers or distributors.
C) the costs of hiring celebrity endorsements may be very high.
D) there may be large switching costs to firms changing technologies.

Question 2101

Cassie’s Quilts alters, reconstructs and restores heirloom quilts. Cassie has just spent $800 purchasing, cleaning and reconstructing an antique quilt which she expects to sell for $1,500 once she is finished. After having spent $800, Cassie discovers that she would need some special period fabric that would cost her $200 in material and time in order to complete the task. Alternatively, she can sell the quilt "as is" now for $900. What is the marginal cost of completing the task?
A) $200
B) $500
C) $1,000
D) $1,000 plus the value of her time

Question 2102

An economic principle that explains why countries produce different goods and services is
A) absolute advantage.
B) trade as a percentage of GDP.
C) comparative advantage.
D) NAFTA.

Question 2103

"Cost disease" refers to the tendency for low productivity in the service sector to lead to higher costs in those industries.
[i]True[/i] or [i]false[/i]?

Question 2104

Economic efficiency is achieved when there is a market outcome in which the marginal benefit to consumers of the last unit produced is equal to its marginal cost of production and
A) economic surplus plus consumer surplus equals producer surplus.
B) consumer surplus plus producer surplus is maximized.
C) economic surplus is minimized.
D) the difference between consumer surplus and producer surplus is maximized.

Question 2105

Explain whether it is possible for a country to have a comparative advantage in the production of a product without having an absolute advantage in the production of that product.

Question 2106

Consumer surplus is the difference between the highest price someone is willing to pay for a product and the price he actually pays for the product.
[i]True[/i] or [i]false[/i]?

Question 2107

Society faces a trade-off in all of the following situations except
A) when deciding who will receive the goods and services produced.
B) when deciding what goods and services will be produced.
C) when deciding how goods and services will be produced.
D) when some previously unemployed workers find jobs.
**Question 2108**
Specializing in the production of a good or service in which one has a comparative advantage enables a country to do all of the following except
A) engage in mutually beneficial trade with other nations.
B) increase the variety of products that it can consume with no increase in resources.
C) consume a combination of goods that lies outside its own production possibilities frontier.
D) produce a combination of goods that lies outside its own production possibilities frontier.

**Question 2109**
Which of the following are primarily macroeconomic topics and which are primarily microeconomic topics?
a. gasoline prices
b. unemployment
c. inflation
d. health care costs
e. air pollution
f. economic growth

**Question 2110**
Which of the following statements is true?
A) As output increases, average fixed cost becomes smaller and smaller.
B) Average fixed cost does not change as output increases.
C) The marginal cost curve intersects the average fixed cost curve at its minimum point.
D) When marginal cost is greater than average fixed cost, average fixed cost increases.

**Question 2111**
The economic model of consumer behavior explains how consumers’ tastes and preferences are formed.
[i]True[/i] or [i]false[/i]?

**Question 2112**
Which of the following is a characteristic of stock?
A) Stock represents a promise to repay a fixed amount of funds.
B) The face value or principal plus interest is repaid at a specified period of time.
C) The length of coupon payments is fixed by the stated maturity period.
D) Stock represents ownership in a firm.

**Question 2113**
A member of a cartel like OPEC has an incentive to
A) argue for larger production quotas for each member of the cartel.
B) agree to a low cartel production level and then produce more than its quota.
C) abide by its individual production quota.
D) support equal production quotas for each member.

**Question 2114**
Which of the following is part of the secondary market?
A) New York Stock Exchange
B) the over-the-counter market
C) NASDAQ
D) all of these

**Question 2115**
To calculate the price elasticity of demand we divide
A) the percentage change in quantity demanded by the percentage change in price.
B) the percentage change in price by the percentage change in quantity demanded.
C) rise by the run.
D) the average price by the average quantity demanded.

Question 2116
What is the difference between goods and services?

Question 2117
The size of the underground economy would tend to increase if the government of a country
A) decreased government regulations on businesses.
B) increased income tax rates.
C) legalized prostitution.
D) legalized marijuana.

Question 2118
The approach economists use to analyze competition among oligopolists is called
A) marginal analysis.
B) game theory.
C) oligopoly theory.
D) competition among the few.

Question 2119
Lower personal income taxes
A) increase aggregate demand.
B) decrease disposable income.
C) decrease aggregate demand.
D) increase transfer payments.

Question 2120
In the 1930s the United States charged an average tariff rate
A) that was less than its average tariff rate in 2007.
B) that cut its exports to other countries by 50 percent.
C) that was less than 2 percent.
D) that exceeded 50 percent.

Question 2121
Using the five criteria in the book, explain how U.S. currency is suitable to use as a medium of exchange.

Question 2122
If GDP is currently $13 trillion and is growing at a rate of 2.3% per year, how long will it take GDP to reach $26 trillion?
A) about 15 years
B) about 17 years
C) about 25 years
D) about 30 years

Question 2123
Once a country has lost its comparative advantage in producing a good, its income will be _______ and its economy will be _______ if it switches from producing the good to importing it.
A) higher; less efficient
B) higher; more efficient
C) lower; less efficient
D) lower; more efficient

**Question 2124**

Economists have shown that when the ultimatum game experiment is carried out, both allocators and recipients act as if fairness is important.  
[i]True[/i] or [i]false[/i]?

**Question 2125**

Economists agree that a monopolistically competitive market structure
A) lowers consumer utility because consumers pay a price higher than the marginal cost of production.
B) is detrimental to society because it leads to a waste of scarce resources.
C) benefits consumers because firms produce products that appeal to a wide range of consumer tastes.
D) can eliminate any excess capacity if all firms in the industry devote more funds to differentiating their products.

**Question 2126**

A fundamental assumption in game theory is that players do not interact with each other.  
[i]True[/i] or [i]false[/i]?

**Question 2127**

If the federal budget has an actual budget surplus of $75 billion, but a cyclically adjusted budget surplus of $50 billion, then the economy must be above potential real GDP.  
[i]True[/i] or [i]false[/i]?

**Question 2128**

Of the different types of businesses, a corporation has the _______ government rules and the _______ government regulations affecting it.
A) least; least
B) least; most
C) most; least
D) most; most

**Question 2129**

Assume you set up a sole proprietorship and your lawyer tells you that as the owner, you could stand to lose your personal wealth if the business goes bankrupt. This means a sole proprietorship  
A) faces limited liability.
B) faces unlimited liability.
C) has little chance of succeeding.
D) is not a good type of business to set up.

**Question 2130**

A decrease in the demand for American-made goods will  
A) increase the supply of dollars in the foreign exchange market.
B) decrease the supply of dollars in the foreign exchange market.
C) increase the demand for dollars in the foreign exchange market.
D) decrease the demand for dollars in the foreign exchange market.

**Question 2131**

The total cost schedule shows the relationship between different amounts of inputs and the resulting level of output.  
[i]True[/i] or [i]false[/i]?

**Question 2132**
The behavioral assumption about humans was that people usually act in a rational, self-interested way.

A) Thomas Malthus's
B) Adam Smith's
C) Karl Marx's
D) Ben Bernanke's


Question 2133
Give an example of a monetary policy target. Explain why the Fed uses policy targets.

Question 2134
Innovations, including new products and services, in financial markets and institutions have made the job of defining the money supply easier.
(i) True (ii) False

Question 2135
The minimum wage is an example of a price ceiling.
[i] True [i] False

Question 2136
The overall decline in death rates in the United States since 1981 was due to all of the following except
A) a decline in smoking.
B) the decline in the population.
C) the availability of new prescription drugs.
D) new surgical techniques.


Question 2137
What is meant by the term "free market"?

Question 2138
The De Beers Company blocked competition
A) in the diamond market by controlling the output of most of the world's diamond mines.
B) by controlling the supply of most of the world's high-quality bauxite, the mineral used to produce aluminum.
C) in the market for fresh and frozen cranberries because it controls about 80 percent of the cranberry crop.
D) because it has lower costs of producing than other department stores due to economies of scale.


Question 2139
An increase in real GDP
A) increases the buying and selling of goods and increases the demand for money as a medium of exchange.
B) increases the buying and selling of goods and decreases the demand for money as a medium of exchange.
C) decreases the buying and selling of goods and increases the demand for money as a medium of exchange.
D) decreases the buying and selling of goods and decreases the demand for money as a medium of exchange.


Question 2140
Which of the following are implicit costs for a typical firm?
A) opportunity costs of capital owned and used by the firm
B) the cost of labor hired by the firm
C) utilities cost
D) a business licensing fee


Question 2141
In the 1973 movie Save the Tiger, Jack Lemmon plays Harry Stoner, the CEO of a clothing manufacturing company whose business has fallen on hard times. At
one point in the movie, Stoner convinces his partner to hire someone to burn one of their buildings to collect on their insurance policy. What term refers to the information problem that led the insurance company to sell a policy for this building to Stoner and his partner?
A) rational ignorance
B) the principal-agent problem
C) adverse selection
D) moral hazard

Question 2142

Which of the following can a firm do in the long run but not in the short run?
A) decrease the size of its physical plant
B) reduce its rate of output by laying off workers
C) increase its variable costs
D) increase its use of raw materials

Question 2143

In much of Europe, the legal age to obtain a driver's license is 18. If the legal driving age in the United States was changed to 18, how would this affect the market for new automobiles? The market for automobile insurance?

Question 2144

For the monopolistically competitive firm
A) Price (P) = Marginal Revenue (MR) = Average Revenue (AR).
B) P = MR > AR.
C) P = AR > MR.
D) P > MR = AR.

Question 2145

The government purchases multiplier equals the change in ______ divided by the change in ______.
A) government purchases; equilibrium real GDP
B) equilibrium real GDP; government purchases
C) government purchases; consumption spending
D) consumption spending; government purchases

Question 2146

________ account(s) for between 1 and 4 percent of health care costs in the United States.
A) The aging population
B) Uninsured patients receiving treatments at hospital emergency rooms that could have been provided less expensively at doctor's offices
C) The payments to settle malpractice lawsuits and the premiums doctors pay for malpractice insurance
D) Advances in medical technology

Question 2147

A voluntary export restraint is an agreement negotiated by two countries that places ______ that can be imported by one country from another country.
A) a tax on goods
B) a minimum quantity of a good
C) quality standards on goods
D) a numerical limit on the quantity of a good

Question 2148

According to the Department of Justice merger guidelines, a proposed merger between two firms may be challenged if the post-merger Herfindahl-Hirschman Index
A) lies between 1.000 and 1.800 and the merger raises the Index by 50 points.
B) lies between 1.000 and 1.800 and the merger raises the Index by more than 100 points.
C) lies above 1.800 and the merger raises the Index by less than 50 points.
D) lies below 1,000 and the merger raises the Index by 100 points.

Question 2149
Firms
A) have no influence on the circular flow in a market economy.
B) purchase resources in the product market.
C) sell goods in the product market.
D) sell resources in the factor market.

Question 2150
Suppose two firms in a duopoly implicitly collude and charge a high price. How might each firm benefit from advertising that it will match the lowest price offered by its competitor?
A) The offer to match prices is a way of deterring entry by other large firms, thereby keeping the market share of the existing firms intact.
B) The advertisement ensures that the other firm does not cheat. If a firm cheats on the agreement and charges the lower price, the rival firm will retaliate by doing the same.
C) The offer to match prices is a way of signaling to antitrust authorities that the firms are not engaged in illegal collusion.
D) The advertisement is meant to suggest to consumers that the offered price is actually the lowest price available.

Question 2151
A bank will consider a car loan to a customer _______ and a customer's checking account to be _______.
A) a liability; an asset
B) an asset; a liability
C) a liability; a liability
D) an asset; an asset
E) an asset; net worth

Question 2152
At a price of $8 per dozen, Chuy sells 40 dozen homemade tamales per week. When he raised her price to $12 per dozen, he still sold 40 dozen per week. Based on this information, the demand for his tamales is
A) perfectly elastic.
B) inelastic.
C) perfectly inelastic.
D) unit-elastic.

Question 2153
The production possibilities frontier model assumes which of the following?
A) Labor, capital, land and natural resources are unlimited in quantity.
B) The economy produces only two products.
C) Any level of the two products that the economy produces is currently possible.
D) The level of technology is variable.

Question 2154
Suppose real GDP is $13 trillion and potential real GDP is $13.5 trillion. If Congress and the president increase government purchases by $500 billion, then the economy will be brought to equilibrium at potential real GDP.
[i]True[/i] or [i]false[/i]?

Question 2155
If some monopolistically competitive firms exit their market after suffering short-run losses, the demand curves of remaining firms will shift to the right.
[i]True[/i] or [i]false[/i]?

Question 2156
Suppose you deposit $2,000 into Bank of America and that the required reserve ratio is 10 percent. How does this affect the bank's balance sheet?
A) Reserves rise by $200.
B) Required reserves rise by $2,000.
C) Deposits rise by $1,000.
D) Excess reserves rise by $1,800.

Question 2157

Forecasts by the Congressional Budget Office show spending on Social Security, Medicare, and Medicaid rising from 9.9 percent of GDP in 2013 to ______ percent of GDP in 2087, and by 2087 the federal government will be spending, as a fraction of GDP, ______ on these three programs as it currently spends on all its programs.
A) 12.3 percent; more
B) 12.3 percent; half as much
C) 23.4 percent; more
D) 23.4 percent; half as much

Question 2158

Mr. Peabody chooses to invest in companies that produce goods and services at the lowest possible cost. Mr. Peabody is investing in companies that are
A) allocatively efficient.
B) productively efficient.
C) guaranteed to make a profit.
D) all of the above

Question 2159

The quota on imported sugar costs U.S. consumers more than $2 billion annually and protects very few jobs. Why does Congress maintain a sugar quota that protects only a few thousand workers while forcing millions of people to pay higher prices for sugar products?
A) Most U.S. citizens do not buy sugar products and want to help workers in the sugar industry.
B) Voters fear that if they oppose the sugar lobby, the lobby may oppose issues that they want Congress to support.
C) Citizens are not as involved in social and political issues as they used to be.
D) The per person cost of the sugar quota is too small for many people to lobby Congress to make their views known.

Question 2160

Consider the following items:
a. the album "21" by Adele
b. a Dutch horticulturalist's new method for cultivating hybrid tulips
c. Rolls Royce's "Spirit of Ecstacy" hood ornament design
d. the sale of Tumi luggage at a Macy's department store.
Which of the items listed is an example of intellectual property?
A) a and b only
B) a, b, and c
C) a and d only
D) all of the items listed

Question 2161

The health care system in Canada is referred to as ________, and is a system in which the government provides national health insurance to all Canadian residents.
A) an out-of-pocket system
B) a single-payer health care system
C) a universal health insurance system
D) socialized medicine

Question 2162

To be a natural monopoly a firm must
A) control a key resource input.
B) have economies of scale that are so large that it can supply the entire market at a lower cost than two or more firms.
C) have significant network externalities.
D) be very large relative to the total market.

Question 2163
Assuming that the total market size remains constant, a monopolistically competitive firm earning profits in the short run will find the demand for its product decreasing in the long run because
A) new entrants into the market are more likely to have cutting edge products.
B) as the firm raises its price in the long run, it will lose some customers to new entrants in the market.
C) some of its customers have switched to purchasing the products of new entrants in the market.
D) its costs of production rises.

Question 2164
The ability of a firm or country to produce a good or service at a lower opportunity cost than other producers is called comparative advantage.
[i]True[/i] or [i]false[/i]?

Question 2165
Suppose the U.S. GDP growth rate is slower relative to other countries' GDP growth rates. This will
A) move the economy up along a stationary aggregate demand curve.
B) move the economy down along a stationary aggregate demand curve.
C) shift the aggregate demand curve to the left.
D) shift the aggregate demand curve to the right.

Question 2166
Which of the following describes a situation in which every good or service is produced up to the point where the last unit provides a marginal benefit to consumers equal to the marginal cost of producing it?
A) productive efficiency
B) allocative efficiency
C) marginal efficiency
D) profit maximization

Question 2167
Which of the following explains why mortgages weren't considered securities prior to 1970?
A) The Federal Reserve Act of 1913 prohibited mortgages from being considered securities. An amendment to the Act was approved in 1970 that allowed mortgages to be considered securities.
B) Until 1970, the average annual increase in housing prices did not allow the buying and selling of mortgages to be profitable. There has been a significant annual increase in housing prices and mortgage values since 1970.
C) Congress passed a law in 1970 stipulating that mortgages could be classified as securities.
D) Prior to 1970, mortgages were rarely resold in the secondary market.

Question 2168
Assume that emissions from electric utilities contribute to pollution in the form of acid rain. Which of the following describes how this affects the market for electricity?
A) The equilibrium in the market is not efficient; the marginal benefit from electricity is greater than the marginal social cost.
B) A deadweight loss occurs; at equilibrium the additional social cost of production is greater than the additional benefit to consumers.
C) The equilibrium in the market is not efficient; because of the cost of the acid rain, economic efficiency would be greater if more electricity were produced.
D) The equilibrium in the market is not efficient; consumer surplus is equal to producer surplus.

Question 2169
An increase in capital inflows will
A) increase net foreign investment.
B) increase capital outflows.
|-------------|--------------------------------------------------------------------------------------------------|
| Question 2171 | Gold is an example of  
A) commodity money.  
B) fiat money.  
C) barter money.  
D) M1.  
| Question 2172 | Monopolistically competitive firms have downward-sloping demand curves. In the long run, monopolistically competitive firms earn zero economic profits. These two characteristics imply that in the long run  
A) monopolistically competitive markets achieve productive efficiency.  
B) monopolistically competitive markets achieve allocative efficiency.  
C) monopolistically competitive firms earn economic profits.  
D) monopolistically competitive firms have excess capacity.  
| Question 2173 | If a country has a comparative advantage in producing a product, it may not have an absolute advantage in producing that product.  
[i]True[/i] or [i]false[/i]?  
| Question 2174 | In the short run, if a firm shuts down it avoids its variable cost but not its fixed cost.  
[i]True[/i] or [i]false[/i]?  
| Question 2175 | What is producer surplus? What does producer surplus measure?  
| Question 2176 | If government spending and the price level increase, then  
A) the interest rate increases, consumption declines, and investment spending declines.  
B) the interest rate decreases, consumption declines, and investment spending declines.  
C) the interest rate increases, consumption increases, and investment spending increases.  
D) the interest rate decreases, consumption increases, and investment spending increases.  
| Question 2177 | Which of the following is true at the output level where average total cost is at its minimum?  
A) Marginal cost equals average total cost.  
B) Average variable cost equals fixed cost.  
C) Marginal cost equals average variable cost.  
D) Average total cost equals average fixed cost.  
| Question 2178 | In the circular flow model, households demand resources such as labor services in the factor market.  
[i]True[/i] or [i]false[/i]?  
<table>
<thead>
<tr>
<th>Question 2179</th>
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| If a country produces only two goods, it is possible to have a comparative advantage in the production of both those goods. [i]True[/i] or [i]false[/i]?  

<table>
<thead>
<tr>
<th>Question 2180</th>
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| Price ceilings are illegal in the United States. [i]True[/i] or [i]false[/i]?  

<table>
<thead>
<tr>
<th>Question 2181</th>
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| As the level of output increases, what happens to the value of average fixed cost, and what happens to the difference between the value of average total cost and average variable cost?  

<table>
<thead>
<tr>
<th>Question 2182</th>
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</table>
| In a market with positive externalities, the market equilibrium quantity will be less than the efficient equilibrium quantity. [i]True[/i] or [i]false[/i]?  

<table>
<thead>
<tr>
<th>Question 2183</th>
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</table>
| If the price of peaches, a substitute for plums, increases the demand for plums will decrease. [i]True[/i] or [i]false[/i]?  

<table>
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<tr>
<th>Question 2184</th>
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</table>
| If a store like hhgregg has higher costs than a comparable Best Buy store, the only way it can have higher profits is if  
A) it has more locations than Best Buy.  
B) its marginal revenue is lower than Best Buy’s.  
C) the demand for its goods is higher than Best Buy's.  
D) it sells the quantity associated with its minimum average total cost.  

<table>
<thead>
<tr>
<th>Question 2185</th>
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</table>
| Patents, tariffs and quotas are all examples of  
A) government-imposed barriers.  
B) economic regulations that increase efficiency.  
C) entry barriers that improve a country’s standard of living.  
D) entry barriers that protect consumers.  

<table>
<thead>
<tr>
<th>Question 2186</th>
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</table>
| One result of the financial meltdown of the late 2000s was that mortgage institutions ________ and ________ were brought under direct control of the government.  
A) Fannie Mae; Freddie Mac  
B) Glass Steagall; Sarbanes Oxley  
C) Goldman Sachs; Morgan Stanley  
D) Lehman Brothers; FDIC  

<table>
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<tr>
<th>Question 2187</th>
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| In early 2007, Pioneer and JVC, two Japanese electronics firms, each announced that their profits were going to be lower than expected because they both had to cut prices for LCD and plasma television sets. Which of the following could explain why these firms did not simply raise their prices and increase their profits?  
A) The move to cut prices is probably just a temporary one to gain market share. In the long run the firms will raise prices and be able to increase their profits.  
B) Most likely, intense competition between these two major producers probably pushed prices down. Thereafter, each feared that it would lose its customers to the other if it raised its prices.  
C) In perfect competition, prices are determined by the market and firms will keep lowering prices until there are no profits to be earned.
D) The firms are still making profits, just not as high as expected so there is room to lower prices until one can force the other out of business.

**Question 2188**

Stagflation usually results from
A) a supply shock.
B) a decrease in aggregate demand.
C) an increase in aggregate supply.
D) an increase in aggregate demand.

**Question 2189**

A virtuous cycle occurs
A) when lobbyists petition members of Congress to grant a public franchise; the lobbyist then raise money for those Congress members who granted the franchise.
B) when monopoly profits are used to create new products for additional monopoly profits.
C) when a firm can attract enough buyers initially to increase a product's usefulness to attract even more buyers.
D) when a firm's sales volume reaches a level where the firm can take advantage of economies of scale; thereby reducing the price of the product to further boost its sales.

**Question 2190**

A shortage occurs when the market price is lower than the equilibrium price.
[i]True[/i] or [i]false[/i]?

**Question 2191**

What area on a supply and demand graph represents producer surplus?

**Question 2192**

Suppose that in a market for used cars, there are good used cars and bad used cars (lemons). Consumers are willing to pay as much as $6,000 for a good used car but only $1,000 for a lemon. Sellers of good used cars value their cars at $5,000 each and sellers of lemons value their cars at $800 each. Buyers cannot tell if a used car is reliable or is a lemon. Based on this information, what is the likely outcome in the market for used cars?
A) Both good used cars and lemons will sell for $4,500 each.
B) Only lemons will sell, for $800 each.
C) Both good used cars and lemons will sell for $1,000 each.
D) Most used cars offered for sale will be lemons.

**Question 2193**

Monopolistically competitive firms achieve allocative efficiency but not productive efficiency.
[i]True[/i] or [i]false[/i]?

**Question 2194**

Assume that the tuna fishing industry is perfectly competitive. Which of the following best characterizes the industry if, as demand for tuna increases, fishing boats have to go farther into the ocean to harvest tuna?
A) a constant-cost industry
B) an increasing-cost industry
C) a decreasing-cost industry
D) a fixed-cost industry

**Question 2195**

Use the dynamic model of aggregate demand and supply to illustrate a situation where aggregate demand and short-run aggregate supply are both increasing from year 1 to year 2, resulting in a higher price level and higher level of real GDP at macroeconomic equilibrium in year 2.
Question 2196

George Gnat subscribes to a monthly pest control service for his home. Last week the owner of the service informed George that he will have to raise his monthly service fee because of increases in the price of gasoline used by his workers on their service trips. How is the market for pest control services affected by this?

A) There is an increase in the supply of pest control services.
B) There is a decrease in the demand for pest control services.
C) There is a decrease in the quantity supplied of pest control services.
D) There is a decrease in the supply of pest control services.


Question 2197

The Fed can directly lower the inflation rate.

[i]True[/i] or [i]false[/i]?


Question 2198

The number of people who have gray hair is very high among residents living in Florida. A student concludes that living in Florida causes hair to turn gray. What is the flaw in this student's reasoning?

A) The student is drawing a false conclusion by making the mistake of omitting critical variables such as the age and gender of the residents.
B) The student is using an inadequate sample size.
C) The student is drawing a false conclusion; he is confusing cause and effect.
D) The student has failed to take into account other causes of gray hair.


Question 2199

If the CPI changes from 125 to 120 between 2012 and 2013, how did prices change between 2012 and 2013?

A) Prices increased by 5%.
B) Prices decreased by 5%
C) Prices increased by 25%.
D) Prices decreased by 4%.


Question 2200

Monetarism is a school of thought put forth by ________, who argued that the economy would most likely be at potential GDP.

A) Karl Marx
B) Milton Friedman
C) Finn Kydland and Edward Prescott
D) Robert Lucas and Thomas Sargent


Question 2201

If the marginal product of labor is decreasing, then marginal cost of production must be rising.

[i]True[/i] or [i]false[/i]?


Question 2202

When the Fed uses contractionary policy

A) the price level rises higher than it would if the Fed did not pursue policy.
B) the price level rises less than it would if the Fed did not pursue policy.
C) it does not change the price level.
D) it causes inflation.


Question 2203

The lengths of the recession and expansion phases and which sectors of the economy are most affected will rarely be the same in any two business cycles.

[i]True[/i] or [i]false[/i]?

Question 2204
You lend $5,000 to a friend for one year at a nominal interest rate of 10%. Inflation during that year is 5%. As a result, you will receive ________ at the end of the year, but that money has a purchasing power of ________.
A) $5,050; $5,025
B) $5,100; $5,050
C) $5,500; $5,250
D) $6,000; $5,500

Question 2205
If the nominal interest rate is 6% and the inflation rate is 9%, then the real interest rate is
A) -3%.
B) 3%.
C) 6.67%.
D) 15%.

Question 2206
The level of real GDP in the long run is
A) potential GDP.
B) affected by changes in the price level.
C) determined solely by aggregate demand.
D) the same as the level of nominal GDP in the long run.

Question 2207
You're traveling in Ireland and are thinking about buying a new digital camera. You've decided you'd be willing to pay $125 for a new camera, but cameras in Ireland are all priced in euros. If the exchange rate is 0.85 euros per dollar, what's the highest price in euros you'd be willing to pay for a camera?
A) 105 euros
B) 106.25 euros
C) 110.15 euros
D) 147 euros

Question 2208
Inflation targeting is a framework for carrying out monetary policy whereby
A) the central bank adopts a rigid target for inflation and ignores declines in output.
B) the central bank commits to achieving a publicly announced level of inflation.
C) the central bank commits to achieving a target level of inflation which is never announced publicly.
D) the central bank commits to a monetary growth rule.

Question 2209
A decrease in the price level will
A) shift the aggregate demand curve to the left.
B) shift the aggregate demand curve to the right.
C) move the economy up along a stationary aggregate demand curve.
D) move the economy down along a stationary aggregate demand curve.

Question 2210
Suppose Bill Gates deposits $20 million into his checking account at Wells Fargo Bank. If the required reserve ratio is 10 percent, what is the maximum change in money supply?
A) -$200 million
B) -$180 million
C) $2 million
D) $180 million
E) $200 million
Question 2211
How do open market operations work?

Question 2212
In the 1970s and 1980s, the United States lost its comparative advantage in consumer electronics goods to Japan. What factor was most responsible for the development of Japan's comparative advantage in consumer electronics goods?
A) Japanese firms benefited from external economies.
B) Japan has abundant supplies of labor.
C) Japanese firms excelled in process technology.
D) Japan has abundant supplies of natural resources needed to produce electronics goods.

Question 2213
Rayburn Reed is a highly talented photographer. He has chosen to specialize in photography because of all of the following except
A) he obviously has a comparative advantage in photography.
B) his opportunity cost of pursuing another career is very low.
C) for him, this is the most lucrative way to purchase the products that he wants to consume.
D) his photographs are highly esteemed by art lovers who are willing to pay very high prices.

Question 2214
The Federal Reserve System's four monetary policy goals are
A) low government budget deficits, low current account deficits, high employment, and a high foreign exchange value of the dollar.
B) low rate of bank failures, high reserve ratios, price stability, and economic growth.
C) price stability, high employment, economic growth, and stability of financial markets and institutions.
D) price stability, low government budget deficits, low current account deficits, and low rate of bank failures.

Question 2215
Who selects the board of directors of a corporation?
A) the state where the corporation is chartered
B) employees
C) stockholders
D) managers

Question 2216
The revenue received from the sale of ________ of a product is a marginal benefit to the firm.
A) an additional unit
B) the total number of units
C) no units
D) only profitable units

Question 2217
Perfectly competitive firms produce up to the point where the price of the good equals the marginal cost of producing the last unit. This condition is referred to as
A) productive efficiency.
B) constant returns to scale.
C) allocative efficiency.
D) perfectly competitive efficiency.

Question 2218
A set of actions that a firm takes to achieve a goal, such as maximizing profits, is called
A) a business strategy.
Question 2219

Question 2220
Health care is generally considered a normal good. Briefly explain what you would expect to see happen to spending on health care over time, with health care being considered as a normal good.

Question 2221
At a recent company meeting, Ravi Batra, sales manager of Life's a Beach, a surfboard producer announced, "We have increased our sales by 13 percent in just 9 months." Suppose 9 months ago, its sales amounted to $245,000, what is the value of its sales today?
A) $31,850  
B) $207,638  
C) $276,850  
D) $359,905

Question 2222
Paul goes to Sportsmart to buy a new tennis racquet. He is willing to pay $200 for a new racquet, but buys one on sale for $125. Paul's consumer surplus from the purchase is
A) $325  
B) $200  
C) $125  
D) $75

Question 2223
Explain why economics is considered a social science.

Question 2224
By making exchange ________, money allows for ________ and higher ________.
A) harder; specialization; costs  
B) easier; specialization; productivity  
C) harder; generalization; productivity  
D) easier; specialization; costs

Question 2225
Would the maximum loan that a bank can make be different when receiving a discount loan from the Federal Reserve of $1 million versus receiving a checking account deposit of $1 million? Explain why or why not.

Question 2226
If you exhibit the endowment effect as a decision maker, then you are
A) deciding on the basis of sunk costs.  
B) buying something you can't really afford because you expect to save in the future.  
C) ignoring non-monetary opportunity costs.  
D) consuming based on celebrity endorsements.

Question 2227
Since 2000, the Fed uses ________ to measure inflation.
A) the index of leading economic indicators
B) the personal consumption expenditures index
C) the consumer price index
D) the GDP deflator
E) the producer price index

Question 2228
Which of the following would shift a nation's production possibilities frontier outward?
A) discovering a more efficient process to desalinate water
B) an increase in the minimum wage
C) a decrease in the unemployment rate
D) more restrictive immigration policies

Question 2229
What is marginal cost? Which curve is also referred to as the marginal cost curve?

Question 2230
College education tends to result in a positive externality because the recipient receives the full benefit of the education.
[i]True[/i] or [i]false[/i]?

Question 2231
In January, buyers of gold expect that the price of gold will fall in February. What happens in the gold market in January, holding everything else constant?
A) The demand curve shifts to the right.
B) The quantity demanded increases.
C) The quantity demanded decreases
D) The demand curve shifts to the left.

Question 2232
When the economy enters a recession, your employer is unlikely to reduce your wages because _______ during a recession.
A) output and input prices generally fall
B) lower wages reduce productivity and morale
C) output prices always fall
D) output prices generally fall and input prices generally rise

Question 2233
Deadweight loss refers to a loss in revenue resulting from producers having to reduce their selling price to remain competitive.
[i]True[/i] or [i]false[/i]?

Question 2234
In a two-good, two country world, if one country has a comparative advantage in the production of one good, it can benefit by trading with other countries.
[i]True[/i] or [i]false[/i]?

Question 2235
Which of the following best describes the "interest rate effect"?
A) An increase in the price level raises the interest rate and chokes off government spending.
B) An increase in the price level lowers the interest rate and chokes off government spending.
C) An increase in the price level raises the interest rate and chokes off investment and consumption spending.
D) An increase in the price level lowers the interest rate and chokes off investment and consumption spending.
Question 2236
How do firms raise external funds through indirect finance?

Question 2237
If four workers can produce 18 chairs a day and five can produce 20 chairs a day, the marginal product of the fifth worker is
A) 2 chairs.
B) 3 chairs.
C) 4 chairs.
D) 38 chairs.

Question 2238
The federal budget exhibited a $128.7 billion surplus in 2001 but moved to a deficit of $157.8 billion in 2002. Some argued the deficit was opened up because of the Bush 2001 tax cuts, but others argued that the deficit grew because of the recession suffered in 2001. Evaluate the validity of the second argument.

Question 2239
Members of management serving on the board of directors of a corporation are referred to as outside directors.
[i]True[/i] or [i]false[/i]?

Question 2240
Suppose at the current price, the demand for copper is estimated at -3.14. What happens to sales revenue if the government imposes a price ceiling below the free market equilibrium price in the copper market?
A) Sales revenue falls.
B) Sales revenue rises.
C) Sales revenue remains unchanged because copper is a necessity for most industries.
D) It cannot be determined without information on prices.

Question 2241
In monopolistic competition there is/are
A) many sellers who each face a downward-sloping demand curve.
B) a few sellers who each face a downward-sloping demand curve.
C) only one seller who faces a downward-sloping demand curve.
D) many sellers who each face a perfectly elastic demand curve.

Question 2242
A change in supply is represented by a shift of the supply curve.
[i]True[/i] or [i]false[/i]?

Question 2243
What is investment in a closed economy if you have the following economic data?
Y = $10 trillion
C = $5 trillion
TR = $2 trillion
G = $2 trillion
A) $2 trillion
B) $3 trillion
C) $5 trillion
D) cannot be determined without information on taxes (T)

Question 2244
Which of the following would shift the supply curve for MP3 players to the left?
A) an increase in the price of an input used to produce MP3 players
B) a decrease in consumer tastes for MP3 players
C) an increase in the number of firms that produce MP3 players
D) an increase in the productivity of the workers who produce MP3 players

Question 2245

If the Fed orders a contractionary monetary policy, describe what will happen to the following variables relative to what would have happened without the policy:
 a. The money supply
 b. Interest rates
 c. Investment
 d. Consumption
 e. Net Exports
 f. The aggregate demand curve
 g. Real GDP
 h. The price level

Question 2246

Sunk costs
A) are costs associated with repairing something you already own.
B) are important for optimal decision making.
C) are costs that have already been paid and cannot be recaptured in any significant way.
D) are costs that firms sink into marketing.

Question 2247

By the 2000s, investment banks had become significant participants in the secondary market for mortgages.
[i]True[/i] or [i]false[/i]?

Question 2248

In reality, because few markets are perfectly competitive, some loss of economic efficiency occurs in the market for nearly every good or service.
[i]True[/i] or [i]false[/i]?

Question 2249

Economies of scale can lead to an oligopolistic market structure because
A) if larger firms have lower costs, new small entrants will not be able to produce at the low costs achieved by the big established firms.
B) if economies of scale are insignificant, only a few firms are able to produce at the low costs achieved by the big established firms.
C) a few firms can force rivals to produce at low levels of output.
D) a few firms can use high profits to keep out new entrants.

Question 2250

Money is
A) an asset that people are willing to accept in exchange for goods and services.
B) a liability that people are willing to accept in exchange for goods and services.
C) the income one earns over a period of time.
D) one's assets net of one's liabilities at any point in time.

Question 2251

Which of the following is a positive economic statement?
A) Everyone should live at the same standard of living.
B) If the price of gasoline rises, a smaller quantity of it will be bought.
C) The government should close income tax loopholes.
D) U.S. firms should not be allowed to outsource production of goods and services.
Question 2252
Why do we subtract import spending from total expenditures?

Question 2253
The demand for gasoline is perfectly inelastic because most people need gasoline to drive their cars.
[i]True[/i] or [i]false[/i]?

Question 2254
What does limited liability mean?
A) The owners of the business are personally responsible for paying expenses incurred by the business.
B) Only employees can have a claim on the assets of the business.
C) The personal assets of the owners cannot be claimed if the business is bankrupt.
D) Anybody with a liability against a firm can claim only what their liability refers to.

Question 2255
The Coffee Nook, a small cafe near campus, sells cappuccinos for $2.50 and Russian tea cakes for $1.00 each. What is the opportunity cost of buying a Russian tea cake?
A) 2 1/2 cappuccinos
B) 2/5 of a cappuccino
C) $2.50
D) $1.00

Question 2256
Using aggregate demand and aggregate supply, explain what happens in the short run if the Federal Reserve raises interest rates in the economy? Be sure to detail what happens to aggregate demand, the price level, the level of GDP, and unemployment. Assume that the economy is at full employment before the interest rate increase.

Question 2257
An article in the Wall Street Journal in early 2001 noted two developments in the market for laser eye surgery. The first development concerned side effects from the surgery, including blurred vision. The second development was that the companies renting eye-surgery machinery to doctors had reduced their charges. In the market for laser eye surgeries, these two developments
A) decreased demand and decreased supply, resulting in a decrease in the equilibrium quantity and an increase in the equilibrium price of laser eye surgeries.
B) decreased demand and increased supply resulting in an increase in both the equilibrium quantity and the equilibrium price of laser eye surgeries.
C) decreased demand and increased supply, resulting in a decrease in the equilibrium price and an uncertain effect on the equilibrium quantity of laser eye surgeries.
D) decreased demand and increased supply, resulting in a decrease in both the equilibrium price and the equilibrium quantity of laser eye surgeries.

Question 2258
What is economic surplus? When is economic surplus at a maximum?

Question 2259
The aggregate demand curve will shift to the right ________ the initial decrease in taxes.
A) by less than
B) by more than
C) by the same amount as
D) sometimes by more than and other times by less than

Question 2260
An increase in the demand for American-made goods will
A) increase the supply of dollars on the foreign exchange market.
B) decrease the supply of dollars on the foreign exchange market.
C) increase the demand for dollars on the foreign exchange market.
D) decrease the demand for dollars on the foreign exchange market.

**Question 2261**

Which of the following statements about a simple circular flow model is false?
A) Producers are buyers in the factor market and sellers in the product market.
B) Households are neither buyers nor sellers in the input market.
C) Producers are buyers in the factor market.
D) Households are sellers in the product market.

**Question 2262**

When is demand perfectly elastic? When is demand perfectly inelastic? What are the values of the price elasticity of demand when demand is perfectly elastic or perfectly inelastic? What do perfectly elastic and perfectly inelastic demand curves look like?

**Question 2263**

Which of the following is an example of implicit collusion?
A) product differentiation
B) a retaliation strategy
C) a second-price auction
D) price leadership

**Question 2264**

If, during a deposit expansion, not all money gets redeposited into the banking system and some leaks out as currency, then the real world multiplier is
A) smaller than 1/RR.
B) larger than 1/RR.
C) equal to 1/RR.
D) not related to 1/RR.

**Question 2265**

Comparative advantage means the ability to produce a good or service
A) at a lower selling price than any other producer.
B) at a lower opportunity cost than any other producer.
C) of a higher quality than any other producer.
D) at a higher profit level than any other producer.

**Question 2266**

In October 2008, Congress passed the ________, under which the Treasury provided funds to banks in exchange for stock.
A) Bank Rescue Alliance Treaty (BRAT)
B) Mortgage Transfer Agency (MTA)
C) Troubled Asset Relief Program (TARP)
D) Financial Assurance Association (FAA)

**Question 2267**

Letters are used to represent the terms used to answer this question: price (P), quantity of output (Q), total cost (TC) and average total cost (ATC).
Which of the following equations is equal to a firm's average profit?
A) P - ATC
B) (P - ATC) × Q
C) (P×Q) - TC
D) P - TC
Question 2268

The term ________ in economics refers to a group of buyers and sellers of a product and the arrangement by which they come together to trade.
A) collective  
B) cooperative  
C) market  
D) trade-off  

Question 2269

A monopolist currently sells 18 units of a good. If marginal revenue on the last unit sold is $117, then the price of the good must be less than $117.
[i]True[/i] or [i]false[/i]?

Question 2270

The volatility of a stock’s market price is indicated by
A) the highest stock price and the lowest stock price over the previous year.  
B) the price of newly issued shares compared to the price of previously issued shares.  
C) the difference between the stock’s selling price and its asking price.  
D) the stock’s price-earnings ratio.  

Question 2271

Which of the following best describes how banks create money?
A) Banks charge higher interest rates on loans than they pay on deposits.  
B) Banks charge fees for providing financial advice.  
C) Banks create checking account deposits when making loans from excess reserves.  
D) Banks make loans from reserves.  

Question 2272

If policy makers implement an expansionary fiscal policy but do not take into account the potential for crowding out, the new equilibrium level of GDP is likely to
A) be at potential GDP.  
B) be above potential GDP.  
C) be below potential GDP.  
D) There is insufficient information given here to draw a conclusion.  

Question 2273

When deciding on which new products to develop, a firm must devote people, time, and money to designing a new product. Because any firm has only limited resources, it
A) should wait until its competitors develop a similar product before deciding on devoting resources to its own product development.  
B) is not able to develop more than one new product at a time.  
C) must be certain that the product it chooses to develop will be successful or it will not be able to stay in business.  
D) faces a trade-off, because resources used to develop one product will not be available to develop another product.  

Question 2274

If pilots and flight attendants agree to wage and benefit reductions in the wake of the financial difficulties in the airline industry, what impact would this have on the supply and demand in the market for airline service, assuming no other changes take place in this market?

Question 2275

In the United States in 2012, the percentage of people who received health insurance through a government program was about
A) 10%.  
B) 16%.  
C) 36%.  
D) 64%.
Question 2276
A perfectly competitive firm's marginal revenue curve is downward sloping. [i]True[/i] or [i]false[/i]?

Question 2277
Which of the following provides health-care coverage to people age 65 and over?
A) Medicaid
B) Medicare
C) Social Security
D) Health-Aid

Question 2278
Describe the difference between technology and positive technological change.

Question 2279
When a financial asset is first sold, the sale takes place in the ________ market, and subsequent sales take place in the ________ market.
A) stock; bond
B) primary; secondary
C) investment; commercial
D) secure; risk

Question 2280
Which of the following statements is correct?
A) Economic profit takes into account all costs involved in producing a product.
B) Accounting profit is not relevant in preparing the firm's financial statement.
C) Economic profit always exceeds accounting profit.
D) Accounting profit is the same as economic profit.

Question 2281
By drawing a demand curve with ________ on the vertical axis and ________ on the horizontal axis, economists assume that the most important determinant of the demand for a good is the ________ of the good.
A) quantity; price; quantity
B) price; quantity; quantity
C) price; quantity; price
D) quantity; price; price

Question 2282
The tax multiplier
A) is negative.
B) is larger in absolute value as compared to the government spending multiplier.
C) is a measure of how much taxes will fall when income is falling.
D) is always less than one.

Question 2283
Which of the following is the best example of a perfectly competitive firm?
A) a corn farmer in Illinois
B) a Taco Bell restaurant
C) the Ford Motor Company
D) the United Parcel Service (UPS)
Question 2284

The study of how people make decisions in situations in which attaining their goals depends on their interactions with others is called
A) game theory.
B) oligopoly.
C) competitive analysis.
D) strategic analysis.

Question 2285

How can a firm have a negative valued added, as supposedly some state-owned businesses did in the former Soviet Union? What has to be true for value added to be negative?

Question 2286

Define a corporation.

Question 2287

You borrow $10,000 from a bank for one year at a nominal interest rate of 5%. If inflation over the year is 2%, what is the real interest rate you are paying?
A) 2%
B) 2.5%
C) 3%
D) 5%

Question 2288

Economists reason that the optimal decision is to continue any activity up to the point where the
A) marginal benefit is zero.
B) marginal benefit is greater than the marginal cost.
C) marginal cost is zero.
D) marginal benefit equals the marginal cost.

Question 2289

If Paul decides to buy a $60 ticket to a Cirque du Soleil show rather than a $45 ticket for a Blue Man Group performance, we can conclude that
A) the marginal utility per dollar spent on Cirque du Soleil is lower than the marginal utility per dollar spent on Blue Man Group.
B) Paul's demand for a ticket to see Cirque du Soleil is more elastic than his demand for a ticket to see Blue Man Group.
C) Paul is not making a rational choice.
D) the marginal utility per dollar spent on Cirque du Soleil is higher than the marginal utility per dollar spent on Blue Man Group.

Question 2290

Suppose that when the price of strawberries decreases, Simone increases her purchase of whipped cream. To Simone
A) strawberries and whipped cream are complements.
B) strawberries and whipped cream and substitutes.
C) strawberries and whipped cream are normal goods.
D) strawberries are a normal good and whipped cream is an inferior good.

Question 2291

Medical research that ends in a cure for a serious disease produces positive externalities. What is the impact of this positive externality on economic efficiency?
A) At equilibrium, less than the economically efficient quantity of medical research is produced.
B) A deadweight loss occurs because at equilibrium the marginal social cost of medical research is greater than the marginal social benefit.
C) At equilibrium, more than the economically efficient quantity of medical research is produced.
D) A deadweight loss occurs because at equilibrium the marginal social cost equals the marginal social benefit.
Question 2292

Consider the following hypothetical scenarios:
Scenario A: You are about to purchase a pair of 7 for All Mankind jeans for $175 and a t-shirt for $45. The sales attendant at the store tells you that the pair of jeans you wish to buy is on sale for $160 at another store, located about a 20-minute drive away.
Scenario B: You are about to purchase a pair of 7 for All Mankind jeans for $175 and a t-shirt for $45. The sales attendant at the store tells you that the t-shirt you wish to buy is on sale for $30 at another store, located about a 20-minute drive away.
Based on standard economic theory, under which scenario would you make the 20-minute trip to the other store?
A) Scenario A because the pair of jeans is a very expensive item and $15 saving is quite substantial
B) Scenario B because a $15 saving amounts to a substantial discount (about 33 percent)
C) in either scenario if I think a $15 saving is worth the 20-minute trip
D) in none of these scenarios if I think the $15 saving is not worth the 20-minute trip
E) C and D are correct answers.

Question 2293

Suppose there has been an increase in investment. As a result, real GDP will _______ in the short run, and _______ in the long run.
A) increase; increases further
B) increase; decrease to its initial value
C) decrease; decrease further
D) decrease; increase to its initial level

Question 2294

An appropriate fiscal policy response when aggregate demand is growing at a faster rate than aggregate supply is to decrease the money supply.
[i]True[/i] or [i]false[/i]?

Question 2295

If the demand curve for a firm is downward-sloping, its marginal revenue curve
A) will lie above the demand curve.
B) will lie below the demand curve.
C) is the same as the demand curve.
D) is horizontal.

Question 2296

The process of bundling loans together and buying and selling these bundles in a secondary financial market is called
A) open market operations.
B) securitization.
C) fractional reserve lending.
D) seigniorage.

Question 2297

To offset the effect of households and firms deciding to hold less of their money in checking account deposits and more in currency, the Federal Reserve could
A) raise the required reserve ratio.
B) buy Treasury securities.
C) raise the discount rate.
D) lower bank taxes.

Question 2298

A consequence of increasing marginal costs of producing laptop computers in the United States is
A) the United States will import laptop computers from countries that don't experience increasing marginal costs.
B) the United States will stop short of complete specialization in the production of laptop computers.
C) the United States will not export laptop computers.
D) the United States will likely impose trade restrictions on imported laptop computers.
Question 2299

A central bank can help stop a bank panic by
A) raising the required reserve ratio.  
B) calling in consumer loans.  
C) acting as a lender of last resort.  
D) decreasing income taxes.  

Question 2300

How does the demand curve for an oligopoly firm differ from the demand curves for firms in competitive market structures?  

Question 2301

When voluntary exchange takes place, only one party gains from the exchange.  
[i]True[/i] or [i]false[/i]?

Question 2302

Increases in the minimum wage are intended to raise the incomes of low-income workers. Many economists favor a different policy to achieve this goal, a policy that avoids the deadweight losses that result from the minimum wage. What is this policy?  
A) distribution of food stamps to low-income consumers  
B) distribution of vouchers that can be used for rent or mortgage payments  
C) the Alternative Minimum Tax  
D) the earned income tax credit  

Question 2303

Decreasing government spending ________ the price level and ________ equilibrium real GDP.  
A) decreases; increases  
B) increases; decreases  
C) increases; increases  
D) decreases; decreases  

Question 2304

Arnold Harberger was the first economist to estimate the loss of economic efficiency due to market power. Harberger found that  
A) the loss of economic efficiency in the U.S. economy due to market power was less than 1 percent of the value of production.  
B) because of the increase in the average size of firms since World War II, the loss of economic efficiency has been relatively large, about 10 percent of the value of total production in the United States.  
C) although the number of monopolies was small, the large number of other non-competitive firms in the United States resulted in a large loss of economic efficiency, about 20 percent of the value of total production.  
D) the loss of economic efficiency in the U.S. economy due to market power was small around 1973, about 1 percent of the value of production, but has since grown to about 10 percent.  

Question 2305

Assume a hypothetical case where an industry begins as perfectly competitive and then becomes a monopoly. Which of the following statements regarding economic surplus in each market structure is true?  
A) Under perfectly competitive conditions, economic surplus in this industry equals consumer surplus plus producer surplus. Under monopoly conditions, some consumer surplus is transferred to producer surplus, but economic surplus is the same as it was under perfectly competitive conditions.  
B) Under perfectly competitive conditions, economic surplus in this industry is maximized. Under monopoly conditions economic surplus is minimized.  
C) Under perfectly competitive conditions, economic surplus is equal to consumer surplus; there is no producer surplus because firms are price-takers. Under monopoly conditions, economic surplus is equal to producer surplus.  
D) Under perfectly competitive conditions, economic surplus is maximized. Under monopoly conditions economic surplus is less than under perfect competition and there is a deadweight loss.  
Question 2306
If marginal product is greater than average product, then
A) average product must be decreasing.
B) marginal product must be decreasing.
C) marginal product must be increasing.
D) marginal product could either be increasing or decreasing.

Question 2307
A decrease in individual income taxes _______ disposable income, which _______ consumption spending.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Question 2308
The three fundamental questions that any economy must address are:
A) What will be the prices of goods and services; how will these goods and services be produced; and who will receive them?
B) What goods and services to produce; how will these goods and services be produced; and who receives them?
C) Who gets jobs; what wages do workers earn; and who owns what property?
D) How much will be saved; what will be produced; and how can these goods and services be fairly distributed?

Question 2309
The "underground economy" refers to
A) the buying and selling of goods that is concealed from the government.
B) the production of goods and services used by the government for covert spy operations.
C) the sector of the economy that earns profits that are higher than average.
D) the formal sector of the economy in developing countries.

Question 2310
In economics, choices must be made because we live in a world of
A) unemployment.
B) scarcity.
C) greed.
D) unlimited resources.

Question 2311
If total variable cost exceeds total revenue at all output levels, a perfectly competitive firm
A) should produce in the short run.
B) is making short-run profits.
C) should shut down in the short run.
D) has covered its fixed cost.

Question 2312
During recessions, government expenditure automatically
A) falls because of programs such as unemployment insurance and Medicaid.
B) rises because of programs such as unemployment insurance and Medicaid.
C) falls because of the progressive income tax system.
D) rises because of the progressive income tax system.

Question 2313
In 1935, the U.S. Patent and Trademark Office issued Parker Brothers a trademark on the
use of the name Monopoly for a board game. Hasbro bought Parker Brothers in 1991. Which of the following statements is true regarding the trademark on the name Monopoly for a board game?
A) The original trademark expired well before Hasbro bought Parker Brothers, so they never had a trademark on Monopoly.
B) Trademarks never expire, so Hasbro continues to have a trademark on the name Monopoly.
C) The trademark expired in 2011, 20 years after Hasbro's purchase of Parker Brothers.
D) The trademark expired in 1955, 20 years after the trademark was issued to Parker Brothers.

**Question 2314**

What does the term "marginal" mean in economics?
A) the edge of a market
B) an additional or extra
C) illegal
D) secondary
E) trivial

**Question 2315**

A doctor pursuing his own interests rather than the interests of his patients is an example of the principal-agent problem.
[i]True[/i] or [i]false[/i]?

**Question 2316**

Between 2013 and 2014, if an economy's exports rise by $8 billion and its imports fall by $8 billion, by how much will GDP change between the two years, all else equal?
A) Net exports will increase GDP by $8 billion.
B) The increase in exports is offset by the decrease in imports, so there is no change in net exports and no effect on GDP.
C) Net exports will increase GDP by $16 billion.
D) Net exports will decrease GDP by $8 billion.

**Question 2317**

The points outside the production possibilities frontier are
A) efficient.
B) attainable.
C) inefficient.
D) unattainable.

**Question 2318**

Producer surplus is the difference between the lowest price a firm is willing to accept for a product and the price it actually receives for the product.
[i]True[/i] or [i]false[/i]?

**Question 2319**

Liquidity increases as we move from the M1 to the M2 definition of the money supply.
[i]True[/i] or [i]false[/i]?

**Question 2320**

Labor productivity is
A) the quantity of output produced in one hour by several workers.
B) the quantity of capital one worker can produce in one day.
C) the quantity of output produced by one worker or by one hour of work.
D) the quantity of output produced in one hour by one machine.

**Question 2321**

From 1991 until 2001, the United States was in a period of
Question 2322
The invention of the cotton gin ushered in the Industrial Revolution and began a long period of technological innovation. What did this technological change do to the short-run supply curve?
A) It shifted the short-run aggregate supply curve to the left.
B) It shifted the short-run aggregate supply curve to the right.
C) It moved the economy up along a stationary short-run aggregate supply curve.
D) It moved the economy down along a stationary short-run aggregate supply curve.

Question 2323
Currency traders expect the value of the dollar to fall. What effect will this have on the demand for dollars and the supply of dollars in the foreign exchange market?
A) Demand for dollars will increase, and supply of dollars will decrease.
B) Demand for dollars will increase, and supply of dollars will increase.
C) Demand for dollars will decrease, and supply of dollars will increase.
D) Demand for dollars will decrease, and supply of dollars will decrease.

Question 2324
By drawing a demand curve with price on the vertical axis and quantity on the horizontal axis, economists assume that the most important determinant of the demand for a good is
A) consumer income.
B) consumer tastes and preferences.
C) the price of the good.
D) the quality of the good.

Question 2325
What is the difference between a public franchise and a public enterprise?
A) A public franchise grants a firm the right to be the sole legal provider of a good or service. A public enterprise refers to a service that is provided directly to consumers through the government.
B) A public enterprise grants a firm the right to be the sole legal provider of a good or service. A public franchise refers to a service that is provided directly to consumers through the government.
C) A public enterprise is owned by the public through its holdings of shares of stock in the enterprise. A public franchise is a firm owned by the government.
D) Both refer to a service provided directly to consumers through the government, but "public franchise" is a term more commonly used in the United States while "public enterprise" is more commonly used in European countries.

Question 2326
Trinh quits his $80,000-a-year job to become a full-time volunteer at a museum. What is the opportunity cost of his decision?
A) 0 since he will no longer be earning a salary
B) depends on the "going rate" of museum employees
C) at least $80,000
D) the value he attributes to the joy of working at a museum

Question 2327
The federal budget deficit can be reduced by
A) raising taxes.
B) raising government spending.
C) raising transfer payments.
D) higher interest rates.
Question 2328

Trade only occurs if there are only winners, and no losers, as a result of the trade.

[i]True[/i] or [i]false[/i]?

Question 2329

Compared to perfect competition, the consumer surplus in a monopoly
A) is unchanged because price and output are the same.
B) is lower because price is higher and output is lower.
C) is higher because price is higher and output is the same.
D) is eliminated.

Question 2330

The body that is responsible for dating the beginning and ending dates for a recession is
A) the Fed.
B) the Congress.
C) the National Bureau of Economic Research.
D) the Bureau of Economic Analysis.

Question 2331

The statement "This Dell laptop costs $1,200" illustrates which function of money?
A) medium of exchange
B) unit of account
C) store of value
D) standard of deferred payment

Question 2332

As a result of the tariff on Chinese tires, U.S. consumers are estimated to have spent ________ on imported tires and ________ on U.S.-produced tires.
A) more; more
B) more; less
C) less; more
D) less; less

Question 2333

The federal budget deficit acts as an automatic stabilizer because
A) government tax revenues decrease during a recession.
B) unemployment insurance payments decrease during a recession.
C) food stamp payments increase during expansionary periods.
D) Medicaid payments increase during expansionary periods.

Question 2334

Which of the following statements is false?
A) Exports benefit trading countries because exports create jobs. Imports do not benefit trading countries because they result in a loss of jobs.
B) Each year the United States exports about 50 percent of its wheat crop and 20 percent of its corn crop.
C) Most of the leading exporting countries are large, high-income countries.
D) Not all sectors of the U.S. economy are affected equally by international trade.

Question 2335

Suppose that American firms claim that protectionism in Canada is on the rise as the Canadian government attempts to protect its infant industries with a "Buy Canadian" provision. This policy, similar to the original "Buy American" provision in the 2009 U.S. stimulus bill, is likely to cause
A) exporting countries to retaliate by placing trade barriers on Canadian imports.
Question 2336
The number of people receiving Medicare is expected to grow to 80 million by the year
A) 2105.
B) 2020.
C) 2030.
D) 2075.

Question 2337
Utility is
A) easily measured in units called utils.
B) subjective and difficult to measure.
C) the consumption of a quasi-public good like electricity or natural gas.
D) the production of a quasi-public good like electricity or natural gas.

Question 2338
In the following table, fill in the columns for your return on investment if the price of your house increased or decreased by 20 percent, based on the
down payments specified in the first column.
Return on Your Investment From
Down Payment | A 20 Percent Increase in the Price of Your House | A 20 Percent Decrease in the Price of Your House
--- | --- | ---
100% | | |
20 | | |
10 | | |
5 | | |

Question 2339
If government saving is negative, then
A) T > TR.
B) G > T.
C) T - TR < G.
D) Y + TR < C - T.

Question 2340
What is the Congressional act, enacted in 1933 and repealed in 1999, which prevented financial firms from being both commercial banks and
investment banks?
A) the Sarbanes-Oxley Act
B) the Glass-Steagall Act
C) the Taft-Hartley Act
D) the Cellar-Kefauver Act

Question 2341
Which of the following will not happen as a consequence of a monopolistically competitive firm suffering economic losses in the short run?
A) The firm’s demand curve will shift to the right if it stays in business in the long run.
B) The firm will exit the industry if it continues to suffer economic losses.
C) The firm will break even if it stays in business in the long run.
D) In the long run the firm will be able to charge a price that is greater than its average total cost.

Question 2342
Potential GDP is also referred to as
A) realized GDP.
Question 2343
Those who favor changes in the market for health care that would make it more like the markets for other goods and services are generally in favor of universal health care coverage.  
[i]True[/i] or [i]false[/i]?

Question 2344
Following a decrease in government spending, as the price level falls we would expect the level of interest rates to ________ and investment to ________.
A) decrease; decrease  
B) decrease; increase  
C) increase; decrease  
D) increase; increase  

Question 2345
Is it possible for a firm to have an absolute advantage in producing something without having a comparative advantage? Why or why not?

Question 2346
Suppose the federal budget deficit for the year was $100 billion and the economy was in a recession. If the economy had been at potential GDP, it is estimated that tax revenues would have been $60 billion higher and government spending on transfer payments $50 billion lower. Using these estimates, the cyclically adjusted budget
A) deficit was $210 billion.  
B) deficit was $110 billion.  
C) surplus was $10 billion.  
D) surplus was $110 billion.  

Question 2347
It is ________ difficult to effectively time fiscal policy than monetary policy because ________.
A) more; fiscal policy can be quickly decided and changed  
B) more; fiscal policy takes longer to implement  
C) less; monetary policy takes longer to decide and change  
D) less; monetary policy takes longer to implement  

Question 2348
The recession of 2007-2009 decreased the demand for imports in Japan, which caused the ________ curve for the yen to ________, increasing the exchange rate and the value of the yen.
A) supply; right  
B) supply; left  
C) demand; right  
D) demand; left  

Question 2349
If, in response to a decrease in the price of coffee, the quantity demanded of coffee increases, economists would describe this as
A) an increase in demand.  
B) an increase in quantity demanded.  
C) a change in consumer income.  
D) an increase in consumers' taste for coffee.  
Question 2350

In February, market analysts predict that the price of titanium will rise in March. What happens in the titanium market in February, holding everything else constant?

A) The supply curve shifts to the right.
B) The supply curve shifts to the left.
C) The quantity demanded and the quantity supplied of titanium increase.
D) The demand curve shifts to the left.


Question 2351

The “Buy American” provision in the 2009 stimulus package required that stimulus money be spent only on U.S.-made goods, effectively acting as a quota of zero imports when stimulus money was being spent. The “Buy American” provision would ________ consumer surplus and ________ producer surplus for industries that produced protected products in the United States.

A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease


Question 2352

The process of an economy adjusting from a recession back to potential GDP in the long run without any government intervention is known as

A) monetary policy.
B) an automatic mechanism.
C) “releasing sticky prices.”
D) fiscal policy.


Question 2353

Explain why the long-run aggregate supply curve is vertical.


Question 2354

Assume that two interior design companies, Alistair and Baine, are competing for customers and if they both advertise, they would each earn $30 million in profits. If neither advertises, they each earn $50 million in profits. If one advertises and the other doesn't, the firm that advertises earns $40 million in profit while the other earns $20 million in profit.

a. Present the information above in the form of a payoff matrix. Let Baine be the row player and Alistair the column player.
b. Does each firm have a dominant strategy and if so what is it?
c. What is the Nash equilibrium?


Question 2355

Explain how each of the following events would affect the short-run aggregate supply curve.

a. A decrease in the price level
b. A decrease in what the price level is expected to be in the future
c. A price level that is currently lower than expected
d. An unexpected decrease in the price of an important raw material
e. A decrease in the labor force


Question 2356

Who controls a sole proprietorship?

A) owner
B) stockholders
C) bondholders
D) employees


Question 2357
Let \( D \) = demand, \( S \) = supply, \( P \) = equilibrium price, \( Q \) = equilibrium quantity. What happens in the market for sushi if the Surgeon General announces that a majority of the raw fish that is imported to make sushi contains high levels of toxic mercury?

- A) \( D \) decreases, \( S \) no change, \( P \) and \( Q \) decrease
- B) \( S \) decreases, \( D \) no change, \( P \) increases, \( Q \) decreases
- C) \( D \) and \( S \) decrease, \( P \) and \( Q \) decrease
- D) \( D \) no change, \( S \) increases, \( P \) decreases, \( Q \) decreases


**Question 2358**

What are three primary reasons for the growth of international trade over the past 50 years?


**Question 2359**

Which of the following is true for a firm with a downward-sloping demand curve for its product?

- A) Price, average revenue, and marginal revenue are all equal.
- B) Price, average revenue, and marginal revenue are all different.
- C) Price equals average revenue but is greater than marginal revenue.
- D) Price equals average revenue but is less than marginal revenue.


**Question 2360**

Consider an industry that is made up of nine firms each with a market share (percent of sales) as follows:

- a. Firm A: 30%
- b. Firm B: 20%
- c. Firms C, D and E: 10% each
- d. Firms F, G, H and J: 5% each

What is the value of the Herfindahl-Hirschman Index and how is the industry categorized?

- A) 1700; moderately concentrated
- B) 1425; moderately concentrated
- C) 1600; moderately concentrated
- D) 2600; highly concentrated


**Question 2361**

Merger guidelines developed by the Antitrust Division of the U.S. Department of Justice use four-firm concentration ratios as measures of concentration.

[i]True[/i] or [i]false[/i]?


**Question 2362**

Which of the following statements about the underground economy is true?

- A) The underground economy in developing countries amounts to less than 10% of measured GDP.
- B) Most transactions that occur in the underground economy are included in the calculation of GDP.
- C) Excluding underground economy production from measured GDP causes errors in GDP growth estimates in the long run.
- D) Income that is earned but not reported as income for tax purposes is included in the calculation of GDP.


**Question 2363**

An example of an intermediate good would be

- A) the bread that goes into a sub sandwich that is sold by Quiznos.
- B) the soda pop sold by Quiznos.
- C) a sub sandwich sold by Quiznos.
- D) the potato chips sold by Quiznos.


**Question 2364**

Briefly explain the command-and-control approach in dealing with an externality such as pollution. Give an example of the U.S. government using the command-and-control approach to deal with the pollution problem.


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Question 2365
Suppose a transaction changes the balance sheet of Wells Fargo bank as indicated in the following T-account.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>Deposits + $1,000</td>
</tr>
</tbody>
</table>

At this point, what percentage of the new deposits does Wells Fargo hold in reserves?
A) 100 percent
B) 10 percent
C) 5 percent
D) 1 percent


Question 2366
If GDP grows at a rate of 3% per year, approximately how long will it take for GDP to double in size?
A) 12 years
B) 21 years
C) 23 years
D) 35 years


Question 2367
State the law of diminishing marginal returns.


Question 2368
Jaycee Jeans sold 40 pairs of jeans at a price of $40. When it lowered its price to $20, the quantity sold increased to 60 pairs. Calculate the absolute value of the price elasticity of demand. Use the midpoint formula.
A) 1.67
B) 1.0
C) 0.6
D) 0.53


Question 2369
Which of the following statements describes economists' attitudes regarding the influence of social factors on the choices consumers make?
A) Economists formerly believed they were very important but now they believe they are not important.
B) Economists believe social factors affect consumer choice in markets for public goods but not in markets for private goods.
C) Liberal economists believe social factors are very important; conservative economists do not believe social factors have any influence on consumers.
D) Economists traditionally believed they were unimportant, but many economists now believe social factors are important.


Question 2370
The Clayton Act prohibited
A) all vertical mergers.
B) all horizontal mergers.
C) any merger if its effect was to substantially lessen competition or create a monopoly.
D) all conglomerate mergers.


Question 2371
An increase in the unemployment rate may be represented as a movement from a point on the production possibilities frontier to a point inside the frontier.

[i]True[/i] or [i]false[/i]?


Question 2372
A network externality causes firms to sacrifice profits in the short run in order to satisfy their customers and increase their long-run profits.

[i]True[/i] or [i]false[/i]?
Question 2373

A consumer maximizes her total utility from a bundle of goods when her marginal utility from each good is equal.
[i]True[/i] or [i]false[/i]?

Question 2374

Costs that have already been incurred, and which cannot be recovered, are known as
A) short-run fixed costs.
B) implicit costs.
C) unavoidable costs.
D) sunk costs.

Question 2375

Issuing marketable emission allowance permits to polluting firms will result in those firms polluting more than is socially desirable.
[i]True[/i] or [i]false[/i]?

Question 2376

What is productive efficiency?
A) a situation in which resources are allocated to their highest profit use
B) a situation in which resources are allocated such that goods can be produced at their lowest possible average cost
C) a situation in which resources are allocated such that the last unit of output produced provides a marginal benefit to consumers equal to the marginal cost of producing it
D) a situation in which firms produce as much as possible

Question 2377

The production function shows
A) the total cost of producing a given quantity of output.
B) the maximum output that can be produced from each possible quantity of inputs.
C) the technology used to produce output.
D) the incremental output gained by improving the production process.

Question 2378

Because of the _______ of vaccinations, economic efficiency would be improved if more people were vaccinated.
A) negative externality
B) positive externality
C) moral hazard
D) adverse selection

Question 2379

Which component of consumption spending is the greatest in a typical economy?
A) services
B) durable goods
C) nondurable goods
D) new housing

Question 2380

An increase in the price level causes
A) the money demand curve to shift to the left.
B) the money demand curve to shift to the right.
C) a movement up along the money demand curve.
D) a movement down along the money demand curve.
Question 2381

There are several types of barriers to entry that can create a monopoly. Which of the following barriers is the result of government action?
A) network externalities
B) public franchise
C) economies of scale
D) control of a key resource


Question 2382

A monopolistic competitor does not earn profits in the long run unless it can successfully differentiate its product in the minds of its consumers. [i]True[/i] or [i]false[/i]?


Question 2383

Pierre can produce either a combination of 20 bow ties and 30 neckties or a combination of 35 bow ties and 15 neckties. If he now produces 35 bow ties and 15 neckties, what is the opportunity cost of producing an additional 15 neckties?
A) 2 bow ties
B) 15 bow ties
C) 20 bow ties
D) 35 bow ties


Question 2384

Is a monopolistically competitive firm productively efficient?
A) No, because it does not produce at minimum average total cost.
B) Yes, because it produces where marginal cost equals marginal revenue.
C) No, because price is greater than marginal cost.
D) Yes, because price equals average total cost.


Question 2385

If the price of pineapple juice was $4.50 a gallon and it is now $5.75 a gallon, what is the percentage change in price?
A) 7.8 percent
B) 12.5 percent
C) 27.7 percent
D) 57.5 percent


Question 2386

Which of the following is a government expenditure, but is not a government purchase?
A) The federal government buys a Humvee.
B) The federal government pays the salary of an FBI agent.
C) The federal government pays out an unemployment insurance claim.
D) The Federal government pays to support research on Aids.


Question 2387

In 18th century Europe, governments gave guilds legal authority to limit production of goods. Did this authority obstruct or improve the market mechanism and how?
A) It improved the market mechanism by making it more efficient because the guilds were able to quickly identify and rectify any market shortages and surpluses.
B) It improved the market mechanism because the government’s actions provided the correct set of signals to the market so that producers can adjust their output to better meet the needs of consumers.
C) It obstructed the market mechanism because the guild's actions prevented the forces of demand and supply from coordinating the self-interested decisions of producers and consumers.
D) It obstructed the market mechanism because with one more party having to coordinate activities (the guilds) there were delays in getting the products to consumers.

Question 2388

The PPI is the
A) price parity index.
B) prime producer index.
C) producer price index.
D) production performance indicator.

Question 2389

The relationship between the inputs employed by a firm and the maximum output that it can produce with those inputs is the firm's
A) production function.
B) supply curve, or supply schedule.
C) marginal product of labor.
D) average product of labor.

Question 2390

Frieda is at her local florist to buy a dozen roses. She is willing to pay $75 for the roses, and buys them for $75. Frieda's consumer surplus from the purchase is
A) $150
B) $75
C) $37.50
D) $0

Question 2391

Using an aggregate demand graph, illustrate the impact of an increase in the interest rate.

Question 2392

The nominal interest rate will be less than the real interest rate when
A) the rate of inflation is positive but decreasing.
B) the rate of inflation is positive and increasing.
C) the rate of inflation is negative.
D) the real interest rate is negative.

Question 2393

A patent or copyright is a barrier to entry based on
A) ownership of a key necessary raw material.
B) large economies of scale as output increases.
C) government action to protect a producer.
D) widespread network externalities.

Question 2394

Under current U.S. tax laws individuals do not pay taxes on health insurance benefits they receive from their employers.
[i]True[/i] or [i]false[/i]?

Question 2395

The Federal Reserve's performance in the mid-to-late 1980s, 1990s, and early 2000s has received high marks from economists, even without inflation targeting.
[i]True[/i] or [i]false[/i]?

Question 2396

When Americans increase their demand for Japanese goods
A) the demand for dollars will rise, and the demand for yen will rise.
B) the demand for dollars will fall, and the demand for yen will rise.
C) the supply of dollars will rise, and the demand for yen will rise.
D) the supply of dollars will fall, and the demand for yen will fall.

Question 2397
Most pharmaceutical firms selling prescription drugs continue to earn economic profits long after the patents on the prescription drugs expire because they have established a strong foothold in the market.
[i]True[/i] or [i]false[/i]?

Question 2398
President Obama has discussed raising income taxes for individuals earning over $250,000 in income. Explain how these higher income taxes will affect the aggregate demand curve.

Question 2399
Explain the economic idea that "people respond to incentives."

Question 2400
Which of the following is not a characteristic of monopolistic competition?
A) There are many buyers and sellers.
B) There are low barriers to entry.
C) Average revenue is equal to price.
D) The products sold by all firms are identical.

Question 2401
What is meant by allocative efficiency? How does a perfectly competitive firm achieve allocative efficiency?

Question 2402
The short-run aggregate supply curve has a
A) negative slope.
B) positive slope.
C) slope equal to infinity.
D) slope equal to zero.

Question 2403
If an economy experiences deflation, the real interest rate
A) will be less than the nominal interest rate.
B) will be negative when the nominal interest rate is positive.
C) will be greater than the nominal interest rate.
D) will be equal to the deflation rate, so long as the nominal interest rate is positive.

Question 2404
Making "how much" decisions involve
A) calculating the total benefits of the activity and determining if you are satisfied with that amount.
B) calculating the total costs of the activity and determining if you can afford to incur that expenditure.
C) calculating the average benefit and the average cost of an activity to determine if it is worthwhile undertaking that activity.
D) determining the additional benefits and the additional costs of that activity.

Question 2405
A majority of people in the United States have private health insurance.
Question 2406
A monopoly firm is the only seller of a good or service that
A) has a perfectly elastic demand.
B) has no close complements.
C) does not need to be advertised.
D) does not have a close substitute.

Question 2407
Which of the following transactions would take place in the "underground economy"?
A) Elizabeth tells her mother she's going to work but really goes to see a movie.
B) Paul buys 15 gallons of gasoline for $3.29 a gallon, not realizing that $1.50 per gallon of that price goes to the government as tax revenue.
C) John makes chain-link belts and necklaces and sells them at a local flea market for cash to avoid paying taxes.
D) Matt bought an iPad for $499 but decided to sell it on eBay instead of keeping it.

Question 2408
What is deadweight loss? When is deadweight loss equal to zero?

Question 2409
The growing popularity of energy conservation has enticed large home improvement stores like Home Depot and Lowes to offer tankless water heaters. How does the fact that home improvement stores now offer these products affect the tankless water heater market?
A) The demand curve for tankless water heaters shifts to the right.
B) The demand curve for tankless water heaters shifts to the left.
C) The supply curve for tankless water heaters shifts to the right.
D) The supply curve for tankless water heaters shifts to the left.

Question 2410
Arlene quits her $125,000-a-year job to take care of her ailing parents. What is the opportunity cost of her decision?
A) zero, since she will no longer be earning a salary
B) It depends on the "going rate" for home-care providers.
C) at least $125,000
D) the value she attributes to the satisfaction she receives from taking care of her parents

Question 2411
Exports are domestically produced goods and services
A) sold to other countries.
B) sold to the government.
C) sold at home.
D) which are used to produce other goods and services.

Question 2412
If we include consideration of potential effects of a proposed tax reduction and simplification on the labor supply, we would expect crowding out of investment and net exports brought about by the tax cut to be
A) less than it would be without the supply-side effects.
B) increased as aggregate real income and output rise in the long run.
C) unaffected by the shifting long-run aggregate supply curve.
D) dependent upon the impact of this tax change on consumer disposable income.

Question 2413
Housing is the largest component of the U.S. CPI market basket.
Question 2414

Because of the slope(s) of the _______, we can say that a decrease in the price level leads to a higher level of real GDP demanded.
A) aggregate demand curve
B) short-run aggregate supply curve
C) long-run aggregate supply curve
D) short-run and long-run aggregate supply curves

Question 2415

A stand of redwood trees is not an example of a factor of production but the harvested and processed redwood is a factor of production. [i]True[/i] or [i]false[/i]?

Question 2416

For each surfboard that Australia produces, it gives up the opportunity to make 25 boomerangs. New Zealand can produce 1 surfboard for every 15 boomerangs it produces. Which of the following is true about the comparative advantage between the two countries?
A) Australia has the comparative advantage in surfboards.
B) Australia has the comparative advantage in boomerangs.
C) New Zealand has the comparative advantage in surfboards and boomerangs.
D) New Zealand has the comparative advantage in boomerangs.

Question 2417

In which types of business do owners have unlimited personal liability and in which do owners have limited personal liability?

Question 2418

The automatic mechanism ________ the price level in the case of ________ and ________ the price level in the case of ________.
A) raises; recession; lowers; expansion
B) raises; expansion raises; recession
C) lowers; expansion; lowers; recession
D) lowers; recession; raises; expansion

Question 2419

What is meant by the term “economic efficiency”?

Question 2420

Why does the holding of excess reserves by banks and the holding of currency by households and firms cause the real-world deposit multiplier to be less than the simple deposit multiplier?

Question 2421

The Sarbanes-Oxley Act of 2002 requires that CEOs personally certify the accuracy of financial reports. [i]True[/i] or [i]false[/i]?

Question 2422

Which of the following is used to explain why a consumer’s willingness to buy Microsoft Office increases as the number of other people who use Microsoft Office increases?
A) network externalities
B) market failure
C) diminishing marginal utility
D) the income effect of a price change
Question 2423

The ________ effect of a price change refers to the impact of a change in the price of a good on a consumer’s purchasing power.

A) income  
B) substitution  
C) demographics  
D) ceteris paribus


Question 2424

Consider two single-malt whiskey distillers, Laphroaig and Knockando. If they advertise, they can both sell more whiskey and increase their revenue. However, the cost of advertising more than offsets the increased revenue so that each distiller ends up with a lower profit than if they do not advertise. On the other hand, if only one advertises, that distiller increases its market share and also its profit.

a. Construct a payoff matrix using the following hypothetical information: If neither distiller advertises, each earns a profit of $35 million per year. If both advertise, each earns a profit of $20 million per year. If one advertises and the other does not, the distiller who advertises earns a profit of $50 million and the distiller who does not advertise earns a profit of $9 million.

b. If Laphroaig wants to maximize profit, will it advertise? Briefly explain.

c. If Knockando wants to maximize profit, will it advertise? Briefly explain.

d. Is there a dominant strategy for each distiller? Briefly explain.


Question 2425

At a product’s equilibrium price

A) the product’s demand curve is the same as the product’s supply curve.
B) the quantity of the product demanded is greater than the quantity of the product supplied.
C) the quantity of the product demanded is less than the quantity of the product supplied.
D) the product’s demand curve crosses the product’s supply curve.


Question 2426

How are intermediate goods treated in the calculation of GDP?

A) Their value is not counted separately, but included as part of the value of the final good for which they are an input.
B) Their value is counted separately, and their value is also included as part of the value of the final good for which they are an input.
C) Their value is counted separately, but is not included as part of the value of the final good for which they are an input.
D) They are included only if they are imported.


Question 2427

If the federal budget goes from a budget deficit in Year 1 to a budget surplus in Year 2, does it follow that the federal government acted to raise taxes or cut government spending in Year 2?


Question 2428

For each of the following pairs of products state which are complements, which are substitutes, and which are unrelated.

a. Blu-ray discs and video-on-demand
b. Fiat 500 and Mini Cooper S
c. Toothpaste and toothbrush
d. Popcorn and snowboards
e. Razors and razor blades


Question 2429

Firms in monopolistic competition compete by selling similar, but not identical products.

[i]True[/i] or [i]false[/i]?


Question 2430

If marginal benefit is less than marginal cost, output is inefficiently high.

[i]True[/i] or [i]false[/i]?
Question 2431

When a monopolistically competitive firm cuts its price to increase its sales, it experiences a loss in revenue due to the
A) substitution effect.
B) income effect.
C) price effect.
D) output effect.

Question 2432

If consumers paid the full price of medical services instead of using health insurance and third-party payers to cover part of the cost, the quantity of medical services provided would increase.
[i]True[/i] or [i]false[/i]?

Question 2433

Identify the type of merger in each of the following situations and indicate how the post-merger concentration ratio for the industry is affected.
a. A steel company merges with a coal and iron ore mining company.
b. Staples, a retailer of office supplies, acquires Office Depot, another retailer of office supplies.
c. An oil company merges with pipeline, shipping, and railroad companies as well as refineries and gas stations.

Question 2434

In response to a shortage the market price of a good will rise; as the price rises, the demand will decrease and supply will increase until equilibrium is reached.
[i]True[/i] or [i]false[/i]?

Question 2435

Free trade ______ living standards by ______ economic efficiency.
A) raises; increasing
B) lowers; decreasing
C) raises; equalizing
D) lowers; eliminating

Question 2436

If a brewery wants to raise funds to purchase a new fermenting vat, it does so in the
A) factor market.
B) output market.
C) product market.
D) alcoholic beverages market.

Question 2437

Typically, the lower the level of income per person in a country, the lower the level of spending per person on health care. This relationship between income and spending indicates that health care is a
A) normal good.
B) inferior good.
C) luxury.
D) necessity.

Question 2438

A decrease in the equilibrium quantity for a product will result
A) when the quantity demanded for the product exceeds the quantity supplied.
B) when there is a decrease in supply and a decrease in demand for the product.
C) when there is an increase in supply and a decrease in demand for the product.
D) when there is a decrease in demand and a decrease in the number of firms producing the product.
Question 2439

When plasma television sets were first introduced prices were high and few firms were in the market. Later, economic profits attracted new firms and the price of plasma televisions fell. This example illustrates

A) a decreasing-cost industry.
B) that consumers receive this new technology “free of charge” in the sense that they only have to pay a price for plasma televisions equal to the lowest production cost.
C) an industry with a low minimum efficient scale.
D) how fickle consumer demands are.


Question 2440

Studies have shown that smoking cigarettes can cause heart disease. Assume this is true, and favorable weather has increased the tobacco harvest in North Carolina. In the market for cigarettes, these two developments would

A) decrease demand and decrease supply, resulting in an increase in the equilibrium quantity and a decrease in the equilibrium price of cigarettes.
B) increase demand and increase supply resulting in an increase in the equilibrium quantity and an uncertain effect on the equilibrium price of cigarettes.
C) decrease demand and increase supply, resulting in a decrease in the equilibrium price and an uncertain effect on the equilibrium quantity of cigarettes.
D) decrease demand and increase supply, resulting in an increase in both the equilibrium price and the equilibrium quantity of cigarettes.


Question 2441

A market demand curve reflects the

A) private benefits of consuming a product.
B) external benefits of consuming a product.
C) social benefits of consuming a product.
D) the sum of private and social benefits of consuming a product.


Question 2442

When Roxanne, a U.S. citizen, purchases a designer dress from Barneys of New York that was made in Milan, the purchase is

A) both a U.S. and an Italian import.
B) a U.S. import and an Italian export.
C) a U.S. export and an Italian import.
D) neither an export nor an import for either country.


Question 2443

Economists believe the most persuasive argument for protectionism is to

A) save jobs.
B) protect high wages.
C) protect national security.
D) protect infant industries.


Question 2444

If inflationary expectations are increasing, we would expect that the nominal interest rate would also be increasing, holding all else constant.

[i]True[/i] or [i]false[/i]?


Question 2445

What is health insurance?


Question 2446

What is a banking panic, and what role did banking panics play in the decision by Congress to establish the Federal Reserve?

Question 2447

Adhira buys chocolates and almonds. She has 3 bars of chocolates and 4 bags of almonds. The marginal utility of the third chocolate bar is 18 units of utility and the marginal utility from the fourth bag of almonds is also 18. Is Adhira maximizing her utility?
A) Yes, the marginal utility from the last unit of each good is equal.
B) No, she must buy 1 more chocolate bar to equate her quantities of the two goods.
C) No, she must buy back to 3 bags of almonds to equate her quantities of the two goods.
D) No, without information on her income and the prices of the two goods, we cannot answer the question.

Question 2448

The Fed can simultaneously reduce the inflation rate and stimulate growth through lowering interest rates.
[i]True[/i] or [i]false[/i]?

Question 2449

Economic growth depends more on technological change than on increases on capital per hour worked.
[i]True[/i] or [i]false[/i]?

Question 2450

During 2008, oil price increases
A) shifted the short-run aggregate supply curve farther to the left than similar increases had 30 years earlier.
B) shifted the aggregate demand curve farther to the right than similar increases had 30 years earlier.
C) did not shift the short-run aggregate supply curve as far to the left as similar increases had 30 years earlier.
D) shifted the aggregate demand curve farther to the left than similar increases had 30 years earlier.

Question 2451

Which of the following would not be included in the expenditure category called investment expenditures?
A) spending on new houses
B) a purchase of shares of preferred stock
C) a purchase of a copy machine by FedEx Office
D) the cars held in inventory on a local Ford dealer's lot

Question 2452

Which of the following statements is false?
A) Corporations can issue stocks and bonds, while proprietorships cannot.
B) Corporations have one owner, while proprietorships have many owners.
C) Corporations face more taxes than do proprietorships.
D) Proprietorships have unlimited liability while corporations have limited liability.

Question 2453

What are terms of trade?

Question 2454

The best measure of the standard of living is
A) nominal GDP.
B) real GDP.
C) nominal GDP per capita.
D) real GDP per capita.

Question 2455

Most economists believe that labor unions significantly increase the overall unemployment rate in the United States.
[i]True[/i] or [i]false[/i]?
Question 2456
If a natural monopoly regulatory commission sets a price where marginal cost is equal to demand
A) the firm would earn monopoly profits.
B) economic efficiency would not be achieved.
C) the firm would incur a loss.
D) the firm would break even.

Question 2457
The long-run aggregate supply curve will shift to the right if the economy
A) experiences technological change.
B) has a decrease in population.
C) experiences high levels of inflation.
D) net exports decrease.

Question 2458
The Fed's two main monetary policy targets are
A) the money supply and the inflation rate.
B) the money supply and the interest rate.
C) the interest rate and real GDP.
D) the inflation rate and real GDP.

Question 2459
The GDP deflator is the
A) difference between real GDP and nominal GDP multiplied by 100.
B) difference between nominal GDP and real GDP divided by 100.
C) ratio of real GDP to nominal GDP multiplied by 100.
D) ratio of nominal GDP to real GDP multiplied by 100.

Question 2460
The payment received by suppliers of entrepreneurial skills is called wages.
[i]True[/i] or [i]false[/i]?

Question 2461
What is an economic model?
A) It is a description of an economic issue that includes all possible related information.
B) It is a description of an economic issue based on official government information.
C) It is a detailed version of some aspect of economic life used to analyze an economic issue.
D) It is a simplified version of some aspect of economic life used to analyze an economic issue.

Question 2462
Use the dynamic aggregate demand and aggregate supply model and start with Year 1 in long-run macroeconomic equilibrium. For Year 2, graph aggregate demand, long-run aggregate supply, and short-run aggregate supply such that the condition of the economy will induce the Federal Reserve to conduct a contractionary monetary policy. Briefly explain the condition of the economy and what the Federal Reserve is attempting to do.

Question 2463
In preparing their estimates of the stimulus package's effect on GDP, Obama administration economists estimated a government purchases multiplier of 1.57. This indicates that a ________ increase in government purchases would increase equilibrium real GDP by $157 billion
A) $1 billion.
B) $10 billion.
C) $100 billion.
Question 2464

If the opportunity cost of production for two goods is different between two countries, then
A) trade cannot benefit either country.
B) only one country can be made better off by trade.
C) mutually beneficial trade is possible.
D) trade will only benefit both countries if one can lower its opportunity costs.

Question 2465

Holding everything else constant, the demand for a good tends to be more elastic
A) the more substitutes there are for the good.
B) the shorter the time period involved.
C) the more consumers perceive the good to be a necessity.
D) the less important the product is in consumers' budgets.

Question 2466

Japan has a single-payer health care system in which the government provides national health insurance to all Japanese residents.
True or False?

Question 2467

If rapid increases in oil prices caused price levels to increase and real GDP to decrease in the short run, the economy would experience
A) stagflation.
B) long-run economic decline.
C) hyperinflation.
D) an increase in the natural rate of unemployment.

Question 2468

A constant cost, perfectly competitive market is in long-run equilibrium. At present, there are 1,000 firms each producing 400 units of output. The price of the good is $60. Now suppose there is a sudden increase in demand for the industry's product which causes the price of the good to rise to $64. In the new long-run equilibrium, how will the average total cost of producing the good compare to what it was before the price of the good rose?
A) The average total cost will be higher than it was before the price increase since the increase in demand will drive up input prices.
B) The average total cost will be lower than it was before the price increase because of economies of scale.
C) The average total cost will be higher than it was before the price increase because of diseconomies of scale arising from the increased demand.
D) The average total cost will be the same as it was before the price increase.

Question 2469

"Because chips and salsa are complements, an increase in the price of chips will cause the demand for salsa to decrease. This initial shift in demand for chips results in a higher price for chips; this higher price will cause the demand curve for chips to shift to the right." Which of the following correctly comments on this statement?
A) The statement will be true if consumer tastes for chips and salsa do not change.
B) The statement is false because a change in the price of chips would not change the demand for chips.
C) The statement is false because salsa is an inferior good; chips are normal goods.
D) The statement is false because one cannot assume that chips and salsa are complements for all consumers.

Question 2470

When a perfectly competitive firm finds that its market price is below its minimum average variable cost, it will sell
A) the output where marginal revenue equals marginal cost.
B) any positive output the entrepreneur decides upon because all of it can be sold.
C) nothing at all; the firm shuts down.
D) the output where average total cost equals price.
Question 2471

Real GDP will increase
A) only if the price level rises.
B) only if the price level falls.
C) only if the quantity of final goods and services produced rises.
D) either the price level rises or the quantity of final goods and services produced rises.

Question 2472

A one-time tax rebate, which is not expected to be extended in future years, will
A) have a small positive effect on consumption and aggregate demand.
B) have no effect on consumption and aggregate demand.
C) have a significant positive effect on consumption and aggregate demand, with aggregate demand growing by a multiple of the tax rebate.
D) increase aggregate supply and aggregate demand.

Question 2473

An increase in the price level results in a(n) ______ in the quantity of real GDP demanded because _______.
A) decrease; a higher price level reduces consumption, investment, and net exports.
B) increase; a higher price level reduces consumption, investment, and net exports.
C) decrease; a higher price level increases consumption, investment, and net exports.
D) increase; a higher price level increases consumption, investment, and net exports.

Question 2474

Jonah lives in a small town where there is only one Mexican restaurant. Which of the following is likely to be true about the price elasticity of demand for meals at the Mexican restaurant?
A) Demand is likely to be perfectly inelastic.
B) Demand is likely to be perfectly elastic.
C) Demand is likely to be relatively elastic.
D) Demand is likely to be relatively inelastic.

Question 2475

Merger guidelines developed by the U.S. Department of Justice and the Federal Trade Commission use the Herfindahl-Hirschman Index as a measure of concentration. This index measures concentration in an industry by
A) adding up the market shares of all firms in the industry, squaring this number and then dividing by the number of firms in the industry.
B) squaring the market shares of each firm in an industry and then adding up the values of the squares.
C) squaring the four-firm concentration ratio of the industry and dividing this number by the total number of firms in the industry.
D) determining the market shares of the four largest firms in the industry, but unlike the concentration ratio, the Index includes sales in the United States by foreign firms.

Question 2476

Suppose real GDP is $12.1 trillion and potential GDP is $12.6 trillion. To move the economy back to potential GDP, Congress should
A) lower taxes by an amount less than $500 billion.
B) raise government purchases by $500 billion.
C) raise government purchases by more than $500 billion.
D) lower taxes by $500 billion.
E) lower government purchases by $500 billion.

Question 2477

______ involves undertaking an activity until its marginal benefits equal marginal costs.
A) Scarcity reduction
B) Central planning
C) Marginal analysis
D) Market intervention
Question 2478

Explain how each of the following events would affect the long-run aggregate supply curve.

a. A lower price level
b. A decrease in the labor force
c. A decrease in the quantity of capital goods
d. Technological change


Question 2479

If workers and firms have rational expectations, they form their expectations using

A) all the information available to them.
B) only information from the past.
C) only information provided to them by the government.
D) only information gathered from random sources.


Question 2480

If, for a given output level, a perfectly competitive firm's price is less than its average variable cost, the firm

A) is earning a profit.
B) should shut down.
C) should increase output.
D) should increase price.


Question 2481

If the market for a product begins as perfectly competitive and then becomes a monopoly, there will be a reduction in economic efficiency and a deadweight loss.

[i]True[/i] or [i]false[/i]?


Question 2482

When a monopolistically competitive firm breaks even in the long run, this is equivalent to earning a zero accounting profit.

[i]True[/i] or [i]false[/i]?


Question 2483

If diminishing marginal returns have already set in for Golden Lark Woodworks, and the marginal product of the 6th carpenter is 8 chairs, then the marginal product of the 7th carpenter is

A) negative.
B) less than 8 chairs.
C) more than 8 chairs.
D) zero.


Question 2484

In the 1930s, the United States charged an average tariff rate ________. Today, the rate is ________.

A) of 100 percent; 20 percent
B) above 50 percent; less than 1.5 percent
C) of less than 10 percent; over 40 percent
D) of 17 percent; 33 percent


Question 2485

Use a graph to show the effects of an expansionary monetary policy moving an economy out of recession and to potential real GDP. Explain what happens to aggregate demand, real GDP, and the price level.


Question 2486
Suppose the Fed increases the money supply. Which of the following is true?

A) At the original interest rate, the quantity of money demanded is equal to the quantity of money supplied.
B) At the original interest rate, the quantity of money demanded is less than the quantity of money supplied.
C) At the original interest rate, the quantity of money demanded is greater than the quantity of money supplied.
D) The interest rate must rise for the money market to clear.


Question 2487

When groups of mortgages are bundled together by financial institutions and sold to investors, these institutions are said to be ________ mortgage loans.
A) securitizing
B) underwriting
C) liquidating
D) harvesting


Question 2488

Which of the following statements is false?
A) Not all individuals in both countries are made better off as a result of international trade.
B) Within each country, some individuals are made better off as a result of international trade, but one of the countries will be worse off overall.
C) Although some individuals may not be made better off as a result of international trade, both countries may be made better off overall.
D) Each country as a whole is made better off as a result of international trade, but individuals within each country may be made worse off.


Question 2489

Behavioral economics refers to the study of situations
A) where consumers and firms appear to make choices that are appropriate to reach their goals.
B) where consumers and firms appear to value fairness when they make choices.
C) where consumers and firms disobey the laws of demand and supply.
D) where consumers and firms do not appear to be making choices that are economically rational.


Question 2490

If real GDP per capita measured in 2009 dollars was $6,000 in 1950 and $48,000 in 2013, we would say that in the year 2013, the average American could buy ________ times as many goods and services as the average American in 1950.
A) 1/8
B) 4
C) 8
D) 12


Question 2491

Which of the following is an example of spending on goods and services in the circular flow model?
A) Belinda purchases a new computer for her tax-preparation business.
B) Javier buys 800 square feet of wood flooring for his vacation home.
C) Celeste buys fresh herbs at the farmers’ market to use in her restaurant.
D) Timmy purchases a new examination table for use in his veterinary clinic.


Question 2492

Suppose the reserve ratio is RR. Then,
A) required reserves = RR × actual reserves.
B) required reserves = RR × excess reserves.
C) required reserves = RR × deposits.
D) required reserves = RR × loans.


Question 2493

Which of the following is a correct statement?
A) Inflation is measured as the percent change in the CPI.
B) The CPI is a widely used measure of the inflation rate.
C) Real GDP is our best measure of economic growth.
D) The PPI measures inflation as experienced by producers.

**Question 2494**

Why doesn't the Fed have both a money supply target and an interest rate target?
A) Short-term interest rates do not respond to changes in the money supply, which the Fed can control.
B) The Fed does not control money demand.
C) The Fed cannot offset the impact of changes in cash management by the public or changes in lending policies of commercial banks on the money supply.
D) Only the level of interest rates matters when we consider rates of growth in real GDP, employment, and rates of price inflation.

**Question 2495**

A characteristic of the long run that is not available in the short run is that a firm is free to vary its output.

[i]True[/i] or [i]false[/i]?

**Question 2496**

The costs to firms of changing prices are called
A) redistribution costs.
B) menu costs.
C) anticipation costs.
D) money illusion costs.

**Question 2497**

The economic model of consumer behavior predicts that
A) consumers will try to earn as much income as they can over their lifetimes.
B) consumers will choose to buy the combination of goods and services that make them as well off as possible from those combinations that their budgets allow them to buy.
C) consumers will try to accumulate as many goods and services as they can before they die.
D) consumers divide their time between consumption and leisure activities in order to maximize social welfare.

**Question 2498**

Olive oil producers want to sell more olive oil at a higher price. Which of the following events would have this effect?
A) an increase in the price of olive oil presses
B) a decrease in the cost of transporting olive oil to markets
C) an increase in the price of land used to plant olives
D) research finds that consumption of olive oil reduces the risk of heart disease

**Question 2499**

At a price of $100, Beachside Canoe Rentals rented 11 canoes. When it increased its rental price to $125, 9 canoes were rented. Calculate the absolute value of the price elasticity of demand for canoe rentals, using the midpoint formula.
A) 2
B) 1.25
C) 0.9
D) 0.75

**Question 2500**

A decrease in disposable income will shift the aggregate demand curve to the left.

[i]True[/i] or [i]false[/i]?

**Question 2501**
Whenever a buyer and a seller agree to trade
A) the agreement is made based on absolute advantage.
B) they must have identical opportunity costs in producing their respective products.
C) one party will always be worse off.
D) both must believe they will be made better off.

Question 2502
Accumulating a greater number of inputs will ensure that an economy will experience economic growth.
[i]True[/i] or [i]false[/i]?

Question 2503
What is meant by crowding out? Explain the difference between crowding out in the short run and in the long run.

Question 2504
Which of the following is not necessarily a consequence of occupational licensing laws?
A) They restrict competition.
B) Consumers pay higher prices for the services of licensed professions.
C) They result in a higher quality of service.
D) They ensure that licensed professionals meet some minimum qualifications.

Question 2505
Since World War II, the Federal Reserve has not been involved in carrying out monetary policy.
[i]True[/i] or [i]false[/i]?

Question 2506
An “omitted variable” is
A) a variable which is purposely omitted from an economic analysis.
B) a variable which is inadvertently omitted from an economic analysis.
C) a variable that has no impact on other variables in an economic analysis.
D) a variable that affects other variables and its omission from economic analysis can lead to false conclusions about cause and effect.

Question 2507
Assume there is a surplus in the market for hybrid automobiles. Which of the following statements correctly describes this situation?
A) The supply of hybrid automobiles is greater than the demand for hybrid automobiles.
B) Some consumers will be unable to obtain hybrid automobiles at the market price and will have an incentive to offer to buy the product at a higher price.
C) The price of hybrid automobiles will fall in response to the surplus; as the price falls the quantity demanded will increase and the quantity supplied will decrease.
D) the surplus will cause an increase in the equilibrium price of hybrid automobiles.

Question 2508
Of the $840 billion American Recovery and Reinvestment Act stimulus package which was enacted in 2009, the largest spending increase occurred in which category?
A) energy and the environment
B) military, veterans, and homeland security
C) health care, social services, and education
D) transportation and housing

Question 2509
A change in consumption spending caused by income changes is ________ change in spending, and a change in government spending that occurs to improve roads and bridges is ________ change in spending.
A) an induced; an autonomous
B) an expansionary; a contractionary
C) an autonomous; an induced
D) a contractionary; an expansionary

**Question 2510**

The Great Depression of the 1930s with a large number of workers and factories unemployed would be represented in a production possibilities frontier graph by
A) a point inside the frontier.
B) a point outside the frontier.
C) a point on the frontier.
D) an intercept on either the vertical or the horizontal axis.

**Question 2511**

________ occurs when economic benefits are distributed fairly.
A) Productive efficiency
B) Allocative efficiency
C) Equality
D) Equity

**Question 2512**

When the price of a good rises, consumers buy a smaller quantity because of the ________ effect and the ________ effect.
A) substitution; income
B) normal; inferior
C) substitute; complement;
D) supply; demand

**Question 2513**

If tablet computers are considered substitutes for e-readers, the increase in the price of tablet computers would, all else equal
A) increase the demand for e-readers.
B) decrease the demand for e-readers.
C) increase the quantity of e-readers demanded.
D) decrease the quantity of e-readers demanded.

**Question 2514**

If households in the economy decide to take money out of checking account deposits and put this money into savings accounts, this will initially
A) decrease M1 and increase M2.
B) decrease M1 and decrease M2.
C) decrease M1 and not change M2.
D) increase M1 and decrease M2.

**Question 2515**

According to the production possibility model, if more resources are allocated to the production of physical and human capital, then all of the following are likely to happen except
A) fewer goods will be produced for consumption today.
B) the production possibilities frontier will be shift outward in the future
C) future economic growth is enhanced.
D) the country's total production will fall.

**Question 2516**

Suppose the economy is at full employment and firms become more pessimistic about the future profitability of new investment. Which of the following will happen in the short run?
A) Output will rise.
B) Prices will rise.
C) Unemployment will rise.
D) The aggregate demand curve will shift to the right.

Question 2517
If a corporate bond with face value of $1,000 has an interest rate of eight percent paid once a year for a term of 30 years, what is the size of the coupon payment?
A) $1,000
B) $300
C) $80
D) $8

Question 2518
Suppose the economy is at full employment and firms become more optimistic about the future profitability of new investment. Which of the following will happen in the short run?
A) Output will decline.
B) Prices will decline.
C) Unemployment will decline.
D) The aggregate demand curve will shift to the left.

Question 2519
In economics, activities done for others, such as providing house cleaning or dental work, are referred to as
A) technology.
B) physical capital.
C) services.
D) goods.

Question 2520
Sam Lewis owns a firm in New York City’s garment district. If Sam keeps adding workers to use the same number of sewing machines, eventually the workplace will become so crowded that workers will get in each other’s way. At this point
A) the marginal product of labor in Sam’s business would be negative and his total output would decrease.
B) Sam should encourage his workers to share their sewing machines.
C) Sam’s business will be in violation of safety rules that have been established by the New York City government.
D) Sam should begin using a division of labor in his business.

Question 2521
Describe the relationship between marginal cost and average total cost.

Question 2522
Which of the following takes place in the direct finance market?
A) Firms borrow funds from banks.
B) Deposits from savers are accumulated and loans made to borrowers.
C) Ownership in corporations is sold in the form of preferred stock.
D) Banks offer savings accounts to customers.

Question 2523
The law of demand implies, holding everything else constant, that
A) as the price of bagels increases, the quantity of bagels demanded will decrease.
B) as the price of bagels increases, the demand for bagels will decrease.
C) as the price of bagels increases, the quantity of bagels demanded will increase.
D) as the price of bagels increases, the demand for bagels will increase.
Question 2524
Outline the various actions the government sector could take to promote growth.

Question 2525
A tariff is the same as a quota.
[i]True[/i] or [i]false[/i]?

Question 2526
Which type of business has the least government rules and regulations affecting it?
A) sole proprietorship
B) partnership
C) corporation
D) They all have the same set of rules and regulations affecting them.

Question 2527
Using "chain-weighted" prices to calculate real GDP remedies the distortions caused by changes in relative prices over time.
[i]True[/i] or [i]false[/i]?

Question 2528
The justification for occupational licensing laws is that they protect the public from incompetent practitioners (for example, lawyers and medical doctors), but the laws also result in
A) higher prices and restrictions on the number of people who can enter the professions affected by the laws.
B) economies of scale.
C) ownership of a key input.
D) an increase in the amount of output required to achieve minimum efficient scale.

Question 2529
An increase in the government budget deficit will shift the ________ curve for loanable funds to the ________ and the equilibrium real interest rate will ________.
A) supply; right; fall
B) supply; left; rise
C) demand; right; rise
D) demand; left; fall

Question 2530
Explain and show graphically how a decrease in government spending affects the equilibrium interest rate and equilibrium quantity of loanable funds in the market for loanable funds.

Question 2531
Nominal GDP measures the value of all final goods and services at base-year prices.
[i]True[/i] or [i]false[/i]?

Question 2532
Is it possible for a firm to have a comparative advantage in producing something without having an absolute advantage? Why or why not?

Question 2533
What takes place in the indirect finance market?
A) Part ownership of corporations is sold in the form of stocks.
Question 2534

In a closed economy, what is the relationship between saving and investment?
A) Saving is greater than investment.
B) Investment is greater than saving.
C) Investment is equal to saving.
D) Investment may be greater or smaller than saving.

Question 2535

The key characteristics of a monopolistically competitive market structure include
A) many small (relative to the total market) sellers acting independently.
B) all sellers sell a homogeneous product.
C) barriers to entry are strong.
D) sellers have no incentive to advertise their products.

Question 2536

The Farm Factory, a booth at the local Farmer's Market, sells fresh eggs for $1.50 per dozen and fresh milk for $2.50 per gallon. What is the opportunity cost of buying a gallon of milk?
A) 1 2/3 dozen eggs
B) 3/5 of a dozen eggs
C) $2.50
D) $1.50

Question 2537

If price exceeds average variable cost but is less than average total cost, a firm
A) should further differentiate its product.
B) should stay in business for a while longer until its fixed costs expire.
C) is making some profit but less than maximum profit.
D) should shut down.

Question 2538

Assume that you observe the long-run average cost curve of ACME Bookstores, a national chain. Starting from the point on the curve where output is zero and moving to the right which of the following lists the behavior of long-run average costs in the correct sequence (that is, which will be observed first, second, etc.)?
A) minimum efficient scale; economies of scale; constant returns to scale; diseconomies of scale
B) economies of scale; constant returns to scale; diseconomies of scale; minimum efficient scale
C) constant returns to scale; economies of scale; minimum efficient scale; diseconomies of scale
D) economies of scale; minimum efficient scale; constant returns to scale; diseconomies of scale

Question 2539

Most of the pressure for a monetary growth rule has disappeared because since 1980
A) the relationship between movements in the money supply and movements in real GDP and the price level have become much stronger.
B) the relationship between movements in the money supply and movements in real GDP and the price level have become much weaker.
C) the relationship between movements in interest rates and movements in real GDP and the price level have become much stronger.
D) the relationship between movements in interest rates and movements in real GDP and the price level have become much weaker.

Question 2540

Describe the structure of the Fed's Open Market Committee (FOMC). What is this committee's primary responsibility?
Question 2541

Typically, a bank's largest asset is its
A) reserves.
B) holdings of securities.
C) deposits of its customers.
D) loans.

Question 2542

The United States has developed a comparative advantage in digital computers, airliners and many prescription drugs. The source of its comparative advantage in these products is
A) a favorable climate.
B) technology.
C) abundant supplies of natural resources.
D) a strong central government.

Question 2543

Why does the short-run aggregate supply curve shift to the left in the long run, following an increase in aggregate demand?
A) Workers and firms adjust their expectations of wages and prices downward and they accept lower wages and prices.
B) Workers and firms adjust their expectations of wages and prices downward and they push for higher wages and prices.
C) Workers and firms adjust their expectations of wages and prices upward and they push for higher wages and prices.
D) Workers and firms adjust their expectations of wages and prices upward and they accept lower wages and prices.

Question 2544

Market equilibrium occurs where the quantity supplied is equal to the quantity demanded.
[i]True[/i] or [i]false[/i]?

Question 2545

In the circular flow model, producers
A) sell goods and services in the input market.
B) and households spend earnings from resource sales on goods and services in the factor market.
C) hire resources sold by households in the factor market.
D) spend earnings from resource sales on goods and services in the product market.

Question 2546

In the United States, health care spending on people over age 65 is ________ on people aged 18 to 24.
A) one third as much as
B) twice as much as
C) six times greater than
D) forty times greater than

Question 2547

Of the following high-income countries, which has the lowest infant mortality rate?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 2548

An economic expansion tends to cause the federal budget deficit to ________ because tax revenues ________ and government spending on transfer payments ________.
A) increase; rise; falls
Question 2549
The maximum price that a buyer is willing to pay for a good measures his
A) consumer surplus.
B) marginal benefit.
C) willingness to pay.
D) producer surplus.

Question 2550
If a typical firm in a perfectly competitive industry is incurring losses, then
A) all firms will continue to lose money.
B) some firms will exit in the long run, causing market supply to decrease and market price to rise increasing profits for the remaining firms.
C) some firms will exit in the long run, causing market supply to decrease and market price to fall increasing losses for the remaining firms.
D) some firms will enter in the long run, causing market supply to increase and market price to rise increasing profit for all firms.

Question 2551
If labor productivity growth slows down in a country, this will
A) accelerate the increase in real GDP per capita.
B) accelerate the increase in nominal GDP.
C) slow down the increase in real GDP per capita.
D) slow down the increase in nominal GDP.

Question 2552
To evaluate the size of the federal budget deficit or surplus over time, it would be best to look at the
A) absolute size of the budget deficit or surplus.
B) budget deficit or surplus as a percentage of GDP.
C) budget deficit or surplus as a percentage of tax revenues.
D) budget deficit or surplus as a percentage of government spending.

Question 2553
Holding everything else constant, an increase in the price of MP3 players will result in
A) a decrease in the quantity of MP3 players supplied.
B) a decrease in the demand for MP3 players.
C) an increase in the supply of MP3 players.
D) a decrease in the quantity of MP3 players demanded.

Question 2554
Why might network externalities result in products that contain inferior technologies?

Question 2555
You are the manager of a theater. At present the theater charges the same admission price of $8 to all customers, regardless of age. You propose a two-tier pricing scheme: $5 for children under the age of 12 and $10 for adults. You tell your supervisor that your proposal is likely to increase revenues. What must be true about the price elasticity of demand if your proposal is to achieve its goal of raising revenue? Explain your answer.

Question 2556
Which of the following statements about an entrepreneur is true?
A) purchases other factors of production in the output market
B) develops the vision for the firm and funds the producing unit
C) sells his entrepreneurial services in the output market
D) does not face personal risk

**Question 2557**

If Blake can pick more cherries in one hour than Cody, then Blake has a comparative advantage in cherry picking.
[i]True[/i] or [i]false[/i]?

**Question 2558**

What is the endowment effect?
A) the tendency of people to be unwilling to sell something they already own even if they are offered a price that is greater than what they would be willing to pay to buy the good if they did not already own it
B) the tendency of people to be unwilling to sell something they already own because of its sentimental value
C) the tendency of people to overstate the value of a good they already own even though similar items can be purchased at a lower price
D) the sum total of assets that a person has acquired over the years

**Question 2559**

When _______ in a market, the total net benefit to society is maximized.
A) deadweight loss is maximized
B) a competitive equilibrium is achieved
C) consumer surplus is minimized
D) producer surplus is minimized

**Question 2560**

Many economists criticize protectionism because it causes losses to consumers and eliminates jobs in domestic industries that use protected products. Why, then, do some people support protectionism?
A) The criticisms of economists are based on theory. In fact, protectionism increases consumer and producer surplus as well as employment
B) Supporters of protectionism in high-income countries believe that wages will fall as a result of competition with firms from developing countries.
C) Supporters of protectionism believe free trade will cause their countries to lose their comparative advantage.
D) Supporters of protectionism believe that free trade will lead to inflation.

**Question 2561**

For the recessions in the United States since the 1950s
A) inflation has been nonexistent.
B) the inflation rate rises on average by about 2.5 percentage points 12 months after a recession begins.
C) the inflation rate falls on average by about 2.5 percentage points 12 months after a recession begins.
D) deflation occurs.

**Question 2562**

The problem typically during a recession is not that there is too little money, but too little spending. If the problem was too little money, what would be its cause? If the problem was too little spending, what could be its cause?

**Question 2563**

An increase in the interest rate should _______ the demand for dollars and the value of the dollar, and net exports should _______.
A) decrease; decrease
B) decrease; increase
C) increase; decrease
D) increase; increase
E) increase; not change

**Question 2564**

Define a partnership.
Question 2565

If Canada has a comparative advantage relative to Mexico in the production of timber, then
A) the explicit cost of production for timber is lower in Canada than in Mexico.
B) the opportunity cost of production for timber is lower in Canada than in Mexico.
C) the implicit costs of production for timber are lower in Canada than in Mexico.
D) the average cost of production for timber is lower in Canada than in Mexico.

Question 2566

When the government makes a firm the exclusive legal provider of a good or service, it grants the firm
A) a copyright.
B) a network externality.
C) a quota.
D) a public franchise.

Question 2567

A movement along the demand curve for toothpaste would be caused by
A) a change in the price of toothbrushes.
B) a change in consumer income.
C) a change in the price of toothpaste.
D) a change in population.

Question 2568

Two stores - Lazy Guys and Ralph's Recliners - are located in the same city. Both stores buy recliner chairs from the same manufacturer at the same price and both stores are about the same size, so that the fixed costs of production for both stores are the same. Ralph’s Recliners sells more recliners per month and Ralph's has a lower average total cost of production. Which of the following can explain why the average total cost of production is lower for Ralph's Recliners?
A) Because Ralph's Recliners sells more output its average fixed costs are lower than Lazy Guy's average fixed cost.
B) The rent Lazy Guys pays for its building is greater than the rent paid by Ralph's Recliners.
C) Ralph's explicit costs are less because Ralph owns the land on which his building is located. Lazy Guy must make lease payments for the land on which its store is located.
D) The price of recliners charged by Ralph's is greater than the price charged by Lazy Guys.

Question 2569

What is a primary market?
A) a market where primary inputs like steel are sold
B) a market where you can sell any bonds you own as a private investor
C) a market where a newly issued claims are sold to initial buyers by the borrowing firm
D) a market where you can sell any stocks you own as a private investor

Question 2570

A monopoly is defined as a firm that has the largest market share in an industry.
[i]True[/i] or [i]false[/i]?

Question 2571

An increase in population shifts the production possibility frontier inwards over time.
[i]True[/i] or [i]false[/i]?

Question 2572

Suppose you withdraw $500 from your checking account deposit and bury it in a jar in your back yard. If the required reserve ratio is 10 percent, checking account deposits in the banking system as a whole could drop up to a maximum of
A) $0.
B) $50.
C) $500.
D) $5,000.

Question 2573
A possible advantage of a horizontal merger for the economy is that
A) the merging firms could avoid losses.
B) the merged firm might reap economies of scale which could translate into lower prices.
C) the degree of competition in the industry will be intensified.
D) the government stands to collect more corporate income tax revenue.

Question 2574
Under the Patient Protection and Affordable Care Act (ACA), every company with more than 200 employees must offer health insurance to its employees and must automatically enroll them in the plan.
[i]True[/i] or [i]false[/i]?

Question 2575
Which of the following is part of an economic model?
A) assumptions
B) norms
C) opinions
D) preferences of economic agents

Question 2576
In preparing their estimates of the stimulus package's effect on GDP, Obama administration economists estimated a government purchases multiplier of 1.57. This indicates that a $1 billion increase in government purchases would increase equilibrium real GDP by
A) $1 billion.
B) $1.57 billion.
C) $15.7 billion.
D) $157 billion.

Question 2577
The Smoot-Hawley Tariff
A) lowered U.S. tariffs by 50 percent following World War II.
B) was passed by the U.S. Congress following the Civil War as a means of increasing government revenue.
C) was passed by the U.S. Congress upon a recommendation made by the General Agreement on Tariffs and Trade (GATT) in 1948.
D) raised average tariff rates by over 50 percent in the United States in 1930.

Question 2578
The explicit cost of production is also called
A) variable cost.
B) accounting cost.
C) direct cost.
D) overhead cost.

Question 2579
How does a positive externality in consumption reduce economic efficiency?

Question 2580
Tax cuts on business income increase aggregate demand by increasing
Question 2581

A) business investment spending.
B) consumption spending.
C) government spending.
D) wage rates.

Question 2582

Academic book publishers hire editors, designers, and production and marketing managers who help prepare books for publication. Because these employees work on several books simultaneously, the number of people the company hires will not go up and down with the quantity of books the company publishes during any particular year. The salaries and benefits of people in these job categories will be included in
A) fixed cost and marginal cost but not variable cost.
B) fixed cost but not variable cost and total cost.
C) marginal cost and total cost but not fixed cost.
D) fixed cost and total cost but not variable cost.

Question 2583

What is the difference between economic efficiency and equity?

Question 2583

Which of the following is one explanation as to why the aggregate demand curve slopes downward?
A) Increases in the price level lower the interest rate and decrease consumption spending.
B) Increases in the price level lower the interest rate and decrease investment spending.
C) Increases in the U.S. price level relative to the price level in other countries lowers net exports.
D) Increases in the price level raise real wealth and lowers consumption spending.

Question 2584

If a corporate bond with a face value of $2,000 pays yearly coupon payments of $50, what is the coupon rate?
A) 2.5%
B) 4%
C) 25%
D) 40%

Question 2585

Suppose that the required reserve ratio is 20 percent and you deposit $50,000 of currency into Comerica Bank. What is the potential increase in deposits in the banking system brought about by your deposit? What is the potential change in the money supply?

Question 2586

In his book The Wealth of Nations, Adam Smith employed the example of a pin factory in order to explain what economic concept?
A) the relationship between the marginal and average product of labor
B) the law of diminishing returns
C) why no firm would want to hire so many workers as to experience a negative marginal product of labor
D) the division of labor

Question 2587

"An increase in the price of gasoline will increase the demand for hybrid vehicles." This statement is an example of a positive economic statement.
[i]True[/i] or [i]false[/i]?

Question 2588

Suppose that in a market for used cars, there are good used cars and bad used cars (lemons). Consumers are willing to pay as much as $6,000 for a good used car but only $1,000 for a lemon. Sellers of good used cars value their cars at $5,000 each and sellers of lemons value their cars at $800 each. Buyers cannot tell if a used car is reliable or is a lemon. Based on this information, what is the likely outcome in the market for used cars?
A) Sellers of good used cars will drop out of the market.
B) Sellers of good used cars will incur losses.  
C) Sellers of lemons will drop out of the market.  
D) Used cars will sell for $3,000.  

**Question 2589**

Because a monopoly’s demand curve is the same as the market demand curve for its product  
A) the monopoly’s marginal revenue equals its price.  
B) the monopoly is a price taker.  
C) the monopoly must lower its price to sell more of its product.  
D) the monopoly’s average total cost always falls as it increases its output.  

**Question 2590**

What variables cause the short-run aggregate supply curve to shift? For each variable, identify whether an increase in that variable will cause the short-run aggregate supply curve to shift to the right or to the left.  

**Question 2591**

A demand curve which is ________ represents perfectly inelastic demand, and a demand curve which is ________ represents inelastic demand.  
A) downward sloping; vertical  
B) horizontal; downward sloping  
C) vertical; downward sloping  
D) upward sloping; horizontal  

**Question 2592**

________ exists because unlimited wants exceed the limited resources available to fulfill those wants.  
A) Scarcity  
B) Productive efficiency  
C) The command economy  
D) Economic growth  

**Question 2593**

If American demand for purchases of British goods has decreased, how would you expect the equilibrium exchange rate in the market for dollars to respond? Support your answer graphically.  

**Question 2594**

Which of the following statements is false?  
A) Marginal cost will equal average total cost when marginal cost is at its lowest point.  
B) When marginal cost is less than average total cost, average total cost will fall.  
C) When marginal cost is greater than average total cost, average total cost will rise.  
D) Marginal cost will equal average total cost when average total cost is at its lowest point.  

**Question 2595**

The goals of monetary policy tend to be interrelated. For example, when the Fed pursues the goal of ________, it also can achieve the goal of ________ simultaneously.  
A) high employment; economic growth  
B) high employment; lowering government spending  
C) economic growth; a low current account deficit  
D) stability of financial markets; a low current account deficit  

**Question 2596**

As the economy nears the end of a recession, which of the following do we typically see?  
A) further decreases in consumer spending
Question 2597

B) increased spending on capital goods by firms
C) increasing interest rates
D) all of the above

Question 2598

Marge buys 5 CDs and 7 DVDs. The marginal utility of the 5th CD and the marginal utility of the 7th DVD are both equal to 30 utils. Can we say that this is the optimal combination of CDs and DVDs?
A) No. We need to know her preferences for CDs and DVDs.
B) Yes.
C) No. We need to know the prices of the CDs and DVDs.
D) No. If this was the optimal combination, the marginal utility per dollar of the 5th CD and the 7th DVD would be equal.

Question 2599

When potential GDP increases, long-run aggregate supply also increases. [i]True[/i] or [i]false[/i]?

Question 2600

Companies in the sharing economy, such as Airbnb and Uber, have the potential to increase consumer surplus and decrease deadweight loss. This would occur by _______ the equilibrium price in their market, and by doing so _______ efficiency.
A) lowering; decreasing
B) lowering; increasing
C) raising; decreasing
D) raising; increasing

Question 2601

______ refers to reductions in a firm’s costs that result from an increase in the size of an industry.
A) Internal economies
B) External economies
C) Autarkial dominance
D) Streamlining

Question 2602

The highest valued alternative that must be given up to engage in an activity is the definition of
A) economic equity.
B) marginal benefit.
C) opportunity cost.
D) marginal cost.

Question 2603

If society decides it wants more of one good and ________, then it has to give up some of another good and incur some opportunity costs.
A) technology advances
B) resources are underutilized
C) all resources are fully utilized
D) new resources are discovered

Question 2604

If the price of pork rinds falls, the substitution effect due to the price change will cause
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<tr>
<th>Question 2605</th>
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<tr>
<td>A law requiring the government to balance its budget in each year would serve as an automatic destabilizer. [i]True[/i] or [i]false[/i]? Answer: <a href="https://biology-forums.com/index.php?topic=324360">https://biology-forums.com/index.php?topic=324360</a></td>
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<tr>
<th>Question 2606</th>
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<tr>
<td>An increase in the price level will A) shift the aggregate demand curve to the left. B) shift the aggregate demand curve to the right. C) move the economy up along a stationary aggregate demand curve. D) move the economy down along a stationary aggregate demand curve. Answer: <a href="https://biology-forums.com/index.php?topic=322361">https://biology-forums.com/index.php?topic=322361</a></td>
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<th>Question 2607</th>
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<tr>
<td>The federal government debt as a percentage of GDP did not rise A) during the Great Depression. B) during World War II. C) during the 1960s. D) during the 1980s. Answer: <a href="https://biology-forums.com/index.php?topic=324354">https://biology-forums.com/index.php?topic=324354</a></td>
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<th>Question 2608</th>
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<tr>
<td>With a monetary growth rule as proposed by the monetarists, during a recession the rate of growth of the money supply would A) decrease. B) increase. C) not change. D) decrease or increase depending on economic conditions. Answer: <a href="https://biology-forums.com/index.php?topic=323827">https://biology-forums.com/index.php?topic=323827</a></td>
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<th>Question 2609</th>
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<tr>
<td>Banks can continue to make loans until their A) actual reserves equal their required reserves. B) excess reserves equal their required reserves. C) actual reserves equal their excess reserves. D) actual reserves equal their checking account balances. Answer: <a href="https://biology-forums.com/index.php?topic=323114">https://biology-forums.com/index.php?topic=323114</a></td>
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<th>Question 2610</th>
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<td>An investor is more likely to buy a firm's stock if the firm's income statement shows ________ and if its balance sheet shows ________. A) a large net worth; a large price-earnings ratio B) a large after-tax profit; a large net worth C) a large price-earnings ratio; a large dividend yield D) low opportunity costs; large liabilities Answer: <a href="https://biology-forums.com/index.php?topic=317912">https://biology-forums.com/index.php?topic=317912</a></td>
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<th>Question 2611</th>
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<td>Assume that it will cost a plumber an additional $35,000 each year by keeping her shop open for one additional hour per week. What must the additional revenue from keeping the shop open this additional hour per week be to make staying open for the extra hour economically rational? Answer: <a href="https://biology-forums.com/index.php?topic=311459">https://biology-forums.com/index.php?topic=311459</a></td>
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<th>Question 2612</th>
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<tr>
<td>If a consumer always buys goods rationally, then A) the total utilities of the different goods consumed will be equal.</td>
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B) the average utilities of the different goods consumed will be equal.
C) the marginal utility per dollar spent on all goods will be equal.
D) the marginal utility of the different goods consumed will be equal.

**Question 2613**

An economic principle that explains why people pursue different occupations is
A) absolute advantage.
B) international trade.
C) comparative advantage.
D) NAFTA.

**Question 2614**

In 2012, Peelville consumed 30,000 bananas. In 2013, banana consumption rose to 35,000. Calculate the percentage change in banana consumption.
A) 11.66%
B) 14.28%
C) 16.67%
D) 22.25%

**Question 2615**

Which of the following is a true statement about the length of recessions and expansions in the United States economy?
A) After 1950, the length of expansions equaled the length of recessions.
B) After 1950, the length of expansions were much less than the length of recessions.
C) After 1950, the length of expansions were much longer than the length of recessions.
D) After 1950, the length of expansions were brief and almost nonexistent.

**Question 2616**

Local or state offices of the Department of Justice usually set prices for natural monopolies in their jurisdictions.
[i]True[/i] or [i]false[/i]?

**Question 2617**

If you own the only bookstore in a small town, do you have a monopoly?

**Question 2618**

The economy suffered a mild recession in 2001. Despite the recession, home sales and durable goods sales remained high. Which of the following is a plausible explanation?
A) The Fed's pursuit of contractionary policy stimulated these markets.
B) The Fed caused a reduction in the federal funds rate to its lowest level in 40 years.
C) Rising inflation encouraged many to invest in the real estate market.
D) Home building and consumer durable purchases are always high during a recession.

**Question 2619**

An increase in the interest rate causes
A) a movement up along the money demand curve.
B) a movement down along the money demand curve.
C) the money demand curve to shift to the left.
D) the money demand curve to shift to the right.

**Question 2620**

If an airport decides to expand by building an additional passenger terminal, and in doing so it lowers its average cost per airplane landing, it was previously operating at
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<th>Question 2621</th>
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<tr>
<td>How does the study of microeconomics differ from that of macroeconomics? Give one example each of an issue studied in microeconomics and in macroeconomics.</td>
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<th>Question 2622</th>
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<td>Which of the following characterizes the Fed's ability to prevent recessions?</td>
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<td>A) The Fed is able to &quot;fine tune&quot; the economy and entirely eliminate recessions.</td>
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<td>B) The Fed is incapable of changing aggregate demand through its monetary policy tools.</td>
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<td>C) The Fed is able to keep a recession shorter and milder than it would otherwise be.</td>
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<td>D) The Fed is able to eliminate the business cycle and achieve absolute price stability.</td>
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<tr>
<td>Total revenue is equal to</td>
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<td>A) the amount of funds earned by a firm minus its costs of production.</td>
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<td>B) the total quantity sold of a product over a given period of time.</td>
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<td>C) the price of a product multiplied by the number of units of the product sold.</td>
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<td>D) the monetary value of the capital (for example, plant and equipment) a firm owns.</td>
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<th>Question 2624</th>
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<td>A change in quantity supplied is represented by a movement along the supply curve.</td>
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<td>[True] or [False]?</td>
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<th>Question 2625</th>
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<td>Which of the following is not a characteristic of a perfectly competitive market structure?</td>
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<td>A) There are a very large number of firms that are small compared to the market.</td>
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<td>B) All firms sell identical products.</td>
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<td>C) There are no restrictions to entry by new firms.</td>
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<td>D) There are restrictions on exit of firms.</td>
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<th>Question 2626</th>
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<td>What are sticky prices, and how can contracts make them &quot;sticky&quot;?</td>
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<th>Question 2627</th>
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<td>What is different about buying stocks and buying bonds?</td>
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<td>A) A stock can possibly pay dividends forever, but bonds have a fixed number of payments.</td>
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<td>B) Differences of opinion about a stock's future may vary considerably but there is less difference about a bond's future.</td>
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<td>C) The future growth of a stock is more uncertain than the payments of a bond.</td>
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<td>D) All these are differences between stocks and bonds.</td>
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<th>Question 2628</th>
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<td>If an increase in income leads to an increase in the demand for peanut butter, then peanut butter is</td>
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<td>A) a neutral good.</td>
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<td>B) a normal good.</td>
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<td>C) a necessity.</td>
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<td>D) a complement.</td>
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Question 2629

A perfectly competitive firm earns a profit when price is
A) equal to minimum average total cost.
B) above minimum average total cost.
C) equal to minimum average variable cost.
D) equal to minimum average fixed cost.

Question 2630

A major difference between monopolistic competition and perfect competition is
A) the number of sellers in the markets.
B) the degree by which the market demand curves slope downwards.
C) that products are not standardized in monopolistic competition unlike in perfect competition.
D) the barriers to entry in the two markets.

Question 2631

When voluntary exchange takes place, neither party gains from the exchange.
[i]True[/i] or [i]false[/i]?

Question 2632

Your roommate Hansen argues that American producers cannot compete with foreign producers because wages are lower in foreign countries than in the United States. Hansen
A) is incorrect. Free trade raises living standards by increasing economic efficiency.
B) is right in asserting the need to protect high wages if the United States wishes to maintain its high standard of living.
C) is correct in arguing that the high wages of U.S. workers make it impossible to compete with workers in low-wage countries.
D) is advancing the anti-dumping argument for protectionism.

Question 2633

If a monopolist's price is $50 at 63 units of output and marginal revenue equals marginal cost and average total cost equals $43, then the firm's total profit is
A) $3,150.
B) $2,709.
C) $441.
D) $7.

Question 2634

Studies have shown that drinking one glass of red wine per day may help prevent heart disease. Assume this is true, and favorable weather has increased the grape harvest of California vineyards. In the market for red wine, these two developments would
A) increase demand and decrease supply, resulting in an increase in the equilibrium quantity and a decrease in the equilibrium price of red wine.
B) increase demand and increase supply resulting in an increase in the equilibrium quantity and an uncertain effect on the equilibrium price of red wine.
C) increase demand and increase supply, resulting in an increase in the equilibrium price and an uncertain effect on the equilibrium quantity of red wine.
D) increase demand and increase supply, resulting in an increase in both the equilibrium price and the equilibrium quantity of red wine.

Question 2635

Caroline is an artist. She purchases canvas, paints, brushes, and accessories for $75. She sells one of her original paintings to an art gallery for $1,500, which, in turn, sells it to an art lover for $4,500. How much value does the gallery add?
A) $1,425
B) $1,500
C) $3,000
D) $4,500
### Question 2636

After an unexpected ________ in the price of oil, the long-run adjustment decreases the price level and ________ the unemployment rate as they return to their original levels.

A) increase; increases  
B) increase; decreases  
C) decrease; increases  
D) decrease; decreases


### Question 2637

Which of the follow is a result of imposing a rent ceiling?

A) Some consumer surplus is converted to producer surplus.  
B) There is an increase in the quantity of apartments supplied.  
C) There is an increase in the quantity of apartments demanded.  
D) The marginal benefit of the last apartment rented is less than the marginal cost of supplying it.


### Question 2638

A minimum wage law dictates

A) the minimum quantity of labor that a firm must employ.  
B) the lowest wage that firms may pay for labor.  
C) the highest wage that firms must pay for labor.  
D) the minimum qualifications for labor.


### Question 2639

A period of economic expansion ends with a business cycle trough.  

[i]True[/i] or [i]false[/i]?


### Question 2640

If the central bank can act as a lender of last resort during a banking panic, banks can

A) call in their loans to their customers and eventually restore the public's faith in the banking system.  
B) satisfy customer withdrawal needs and eventually restore the public's faith in the banking system.  
C) borrow more and more money from the central bank, and this will lower its reserves and decrease the public's faith in the banking system.  
D) encourage the public to borrow directly from the central bank, and this will worsen the banking panic.


### Question 2641

If the personal assets of the owners cannot be claimed if the business is bankrupt, the owners are said to have

A) unlimited liability.  
B) a proprietorship type of business.  
C) limited liability.  
D) a partnership type of business.


### Question 2642

What does the phrase "internalizing an external cost" mean?

A) limiting the extent to which domestic firms can outsource production  
B) prohibiting economic activities that create externalities  
C) forcing producers to factor into their production costs the cost of the externalities created in the production of their output  
D) finding a way to address cross-border pollution


### Question 2643

Consider the following methods of pollution reduction:

a. the government sets a target for maximum emissions  
b. the government mandates the installation of specific pollution abatement equipment
c. the government imposes a per unit tax on the good that creates pollution
d. the government gives firms a tax rebate for every unit of pollution abated

Which of the above is an example of a command and control approach to reducing pollution?
A) a only
B) b only
C) a and b only
D) a, b, and d only
E) a, b, c, and d

Question 2644

A study conducted by economists at the University of Chicago found that when Southwest Airlines begins flying a new route, ticket prices on other airlines for that route ________, indicating that airlines ________.
A) stay relatively unchanged; may begin practicing implicit price collusion when Southwest enters a market
B) drop by an average of 29 percent; may have been practicing implicit price collusion before Southwest’s entry into the market
C) rise by an average of 65 percent; know they can practice implicit price collusion once Southwest announces it is entering a market.
D) first drop and then rise back to their original levels; temporarily stop practicing implicit price collusion until Southwest becomes established, then return to their collusive pricing strategies

Question 2645

The proponents of ________ and ________ think that the Federal Reserve should adopt a constant monetary growth rule.
A) new Keynesianism; the new classical model
B) the real business cycle model; Marxism
C) rational expectations; monetarism
D) the monetarist model; the Keynesian model

Question 2646

All of the following would be considered a positive addition to household wealth except
A) the equity in one’s home
B) 500 shares of Google stock
C) the balance in your savings account
D) a credit card balance

Question 2647

Ted quits his $60,000-a-year job to be a stay-at-home dad. What is the opportunity cost of his decision?
A) 0 since he will no longer be earning a salary
B) depends on the "going rate" for stay-at-home dads
C) at least $60,000
D) the value he attributes to the joy of parenting

Question 2648

A consequence of the quota that has been imposed on the importation of sugar into the United States is
A) consumers are protected from eating unsafe products made from cheap imported sugar.
B) competition in the U.S. sugar market is reduced.
C) the cost of producing cereal, chocolate and candy products in the United States is reduced.
D) the market for sugar in the United States has become monopolistically competitive rather than oligopolistic.

Question 2649

All of the following can be used to compute average profit except
A) marginal profit minus marginal cost.
B) total profit divided by quantity.
C) average revenue minus average total cost
D) price minus average total cost.
Question 2650
What is a prisoner's dilemma?
A) a game that involves no dominant strategies
B) a game in which prisoners are stumped because they cannot communicate with each other
C) a game in which players act in rational, self-interested ways that leave everyone worse off
D) a game in which players collude to outfox authorities

Question 2651
What is the relationship among the following variables in for a perfectly competitive firm: the market price, average revenue and marginal revenue?
A) Average revenue is equal to the market price; average revenue is greater than marginal revenue.
B) The market price is equal to both average revenue and marginal revenue.
C) Average revenue is equal to marginal revenue; average revenue is greater than the market price.
D) As a firm lowers the market price to sell more output, marginal revenue and average revenue will be less than the market price.

Question 2652
As population declines, scarcity eventually disappears.
[i]True[/i] or [i]false[/i]?

Question 2653
Discuss the correct and incorrect economic analysis in the following statements.
"If a disease kills a large number of turkeys, the supply of turkeys will decrease. This will result in a price increase, which will then cause the supply of turkeys to increase."

Question 2654
Price elasticity of demand measures
A) how responsive suppliers are to price changes.
B) how responsive sales are to changes in the price of a related good.
C) how responsive quantity demanded is to a change in price.
D) how responsive sales are to a change in buyers' incomes.

Question 2655
Which of the following is true about the consumer price index?
A) It accounts for people switching to goods whose prices have fallen.
B) It assumes that consumers purchase the same amount of each product in the market basket each month.
C) It frequently updates the price changes of new products added to the market basket, as these have a tendency to fall.
D) It filters out the part of price increases that occurs because of quality improvements in products.

Question 2656
Economists use the concept of ________ to measure how one economic variable, such as quantity, responds to a change in another economic variable, such as price.
A) slope
B) efficiency
C) relativity
D) elasticity

Question 2657
New firms are able to enter monopolistically competitive markets because there are low barriers to entry.
[i]True[/i] or [i]false[/i]?

Question 2658
For a firm in a perfectly competitive market, price is
A) equal to both average revenue and marginal revenue.
B) equal to average revenue but greater than marginal revenue.
C) greater than marginal revenue but less than average revenue.
D) less than both average revenue and marginal revenue.

Question 2659

The decision about what goods and services will be produced made in a centrally-planned economy is made by
A) lawmakers in the government deciding on what will be produced.
B) workers deciding to produce only what the boss says must be produced.
C) producers deciding what society wants most.
D) consumers and firms choosing which goods and services to buy or produce.
E) consumers dictating to firms what they need most.

Question 2660

"Because Coke and Pepsi are substitutes, a decrease in the price of Pepsi will cause the demand for Coke to decrease. This initial shift in demand for Coke results in a lower price for Coke; this lower price will cause the demand curve for Coke to shift to the left." Which of the following correctly comments on this statement?
A) The statement will be true if consumer tastes for Coke and Pepsi do not change.
B) The statement is false because a change in the price of Coke would not change the demand for Coke.
C) The statement is false because Pepsi is an inferior good; Coke is a normal good.
D) The statement is false because one cannot assume that Coke and Pepsi are substitutes for all consumers.

Question 2661

The cost to firms of changing prices
A) is small even when there is rapid inflation.
B) is called a menu cost.
C) does not exist if inflation is perfectly anticipated.
D) all of the above

Question 2662

If the demand for a product decreases and the supply of the product does not change, equilibrium price and equilibrium quantity will both increase.
[i]True[/i] or [i]false[/i]?

Question 2663

Use the dynamic aggregate demand and aggregate supply model and start with Year 1 in a long-run macroeconomic equilibrium. For Year 2, graph aggregate demand, long-run aggregate supply, and short-run aggregate supply such that the condition of the economy will induce the president and the Congress to conduct contractionary fiscal policy. Briefly explain the condition of the economy and what the president and the Congress are attempting to do.

Question 2664

M1 includes
A) currency in circulation, checking account deposits in banks, and holdings of traveler's checks.
B) currency in circulation, savings account balances, and checking account deposits in banks.
C) currency in circulation, savings account balances, checking account deposits in banks, and holdings of traveler's checks.
D) coins, savings account balances, traveler's checks.

Question 2665

Proponents of the ________ model argue that the short-run supply curve is vertical.
A) the monetarist model
B) the new classical model
C) the real business cycle model
D) the new Keynesian model
Question 2666

Most economists believe that the best monetary policy target is
A) an interest rate.
B) the money supply.
C) total bank reserves.
D) the discount rate.

Question 2667

When calculating GDP, the Bureau of Economic Analysis releases its "advanced estimate" of a quarter's GDP approximately
A) three months before the quarter has ended.
B) one month after the quarter has ended.
C) three months after the quarter has ended.
D) one year after the quarter has ended.

Question 2668

Which of the following is a true statement about the length of recessions and expansions in the United States economy?
A) Prior to 1900, the length of expansions equaled the length of recessions.
B) Prior to 1900, the length of expansions were much less than the length of recessions.
C) Prior to 1900, the length of expansions were much longer than the length of recessions.
D) Prior to 1900, the length of recessions were brief and almost nonexistent.

Question 2669

Increasing opportunity cost is represented by a _______ production possibilities frontier.
A) linear
B) bowed in
C) bowed out
D) vertical

Question 2670

Who won a Nobel Prize in economics for his work in the development of game theory?
A) John von Neuman
B) Oskar Morgenstern
C) John Nash
D) Howard Schultz

Question 2671

In each of the following situations, list what will happen to the equilibrium price and the equilibrium quantity for a particular product, which is an inferior good.
a. The population decreases and productivity increases
b. The income increases and the price of inputs increase
c. The number of firms in the market decreases and income decreases
d. Consumer preference decreases and the price of a complement increases
e. The price of a substitute in consumption increases and the price of a substitute in production increases

Question 2672

If the demand for a product decreases and the supply of the same product increases, the equilibrium quantity will increase.  
[ ] True [ ] False

Question 2673

The narrowest official definition of the money supply is
Question 2674

The Business Cycle Dating Committee defines a recession as
A) two consecutive quarters of declining real GDP.
B) two consecutive quarters of declining nominal GDP.
C) a significant decline in activity visible in industrial production, employment, real income, and wholesale/retail trade lasting more than a few months.
D) a significant decline in inflation and unemployment lasting more than a few months.

Question 2675

The unemployment rate tends to be higher in the European Union as compared to the United States.
[i]True[/i] or [i]false[/i]?

Question 2676

Assume that the hourly price for the services of tarot card readers has risen and sales of these services have also risen. One can conclude that
A) the law of demand has been violated.
B) the number of tarot card readers has increased.
C) the demand for tarot card readers has increased.
D) tarot card readers are deliberately charging high prices because they provide services for superstitious clients.

Question 2677

Tax reduction and simplification should ________ long-run aggregate supply and ________ aggregate demand.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 2678

A contract under which a buyer agrees to make payments in exchange for the provider agreeing to pay some or all of the buyer’s medical bills is referred to as
A) a fee-for-service plan.
B) the Affordable Care Act.
C) a deductible.
D) health insurance.

Question 2679

Baxter International, a manufacturer of hospital supplies, acquired American Hospital Supply, a distributor of hospital supplies. This is an example of
A) a conglomerate merger.
B) a horizontal merger.
C) a vertical merger.
D) a two-dimensional merger.

Question 2680

Expansionary fiscal policy to prevent real GDP from falling below potential real GDP would cause the inflation rate to be ________ and real GDP to be ________.
A) higher; higher
B) higher; lower
C) lower; higher
D) lower; lower
Question 2681

The market for smartphones has become very competitive. The increase in competition in this market is an example of how the market responds to
A) decreases in the price of desktop computers (a substitute for the product).
B) increases in income.
C) changes in population.
D) changes in consumer tastes.

Question 2682

If the demand for letters written by Abraham Lincoln is higher than the demand for letters written by John Wilkes Booth, what would have to be true for the market equilibrium prices for these letters to be equal?
A) The supply of Lincoln letters would have to be less than the supply of Booth letters.
B) The supply of Booth letters would have to be less than the supply of Lincoln letters.
C) The supply of Lincoln letters and the supply of Booth letters would have to be equal.
D) If the demand for Lincoln letters is greater than the demand for Booth letters, the market equilibrium price for Lincoln letters will always be greater than the market equilibrium price for Booth letters.

Question 2683

Suppose there is a bank panic. Which of the following would not be a consequence of this bank panic?
A) Bank total reserves would decrease.
B) Required reserves would increase.
C) Bank checking account balances would decrease.
D) Individual banks would have to shrink the value of loans they made.
E) The economy would likely enter into a recession.

Question 2684

In a closed economy, public saving is equal to which of the following? (Y = GDP, C = Consumption, G = Government purchases, T = Taxes, and TR = Transfers)
A) Y - C - T
B) Y - G - T
C) T - G - TR
D) Y - C - T + TR

Question 2685

Developing countries with large informal sectors tend to have firms that invest less in capital equipment. [i]True[/i] or [i]false[/i]?

Question 2686

You have a bond that pays $60 per year in coupon payments. Which of the following would result in a decrease in the price of your bond?
A) Coupon payments on newly-issued bonds fall to $40 per year.
B) The likelihood that the firm issuing your bond will default on debt decreases.
C) The price of a share of stock in the company rises.
D) Coupon payments on newly-issued bonds rise to $75 per year.

Question 2687

If the dollar appreciates, how will aggregate demand in the United States be affected?
A) Aggregate demand will increase as exports increase and imports decrease.
B) Aggregate demand will increase as imports increase and exports decrease.
C) Aggregate demand will decrease as imports increase and exports decrease.
D) Aggregate demand will decrease as exports increase and imports decrease.

Question 2688
The slope of a production possibilities frontier measures the ________ of producing one more unit of a good.
A) marginal revenue
B) total revenue
C) marginal cost
D) opportunity cost

**Question 2689**
Governments grant patents to encourage
A) research and development on new products.
B) competition.
C) low prices.
D) firms to form public enterprises.

**Question 2690**
If a consumer receives 20 units of utility from consuming two candy bars, and 25 units of utility from consuming three candy bars, the marginal utility of
the second candy bar is
A) 25 utility units.
B) 20 utility units.
C) 5 utility units.
D) unknown as more information is needed to determine the answer.

**Question 2691**
Where do economic agents such as individuals, firms and nations, interact with each other?
A) in public locations monitored by the government
B) in any arena that brings together buyers and sellers
C) in any physical location people where people can physically get together for selling goods, such as shopping malls
D) in any location where transactions can be monitored by consumer groups and taxed by the government

**Question 2692**
In discussions of barriers to entry, what is meant by the term "virtuous cycle"?
A) A virtuous cycle refers to successful research and development that leads to information that is used to develop other new products.
B) A virtuous cycle refers to a firm using the profits from a monopoly in one market to establish a monopoly in another market.
C) A virtuous cycle refers to the situation where the pursuit of self-interest in establishing an entry barrier leads to an increase in social welfare (the "invisible hand").
D) A virtuous cycle refers to a situation where if a firm can attract enough customers initially, it can attract additional customers because its product's value has been increased by other customers using it, which attracts even more customers.

**Question 2693**
Explain how each of the following events would affect the aggregate demand curve.
a. Lower interest rates
b. A decrease in net exports
c. A decrease in the price level
d. Slower income growth in other countries
e. A decrease in imports

**Question 2694**
How can a partnership raise funds needed for firm expansion?

**Question 2695**
Which of the following statements is consistent with the views of Joseph Schumpeter?
A) Research and development by competitive firms is responsible for most technological changes.
B) An economy benefits from firms having market power because these firms are more likely to be able to commit funds for research and development.
C) Enforcement of antitrust laws is necessary to promote competition among firms.
D) A lack of competition discourages firms from developing new technologies.

**Question 2696**

In the United States, the bulk of health care spending is paid by health insurance companies. Such a system is also called ________ where consumers of health care pay a nominal fee and the rest are paid by the health insurance provider.
A) universal health care system
B) third-party payer system
C) socialized medicine system
D) single-payer system

**Question 2697**

Monetarists think that the Fed should use ________ as a target when conducting monetary policy.
A) the money supply
B) the federal funds rate
C) the Treasury bill rate
D) the inflation rate
E) the unemployment rate

**Question 2698**

All games share three characteristics. Two of these characteristics are rule and strategies. What is the third characteristic called?
A) competition
B) collusion
C) results
D) payoffs

**Question 2699**

Caroline is an artist. She purchases canvas, paints, brushes, and accessories for $75. She sells one of her original paintings to an art gallery for $1,500, even though an art lover would pay $4,500 for that painting. How much value does Caroline add?
A) $75
B) $1,425
C) $1,500
D) $4,425

**Question 2700**

If it costs Hobie $900 to produce 5 lamps and $1,200 to produce 6 lamps, then the difference of $300 is the marginal cost of producing the 5th lamp.
[i]True[/i] or [i]false[/i]?

**Question 2701**

Write out the expression for the Taylor rule. Use the Taylor rule to explain how a decline in real GDP below potential GDP will affect the Federal Reserve's target for the federal funds rate.

**Question 2702**

Changes in the federal funds rate usually result in
A) changes in both short-term and long-term interest rates with more of an effect on short-term interest rates.
B) changes in both short-term and long-term interest rates with more of an effect on long-term interest rates.
C) changes in both short-term and long-term interest rates with equal effect on both.
D) no change in both short-term and long-term interest rates.

**Question 2703**

Consider the following economic agents:
Question 2704

When the Federal Reserve increases the money supply, people spend more because interest rates fall.

[i]True[/i] or [i]false[/i]?


Question 2705

Which of the following is the best example of an oligopolistic industry?

A) the beef market
B) the pharmaceutical industry
C) public education
D) the beauty products industry


Question 2706

When the BEA calculates real GDP using the average of prices in the current year and the year preceding it, and this average changes from year to year, this is called calculating GDP using

A) chained-weighted prices.
B) fixed-weight prices.
C) current-year prices.
D) fixed base-year prices.


Question 2707

An increase in government spending will result in an increase in the price level and an increase in real GDP in the long run.

[i]True[/i] or [i]false[/i]?


Question 2708

If a monopolist's marginal revenue is $25 a unit and its marginal cost is $25, then

A) to maximize profit the firm should increase output.
B) to maximize profit the firm should decrease output.
C) to maximize profit the firm should continue to produce the output it is producing.
D) Not enough information is given to say what the firm should do to maximize profit.


Question 2709

The value of the four-firm concentration ratio that many economists consider indicative of the existence of an oligopoly in a particular industry is

A) anything greater than 10 percent.
B) anything greater than 20 percent.
C) anything greater than 30 percent.
D) anything greater than 40 percent.


Question 2710

When potential GDP increases, short-run aggregate supply also increases, but long-run aggregate supply does not change.

[i]True[/i] or [i]false[/i]?


Who, in a centrally planned economy, decides what goods and services will be produced with the scarce resources available in that economy?

A) the government
B) producers
C) consumers
D) consumers and producers
E) the government, consumers and producers

Question 2711

A quota is
A) a limit placed on the quantity of goods that can be imported into a country.
B) a tax imposed by a government on goods imported into a country.
C) a subsidy granted to importers of a vital input.
D) a health and safety restriction imposed on an imported product.

Question 2712

How can improvements in health increase a country’s total income?

Question 2713

Congress and the president carry out fiscal policy through changes in
A) interest rates and the money supply.
B) taxes and the interest rate.
C) government purchases and the money supply.
D) government purchases and taxes.

Question 2714

Paper currency is a
A) commodity money.
B) fiat money.
C) barter money.
D) bond.

Question 2715

A perfectly competitive industry achieves allocative efficiency because
A) goods and services are produced at the lowest possible cost.
B) goods and services are produced up to the point where the last unit provides a marginal benefit to consumers equal to the marginal cost of producing it.
C) it produces where market price equals marginal production cost.
D) firms carry production surpluses.

Question 2716

Consider a used car market in which half the cars are good and half are bad (lemons). If buyers are rational, the prices being offered for used cars will result in
A) an equal proportion of a good cars and lemons being sold in an efficient market.
B) a larger proportion of good cars being sold and consequently, consumer surplus is increased.
C) a larger proportion of lemons being sold and consequently, producer surplus is increased.
D) an equal proportion of good cars and lemons being sold in an inefficient market.

Question 2717

Assume that the price for swimming pool maintenance services has risen and sales of these services have fallen. One can conclude that
A) the law of supply has been violated.
B) the demand for swimming pool maintenance services has increased.
C) the supply of swimming pool maintenance services has decreased.
D) swimming pool maintenance services are becoming more technologically advanced.

Question 2718

Which of the following are positive economic statements and which are normative economic statements?
a. An increase in the price of gasoline will decrease the quantity of gasoline purchased.
b. The government should eliminate the minimum wage.
c. All states should raise the minimum wage to at least $10 per hour.
d. The government should scrap its current income tax structure in favor of a flat tax.
e. Unemployment has increased since the onset of the recession.
f. The government should not bail out investment banks during a financial crisis.


Question 2719
For many small firms, providing health insurance for their workers
A) has decreased in cost over the past 10 years.
B) represents their most rapidly increasing cost.
C) costs virtually nothing under the ACA.
D) encourages them to hire more full-time workers.


Question 2720
Explain and show graphically how an increase in incomes in the United States will affect equilibrium in the foreign exchange market?


Monopolistically competitive firms face a perfectly elastic demand curve.
[i]True[/i] or [i]false[/i]?


The attainable production points on a production possibility curve are
A) the horizontal and vertical intercepts.
B) the points along the production possibilities frontier.
C) the points outside the area enclosed by the production possibilities frontier.
D) the points along and inside the production possibility frontier.


Question 2723
Which of the following characteristics is not common to monopolistic competition and perfect competition?
A) Firms act to maximize profit.
B) Entry barriers into the industry are low.
C) The market demand curve is downward-sloping.
D) Firms take market prices as given.


Question 2724
If demand is inelastic, the absolute value of the price elasticity of demand is
A) one.
B) less than one.
C) greater than one.
D) greater than the absolute value of the slope of the demand curve.


Question 2725
Trade-offs force society to make choices when answering what three fundamental questions?


Question 2726
Which of the following statements is true?
A) Opportunity cost = explicit cost - implicit cost.
B) Total cost = fixed cost + implicit cost.
C) Total cost = fixed cost + variable cost.
D) Variable cost = wages + salaries + benefits.

<table>
<thead>
<tr>
<th>Question 2727</th>
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| The demand curve for an inferior good can never be downward-sloping.  
[i]True[/i] or [i]false[/i]?  

<table>
<thead>
<tr>
<th>Question 2728</th>
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| In the dynamic aggregate demand and aggregate supply model, what is the result of aggregate demand increasing faster than potential real GDP?  

<table>
<thead>
<tr>
<th>Question 2729</th>
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| In the United States, out-of-pocket spending on health care as a percentage of all spending on health care has ________ since 1960.  
A) slowly risen  
B) steadily declined  
C) more than doubled  
D) remained stable  

<table>
<thead>
<tr>
<th>Question 2730</th>
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| What is marginal utility and what is the law of diminishing marginal utility?  

<table>
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<tr>
<th>Question 2731</th>
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</table>
| Securities dealers that trade stocks and bonds outside exchanges comprise the  
A) foreign exchange market.  
B) over-the-counter market.  
C) NASDAQ market.  
D) outlet market.  

<table>
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<tr>
<th>Question 2732</th>
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</table>
| What is the primary difference between a sole proprietorship and a partnership?  
A) Proprietorships have unlimited liability while partnerships have limited liability.  
B) Partnerships can issue stocks and bonds while proprietorships cannot.  
C) Partnerships have more owners than do proprietorships.  
D) There is no real difference between the two types of firms.  

<table>
<thead>
<tr>
<th>Question 2733</th>
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</table>
| Full-employment GDP is also known as  
A) realized GDP.  
B) potential GDP.  
C) politico-economic GDP.  
D) balanced-budget GDP.  

<table>
<thead>
<tr>
<th>Question 2734</th>
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</table>
| Among potential stores of value, money  
A) offers the highest rate of return.  
B) increases in value during periods of inflation.  
C) has the advantage of being the most liquid asset.  
D) provides more services than the other assets.  

<table>
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<tr>
<th>Question 2735</th>
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</table>
| Payments by a corporation to its shareholders are known as  
A) stocks.  
B) bonds.  
C) coupons.  

Question 2736
Which of the following statements about the price elasticity of demand is correct?
A) The elasticity of demand for a good in general is equal to the elasticity of demand for a specific brand of the good.
B) The absolute value of the elasticity of demand ranges from zero to one.
C) Demand is more elastic in the long run than it is in the short run.
D) Demand is more elastic the smaller the percentage of the consumer's budget the item takes up.

Question 2737
Marginal utility is the
A) total satisfaction received from consuming a given number of units of a product.
B) average satisfaction received from consuming a product.
C) extra satisfaction received from consuming one more unit of a product.
D) satisfaction achieved when a consumer has had enough of a product.

Question 2738
If the price of steel increases drastically, the quantity of steel demanded by the building industry will fall significantly over the long run because
A) buyers of steel are more sensitive to a price change if they have more time to adjust to the price change.
B) buyers of steel are less sensitive to a price change if they have more time to adjust to the price change.
C) sales revenue in the building industry will fall sharply.
D) profits will fall by a greater amount in the long run than in the short run.

Question 2739
In the principal-agent relationship, the agent is
A) the owner of a resource that has hired another party to act on his behalf.
B) the person who is placed in control over resources that are not his own, with a contractual obligation to use these resources in the interests of some other party.
C) the person who is placed in control over resources that are not his own and agrees to compensate the resource owner in the event of outcomes that do not satisfy the resource owner.
D) the person who places his resources in professional hands in exchange for the professional's promise to act on the resource owner's behalf.

Question 2740
The Clayton Act is an antitrust law that was passed to
A) outlaw monopolization.
B) address loopholes in the Sherman Act.
C) prohibit charging buyers different prices if the result would reduce competition.
D) toughen restrictions on mergers by prohibiting mergers that reduce competition.

Question 2741
There are two conditions necessary for a consumer to maximize her utility. One is that the marginal utilities per dollar spent on each good and service consumed are equal. What is the other condition?
A) Total spending on all goods and services must equal the amount available to be spent.
B) The consumer must be satisfied with the choices she makes.
C) The total spent on each good and service is the same.
D) The prices of each good and service consumed must not be too high.

Question 2742
The demand curve for an individual seller's product in perfect competition is
A) the same as market demand.
B) downward sloping.
C) vertical.
D) horizontal.
Question 2743
Under what circumstances would the GDP deflator be less than 100 after the base year?
A) The GDP deflator will be less than 100 if there has been inflation relative to the base year.
B) The GDP deflator will be less than 100 if there has been inflation of less than 2% per year relative to the base year.
C) The GDP deflator will be less than 100 if there has been deflation relative to the base year.
D) There are no circumstances under which the GDP deflator could be less than 100?


Question 2744
Typically, the ________ in a country, the higher the level of spending per person on health care.
A) higher the level of income per person
B) larger the population
C) higher the level of income taxes
D) lower the median age of the population


Question 2745
In 2008, the Treasury and Federal Reserve took action to save large financial firms such as Bear Stearns and AIG from failing. Which of the following is one reason why these measures were taken?
A) The Emergency Economic Stabilization Act required the Fed and the Treasury to provide financial assistance to firms that participated in regular open market actions with the Fed.
B) The bankruptcy of a large financial firm would force the firm to sell its holdings of securities, which could cause other firms that hold these securities to also fail.
C) The Fed and the Treasury wanted to allow Freddie Mac and Fannie Mae more time to buy the firms before they went bankrupt.
D) The failure of these firms would have forced the Fed to increase interest rates, which could have led to a severe recession.


Question 2746
Willingness to pay measures
A) the maximum price a buyer is willing to pay for a product minus the amount the buyer actually pays for it.
B) the amount a seller actually receives for a good minus the minimum amount the seller is willing to accept for the good.
C) the maximum price that a buyer is willing to pay for a good.
D) the maximum price a buyer is willing to pay minus the minimum price a seller is willing to accept.


Question 2747
Contractionary monetary policy on the part of the Fed results in
A) an increase in the money supply, an increase in interest rates, and an increase in GDP.
B) a decrease in the money supply, an increase in interest rates, and a decrease in GDP.
C) an increase in the money supply, a decrease in interest rates, and an increase in GDP.
D) a decrease in the money supply, a decrease in interest rates, and a decrease in GDP.


Question 2748
Globalization is the process of countries imposing trade restrictions on other countries.
[i]True[/i] or [i]false[/i]?


Question 2749
To increase gas mileage, automobile manufacturers make cars small and light. Large cars absorb more of the impact of an accident than small cars but yield lower gas mileage. These facts suggest that a negative relationship exists between safety and gas mileage.
[i]True[/i] or [i]false[/i]?


Question 2750
Does the money demand curve have a positive slope or a negative slope? Why does it have this slope? Explain why an increase in the variable on the vertical axis of the money demand curve causes either an increase or a decrease in the variable on the horizontal axis of the money demand curve.
### Question 2751

It is possible to have a comparative advantage in producing a good or service without having an absolute advantage. 

[i]True[/i] or [i]false[/i]?

**Answer:** https://biology-forums.com/index.php?topic=313369

### Question 2752

If the U.S. dollar decreases in value relative to other currencies, how does this affect the aggregate demand curve?

A) This will move the economy up along a stationary aggregate demand curve. 
B) This will move the economy down along a stationary aggregate demand curve. 
C) This will shift the aggregate demand curve to the left. 
D) This will shift the aggregate demand curve to the right. 

**Answer:** https://biology-forums.com/index.php?topic=322373

### Question 2753

Rent control is an example of a price floor. 

[i]True[/i] or [i]false[/i]?

**Answer:** https://biology-forums.com/index.php?topic=316168

### Question 2754

In a two-good, two country world, if one country has an absolute advantage in the production of both goods, it must also have a comparative advantage in the production of both goods. 

[i]True[/i] or [i]false[/i]?

**Answer:** https://biology-forums.com/index.php?topic=313378

### Question 2755

You're traveling in Japan and are thinking about buying a new kimono. You've decided you'd be willing to pay $175 for a new kimono, but kimonos in Japan are all priced in yen. If the exchange rate is 89 yen per dollar, what is the highest price in yen you'd be willing to pay for a kimono? (Assume no taxes or duties are associated with the purchase.)

A) 1.97 yen 
B) 330.75 yen 
C) 15,575 yen 
D) 19,425 yen 

**Answer:** https://biology-forums.com/index.php?topic=324802

### Question 2756

The ability to exercise control over one's own resources within the confines of the law refers to 

A) the free market. 
B) one's property rights. 
C) entrepreneurship. 
D) having an absolute advantage. 

**Answer:** https://biology-forums.com/index.php?topic=313697

### Question 2757

Which of the following correctly comments on the following statement? "The only way to increase the revenue from selling a product is to increase the product's price."

A) It is not true. Revenue will increase as the price of the product increases only if demand is elastic. 
B) This statement is not true. Revenue will increase as the price of the product increases only if demand is inelastic. 
C) The statement is true. 
D) This statement is not true. Revenue will decrease as the price of the product increases because quantity demanded will fall. 

**Answer:** https://biology-forums.com/index.php?topic=318685

### Question 2758

What is an economic variable? Give an example of an economic variable. 

**Answer:** https://biology-forums.com/index.php?topic=311968

### Question 2759

The ______ is a measure of the price level and is calculated by dividing ______ by ______ and multiplying by 100.
Question 2760

If the 15th unit of output has a marginal cost of $29.50 and the average cost of producing 14 units of output is $30.23, what will happen to the average cost of production if the 15th unit is produced?

A) Average cost increases as more is produced.
B) Average cost will fall.
C) Average cost could increase or decrease depending on what happens to variable cost.
D) Average cost could increase or decrease depending on what happens to fixed cost.


Question 2761

When firms analyze the relationship between their level of production and their costs they separate the time period involved into
A) morning and evening.
B) 6 months or less; 6 months to 1 year; more than 1 year.
C) a fixed period and a variable period.
D) the short run and the long run.


Question 2762

The additional output a firm produces by hiring one more worker is called the marginal product of labor.

[i]True[/i] or [i]false[/i]?


Question 2763

Maximizing average profit is equivalent to maximizing total profit.

[i]True[/i] or [i]false[/i]?


Question 2764

Which one of the following is not a possible barrier to entry high enough to keep competing firms out of a monopoly industry?
A) The monopoly firm has control of a key resource necessary to produce a good.
B) There are important network externalities in supplying a good or service.
C) large economies of scale that result in a natural monopoly
D) a high concentration ratio


Question 2765

What is moral hazard?
A) It refers to the private, self-interested actions that people pursue, which when taken collectively leads to a loss in economic surplus.
B) It refers to the actions people take after they have entered into a transaction that makes the other party to the transaction worse off.
C) It refers to the situation in which one party to a transaction takes advantage of knowing more than the other party to the transaction.
D) It refers to the actions people take before they enter into a transaction so as to mislead the other party to the transaction.


Question 2766

If, between 2003 and 2013, the economy’s real GDP grew from $20 billion to $40 billion, what was the average annual growth rate in the economy?
A) 3%
B) 7%
C) 20%
D) 100%


Question 2767
The core personal consumption expenditures price index excludes
A) food and energy prices.
B) food and housing prices.
C) energy and housing prices.
D) housing and health care prices.

**Question 2768**
An inferior good is a good for which the quantity demanded decreases as the price increases, holding everything else constant.
[i]True[/i] or [i]false[/i]?

**Question 2769**
Indicate whether each of the following situations would shift the supply curve to the left, to the right, or not at all.

a. An increase in the number of firms in the market
b. An increase in the current price of the product
c. A decrease in productivity
d. An increase in the expected future price of a product
e. A decrease in the price of an input

**Question 2770**
Fiat money has
A) little to no intrinsic value but is backed by the quantity of gold held by the central bank.
B) little to no intrinsic value and is authorized by the central bank or governmental body.
C) value, because it can be redeemed for gold by the central bank.
D) a great intrinsic value that is independent of its use as money.

**Question 2771**
Because ________ in the government budget deficit increase the real interest rate, budget deficits can ________ firm investment.
A) increases; increase
B) decreases; increase
C) decreases; decrease
D) increases; decrease

**Question 2772**
The Aluminum Company of America (Alcoa) had a monopoly until the 1940s because
A) it was a public enterprise.
B) it had a patent on the manufacture of aluminum.
C) the company had a secret technique for making aluminum from bauxite.
D) it had control of almost all the available supply of bauxite.

**Question 2773**
Suppose that you decide that you no longer want to hold currency, and deposit all of your currency holdings to your checking account. What is the immediate or initial impact of this transaction on M1 and M2?

**Question 2774**
The aggregate demand curve shows the relationship between the ________ and ________.
A) inflation rate; quantity of real GDP demanded
B) real interest rate; quantity of real GDP supplied
C) nominal interest rate; quantity of real GDP demanded
D) price level; quantity of real GDP demanded

**Question 2775**
The machines workers have to work with are considered
A) human capital.
B) physical capital.
C) entrepreneurship.
D) financial capital.

Question 2776
All of the following are examples of spending on goods and services in the circular flow model except
A) Giovani buys a new cell phone to replace the one he flushed down the toilet.
B) Amir buys a new humidor for his cigar shop.
C) Isabella buys the sushi plate for lunch at the Turning Japanese Sushi Bar.
D) Vijay buys a new minivan for his family's cross-country vacation.

Question 2777
Which of the following statements is true about revenue?
A) Revenue is the total amount received for selling a good or service.
B) Revenue is calculated by dividing the price per unit by the number of units sold.
C) The terms "revenue" and "profit" can be used interchangeably.
D) A firm's revenue will increase as its costs increase.

Question 2778
The primary purpose of ________ is to encourage the expenditure of funds on research and development to create new products.
A) centrally planned economies
B) government-run health care
C) nationalizing oil companies
D) patents and copyrights

Question 2779
The quantity of goods and services that can be produced by one worker or by one hour of work is referred to as
A) technology.
B) labor productivity.
C) real GDP.
D) human capital.

Question 2780
What is the difference between a supply schedule and a supply curve?

Question 2781
Japan has developed a comparative advantage in designing and producing automobiles. The source of its comparative advantage in these products is
A) abundant supplies of natural resources.
B) a favorable climate.
C) a strong central government.
D) technology.

Question 2782
When the Federal Reserve increases the money supply, people spend more because they now have more money.
[i]True[/i] or [i]false[/i]?

Question 2783
A firm will make a profit when
Question 2784

Donnie's Donuts incurs $450,000 per year in explicit costs and $200,000 in implicit costs. The bakery earns $800,000 in revenues and has $2 million in net worth. Based on this information, what is the economic profit for Donnie's Donuts?

A) $150,000  
B) $350,000  
C) $600,000  
D) $1.2 million


Question 2785

A monopolistically competitive firm maximizes profit in the short run by producing where

A) price is less than marginal cost.  
B) price is less than marginal revenue.  
C) price is less than average revenue.  
D) price is greater than marginal cost.


Question 2786

Anything of value owned by a person or a firm is

A) an asset.  
B) a liability.  
C) wealth.  
D) owner's yield.


Question 2787

The three most widely followed stock indexes in the United States include all of the following except

A) the Dow Jones Industrial Average.  
B) the S&P 500.  
C) the Fortune 500.  
D) The NASDAQ.


Question 2788

Increases in real GDP would understate the well-being of a country over time if, over that time period, the

A) crime rate increased.  
B) percentage of people addicted to illegal drugs increased.  
C) amount of pollution decreased.  
D) average hours worked per week decreased.


Question 2789

The growth rate of real GDP in the United States rises from 4.2% to 4.4%. Explain and calculate how this increase in the growth rate of real GDP affects the number of years it will take for real GDP to double.


Question 2790

How does the owner of a corporation relate to the business?

A) The owners of the business have a separate legal distinction from the business.  
B) The owners of the business have no separate legal distinction from the business.  
C) The personal assets are part of the corporation's assets.  
D) None of these describe the legal relationship of corporate owners to the business.

### Question 2791

Who receives the most of what is produced in a market economy?

- A) lawmakers and other politically favored groups
- B) those who are willing and able to buy them
- C) everyone receives an equal amount
- D) people who earn the highest incomes


### Question 2792

A dominant strategy is

- A) an equilibrium where each firm chooses the best strategy, given the strategies of other firms.
- B) a strategy chosen by two firms that decide to charge the same price or otherwise not to compete.
- C) a strategy that is obviously the best for each firm that is a party to a business decision.
- D) a strategy that is the best for a firm no matter what strategies other firms use.


### Question 2793

Which of the following describes a positive externality?

- A) John Henry paints the outside of his house in order to increase its market value just before he puts the house up for sale.
- B) People who do not attend college still benefit from others who receive a college education.
- C) The government imposes a tax on cigarettes in order to discourage smoking among teenagers.
- D) Mary volunteers to drive her neighbor's children to soccer practice.


### Question 2794

Which of the following would most likely induce the Federal Reserve to conduct expansionary monetary policy? A significant decrease in

- A) oil prices.
- B) business taxes.
- C) income tax rates.
- D) investment spending.


### Question 2795

If a perfectly competitive firm's price is less than its average total cost but greater than its average variable cost, the firm

- A) is earning a profit.
- B) should shut down.
- C) is incurring a loss.
- D) is breaking even.


### Question 2796

You borrow $10,000 from a bank for one year at a nominal interest rate of 5%. The CPI over that year rises from 180 to 200. What is the real interest rate you are paying?

- A) 15%
- B) 5%
- C) -1.1%
- D) -6.1%


### Question 2797

A common mistake made by consumers is the failure to take into account the sunk costs of their actions.

- [i]True[/i] or [i]false[/i]?


### Question 2798

The endowment effect is the tendency of people to be unwilling to sell a good they already own even if they are offered a price greater than they would be willing to pay to buy the good if they did not already own it.

- [i]True[/i] or [i]false[/i]?
Question 2799

In a competitive market equilibrium the ________ equals the ________ of the last unit sold.
A) total profit; marginal benefit
B) total cost; marginal cost
C) profit; selling price
D) marginal benefit; marginal cost


Question 2800

All of the following statements are true of the minimum efficient scale except one. Which one?
A) All possible economies of scale have been exhausted.
B) The short-run average total cost curve's minimum point is equal to the long run average cost curve's minimum point.
C) Any increase in the scale of operation will encounter diseconomies of scale.
D) An increase in the output level will increase profit.


Question 2801

The consumer price index (CPI), the personal consumption expenditures price index (PCE), and the core PCE have over the last 10 years
A) moved roughly together with the CPI being the most stable.
B) moved roughly together with the PCE being the most stable.
C) moved roughly together with the core PCE being the most stable.
D) not moved together, with the CPI being the most stable.


Question 2802

By the year 2013, health care spending on Medicare, Medicaid, and other U.S. government programs as a percentage of GDP had reached a level of
A) 2.2 percent.
B) 6 percent.
C) 17.5 percent.
D) 21.5 percent.


Question 2803

When a competitive equilibrium is achieved in a market
A) all individuals are better off than they would be if a price ceiling or price floor was imposed by government.
B) the total net benefit to society is maximized.
C) the total benefits to consumers are equal to the total benefits to producers.
D) economic surplus equals the deadweight loss.


Question 2804

Under autarky, domestic producer surplus is represented by the area
A) above the supply curve and below the equilibrium price.
B) above the supply curve and below the demand curve.
C) below the demand curve and above the equilibrium price.
D) above the demand curve and below the supply curve.


Question 2805

Starting from long-run equilibrium, use the basic aggregate demand and aggregate supply diagram to show what happens in both the long run and the short run when there is a decline in wealth.


Question 2806

Many airlines have not reduced or eliminated fuel surcharges despite the price of oil dropping. A logical reason for this is that the decline in fuel prices
A) shifted the supply curve for airline tickets to the left, and at the same time an increase in demand for airline tickets shifted the demand curve to the right, so prices did not decline.
B) shifted the supply curve for airline tickets to the right, and at the same time a decrease in demand for airline tickets shifted the demand curve to the left, so prices still increased.
C) shifted the supply curve for airline tickets to the right, and at the same time an increase in demand for airline tickets shifted the demand curve to the right, so prices still increased.
D) shifted the supply curve for airline tickets to the left, and at the same time a decrease in demand for airline tickets shifted the demand curve to the left, so prices did not decline.

Question 2807
When the price of a financial asset ________ its interest rate will ________.
A) rises; rise
B) falls; fall
C) falls; rise
D) rises; remain the same

Question 2808
What are the advantages of setting up a proprietorship or partnership as opposed to a corporation?

Question 2809
What is outlet bias?
A) the tendency for households to spend more money over time
B) the tendency for households to spend their money at discount stores as prices rise
C) the tendency for the quality of products to improve over time even though the CPI does not measure changes in quality
D) the tendency for consumers to purchase newer, more technologically advanced products even though they have higher prices

Question 2810
Draw a demand curve and label it D1. On the graph, illustrate an increase in demand and a decrease in demand, and label the curves D2 and D3, respectively. Starting on demand curve D1, explain the shift that would result from each of the following events:
a. an increase in income and the good is a normal good
b. an increase in income and the good is an inferior good
c. a decrease in the price of a substitute good
d. a decrease in the price of a complementary good
e. an increase in the taste for the good
f. a decrease in population
g. an increase in the expected future price of the good

Question 2811
Explain how the aggregate demand and aggregate supply model can be made more dynamic.

Question 2812
The additional cost to a producer of hiring an additional unit of labor is called the marginal cost.
[i]True[/i] or [i]false[/i]?

Question 2813
How are market price, average revenue, and marginal revenue related for a perfectly competitive firm and why?

Question 2814
You have an absolute advantage whenever you
A) are better educated than someone else.
B) can produce more of something than others with the same resources.
C) prefer to do one particular activity.
D) can produce something at a lower opportunity cost than others.
Question 2815
The largest source of federal government revenue in 2012 was
A) sales taxes.
B) corporate income taxes.
C) individual income taxes.
D) payroll taxes to fund Social Security and Medicare programs.

Question 2816
If there is a market outcome in which the marginal benefit to consumers of the last unit produced is equal to its marginal cost of production and consumer surplus plus producer surplus is maximized, then
A) maximum deadweight loss occurs.
B) economic efficiency is achieved.
C) profits are maximized.
D) costs are minimized.

Question 2817
During 1970-1997, the U.S. federal government was
A) in surplus every year.
B) balanced every year.
C) in deficit every year.
D) in deficit most of those years.

Question 2818
An economic model is a simplified version of reality used to analyze real-world economic situations.
[i]True[/i] or [i]false[/i]?

Question 2819
Whenever a buyer and a seller agree to trade, both must believe they will be made better off
A) unless the buyer resides in a different country than the seller resides in. International trade may make the buyer or seller worse off.
B) unless one party is richer than the other.
C) only if the buyer and seller live in countries with market economies.
D) whether the buyer and seller live in the same city or different countries.

Question 2820
A fractional reserve banking system is one in which banks hold less than 100 percent of ________ in reserves.
A) loans
B) deposits
C) securities
D) shareholder equity

Question 2821
If, in response to an increase in the price of pineapples, the quantity demanded of pineapples decreases, economists would describe this as
A) an decrease in demand.
B) a decrease in quantity demanded.
C) a change in consumer income.
D) a decrease in consumers’ taste for coffee.

Question 2822
Which of the following is correct about the economic decisions consumers, firms, and the government have to make?
A) Governments may face the problem of shortages but not scarcity in making economic decisions.
B) Only individuals face scarcity; firms and the government do not.
C) Firms and the government face scarcity, individuals only face shortages.
D) Each faces the problem of scarcity which necessitates trade-offs in making economic decisions.

Question 2823
Which of the following statements about positive economic analysis is false?
A) Positive analysis uses an economic model to estimate the costs and benefits of different course of actions.
B) There is much more disagreement among economists over normative economic analysis than over positive economic analysis.
C) There is much more disagreement among economists over positive economic analysis than over normative economic analysis.
D) Unlike normative economic analysis, positive economic analysis can be tested.

Question 2824
The Federal Reserve's narrowest definition of the money supply is
A) M0.
B) M1.
C) M2.
D) M3.

Question 2825
Which of the following statements correctly describes the distinction between technology and technological change?
A) Technology refers to the processes used by a firm to transform inputs into output of goods and services while technological change is a change in a firm's ability to produce a given level of output with a given quantity of inputs.
B) Technology refers to the ability of a firm to increase its maximum output from a given quantity of inputs and technological change is the process by which the firm achieves this productivity gain.
C) Technology is product-centered; its refers to developing new products with limited resources while technological change is process-centered in that it focuses on developing new production techniques.
D) Technology involves research and development while technological change involves the use of more efficient machinery.

Question 2826
Suppose your expenses for this term are as follows: tuition: $28,000, room and board: $9,000, books and other educational supplies: $2,500. Further, during the term, you can only work part-time and earn $16,000 instead of your full-time salary of $42,000. What is the opportunity cost of going to college this term, assuming that your room and board expenses would be the same even if you did not go to college?
A) $36,500
B) $56,500
C) $65,500
D) $72,500

Question 2827
Maurice Allais, Reinhard Selten and Vernon Smith all were awarded the Nobel Prize in Economics in part because
A) of their work with experimental economics.
B) they discovered the first example of a Giffen good.
C) of their work on the substitution and income effects of price changes.
D) they proved that external economies would lead to market failure.

Question 2828
The quantity equation becomes the basis for a theory when we assume that velocity of money is constant.
[True] or [False]?

Question 2829
The reason that the Fisherman's Friend restaurant in Stonington, Maine had a monopoly on selling seafood dinners in that town is most likely due to
A) a government-imposed barrier.
B) occupational licensing.
C) no competitors apparently found the profit level attractive enough to enter the market.
D) the restaurant owned all the fresh seafood in the state.

**Question 2830**

Which of the following is a reason why we should consider the federal national debt a problem?
A) The federal government is in danger of defaulting on its debt.
B) If the debt drives up interest rates, crowding out will occur.
C) If the debt was incurred to finance improvements in infrastructure, crowding out will occur.
D) If the debt was incurred to finance research and development, crowding out will occur.

**Question 2831**

Assume that both the demand curve and the supply curve for MP3 players shift to the right but the supply curve shifts more than the demand curve. As a result
A) both the equilibrium price and quantity of MP3 players will decrease.
B) the equilibrium price of MP3 players will decrease; the equilibrium quantity will increase.
C) the equilibrium price of MP3 players may increase or decrease; the equilibrium quantity will decrease.
D) the equilibrium price of MP3 players will increase; the equilibrium quantity will decrease.

**Question 2832**

Most employees ________ pay taxes on the value of health insurance provided by employers, and most people ________ get a tax break when buying individual health insurance policies.
A) do; do
B) do; do not
C) do not; do
D) do not; do not

**Question 2833**

Prior to 1970, mortgages were ________ resold in the secondary market.
A) never
B) rarely
C) often
D) always

**Question 2834**

If a country has a fixed exchange rate
A) the equilibrium exchange rate in that market does not respond to changes in supply and demand for currency.
B) central banks have more control over real GDP in the economy.
C) central banks must buy and sell their holdings of currencies to maintain a given exchange rate.
D) the exchange rate is allowed to fluctuate in response to changes in the supply and demand for currency.

**Question 2835**

Using the quantity equation, if the velocity of money grows at 5 percent, the money supply grows at 10 percent, and real GDP grows at 4 percent, then the inflation rate will be
A) 19 percent.
B) 15 percent.
C) 11 percent.
D) 6 percent.

**Question 2836**

What is a household? How do households interact with firms in a market?

**Question 2837**
What would happen in the market for knee replacement surgery if insurance companies started to cover a smaller portion of the cost of the surgery?
A) Demand will decrease, but this will not shift the supply curve.
B) Supply will decrease, but this will not shift the demand curve.
C) Demand and supply will both decrease.
D) Demand will decrease and supply will increase.

Question 2838

Which of the following would shift a nation's production possibilities frontier inward?
A) discovering a cheap way to convert sunshine into electricity
B) producing more capital equipment
C) an increase in the unemployment rate
D) a law requiring workers to retire at age 50

Question 2839

In the United States, health care spending per person based on income per person is ________ the average for most other countries.
A) slightly lower than
B) significantly higher than
C) significantly lower than
D) comparable to

Question 2840

If a monopolist's marginal revenue is $15 per unit and its marginal cost is $25, then to maximize profit the firm should decrease output. 
[i]True[/i] or [i]false[/i]?

Question 2841

Suppose a hurricane decreased the supply of oranges so that the price of oranges rose from $120 a ton to $180 a ton and quantity sold decreased from 800 tons to 240 tons. What is the absolute value of the price elasticity of demand?
A) 0.11
B) 0.37
C) 2.69
D) 9.33

Question 2842

Twenty-seven countries in Europe have formed the European Union (EU). After the EU was formed it
A) eliminated all tariffs among its member countries.
B) completed a trade treaty (NAFTA) that reduced tariff rates between the EU and North American countries.
C) greatly decreased imports and exports among its member countries.
D) barred imports of 747 jumbo jets by its member countries; all EU countries must now buy jets from Airbus, a European company.

Question 2843

Suppose that when the price of pickles decreases, Teddy increases his purchase of ketchup. To Teddy
A) pickles and ketchup are complements.
B) pickles and ketchup and substitutes.
C) pickles and ketchup are normal goods.
D) pickles are a normal good and ketchup is an inferior good.

Question 2844

What is a production possibilities frontier? What do points along the frontier represent? What do points inside and outside the frontier represent?

Question 2845

Buyers scrambled to secure stocks of Australian wool following a forecast of an 11 percent decline in wool production. What happens in the Australian
wool market as a result of this announcement?
A) The demand curve for Australian wool shifts to the left in anticipation of higher prices in the future.
B) The demand curve for Australian wool shifts to the right in anticipation of higher prices in the future.
C) The quantity of Australian wool demanded increases in anticipation of higher prices in the future.
D) The quantity of Australian wool demanded decreases in anticipation of lower quantities in the future.

Question 2846
Expansionary monetary policy refers to the ________ to increase real GDP.
A) government's increasing spending and lowering taxes
B) government's decreasing spending and raising taxes
C) Federal Reserve's increasing the money supply and decreasing interest rates
D) Federal Reserve's decreasing the money supply and increasing interest rates

Question 2847
If credit card balances rise in the economy, then M1 will ________ and M2 will ________.
A) increase; increase
B) not change; increase
C) decrease; increase
D) not change; not change
E) increase; decrease

Question 2848
Suppose there is no unemployment in the economy and society decides that it wants more of one good. Which of the following statements is true?
A) It can only achieve this with an advance in technology.
B) It can increase output without giving up another good.
C) It can only achieve this with an increase in resource supplies.
D) It will have to give up production and consumption of some other good.

Question 2849
We can draw demand curves for firms in perfectly competitive and monopolistically competitive industries, but not for oligopoly firms. The reason for this is
A) there are no barriers to entry in perfectly competitive and monopolistically competitive industries. There are high barriers to entry in oligopoly industries.
B) we can assume that the prices charged by perfectly competitive and monopolistically competitive firms have no impact on rival firms. For oligopoly this assumption is unrealistic.
C) that perfectly competitive and monopolistically competitive firms are price takers. Oligopoly firms are price makers.
D) perfectly competitive and monopolistically competitive firms sell standardized products. Oligopoly firms sell differentiated products.

Question 2850
Suppose that to move more people off the wait list for organ donations, surgeons and hospitals are developing a market for organ swapping. This is an example of a macroeconomics topic.
[i]True[/i] or [i]false[/i]?

Question 2851
When the price level in the United States falls relative to the price level of other countries, ________ will fall, ________ will rise, and ________ will rise.
A) imports; exports; net exports
B) exports; imports; net exports
C) net exports; exports; imports
D) net exports; imports; exports

Question 2852
Of the following high-income countries, which has the lowest number of MRI units per 1 million population?
Question 2853

Suppose a developing country experiences a reduction in machinery and capital equipment as foreign entrepreneurs decrease the amount of investment in the economy. As a result
A) the long-run aggregate supply curve will shift to the right.
B) the long-run aggregate supply curve will shift to the left.
C) the economy will move up along the long-run aggregate supply curve.
D) the economy will move down along the long-run aggregate supply curve.


Question 2854

For a given quantity, the total profit of a perfectly competitive firm is equal to the vertical distance between the firm's total revenue curve and its total cost curve.

[i]True[/i] or [i]false[/i]?


Question 2855

If a restaurant was a natural monopoly, its
A) marginal cost curve would still be declining when it crossed the demand curve.
B) average total cost curve would still be declining when it crossed the demand curve.
C) marginal revenue curve would be the same as its demand curve.
D) marginal revenue curve would be horizontal.


Question 2856

Apple introduced its iPhone 3G in July 2008 and within a month sales had topped 3 million units. By April 2009, more than 25,000 apps for the iPhone 3G were available in the iTunes store, an indication that in a competitive market
A) the ease at which a new firm can enter a competitive market is low.
B) the ease at which a new firm can enter a competitive market is high.
C) entry into the market is blocked.
D) entry into the market is restricted in the short run, but becomes easier in the long run.


Question 2857

In a small economy, gross investment in 2013 is $1,500, consumption spending is $6,000, net investment is $200, government spending is $1,500, exports are $2,000 and imports are $1,000. What is GDP for this economy in 2013?
A) $10,700
B) $10,300
C) $10,200
D) $10,000


Question 2858

Governments can increase the consumption of a product that creates positive externalities by
A) subsidizing the production of the product so that the supply is increased and market price is reduced.
B) taxing the production and consumption of the product.
C) convincing everyone to consume the good.
D) assigning property rights to the producers of the product.


Question 2859

Because the monopolistically competitive firm faces a ________ demand curve for its product, it ________ the price of its output.
A) downward-sloping; cannot influence
B) horizontal; can influence
C) horizontal; cannot influence
Question 2860

A perfectly competitive firm faces a demand curve that is
A) horizontal.
B) vertical.
C) perpendicular to the quantity axis.
D) perfectly inelastic.

Question 2861

Blu-ray players were introduced to the market in 2006, and new technology has allowed for the cost of manufacturing the players to decline significantly since the initial introduction. How did this change in technology affect the market for Blu-ray players?
A) The new technology caused an increase in the supply of Blu-ray players and a decrease in price of Blu-ray players.
B) The new technology caused an increase in the supply of Blu-ray players and an increase in price of Blu-ray players.
C) The new technology caused a decrease in the demand for Blu-ray players.
D) The new technology caused an increase in the quantity of Blu-ray players supplied.

Question 2862

Wall Street, in the borough of Manhattan in New York City, is the heart of the U.S. financial system, where banks, brokerage houses, other financial firms, and the New York Stock Exchange are all located. What is the reason for New York City's comparative advantage in the financial market?
A) the development of superior information technology
B) an abundant supply of skilled labor
C) New York City has one of the largest sea ports in the world.
D) external economies

Question 2863

Because of the flaws of the concentration ratio as a measure of the extent of competition in an industry, some economists prefer another measure of competition, the Herfindahl-Hirschman Index.  
True or False?

Question 2864

Government spending _______ is included in gross domestic product.
A) at federal, state, and local levels of government
B) at the federal level of government only
C) at state and local levels of government only
D) on defense goods only

Question 2865

The total amount of producer surplus in a market is equal to the area above the market supply curve and below the market price.
True or False?

Question 2866

For a natural monopoly, the marginal cost of producing an additional unit of its product is relatively small.
True or False?

Question 2867

An expansionary monetary policy in the United States should
A) decrease the foreign currency price of U.S. exports.
B) cause the dollar to appreciate.
C) decrease the dollar price of imports.
D) decrease net exports.
Question 2868
The health care system in ________ is referred to as a universal health insurance system, under which every resident is required to enroll in either a private or the government-provided health insurance program.
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 2869
Allocative efficiency is achieved when firms produce goods and services
A) at the lowest possible cost.
B) that consumers value most.
C) at the lowest opportunity cost.
D) at a marginal cost of zero.

Question 2870
All ________ economies have been political dictatorships.
A) centrally planned
B) mixed
C) market
D) mixed and market

Question 2871
Pakistan has developed a comparative advantage in the production of clothing. The source of its comparative advantage in these products is
A) a favorable climate.
B) technology.
C) abundant supplies of natural resources.
D) a large supply of unskilled workers.

Question 2872
Which of the following would cause a decrease in the supply of peanut butter?
A) a decrease in the price of jelly (assuming that peanut butter and jelly are complements)
B) a decrease in the price of peanut butter
C) an increase the price of peanuts
D) an increase in the technology used to produce peanut butter

Question 2873
Protection in the form of tariffs create winners and losers. Winners include ________ and losers include ________.
A) U.S. consumers and taxpayers; foreign firms that rely on U.S. exports
B) firms sheltered from foreign competition; U.S. consumers and taxpayers
C) U.S. firms that rely on exports to foreign countries; foreign manufacturers
D) the U.S. government; firms sheltered from foreign competition

Question 2874
The additional utility that George receives from consuming one more slice of pizza is called
A) average utility.
B) marginal utility.
C) total utility.
D) diminishing utility.
Question 2875

Airlines often engage in last-minute price cutting to fill remaining empty seats on a flight because this practice will generally
A) prevent rival airlines from competing in that market.
B) increase marginal revenue more than marginal cost.
C) maximize marginal revenue.
D) discourage rivals from matching price cuts.

Question 2876

Explain why increasing the government budget deficit can decrease investment spending.

Question 2877

In analyzing the decision to shut down in the short run we assume that the firm's fixed costs are
A) implicit costs.
B) capital costs.
C) nonmonetary opportunity costs.
D) sunk costs.

Question 2878

All of the following are examples of spending on goods and services in the circular flow model except
A) Amanda purchases a new electric guitar to pursue her hobby seriously.
B) Chaitanya buys a new spa pedicure chair for her expanding nail salon business.
C) Hernan buys a pizza at Papa C's.
D) Lenny buys a new digital camera to take pictures at his son's graduation.

Question 2879

If the United States lifted the embargo on Cuban products, what would happen in the U.S. market for Cuban cigars?
A) The supply curve would shift to the left.
B) The supply curve would shift to the right.
C) The demand curve would shift to the right.
D) The demand curve would shift to the left.

Question 2880

An increase in real GDP can shift
A) money demand to the right and decrease the equilibrium interest rate.
B) money demand to the right and increase the equilibrium interest rate.
C) money demand to the left and decrease the equilibrium interest rate.
D) money demand to the left and increase the equilibrium interest rate.

Question 2881

An avocado orchard employs five full-time workers. Currently, the average product of labor is 120 pounds of avocados per day. The orchard hires a 6th full-time worker and his marginal product is 150 pounds of avocados. The average product of the six workers will now be
A) more than 120 pounds.
B) less than 120 pounds.
C) equal to 120 pounds.
D) less than the marginal product of labor.

Question 2882

Explain and show graphically how an increase in household saving affects the equilibrium interest rate and the equilibrium quantity of loanable funds.

Question 2883
Auctions in recent years have resulted in higher prices paid for letters written by John Wilkes Booth than those written by Abraham Lincoln. Which of the following events would cause the price differences in these letters to get smaller?

A) The demand for Booth letters decreases.
B) The supply of Lincoln letters increases.
C) The demand for Lincoln letters increases and the supply of Booth letters increases.
D) The demand for Lincoln letters decreases and the demand for Booth letters increases.


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**Question 2884**

A tariff
A) makes domestic consumers better off.
B) makes both domestic producers and consumers better off.
C) makes everyone worse off.
D) makes domestic producers better off.


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**Question 2885**

A decrease in aggregate demand causes a decrease in ________ only in the short run, but causes a decrease in ________ in both the short run and the long run.
A) the price level; real GDP
B) real GDP; the price level
C) the price level; real GDP
D) real GDP; real GDP


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**Question 2886**

Even if the population declines, scarcity will still exist.
[i]True[/i] or [i]false[/i]?


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**Question 2887**

Refer to the Article Summary. If more European governments and hospitals begin to offer and publicize their services to American medical tourists and, due to the growing number of aging baby boomers, more Americans desire joint-replacement surgery, what will happen in the market for joint-replacement surgery as a result of these two factors?
A) Demand will increase, but these two factors will not shift the supply curve.
B) Supply will increase, but these two factors will not shift the demand curve.
C) Demand and supply will both increase.
D) Demand will increase and supply will decrease.


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**Question 2888**

The income effect of a price change refers to the change in the quantity demanded of a good that results from a change in purchasing power as a result of the price change.
[i]True[/i] or [i]false[/i]?


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**Question 2889**

The main result of the monetarist model is that
A) workers and firms have rational expectations.
B) the quantity of money should be increased at a constant rate.
C) productivity shocks explain fluctuations in real GDP.
D) the economy is slow to adjust to sticky wages and prices.


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**Question 2890**

Of the following high-income countries, which has the highest life expectancy at birth?
A) Canada
B) Japan
C) the United Kingdom
D) the United States
Question 2891

All of the following are part of the "regulation of health insurance" provision of the Patient Protection and Affordable Care Act (ACA) except
A) individuals with pre-existing medical conditions will be able to acquire health insurance.
B) all policies must provide coverage for dependant children up to age 26.
C) lifetime dollar maximums on coverage will be prohibited.
D) limits on the size of deductibles and on waiting periods before coverage takes effect will be eliminated.

Question 2892

When the Federal Reserve System was established in 1913, its main policy goal was
A) encouraging strong economic growth.
B) promoting price stability.
C) preventing bank panics.
D) keeping employment high.

Question 2893

A narrow definition of monopoly is that a firm is a monopoly if it can ignore
A) government antitrust laws.
B) the pricing decisions of its suppliers.
C) the pricing decisions of firms that produce complementary products.
D) the actions of all other firms.

Question 2894

If, due to a recession, foreign workers begin to leave the United States to search for temporary work in their home countries until the recession has ended, this will
A) shift the short-run aggregate supply curve of the home country to the left.
B) shift the short-run aggregate supply curve of the home country to the right.
C) move the home country's economy up along a stationary short-run aggregate supply curve.
D) move the home country's economy down along a stationary short-run aggregate supply curve.

Question 2895

Necessities tend to have more inelastic demands than luxuries.
[i]True[/i] or [i]false[/i]?

Question 2896

Economic models do all of the following except
A) answer economic questions.
B) portray reality in all its minute details.
C) make economic ideas explicit and concrete for use by decision makers.
D) simplify some aspect of economic life.

Question 2897

Which of the following information about fiat money is false? Fiat money
A) is backed by gold.
B) serves as a medium of exchange.
C) has little to no value except as money.
D) is authorized by a central bank or governmental body.

Question 2898

During a recession, spending on ________ tends to fall more dramatically than spending on ________.
A) necessities; luxuries
Question 2899

Stan owns a software design business. He obtained a bank loan to buy computer equipment for his business. He pays $1,000 per month for interest on the loan. He has 10 employees, each of whom is paid $4,000 per month. Because his business has been successful, next month he will increase employee wages to $5,000. If the revenue from his business remains at its current level, Stan is considering an addition to his office. Which of the following statements regarding Stan's business is false?

A) The payments Stan makes to his employees are variable costs and explicit costs.
B) The monthly payment Stan makes for his bank loan is an implicit cost.
C) The monthly payment Stan makes for his bank loan is a fixed cost.
D) The time and effort Stan spends on his software design business is an implicit cost.


Question 2900

A monopolistically competitive firm that earns an accounting profit in the short run
A) must also earn an economic profit in the short run.
B) does not earn enough to earn an economic profit in the short run.
C) could earn an economic profit, break even or suffer an economic loss in the short run.
D) could earn an economic profit or break even, but could not suffer an economic loss in the short run.


In the United States, out-of-pocket spending on health care per person
A) has been rising since 1965.
B) has been falling since 1965.
C) has remained fairly steady since 1965.
D) fell from 1965 through 1995, then began to rise from 1995 to the present.


What is a public franchise? Are all public franchises natural monopolies?


The minimum point on the average variable cost curve is called the loss-minimizing point.

[i]True[/i] or [i]false[/i]?


In a perfectly competitive market, there are ________ buyers and ________ sellers.

A) many; few
B) few; many
C) many; many
D) few; few


What are property rights?
A) the title to ownership of any physical asset
B) a legal document verifying ownership of intangible assets
C) the rights individuals or firms have to the exclusive use of their property, including the right to buy or sell it
D) the right of the government to appropriate private assets for the good of society


Economists John Cogan, Glenn Hubbard, and Daniel Kessler have estimated that repealing the tax preference for employer-provided health insurance
would
A) significantly reduce the effectiveness of the health care received by those enrolled in these programs.
B) increase overall spending on health care as consumers would have to pay a higher price for medical services.
C) drive up prices for health care coverage since insurance reimbursements to doctors would be reduced.
D) reduce spending by people enrolled in these programs by 33 percent.

Question 2907

Under which of the following circumstances would the government be running a deficit?
A) G = $5 trillion
   T = $5 trillion
   TR = $1 trillion
B) G = $5 trillion
   T = $7 trillion
   TR = $1 trillion
C) G = $7 trillion
   T = $7 trillion
   TR = $0
D) G = $7 trillion
   T = $10 trillion
   TR = $3 trillion

Question 2908

Economists John Cogan, Glenn Hubbard, and Daniel Kessler have estimated that ________ the tax preference for employer-provided health insurance would reduce spending by people enrolled in these programs by 33 percent.
A) enacting
B) doubling
C) cutting in half
D) repealing

Question 2909

Most U.S. currency held outside the U.S. banking system is held by foreigners.
[i]True[/i] or [i]false[/i]?

Question 2910

What happens to a monopoly’s revenue when it sells more units of its product?

Question 2911

A production possibilities frontier with a ________ shape indicates increasing opportunity costs as more and more of one good is produced.
A) linear
B) bowed inward
C) bowed outward
D) perfectly horizontal

Question 2912

In 2008, the Treasury and Federal Reserve took several actions in response to the deepening financial crisis. One action was the creation of the Term Securities Lending Facility, under which the Fed will loan up to $200 billion of treasury securities in exchange for
A) stock.
B) mortgage-backed securities.
C) corporate bonds.
D) required bank reserves.

Question 2913

Buying a house during a recession may be a good idea if your job seems secure because the Federal Reserve often lowers interest rates during a
Question 2914
How can a corporation's board of directors and its managers try to reduce the principal-agent problem?

Question 2915
A positive technological change will cause the quantity supplied of a good to increase.
[i]True[/i] or [i]false[/i]?

Question 2916
Because Federal Reserve Notes (paper currency) are legal tender,
A) U.S. workers must accept them as payment for labor services.
B) U.S. creditors must accept them in payment of debts.
C) U.S. firms must accept them as payment for goods and services.
D) All of he above are correct.

Question 2917
Farmers can raise either goats or ostriches on their land. Which of the following would cause the supply of goats to decrease?
A) an increase in the price of ostriches
B) a decrease in the price of goats
C) an increase in the demand for goats
D) an increase in the price of ostrich feed

Question 2918
What is the difference between the nominal interest rate and the real interest rate?

Question 2919
David Card and Alan Kruger conducted a study of fast-food restaurants in New Jersey and Pennsylvania. The study found that
A) there was a large reduction in employment of low-skilled workers when the minimum wage was raised in these states.
B) the earned income tax credit is more effective in raising the incomes of low-skilled workers than increases in the minimum wage.
C) increases in the minimum wage had a very small impact on employment.
D) increases in the prices of food have a greater effect on wage increases in New Jersey than in Pennsylvania.

Question 2920
When Dr. Goldfinger decides on the companies in which he will invest, a ________ issue is being addressed.
A) microeconomic
B) macroeconomic
C) positive economic
D) normative economic

Question 2921
According to a Wall Street Journal article, hhgregg has differentiated itself from its competition, particularly from large chain stores such as Best Buy
A) by charging lower prices.
B) by providing better customer service.
C) by selling inferior products.
D) by offering discounts for cash sales.

Question 2922
During the expansion phase of the business cycle
A) production increases.
B) employment decreases.
C) income decreases.
D) unemployment increases.

Question 2923
The federal government debt ________ when the federal government runs a deficit and ________ when the federal government runs a surplus.
A) increases; increases
B) decreases; increases
C) increases; decreases
D) decreases; decreases

Question 2924
A firm that is the only seller of a good or service that does not have a close substitute is called
A) a monopoly.
B) an oligopolist.
C) a market maker.
D) a price maker.

Question 2925
How could the existence of an unemployment insurance system or other transfer programs have reduced the severity of the Great Depression?

Question 2926
Suppose the extra cost to a doctor of keeping his office open on Saturdays is $1,200. Then, the doctor should stay open on Saturdays if keeping the office open brings in additional revenue of $1,200 or more.
[i]True[/i] or [i]false[/i]?

Question 2927
Which of the following is likely to increase measured GDP?
A) A greater number of women decide to stay at home and provide day care for their children under age 5.
B) Marijuana becomes legal to grow and sell.
C) Tax rates increase and more people attempt to underreport their income for tax purposes.
D) More people decide to do their own lawn maintenance and give up using a professional service.

Question 2928
A price ceiling is a legally determined maximum price that sellers may charge.
[i]True[/i] or [i]false[/i]?

Question 2929
Which of the following would contribute to a sustained high rate of economic growth in the long run in an economy?
A) growth in capital per hour accompanied by technological change
B) increases in labor force participation rates as workers who are out of the labor force pursue rising wages
C) a shift of workers in the economy from the agricultural sector to the nonagricultural sector
D) an influx of immigrant labor into an economy without any accompanying technological change

Question 2930
The minimum amount that investors must earn on the funds they invest in a firm, expressed as a percentage of the amount invested, is referred to as
A) the explicit costs of production.
B) net worth.
C) net income.
D) a normal rate of return.
Question 2931
What is an entrepreneur?

Question 2932
Assume the market for organically-grown produce is perfectly competitive. All else equal, as farmers find it less profitable to produce and sell organic produce in this market
A) the demand curve will shift to the left and the equilibrium price will decrease.
B) the supply curve will shift to the left and the equilibrium price will increase.
C) the supply curve will shift to the right, the demand curve will shift to the left, and the equilibrium price will decrease.
D) the supply curve will shift to the left, the demand curve will shift to the left, and the equilibrium price will increase.

Question 2933
In order to be binding, a price ceiling
A) must lie above the free market equilibrium price.
B) must lie below the free market equilibrium price.
C) must coincide with the free market equilibrium price.
D) must be high enough for firms to earn a profit.

Question 2934
Voluntary exchange ________ economic efficiency because neither the buyer nor the seller would agree to a trade unless ________.
A) increases; they both benefit
B) increases; only one party benefits
C) decreases; neither benefit
D) decreases; they both benefit

Question 2935
Potential GDP is the maximum output a firm is capable of producing.
[i]True[/i] or [i]false[/i]?

Question 2936
Explain why the monopolist has no supply curve?

Question 2937
When people became less concerned with the underlying value of their houses and instead focused on the expectations of the prices of their houses increasing, ________ occurred.
A) stagflation
B) an automatic destabilizer
C) a housing bubble
D) a supply shock

Question 2938
A price maker is
A) a person who actively seeks out the best price for a product that he or she wishes to buy.
B) a firm that has some control over the price of the product it sells.
C) a firm that is able to sell any quantity at the highest possible price.
D) a consumer who participates in an auction where she announces her willingness to pay for a product.

Question 2939
Why is the real-world deposit multiplier smaller than 1/RR, where RR is the required reserve ratio?
Question 2940
Mark Frost grows apples in a perfectly competitive market. If we drew a line in a graph that illustrates Mark’s total revenue from selling apples, it would be
A) a straight, upward-sloping line.
B) a horizontal line.
C) a straight, downward-sloping line.
D) a curve that is negatively sloped at low levels of output and positively sloped at higher levels of output.

Question 2941
The Federal Reserve does not target both the money supply and an interest rate because
A) it would be too confusing to Wall Street and would disrupt the financial markets.
B) it would be too easy for Wall Street to determine what policy the Fed is following and this would destabilize the economy.
C) it would be illegal according to the Federal Reserve Act.
D) the Fed cannot achieve a target for both the money supply and an interest rate at the same time.

Question 2942
In countries that have experienced hyperinflation, what role have large government budget deficits played in causing the very high inflation rates?

Question 2943
Which of the following describes how a negative externality affects a competitive market?
A) The externality causes a difference between the private cost of production and the social cost.
B) The externality causes a difference between the private cost of production and the private benefit from consumption.
C) The externality causes consumer surplus to exceed producer surplus.
D) The externality causes a difference between the private cost of production and the equilibrium price.

Question 2944
If nominal GDP is $5 trillion and real GDP is $4 trillion, the GDP deflator is
A) 12.5.
B) 80.
C) 125.
D) 800.

Question 2945
In 2013, infant mortality in the United States was ________ per 1,000 live births.
A) 5.9
B) 45.4
C) 82.7
D) 228.9

Question 2946
If the Fed orders an expansionary monetary policy, describe what will happen to the following variables relative to what would have happened without the policy:
A. The money supply
B. Interest rates
C. Investment
D. Consumption
E. Net Exports
F. The aggregate demand curve
G. Real GDP
H. The price level
Question 2947
The Santa Fe Spark Plug Company supplies spark plugs to automotive parts dealers. An increase in the demand for its product led Santa Fe to hire 150 new workers. Santa Fe also plans to expand the capacity of its plant but this project will take 2 years to complete. Which of the following statements is true?
A) The wages and benefits paid to the new workers are implicit costs.
B) The long run for Santa Fe is longer than 1 year.
C) The short run for Santa Fe is 1 year.
D) In the short run Santa Fe's variable costs increase but its fixed costs decrease.

Question 2948
If the market price is $40, the average revenue of selling five units is
A) $8.
B) $20.
C) $40.
D) $200.

Question 2949
An entry barrier exists when firms in an industry charge the lowest price possible for their products.
[i]True[/i] or [i]false[/i]?

Question 2950
Banks hold 100% of their checking deposits as vault cash to ensure that bank runs do not occur.
[i]True[/i] or [i]false[/i]?

Question 2951
Deflation will
A) increase aggregate demand.
B) increase the quantity of real GDP demanded.
C) decrease aggregate demand.
D) decrease the quantity of real GDP demanded.

Question 2952
One example of human capital is the amount of skills that you have.
[i]True[/i] or [i]false[/i]?

Question 2953
Total utility
A) cannot decrease as a person consumes more and more of a good.
B) has a constant rate of increase as a person consumes more and more of a good.
C) is equal to the sum of the marginal utilities of all units consumed.
D) is negative when marginal utility is declining.

Question 2954
What is the difference between between total costs, variable costs, and fixed costs?

Question 2955
The textbook referred to the following quotation from a Federal Reserve publication: "Trade is a win-win situation for all countries that participate." But many firms and workers oppose free trade policies and protests against globalization have become a regular occurrence at meetings of the World Trade Organization. If trade is a "win-win" situation, why is there strong opposition to free trade and globalization?
### Question 2956

When the aggregate demand curve and the short-run aggregate supply curve intersect

A) the long-run aggregate supply curve must also intersect at the same point.
B) inflation must be increasing.
C) structural and frictional unemployment equal zero.
D) the economy is in short-run macroeconomic equilibrium.

**Answer:** [link](https://biology-forums.com/index.php?topic=322656)

### Question 2957

If policymakers use a pollution tax to control pollution, the tax per unit of pollution should be set

A) equal to the marginal external cost at the economically efficient level of pollution.
B) equal to the marginal private cost of production at the economically efficient level of pollution.
C) equal to the amount of the deadweight loss created in the absence of a pollution tax.
D) at a level low enough so that producers can pass along a portion of the additional cost onto consumers without significantly reducing demand for the product.

**Answer:** [link](https://biology-forums.com/index.php?topic=316468)

### Question 2958

Suppose that the current equilibrium GDP is $14.5 trillion and that potential GDP is $14.3 trillion. Will decreasing government purchases by $200 billion, or raising taxes by $200 billion, restore the economy to potential GDP? Explain.

**Answer:** [link](https://biology-forums.com/index.php?topic=324284)

### Question 2959

Explain whether it is possible for a country to have an absolute advantage in the production of a product without having a comparative advantage in the production of that product.

**Answer:** [link](https://biology-forums.com/index.php?topic=324498)

### Question 2960

Hurricane Katrina destroyed oil and natural gas refining capacity in the Gulf of Mexico which subsequently drove up natural gas, gasoline, and heating oil prices. Three years later, once the refining capacity was restored, these prices came back down. The restoration of refining capacity should

A) shift the short-run aggregate supply curve to the left.
B) shift the short-run aggregate supply curve to the right.
C) move the economy up along a stationary short-run aggregate supply curve.
D) move the economy down along a stationary short-run aggregate supply curve.

**Answer:** [link](https://biology-forums.com/index.php?topic=322530)

### Question 2961

Over the last 50 years, has the ratio of household production to gross domestic product in the United States increased or decreased? Consider the effect of the increased number of women working outside the home, and the effect of advances in technology in household production such as microwaves, coffee makers, power tools, etc.

**Answer:** [link](https://biology-forums.com/index.php?topic=321442)

### Question 2962

Suppose a drought resulted in a major reduction in the California lettuce crop. In the market for lettuce

A) the supply curve shifted to the left resulting in an increase in the equilibrium price.
B) the supply curve shifted to the left resulting in a decrease in the equilibrium price.
C) the demand curve shifted to the right resulting in an increase in the equilibrium price.
D) the demand curve shifted to the left resulting in a decrease in the equilibrium price.

**Answer:** [link](https://biology-forums.com/index.php?topic=315152)

### Question 2963

If a firm experiences diminishing returns its marginal product must be negative.

[i]True[/i] or [i]false[/i]?

**Answer:** [link](https://biology-forums.com/index.php?topic=318987)

### Question 2964

Productive efficiency is achieved when firms produce goods and services

A) most desired by society.
Question 2965

Which of the following does not take place in the direct finance market?
A) Ownership in corporations is sold in the form of common stock.
B) Deposits from savers are accumulated and loans made to borrowers.
C) Ownership in corporations is sold in the form of preferred stock.
D) Corporate bonds are sold to savers.

Question 2966

Which of the following models advocate that the quantity of money should be increased at a constant rate?
A) the monetarist model
B) the new classical model
C) the real business cycle model
D) the new Keynesian model

Question 2967

If the long-run average total cost curve is downward-sloping, then the firm is experiencing decreasing returns to scale.
[i]True[/i] or [i]false[/i]?

Question 2968

Consider the following characteristics:

a. a market structure with barriers to entry
b. demand curves that are easily identified
c. firm cannot make zero profits in the long run
d. firm can reap long run profits.

Which of the characteristics in the list above is shared by an oligopolist and a monopolist?
A) a, b, c and d
B) a, b and d
C) a, c, and d
D) a and d

Question 2969

Which of the following would result in a positive externality?
A) A local government establishes a price ceiling on rental apartments.
B) An electric utility burns coal that causes acid rain.
C) Medical research results in a cure for malaria.
D) McDonald's adds new fat-free items to its menu.

Question 2970

The fraction of an industry's sales that are accounted for by the largest firms is called
A) the four-firm competition ratio.
B) the four-firm concentration ratio.
C) the four-firm industry ratio.
D) the four-firm oligopoly ratio.

Question 2971

Suppose that when the price of ice cream increases, Liza decreases her purchase of hot fudge. To Liza
A) ice cream and hot fudge are complements.
B) ice cream and hot fudge and substitutes.
C) ice cream and hot fudge are normal goods.
D) ice cream is a normal good and hot fudge is an inferior good.

Question 2972
The social cost of a good or service is the cost borne by the producer.
[i]True[/i] or [i]false[/i]?

Question 2973
Federal government purchases, as a percentage of GDP
A) have risen since the early 1950s.
B) have fallen since the early 1950s.
C) have remained roughly the same since the early 1950s.
D) rose from the early 1950s until the mid 1980s, and then fell.

Question 2974
The top policy goal for Paul Volcker when he became chairman of the Federal Reserve’s Board of Governors in 1979 was
A) fighting inflation.
B) increasing employment.
C) increasing economic growth.
D) increasing regulation of commercial banks.
E) a low current account deficit.

Question 2975
When the price level rises from 110 to 115, the aggregate level of GDP supplied rises from $80 billion to $120 billion. This ________ relationship represents the ________ relationship between the quantity of real GDP firms are willing to supply and the price level.
A) negative; short-run
B) positive; short-run
C) negative; long-run
D) positive; long-run

Question 2976
Assume that the hourly price for the services of personal trainers has risen and sales of these services have also risen. One can conclude that
A) the law of demand has been violated.
B) the number of personal trainers has increased.
C) the demand for personal trainers has increased.
D) personal trainers are deliberately charging high prices because they provide services for wealthy clients.

Question 2977
Private costs
A) are borne by producers of a good while social costs are borne by government.
B) are borne by consumers of a good while social costs are borne by government.
C) are borne by producers of a good while social costs are borne by society at large.
D) are borne by producers of a good while social costs are borne by those who cannot afford to purchase the good.

Question 2978
Explain the term "economics."

Question 2979
Which of the following would cause a decrease in the equilibrium price and an increase in the equilibrium quantity of salmon?
A) a decrease in demand and an increase in supply
B) an increase in supply
C) an increase in supply and an increase in demand greater than the increase in supply
Question 2980

If Congress passed a one-time tax cut in order to stimulate the economy in 2014, and tax rate levels returned to their pre-2014 level in 2015, how should this tax cut affect the economy?

A) The tax cut would increase consumption spending less than would a permanent tax cut.
B) The tax cut would increase consumption spending more than would a permanent tax cut.
C) The tax cut would increase consumption spending by the same amount as would a permanent tax cut.
D) The tax cut would raise the price level in 2014.


Question 2981

Increases in government spending result in ______ in the short run, and permanent increases in government spending result in ______ in the long run.

A) partial crowding out; partial crowding out
B) partial crowding out; complete crowding out
C) complete crowding out; complete crowding out
D) complete crowding out; partial crowding out


Question 2982

Efficiency wage is another name for the minimum wage.

[i]True[/i] or [i]false[/i]?


Question 2983

A negative externality is an example of market failure. The root of the problem lies in the definition and enforcement of property rights. Explain.


Question 2984

List the four broad categories of factors of production.


Question 2985

A demand curve shows the relationship between

A) the price of a product and the quantity of the product demanded.
B) the amount of a product sellers are willing to sell at a particular price and the amount consumers are willing to buy at that price.
C) the quantity that consumers are willing and able to buy and the quantity that sellers are willing and able to offer.
D) the price of a produce and the demand for the product.


Question 2986

Because minimum wage is a price floor

A) it will be set below the market equilibrium price.
B) it will create a deadweight loss.
C) it will increase the number of jobs available in the labor market.
D) it will maximize consumer surplus.


Question 2987

The short-run supply curve for a perfectly competitive firm is that part of the firm's marginal cost curve that lies above the minimum point of its average variable cost curve.

[i]True[/i] or [i]false[/i]?


Question 2988

The Coffee Nook, a small cafe near campus, sells cappuccinos for $2.50 and Russian tea cakes for $1.00 each. What is the opportunity cost of buying a cappuccino?
Question 2989

For a natural monopoly to exist
A) a firm must continually buy up its rivals.
B) a firm's long-run average cost curve must exhibit diseconomies of scale beyond the economically efficient output level.
C) a firm's long-run average cost curve must exhibit economies of scale throughout the relevant range of market demand.
D) a firm must have a government-imposed barrier.


Question 2990

An example of a government-imposed barrier to entry gives a firm the exclusive right to a new product for a period of 20 years from the date the product is invented. This entry barrier is known as
A) a copyright.
B) a patent.
C) an exclusive marketing agreement.
D) a tariff.


Question 2991

The table below describes the value added in the production of a gallon of gasoline by each stage of production. (The values are hypothetical.)

<table>
<thead>
<tr>
<th>Stage of Production</th>
<th>Value of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil drilling</td>
<td>0.75</td>
</tr>
<tr>
<td>Refining</td>
<td>1.25</td>
</tr>
<tr>
<td>Shipping</td>
<td>1.85</td>
</tr>
<tr>
<td>Retail sales</td>
<td>3.65</td>
</tr>
</tbody>
</table>

a) What is the value added by each stage of production?
b) What is the total value added?

For simplicity, you can ignore the cost of the inputs for oil drilling.


Question 2992

Based on projections from the U.S. Census Bureau and the Congressional Budget Office
A) there will be a significant increase in the demand for health care by the year 2020.
B) there will be a significant decrease in the demand for health care by the year 2020.
C) there will be no significant change in the demand for health care by the year 2020.
D) the change in the supply of health care will more than make up for the change in demand for health care by the year 2020.


Question 2993

The government makes all economic decisions in a mixed economy.

[i]True[/i] or [i]false[/i]?


Question 2994

Goods with upward sloping demand curves are referred to as
A) Marshall goods.
B) Giffen goods.
C) substitute goods.
D) luxury goods.


Question 2995

In preparing their estimates of the stimulus package's effect on GDP, Obama administration economists estimated a government purchases multiplier of 1.57. Economist Robert Barro argues that during wartime, the government purchases multiplier would be ________ the administration's estimate.
and economists Lawrence Christiano, Martin Eichenbaum, and Sergio Rebelo argued that when short-term interest rates are near zero, the multiplier would be ________ the administration's estimate.

A) higher than; lower than
B) lower than; higher than
C) higher than; equal to
D) equal to; lower than


**Question 2996**

A recession begins with a(n) ________ in spending by firms on capital goods and a(n) ________ in spending on durable goods by households.

A) increase; decrease
B) increase; increase
C) decrease; increase
D) decrease; decrease


**Question 2997**

Stagflation occurs when

A) inflation rises and GDP rises.
B) inflation falls and GDP rises.
C) inflation rises and GDP falls.
D) inflation falls and GDP falls.


**Question 2998**

The possibility that the economy may benefit from having market power, rather than being very competitive, is closely identified with which famous economist?

A) Arnold Harberger
B) Joseph Schumpeter
C) Sergey Brin
D) Donald Turner


**Question 2999**

The process a firm uses to turn inputs into outputs of goods and services is called technology.

[i]True[/i] or [i]false[/i]?


**Question 3000**

Which of the following is an appropriate policy for the Fed to pursue if it wants to increase the money supply?

A) raise the reserve requirement
B) raise the discount rate
C) buy U.S. Treasury bills
D) lower taxes


**Question 3001**

You wish to buy only one CD. Use the rule of equal marginal utility per dollar to determine which one to purchase: (a) Usher's latest CD for $15 which gives you 75 units of utility, or (b) Tom Petty and the Heartbreakers' Greatest Hits for $10 that gives you 100 units of utility?


**Question 3002**

An increase in the money supply will

A) increase the interest rate.
B) decrease the interest rate.
C) have no affect on the interest rate.
D) decrease the equilibrium quantity of money in the economy.

Question 3003

In an increasing-cost industry the long-run supply curve is upward sloping.  
[i]True[/i] or [i]false[/i]?  

Question 3004

Wilbur Rickhiser, a financial advisor, recently told one of his clients: "The biggest mistake you can make is to hold onto a stock for too long in order to avoid a loss. Let's say you bought a stock for $50 per share but that six months later the price fell to $40 after a poor earnings report. Many of my clients in this situation will hold the stock, hoping the price will later rise above $50. In most cases like this the price does not rise and may even fall. You must know when to cut your losses." Which of the following is the best explanation for Rickhiser's advice?  
A) People sometimes buy stocks because other people are buying them or they want to appear to be fashionable.  
B) People sometimes make mistakes when they buy stocks because of the endowment effect.  
C) People sometimes make mistakes when they buy stocks or when they buy goods and services: they ignore the monetary opportunity costs of their choices.  
D) People often fail to ignore the sunk costs of their decisions. The cost of the stock bought at $50 per share is a sunk cost.  

Question 3005

Jennifer Borts moves her office from the premises she rents at a local mall to her home. As a result of this move  
A) Jennifer's explicit costs fall and her implicit costs rise.  
B) Jennifer's total costs fall.  
C) Jennifer's implicit costs fall.  
D) Jennifer's opportunity costs fall.  

Question 3006

In 2013, ________ of Goodyear's sales were outside North America.  
A) only 11 percent  
B) more than 60 percent  
C) less than half  
D) 95 percent  

Question 3007

The difference between consumer surplus and producer surplus in a market is equal to the deadweight loss.  
[i]True[/i] or [i]false[/i]?  

Question 3008

Free trade refers to trade between countries  
A) that is without shipping costs.  
B) that is licensed by both governments.  
C) that is without restrictions.  
D) of products which are free to low-income consumers.  

Question 3009

A firm's net worth is calculated as  
A) the difference between a firm's revenues and explicit costs.  
B) the difference between a firm's revenues and implicit costs.  
C) the difference between a firm's assets and liabilities.  
D) the difference between a firm's liabilities and outstanding equities.  

Question 3010

Describe how inflation can be costly even if it is anticipated.  
Question 3011
Which of the following statements is false?
A) Japan is less dependent on foreign trade than is the United States.
B) Imports and exports account for over one-half of the GDP of the Netherlands.
C) The United States is the leading exporting country, accounting for almost 10 percent of total world exports.
D) Because the cost of labor used on farms is so high, the United States exports very little of its wheat, rice and corn crops.

Question 3012
The ability of a firm to charge a price greater than marginal cost is called
A) monopoly power.
B) price-making power.
C) cost-plus pricing.
D) market power.

Question 3013
Of the $840 billion American Recovery and Reinvestment Act stimulus package which was enacted in 2009, the largest tax cuts occurred in which category?
A) business tax cuts
B) energy tax cuts
C) individual tax cuts
D) infrastructure tax cuts

Question 3014
The financial situation at Starbucks in the late 2000s illustrates the fact that maintaining long-run profits in a monopolistically competitive market is
A) impossible.
B) very difficult.
C) fairly easy.
D) almost always guaranteed.

Question 3015
Anyone can purchase sulfur dioxide emissions allowances on the Chicago Mercantile Exchange. Several environmental groups have raised money to buy allowances (which they subsequently destroy). As part of their fund-raising, these groups have urged contributors to buy the allowances as gifts. As one newspaper story put it, "For the environmentalist in your life, here's a gift that is sold by the ton, fits in an envelope and will last forever."
What would be the impact on the price of the emission allowances in the market?
A) The price rises.
B) The price falls to zero.
C) The price falls but not to zero.
D) The price remains unchanged because the allowances purchased by the environmental groups are destroyed.

Question 3016
The graph below represents the market for alfalfa. The equilibrium price is $7.00 per bushel, but the market price is $9.00 per bushel. Identify the areas representing consumer surplus, producer surplus, and deadweight loss at the equilibrium price of $7.00 and at the market price of $9.00.

Question 3017
When the price level falls from 135 to 120, the aggregate level of GDP supplied falls from $140 billion to $125 billion. This _______ relationship represents the _______ relationship between GDP and the price level.
A) negative; short-run
B) positive; short-run
C) negative; long-run
D) positive; long-run
### Question 3018
In an open economy, there is interaction with other economies in terms of both trading of goods and services and borrowing and lending. 

**[True]** or **[False]**?


### Question 3019
If the GDP deflator rises from 185 to 190, what is the rate of inflation between the two years?

A) 270%
B) 50%
C) 5%
D) 2.7%


### Question 3020
Jayanthi moves her yoga studio from her home to a space she rents in Oakland, California. Holding everything else constant, as a result of this move

A) her explicit cost falls and her implicit cost rises.
B) her implicit cost falls and her explicit cost rises.
C) her economic cost rises.
D) her opportunity cost rises.


### Question 3021
If a corporation goes bankrupt, bondholders have ________ on the firm's assets.

A) no claim
B) third claim, after the IRS and stockholders
C) second claim, after stockholders
D) first claim


### Question 3022
Suppose that in a market for used cars, there are good used cars and bad used cars (lemons). Consumers are willing to pay as much as $9,000 for a good used car but only $3,000 for a lemon. Sellers of good used cars value their cars at $7,500 each and sellers of lemons value their cars at $1,500 each. Buyers cannot tell if a used car is reliable or is a lemon. Based on this information, what is the likely outcome in the market for used cars?

A) Sellers of good used cars will drop out of the market.
B) Sellers of good used cars will incur losses.
C) Sellers of lemons will drop out of the market.
D) Used cars will sell for $6,000.


### Question 3023
In early 2008, the housing crisis and rising oil prices increased the risk of recession in the United States. What fiscal policy action was taken by Congress and the president to counter these events?

A) The Federal Reserve cut its target for the federal funds rate.
B) There was an increase in government spending on defense and unemployment compensation.
C) Taxpayers were given rebates on taxes they already paid.
D) Income taxes were raised to reduce the federal budget deficit and reduce interest rates.


### Question 3024
In the long-run equilibrium, a monopolistically competitive firm earning normal profit produces the allocatively efficient output level. 

**[True]** or **[False]**?


### Question 3025
If a country has a ________ exchange rate, its central bank must buy and sell its holdings of currencies to maintain a given exchange rate.

A) floating
B) flexible
C) fixed
Question 3026
What is human capital?
A) a slang term for the underground labor market
B) manufactured goods that are used to produce other goods
C) accumulated knowledge and skills acquired by a worker
D) the manager or owner of a business


Question 3027
In perfect competition
A) the market demand curve and the individual's demand are identical.
B) the market demand curve is perfectly inelastic while demand for an individual seller's product is perfectly elastic.
C) the market demand curve is perfectly elastic while demand for an individual seller's product is perfectly inelastic.
D) the market demand curve is downward sloping while demand for an individual seller's product is perfectly elastic.


Question 3028
If an industry is made up of five identical firms, the four-firm concentration ratio is
A) 5%.
B) 20%.
C) 80%.
D) 100%.


Question 3029
If the demand for a steak is unit-elastic, then
A) the percentage change in quantity demanded is 1 percent greater than the percentage change in price.
B) the percentage change in quantity demanded is equal to the percentage change in price.
C) the percentage change in quantity demanded is 100 percent greater than the percentage change in price (in absolute value).
D) quantity demanded does not respond to changes in price.


Question 3030
If you received negative marginal utility from consuming the 4th slice of pizza, then your total utility from 4 slices of pizza must be less than your total utility from 3 slices of pizza.

[i]True[/i] or [i]false[/i]?


Question 3031
A bond's coupon payment divided by the bond's current price is equal to the bond's
A) dividend yield.
B) current yield.
C) price-earnings ratio.
D) maturity value.


Question 3032
Harvey Rabbitt pays for monthly cable TV service. Last week the cable company informed Harvey that his monthly cable price would go down because the city council has granted approval for three new cable companies to service his area. How is the market for cable TV services affected by this?
A) There is an increase in the supply of cable TV service.
B) There is a decrease in the demand for cable TV service.
C) There is a decrease in the quantity of cable TV service supplied.
D) There is a decrease in the supply of cable TV service.

Question 3033
Economists who support market-based reforms for health care believe that increased competition among providers of health care would ______ costs and ______ economic efficiency.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 3034
If real GDP per capita doubles between 2005 and 2020, what is the average annual growth rate of real GDP per capita?
A) 4.7%
B) 10.5%
C) 15%
D) 21%

Question 3035
If the painting firms in a city sign a contract outlining a pricing plan, they are involved in
A) price competition.
B) a legal form of business contract in the United States.
C) collusion.
D) price regulation.

Question 3036
The demand curve for a Giffen good is
A) non-linear but downward-sloping.
B) vertical.
C) upward-sloping.
D) non-existent.

Question 3037
In the United States, barriers to entry in professional team sports (for example, football and baseball) result from
A) the draft of college players, which grants teams exclusive signing rights to individual players.
B) long-term leases teams sign for stadiums and ballparks in major cities.
C) television contracts, which give networks the exclusive rights to broadcast games.
D) the reserve clause, which is a provision in contracts of professional athletes that require them to play for specific teams over the length of their contracts.

Question 3038
The Federal Reserve can directly affect its monetary policy ________, which then affect its monetary policy ________.
A) goals; targets
B) goals; tools
C) targets; goals
D) targets; tools

Question 3039
Adverse selection in the market for health insurance arises because
A) many insurance companies care more about profits than they do about providing services for their customers in the event of illness.
B) the federal government intervenes in insurance markets by controlling prices and reimbursement policies.
C) insurance companies are not allowed to charge premiums that are high enough to insure against "worst-case" illness.
D) buyers of insurance know more than insurance companies about the likelihood of an illness for which buyers want insurance.
Question 3040
The underground economy can be described as
A) production of intermediate goods and services.
B) economic production that includes mining.
C) economic activity that is hidden from the government to avoid taxes or because the activity is illegal.
D) production of infrastructure that spurs growth in the rest of the economy.

Question 3041
Mandatory motorcycle helmet laws are designed to reduce the severity of injuries resulting from motorcycle involvement in traffic accidents. In this sense, these mandatory helmet laws are reducing _______ of risky behavior.
A) positive externalities
B) negative externalities
C) the private benefit
D) the social benefit

Question 3042
A teenaged babysitter is similar to a firm in a perfectly competitive industry in that, for both
A) fixed costs are lower than variable costs.
B) there are many other suppliers of similar goods or services.
C) the implicit costs of production exceed the explicit costs of production.
D) average costs of production do not change when their industry expands.

Question 3043
A firm could continue to operate for years without ever earning a profit as long as it is producing an output where
A) MR < ATC.
B) ATC > AVC.
C) MR > AVC.
D) AFC < AVC.

Question 3044
Explain why the demand curve for loanable funds has a negative slope.

Question 3045
A cut in tax rates effects equilibrium real GDP through two channels: _______ disposable income and consumer spending, and _______ the size of the multiplier effect.
A) decreasing; increasing
B) decreasing; decreasing
C) increasing; increasing
D) increasing; decreasing

Question 3046
Economic efficiency requires that a natural monopoly's price be set corresponding to the quantity where marginal revenue equals marginal cost.
[i]True[/i] or [i]false[/i]?

Question 3047
Technological advances have resulted in lower prices for digital cameras. What is the impact of this on the market for traditional (non-digital) cameras?
A) The demand curve for traditional cameras shifts to the right.
B) The supply curve for traditional cameras shifts to the right.
C) The demand curve for traditional cameras shifts to the left.
D) The supply curve for traditional cameras shifts to the left.
Question 3048

A good is path dependent when
A) consumers get utility from consuming goods that others are consuming, such as restaurants.
B) the first technology that was adopted has an advantage over a better technology that came later.
C) people who move location follow the path of people who moved before them.
D) it can only be used in one way.

Question 3049

Why do most firms in monopolistic competition typically make zero profit in the long run?
A) because firms produce differentiated products
B) because the lack of entry barriers would compete away profits
C) because firms do not produce at their minimum efficient scale
D) because the total market is not large enough to accommodate so many firms

Question 3050

In the United States from 1981 to 2011, deaths from which of the following increased?
A) cancer
B) kidney disease
C) heart attacks
D) strokes

Question 3051

Based on the current rate of growth, health care spending as a percentage of GDP through Medicare, Medicaid, and other U.S. government programs is expected to
A) stabilize within the next 20 years.
B) account for a majority of spending as a percentage of GDP within 5 years.
C) slow down during this decade.
D) more than double over the next 40 years.

Question 3052

Suppose a bank has $100 million in checking account deposits with no excess reserves and the required reserve ratio is 20 percent. If the Federal Reserve reduces the required reserve ratio to 15 percent, then the bank will now have excess reserves of
A) $0.
B) $5 million.
C) $15 million.
D) $20 million.

Question 3053

Which of the following would increase gross private domestic investment in an economy?
A) an increase in the shares of Apple stock households own
B) an increase in the number of workers Apple hires
C) an increase in the level of Apple's inventory
D) an increase in the number of highway construction projects the government is funding

Question 3054

In the United States in 2012, the percentage of people that directly purchased an individual or family health insurance policy from an insurance company was about
A) 2%.
B) 10%.
C) 17%.
D) 26%.
Question 3055

If a perfectly competitive apple farm's marginal revenue exceeds the marginal cost of the last bushel of apples sold, what should the farm do to maximize its profit?
A) determine what the total revenue and total cost of production are
B) increase output
C) decrease output
D) lower its price to sell more

Question 3056

If the government implements a price ceiling on insulin, this will
A) increase the price consumers will pay for insulin.
B) decrease the quantity of insulin the manufacturers will be willing to supply.
C) have to be set above the market equilibrium price to be effective.
D) encourage manufacturers to produce and sell more of insulin to increase their profits.

Question 3057

Use the rule of 70 to illustrate how small differences in growth rates can have a large impact on how rapidly the standard of living in a country increases.

Question 3058

What is fiscal policy, and who is responsible for fiscal policy?

Question 3059

The Google search engine has a market share of ________ in the United States and ________ in Europe.
A) 90 percent; 25 percent
B) 50 percent; 50 percent
C) 70 percent; 90 percent
D) 45 percent; 15 percent

Question 3060

In the United States, each bank panic in the late nineteenth and early twentieth centuries was accompanied by
A) inflation.
B) deflation.
C) a depression.
D) a recession.

Question 3061

Which of the following is not an example of an efficiency-equity trade-off faced by economic agents?
A) According to an article by in the American Journal of Public Health by Edward Kaplan and Michael Merson of Yale University School of Medicine, the federal government's current method of allocating HIV-prevention resources is not cost-effective. Instead of allocating resources to states in proportion to reported AIDS cases, resources should flow first to those activities that prevent more infections per dollar and then to less and less effective combinations of programs and populations until funds are exhausted, even if it means that some populations would be left without any prevention services.
B) Concerned about the falling birth rate, the French government has pledged more money for families with three children, in an effort to encourage working women to have more babies.
C) The growing demand for corn by ethanol producers has led to a surge in the price of tortillas, a staple in the Mexican diet. To quell public outcry over rising tortilla prices, the Mexican government released government corn stocks at prices well below the market, and pressured states to impose price ceilings on tortillas.
D) Some U.S. colleges cut back on merit scholarships since these programs siphon money from need-based programs, thus harming lower-income students with greater financial need.
Question 3062
A firm's short-run average total cost curve is parallel to its short-run average variable cost curve.
[i]True[/i] or [i]false[/i]?

Question 3063
Consider two single-malt whiskey distillers, Laphroaig and Knockando. If they advertise, they can both sell more whiskey and increase their revenue. However, the cost of advertising more than offsets the increased revenue so that each distiller ends up with a lower profit than if they do not advertise. On the other hand, if only one advertises, that distiller increases its market share and also its profit.

a. Construct a payoff matrix using the following hypothetical information: If neither distiller advertises: each earns a profit of $35 million per year. If both advertise: each earns a profit of $20 million per year. If one advertises and the other does not: the distiller who advertises earns a profit of $50 million and the distiller who does not advertise earns a profit of $9 million.
b. If the two distillers agree to coordinate their strategies, what is the outcome?

Question 3064
If real GDP increases we know for sure that
A) output has risen.
B) prices have risen.
C) prices have risen but output has remained constant.
D) prices have remained constant.

Question 3065
Today, the United States charged an average tariff rate
A) that is more than its average tariff rate in 1930.
B) which is greater than any other high-income country.
C) of less than 2 percent.
D) that exceeds 50 percent.

Question 3066
The production possibilities frontier model assumes all of the following except
A) labor, capital, land and natural resources are fixed in quantity.
B) the economy produces only two products.
C) any level of the two products that the economy produces is currently possible.
D) the level of technology is fixed and unchanging.

Question 3067
If the marginal cost of producing a television is constant at $200, then a firm should produce this item.
A) only if the marginal benefit it receives is greater than $200 plus an acceptable profit margin.
B) as long as the marginal benefit it receives is just equal to or greater than $200.
C) as long as its marginal cost does not rise.
D) until the marginal benefit it receives reaches zero.

Question 3068
Contractionary monetary policy to prevent real GDP from rising above potential real GDP would cause the inflation rate to be ______ and real GDP to be ______.
A) higher; higher
B) higher; lower
C) lower; higher
D) lower; lower

Question 3069
In October 2013, General Motors (GM) posted a price-earnings ratio of 10.13. If the price of the stock at that time was $36 per share, which of the
The following must have been true?
A) GM's revenues that month were $364.68 million.
B) GM's earnings per share was $3.55.
C) GM's coupon payment was $36 per year.
D) GM's dividend yield for the year was 36.5%.

Answer: [link]

<table>
<thead>
<tr>
<th>Question 3070</th>
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<tbody>
<tr>
<td>The Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association were established by Congress in order to regulate banks that buy and sell mortgage-backed securities.</td>
</tr>
<tr>
<td>[i]True[i] or [i]false[i]?</td>
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<tr>
<th>Question 3071</th>
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<tr>
<td>Increases in capital per hour worked cannot sustain high rates of economic growth unless accompanied by technological change.</td>
</tr>
<tr>
<td>[i]True[i] or [i]false[i]?</td>
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<th>Question 3072</th>
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<tr>
<td>Ceteris paribus, a real depreciation of the dollar will decrease net exports in the United States.</td>
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<tr>
<td>[i]True[i] or [i]false[i]?</td>
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<th>Question 3073</th>
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<tr>
<td>Some economists believe that the economy benefits from firms having market power. Which of the following is an argument that has been made to support this position?</td>
</tr>
<tr>
<td>A) Large firms are better able than small firms to spend funds on research and development required to develop new products.</td>
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<tr>
<td>B) Competition is very rare in the U.S. economy and few new products are produced by smaller, competitive firms.</td>
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<tr>
<td>C) Research has shown that the deadweight loss from monopolies is a small percentage of the value of production in the United States.</td>
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<tr>
<td>D) Large firms can afford to lobby the U.S. government in order to impose restrictions on imports and reduce the outsourcing of jobs to other countries.</td>
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<th>Question 3074</th>
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<tr>
<td>An adverse supply shock causes the short-run aggregate supply curve to shift left, increasing the price level.</td>
</tr>
<tr>
<td>[i]True[i] or [i]false[i]?</td>
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<th>Question 3075</th>
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<tr>
<td>Autarky is a situation where one country does not trade with other countries.</td>
</tr>
<tr>
<td>[i]True[i] or [i]false[i]?</td>
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<th>Question 3076</th>
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<tr>
<td>If real GDP in a small country in 2012 is $8 billion and real GDP in the same country in 2013 is $8.3 billion, the growth rate of real GDP between 2012 and 2013</td>
</tr>
<tr>
<td>A) is 3.0%.</td>
</tr>
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<td>B) is 3.6%.</td>
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<td>C) is 3.75%.</td>
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<td>D) cannot be determined from the information given.</td>
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<tr>
<td>The automatic budget surpluses and budget deficits that occur in the federal budget over the business cycle</td>
</tr>
<tr>
<td>A) destabilize the economy.</td>
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<tr>
<td>B) stabilize the economy.</td>
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<tr>
<td>C) decrease potential GDP.</td>
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<td>D) increase potential GDP.</td>
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Question 3078

The amount of income a consumer has to spend on goods and services is known as
A) purchasing power.
B) effective demand.
C) a budget constraint.
D) wealth.

Question 3079

The U.S. government would never approve a proposed merger between two firms that could significantly increase the newly merged firm's market power even if the efficiency gains from the newly merged firm could make consumers better off.
[i]True[/i] or [i]false[/i]?

Question 3080

Following the tariff imposed on Chinese tires, some businesspeople correctly argued that the U.S. tariff would result in
A) China retaliating by raising tariffs on some U.S. exports.
B) China halting the sale of all products in the United States.
C) U.S. firms never being able to meet the demand for U.S.-produced tires.
D) the government demanding price cuts from U.S. tire manufacturers.

Question 3081

A perfectly competitive firm's short-run supply curve is
A) upward sloping and is the portion of the marginal cost curve that lies above the average total cost curve.
B) upward sloping and is the portion of the marginal cost curve that lies above the average variable cost curve.
C) perfectly elastic at the market price.
D) horizontal at the minimum average total cost.

Question 3082

Countries with high rates of economic growth tend to have
A) a labor force that is more productive.
B) a lower life expectancy at birth.
C) low rates of technological advancement.
D) a declining incidence of business cycle fluctuations.

Question 3083

A standard which came to the market first, such as the QWERTY letter layout in typewriters, can become entrenched (this layout is still used in computer keyboards today). What is this phenomenon called?
A) network externalities
B) path dependency
C) sunk cost
D) comparative advantage

Question 3084

An oligopolistic industry is characterized by all of the following except
A) existence of entry barriers.
B) the possibility of reaping long run economic profits.
C) firms pursuing aggressive business strategies, independent of rivals' strategies.
D) production of standardized products.

Question 3085

A profit maximizing monopoly’s price is
A) the same as the price that would prevail if the industry was perfectly competitive.
Question 3086

B) less than the price that would prevail if the industry was perfectly competitive.
C) greater than the price that would prevail if the industry was perfectly competitive.
D) not consistently related to price that would prevail if the market was perfectly competitive.

Question 3087

Explain why you would rather be a borrower during a period of unexpected rising inflation, and a lender during a period of unexpected declining inflation.

Question 3088

Inflation tends to ______ during the expansion phase of the business cycle and ______ during the recession phase of the business cycle.
A) increase; decrease
B) decrease; increase
C) decrease; decrease further
D) increase; increase further

Question 3089

The Fed can increase the federal funds rate by
A) selling Treasury bills, which increases bank reserves.
B) buying Treasury bills, which increases bank reserves.
C) selling Treasury bills, which decreases bank reserves.
D) buying Treasury bills, which decreases bank reserves.

Question 3090

A situation in which a country does not trade with other countries is called
A) autarky.
B) self-actualization.
C) autonomy.
D) independence.

Question 3091

Under the Patient Protection and Affordable Care Act (ACA), residents who do not have health insurance will not be allowed to seek employment.
[i]True[/i] or [i]false[/i]?

Question 3092

Fiscal policy refers to changes in
A) state and local taxes and purchases that are intended to achieve macroeconomic policy objectives.
B) federal taxes and purchases that are intended to achieve macroeconomic policy objectives.
C) federal taxes and purchases that are intended to fund the war on terrorism.
D) the money supply and interest rates that are intended to achieve macroeconomic policy objectives.

Question 3093

When exchange rates are not determined in the market but are instead set by a country's central bank, we say that the country's exchange rate is
A) flexible.
B) fixed.
C) a nominal exchange rate.
D) a real exchange rate.

Question 3093

In the short run, a firm that is operating at a loss has two options. These options are
A) to reduce output or reduce its variable costs.
B) to go out of business or declare bankruptcy.
Question 3094

If a country has a comparative advantage in producing a product, it must also have an absolute advantage in producing that product.

[i]True[/i] or [i]false[/i]?


Question 3095

In each of the following situations, list what will happen to the equilibrium price and the equilibrium quantity for a particular product, which is a normal good.

a. The population increases and the price of inputs increase
b. The price of a complement increases and technology advances

c. The number of firms in the market increases and income increases
d. Price is expected to increase in the future
e. Consumer preference increases and the price of a substitute in production decreases


Question 3096

The area ______ the market supply curve and ______ the market price is equal to the total amount of producer surplus in a market.

A) above; above
B) above; below
C) below; above
D) below; below


Question 3097

If the Fed raises the interest rate, this will ______ inflation and ______ real GDP in the short run.

A) reduce; raise
B) increase; lower
C) increase; raise
D) reduce; lower


Question 3098

What are the implications of the quantity theory of money for monetary policy and price stability?


Question 3099

Allocative efficiency is achieved in an industry when firms supply those goods and services that provide consumers with a marginal benefit equal to the marginal cost of producing those goods and services.

[i]True[/i] or [i]false[/i]?


Question 3100

Which of the following is counted as a liability for a bank?

A) customer deposits
B) bank reserves
C) securities
D) bank loans


Question 3101

If the price elasticity of demand for insulin is equal to zero then the demand curve for insulin is

A) horizontal.
B) downward sloping.
C) curvilinear.
D) vertical.
Question 3102
If the price of gasoline increases, what will be the impact in the market for public transportation?
A) The demand curve for public transportation shifts to the right.
B) The quantity of public transportation demanded increases.
C) The demand curve for public transportation shifts to the left.
D) The quantity of public transportation demanded decreases.

Question 3103
Suppose the government spending multiplier is 2. The federal government cuts spending by $40 billion. What is the change in GDP if the price level is not held constant?
A) an increase of less than $80 billion
B) an increase equal to $80 billion
C) an increase of greater than $80 billion
D) a decrease of less than $80 billion
E) a decrease of more than $80 billion

Question 3104
The quantity equation states that the
A) money supply divided by the velocity of money equals the price level divided by real output.
B) money supply times the velocity of money equals the price level times real output.
C) money supply times the price level equals real output divided by the velocity of money.
D) money supply times the price level equals real output times the velocity of money.

Question 3105
A new area of economics studies situations in which people appear to be making choices that do not appear to be economically rational. This area is called
A) behavioral economics.
B) irrational economics.
C) social economics.
D) new wave economics.

Question 3106
Tony's Italian Ice is a monopolistically competitive firm. If Tony's earns a profit in the short run, which of the following is most likely to occur?
A) New firms that sell Italian ice will enter the market and Tony's cost curves will shift to the left.
B) New firms that sell Italian ice will enter the market and Tony's demand curve will shift to the left.
C) New firms that sell Italian ice will enter the market and Tony's demand curve will shift to the right.
D) New firms that sell Italian ice will enter the market and Tony's demand curve will become more inelastic.

Question 3107
The marginal product of labor is defined as
A) the change in total revenue that results when an additional unit of labor is hired.
B) the additional labor required to produce one more unit of output.
C) the additional labor cost of producing one more unit of output.
D) the change in output that a firm produces as a result of hiring one more worker.

Question 3108
In the circular flow diagram, the value of all the income in the economy is greater than the value of goods and services produced in the economy.
[i]True[/i] or [i]false[/i]?

Question 3109
Changes in the health of the average person are relatively unimportant as an indicator of changes in the standard of living. [i]True[/i] or [i]false[/i]?

Question 3110

Jeremy is thinking of starting up a small business selling NASCAR memorabilia. He asks his friend, Carmen, if she'd like to join him in setting up a partnership to start the business. What is one disadvantage in joining the partnership that Carmen should consider?
A) Carmen should realize that profits in the partnership will be reduced by dividend payments to shareholders.
B) Carmen should realize that, as an owner of the business, she will be personally responsible for the debts of the business.
C) Carmen should realize that the profits of the business will also be taxed as dividend income, so she faces the potential for double taxation of that business income.
D) Carmen should realize that the Jeremy will have complete control over the business because it was his idea.

Question 3111

When you purchase a new set of spurs you do so in the
A) resource market.
B) product market.
C) input market.
D) factor market.

Question 3112

Which of the following is a microeconomics question?
A) Why do economies experience periods of recession?
B) Will government intervention lower the unemployment rate?
C) Why has growth in the economy slowed down over the past decade?
D) How will Apple decide on a selling price for the iPad?

Question 3113

In October 2008, Congress passed the Troubled Asset Relief Program (TARP), under which the Treasury provided ________ to banks in exchange for ________.
A) bonds; cash
B) lines of credit; loan guarantees
C) funds; stock
D) financial advice; promises to expand mortgage lending

Question 3114

In the market for factors of production, households earn income by supplying factors of production to firms. [i]True[/i] or [i]false[/i]?

Question 3115

Diseconomies of scale occur when
A) long-run average costs rise as a firm increases its output.
B) long-run average cost fall as a firm expands its plant size.
C) short-run average costs rise as a firm expands its plant size.
D) long-run labor costs rise as a firm increases its output.

Question 3116

Suppose at a price of $50, Yoshi's Jazz Bar sells 20 tickets to its nightly jazz performance and at a price of $40, it sells 25 tickets. Based on this information, the demand for Yoshi's jazz performance is elastic. [i]True[/i] or [i]false[/i]?

Question 3117
Which of the following describes the accuracy of the Consumer Price Index?
A) Changes in the CPI accurately reflect the true rate of inflation.
B) Changes in the CPI understate the true rate of inflation.
C) Changes in the CPI overstate the true rate of inflation.
D) Changes in the CPI are unrelated to the true rate of inflation.

Question 3118

When the government wants to give an exclusive right to one firm to produce a product, it
A) imposes a tariff on imports of the product.
B) imposes a quota on imports of the product.
C) grants a patent or copyright to an individual or firm.
D) uses antitrust laws to keep other firms from entering the market.

Question 3119

A corporation’s board of directors
A) hire the managers of the corporation.
B) control the day-to-day activities of the corporation.
C) are personally liable for the debts of the corporation.
D) are the sole owners of the corporation.

Question 3120

Southwest Airlines wants to raise $20 million to finance the renovation of their corporate offices, and the company wishes to raise the funds through
direct finance. Which of the following methods could it use?
A) It could issue $20 million in stocks.
B) It could sell $20 million in bonds.
C) It could borrow $20 million from a bank.
D) It could choose either A or B.

Question 3121

Which of the following Nobel laureates became known for the study of asymmetric information?
A) Gary Becker
B) Michael Spence
C) George Akerlof
D) Ronald Coase

Question 3122

The unemployment rate in the United States is typically lower than in Western Europe because the United States has tougher requirements for the
unemployed to receive government payments.
[i]True[/i] or [i]false[/i]?

Question 3123

When negative externalities exist, the competitive market supply curve does not include all of the costs borne by members of society.
[i]True[/i] or [i]false[/i]?

Question 3124

Which of the following are not considered part of government purchases?
A) welfare benefits
B) teacher’s salaries paid by a local government
C) a tank purchased by the federal government
D) a bridge purchased by the state government
Question 3125
Which of the following is a consequence of minimum wage laws?
A) Low skilled workers benefit because minimum wage increases the number of jobs providing low skilled workers with training.
B) Employers will be reluctant to offer low-skill workers jobs with training.
C) Producers have an incentive to offer workers non-wage benefits such as health care benefits and convenient working hours rather than a higher wage.
D) All workers benefit when the minimum wage is increased.

Question 3126
Abercrombie & Fitch wants to raise $8 million to finance the construction of a new store, and the company wishes to raise the funds through direct finance. Which of the following methods could it use?
A) It could sell $8 million in bonds.
B) It could borrow $8 million from a bank.
C) It could issue $8 million in stocks.
D) It could choose either A or C.

Question 3127
What is a "social cost" of production?
A) the cost of the natural resources used up in production
B) the total costs of producing a product, both implicit and explicit costs
C) the sum of all costs to individuals in society, regardless of whether the costs are borne by those who produce the products or consume the product
D) the cost of the environmental damage created by production

Question 3128
If the price of a product is expected to increase in the future, the supply today will increase.
[i]True[/i] or [i]false[/i]?

Question 3129
The World Trade Organization (WTO) promotes foreign trade and investment, or globalization. In recent years opposition to globalization has led to violent protests at meetings of the WTO. One reason for these anti-globalization protests is
A) foreign trade and investment are examples of zero-sum games.
B) protesters believe that globalization will result in a return to communism in developing countries.
C) protesters believe that free trade destroys the distinctive cultures of many countries.
D) protesters object to the loss of intellectual property (such as software programs and movies) that results from foreign trade and investment.

Question 3130
Nominal GDP is another term for
A) inflation-adjusted GDP.
B) real GDP.
C) constant-dollar GDP.
D) current-dollar GDP.

Question 3131
If a person withdraws $500 from his/her savings account and puts it in his/her checking account, then M1 will ________ and M2 will ________.
A) increase; decrease
B) increase; not change
C) not change; increase
D) not change; decrease
E) not change; not change

Question 3132
Question 3133

"The price of compact fluorescent light bulbs fell because of improvements in production technology. As a result, the demand for incandescent light bulbs decreased. This caused the price of incandescent light bulbs to fall; as the price of incandescent light bulbs fell the demand for incandescent light bulbs decreased even further." Evaluate this statement.

A) The statement is false. A decrease in the price of compact fluorescent light bulbs would decrease the demand for incandescent light bulbs, but a decrease in the price of incandescent light bulbs would not cause the demand for incandescent light bulbs to decrease.
B) The statement is false because the demand for incandescent light bulbs would increase as the price of compact fluorescent light bulbs fell.
C) The statement is false because compact fluorescent light bulbs producers would not reduce their prices as a result of improvements in technology; doing so would reduce their profits.
D) The statement is false because it confuses the law of demand with the law of supply.


Question 3134

Each year, the U.S. exports about 50 percent of its wheat crop.

[i]True[/i] or [i]false[/i]?


Question 3135

The existence of ________ increases the risk of buying stock in a corporation.
A) the principal-agent problem
B) corporate governance
C) unlimited personal liability
D) employee-owned corporations


Question 3136

If, in the market for oranges, the supply has increased then
A) the supply curve for oranges has shifted to the right.
B) the supply curve for oranges has shifted to the left.
C) there has been a movement upwards along the supply curve for oranges.
D) there has been a movement downwards along the supply curve for oranges.


Question 3137

The Federal Trade Commission (FTC) Act
A) gave the FTC full power to regulate mergers.
B) closed the loopholes in the Sherman and Clayton Acts.
C) divided authority to police mergers between the FTC and the Department of Justice.
D) prohibited charging buyers different prices if the result would reduce competition.


Question 3138

The situation in which one party to a transaction takes advantage of knowing more than the other party to the transaction is known as adverse selection.

[i]True[/i] or [i]false[/i]?


Question 3139

In 2013, health care made up ________ of the U.S. economy.
A) about 2 percent
B) roughly 8 percent
C) more than one-sixth
D) almost two-thirds
Question 3140
A perfectly competitive firm will maximize its profit at the rate of output where the vertical distance between its total revenue and total cost is the largest. This is the same rate of output where
A) average total cost equals marginal revenue.
B) marginal revenue equals marginal profit.
C) marginal revenue equals marginal cost.
D) marginal revenue equals average revenue.

Question 3141
In the United States, the average person mostly patronizes firms that operate in
A) perfectly competitive markets.
B) monopolistically competitive markets.
C) oligopoly markets.
D) monopoly markets.

Question 3142
Dividing the current market price of a stock by the firm's earnings per share gives the firm's
A) price-earnings ratio.
B) year-to-date percentage change.
C) dividend yield.
D) stock coupon maturity yield.

Question 3143
Most economists believe that the biases in the consumer price index cause the CPI to overstate the true inflation rate by about
A) one-half to one percentage point.
B) one to two percentage points.
C) one quarter percentage point.
D) one and one-half percentage points.

Question 3144
The profits a corporation keeps to finance future expansion are known as
A) retained earnings.
B) preferred stock.
C) dividends.
D) capital gains.

Question 3145
When the economy enters into a recession, your employer is ________ to reduce your wages because ________.
A) unlikely; output and input prices generally fall during recession
B) unlikely; lower wages reduce productivity and morale
C) likely; output prices always fall during recession
D) likely; aggregate demand is vertical in the long run

Question 3146
The United States is a leading exporter of wheat. What explains the comparative advantage of the United States in wheat production?
A) positive externalities
B) investment by multinational firms such as Archer-Daniels-Midland and the Tyson Foods Inc.
C) climate and soil conditions in the United States which are well-suited for wheat production
D) a large supply of unskilled labor
Question 3147

Which of the following statements about economic resources is true?
A) Economic resources include financial capital and money.
B) Economic resources are also called factors of production.
C) Economic resources are used only by businesses.
D) All economic resources are man-made.


Question 3148

Which of the following would cause the dollar to appreciate?
A) an increase in the demand for dollars
B) a decrease in the demand for dollars
C) an increase in the supply of dollars
D) an increase in the demand for imports from foreign countries


Question 3149

Consumers in a monopolistically competitive market do not receive any consumer surplus because the price paid for the product exceeds the marginal cost of production.

[i]True[/i] or [i]false[/i]?


Question 3150

Debbie makes porcelain plates in her home and sells them to the Opus gallery. She spent $400 last month on supplies and made 50 plates. She sold the plates to the gallery at $25 per plate. The gallery sells all the plates for $40 each. For all of the 50 plates, what is Debbie’s total value added? For all the 50 plates, what is the gallery’s total value added?


Question 3151

What is the difference between zero accounting profit and zero economic profit?


Question 3152

In 2013, Ford Motor Company’s sales were rising. These events were caused by
A) an economic recession.
B) an economic expansion.
C) an increase in advertising.
D) improving quality of service.


Question 3153

Government intervention in agricultural markets in the U.S. began in the
A) 1920s.
B) 1930s.
C) 1950s.
D) 1970s.


Question 3154

Potential GDP refers to
A) the level of GDP attained when all firms are producing at capacity.
B) the level of GDP attained by the country with the highest growth in real GDP in a given year.
C) the difference between the highest level of real GDP per quarter and the lowest level of real GDP per quarter within any given year.
D) the extent to which real GDP is above or below nominal GDP.


Question 3155

Which of the following individuals is most likely to purchase a life insurance policy that pays out an annual income beginning at a certain age until the
individual's death?
A) Ian, who expects to have a short life expectancy because of an illness
B) Bradley who has six young children
C) Avril, a tax attorney who wants to avoid adverse selection
D) Alma, who expects to live a long life, based on her family history

Question 3156
When the U.S. government places a tariff on a product, such as the tariff on tires imported from China, the quantity of the product imported will generally _______ and the price paid by consumers for the product will generally _______.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 3157
A quota is a numerical limit on the quantity of a good that can be imported.
[i]True[i] or [i]false[/i]?

Question 3158
Free trade refers to trade between countries without government restrictions.
[i]True[i] or [i]false[/i]?

Question 3159
What is the difference between a market equilibrium and a competitive market equilibrium?

Question 3160
A good measure of the standard of living is
A) real GDP per capita.
B) nominal GDP per capita.
C) total real GDP.
D) total nominal GDP.

Question 3161
A decrease in real GDP can
A) shift money demand to the right and decrease the interest rate.
B) shift money demand to the right and increase the interest rate.
C) shift money demand to the left and decrease the interest rate.
D) shift money demand to the left and increase the interest rate.

Question 3162
Complete the following table.
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<th>Price (P)</th>
<th>Total Revenue (TR)</th>
<th>Average Revenue (AR)</th>
<th>Marginal Revenue (MR)</th>
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</tr>
</tbody>
</table>
Question 3163

In the short run, if a firm shuts down its maximum loss equals the amount of its fixed cost. [i]True[/i] or [i]false[/i]?

Question 3164

How is the quantity theory of money different from the quantity equation and why must the quantity equation always be true?

Question 3165

How does the U.S. federal government assist workers who have lost their jobs due to international trade?

Question 3166

If the amount you owe on your house is greater than the price of the house, you have
A) no value to your house.
B) a mortgage rate that is too high.
C) negative equity in your house.
D) a reverse mortgage on your house.

Question 3167

Suppose in the Germany, the opportunity cost of producing a gallon of beer is 5 gallons of wine. In Italy, the opportunity cost of producing a gallon of beer is 3 gallons of wine.
   a. What is the opportunity cost of producing a gallon of wine for Germany?
   b. What is the opportunity cost of producing a gallon of wine for Italy?
   c. Which country has a comparative advantage in the production of beer?
   d. Which country has a comparative advantage in the production of wine?

Question 3168

List the five key determinants of price elasticity of demand and explain how each determinant indicates if demand tends to be elastic or inelastic.

Question 3169

Currency traders expect the value of the dollar to rise. What effect will this have on the demand for dollars and the supply of dollars in the foreign exchange market?
   A) Demand for dollars will increase, and supply of dollars will decrease.
   B) Demand for dollars will increase, and supply of dollars will increase.
   C) Demand for dollars will decrease, and supply of dollars will increase.
   D) Demand for dollars will decrease, and supply of dollars will decrease.

Question 3170

A sole proprietorship is
A) the easiest type of business to set up.
B) the most difficult type of business to set up.
C) the most expensive type of business to set up.
D) the least profitable type of business to set up.

Question 3171

What is “human capital,” and how does human capital affect labor productivity and economic growth?

Question 3172

Which of the following would cause the short-run aggregate supply curve to shift to the left?
Question 3173

Which of the following statements is true?
A) The average product of labor is at its maximum when the average product of labor equals the marginal product of labor.
B) The average product of labor is at its minimum when the average product of labor equals the marginal product of labor.
C) The average product of labor tells us how much output changes as the quantity of workers hired changes.
D) Whenever the marginal product of labor is greater than the average product of labor the average product of labor must be decreasing.


Question 3174

Using two graphs, illustrate how a positive technological change in the market for notebook computers could eliminate short-run economic profit for a firm in that market. On the first graph, use a supply and demand graph to illustrate the positive technological change. On the second graph, use demand, ATC, MC and MR curves to illustrate the elimination of economic profit resulting from the positive technological change. Explain what is taking place in each graph.


Question 3175

In September of 2007, the Federal Reserve Board Open Market Committee voted to lower interest rates for the first time that year. Explain how lower interest rates affect the aggregate demand curve.


Question 3176

What are two reasons why employees would prefer for their employer pay for their health insurance rather than receiving increased wages and paying for their own health insurance?


Question 3177

Assume that the LCD and plasma television sets industry is perfectly competitive. Suppose a producer develops a successful innovation that enables it to lower its cost of production. What happens in the short run and in the long run?
A) Initially, the firm will be able to increase its profit significantly, but in the long run its profits will still be greater than zero but lower than its short run profits because other firms would also innovate.
B) The firm will probably incur losses temporarily because of the high cost of the innovation, but in the long run it will start earning positive profits.
C) This firm will be able to earn above normal profits indefinitely if it obtains a patent for its innovation.
D) The firm will be able to increase its profits temporarily, but in the long run its profits will be eliminated as other firms copy the innovation.


Question 3178

A bed of oysters is not an example of a factor of production but the shucked oysters used to make oyster stew is a factor of production. [i]True[/i] or [i]false[/i]?


Question 3179

A decrease in the unemployment rate may be represented as a movement from a point on the production possibilities frontier to a point outside the frontier. [i]True[/i] or [i]false[/i]?


Question 3180

If firms in a monopolistically competitive market are earning economic profits, which of the following scenarios best reflects the change a representative firm experiences as the market adjusts to its long-run equilibrium?
A) Demand decreases and becomes less elastic.
B) Demand decreases and becomes more elastic.
C) Demand increases and becomes less elastic.
D) Demand increases and becomes more elastic.

Question 3181

There will be no deadweight loss if the marginal benefit to consumers is equal to the marginal cost of production and the sum of consumer surplus and producer surplus is maximized.
[i]True[/i] or [i]false[/i]?

Question 3182

Between 1981 and 2011, the overall mortality rate in the United States
A) decreased by more than 25 percent.
B) slowly but steadily increased.
C) remained fairly constant.
D) was similar to the average rate in most low-income countries.

Question 3183

Of the following high-income countries, which has the highest obesity rate?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 3184

If a firm in a perfectly competitive industry experiences persistent losses, in the long run it should
A) shut down temporarily and wait for market conditions to change.
B) exit the industry.
C) raise its price to cover average total cost.
D) continue to operate if it can raise the demand for its product through advertising and quality improvements.

Question 3185

Which of the following is true for a monopolistically competitive firm in long-run equilibrium?
A) P = ATC and MR = MC.
B) P = ATC and P = MC.
C) P > ATC and P > MR.
D) P > MR and MC = ATC.

Question 3186

Refer to the Article Summary. All else equal, a depreciation of the Indian rupee relative to a currency such as the U.S. dollar should _______ the current account balance in India and therefore _______ the financial account balance in India.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

Question 3187

Hovnanain Enterprises, a residential home builder based in New Jersey, did well during the mid-2000s but did not do so well in during and immediately after the recession of 2007-2009. The reason for this is
A) the Fed kept low interest rates in the mid-2000s but raised interest rates in 2007 to help fight inflation.
B) the Fed kept low interest rates in the mid-2000s but by 2007 the housing bubble had burst.
C) the Fed raised interest rates in the mid-2000s but lowered interest rates in 2007 to revive the housing market.
D) the Fed raised interest rates in the mid-2000s and raised interest rates in 2007 to help fight inflation.

Question 3188
Assume that price is greater than average variable cost. If a perfectly competitive seller is producing at an output where price is $11 and the marginal cost is $14.54, then to maximize profits the firm should
A) continue producing at the current output.
B) produce a larger level of output.
C) produce a smaller level of output.
D) There is not enough information given to answer the question.

Question 3189

What is the profit-maximizing rule for a monopolistically competitive firm?
A) to produce a quantity that maximizes market share
B) to produce a quantity that maximizes total revenue
C) to produce a quantity such that marginal revenue equals marginal cost
D) to produce a quantity such that price equals marginal cost

Question 3190

Which of the following would you expect to increase the equilibrium interest rate?
A) an increase in the percentage of income after net taxes that households save
B) an increase in the budget deficit
C) a decrease in the profitability of investment projects firms are considering
D) a change from an income tax to a consumption tax

Question 3191

Historically, the largest U.S. federal budget deficits as a percentage of GDP in the 20th century occurred during
A) World War I and World War II.
B) the Great Depression.
D) the Vietnam war.

Question 3192

The “interest rate effect” can be described as an increase in the price level that raises the interest rate and chokes off
A) government spending.
B) government spending and unplanned investment.
C) investment and consumption spending.
D) net exports.

Question 3193

On November 7, 1996, the Distilled Spirits Council of the United States decided to end its voluntary ban on television and radio liquor advertisement. The ban on hard liquor advertising had been in effect since 1936 for radio and 1948 for television. Did the lifting of this ban likely increase or decrease the profits of hard liquor companies? Briefly explain.

Question 3194

The long-run average cost curve shows
A) the lowest average cost of producing every level of output in the long run.
B) where the most profitable level of output occurs.
C) the average cost of producing where diminishing returns are not present.
D) the plant size or scale that the firm should build.

Question 3195

What area on a supply and demand graph represents consumer surplus?
Question 3196
A decrease in aggregate demand results in a(n) ________ in the ________.
A) recession; long run
B) expansion; long run
C) expansion; short run
D) recession; short run

Question 3197
Which of the following describes the national security argument for protectionism?
A) Nearly all industries can make some claim to strategic importance so such trade restrictions can get out of hand.
B) Increases in economic surplus outweigh the decreases in consumer surplus that result from protectionism.
C) Some goods should be insulated from foreign competition to ensure an adequate supply of these goods in the event of an international conflict.
D) Private companies (for example, Coca-Cola) should not be forced to reveal their trade secrets to foreign companies.

Question 3198
What is an economic market?

Question 3199
What is the term that describes a situation in which one party to an economic transaction has less information than the other party?
A) inefficient market hypothesis
B) asymmetric information
C) unequal market structure
D) monopsony

Question 3200
A real appreciation of the dollar is caused by either a nominal appreciation of the dollar, a rise in the foreign price level, or a fall in the U.S. price level.
[i]True[/i] or [i]false[/i]?

Question 3201
________ increases economic efficiency because it forces firms to produce and sell goods and services as long as the additional benefit to consumers is greater than the additional cost of production.
A) Competition
B) Voluntary exchange
C) Equity
D) A centrally planned economy

Question 3202
Which of the following statements best describes the concept of consumer surplus?
A) "I paid $89 for a microwave oven last week. This week the same store is selling the same microwave oven for $69."
B) "I sold my hard copy of Harry Potter and the Half-Blood Prince to a used book store for $10 even though I was willing to sell it for $5."
C) "Target was having a sale on tube socks so I bought 5 pairs."
D) "I was going to pay $200 for new sunglasses that I had seen at the Oakley store but I ended up paying only $140 for the same sunglasses."

Question 3203
Indicate whether each of the following situations would shift the supply curve to the left, to the right, or not at all.
a. An increase in the price of an input
b. An increase in productivity
c. An increase in the price of a substitute in production
d. A decrease in the expected future price of a product
e. A decrease in the current price of the product
Question 3204

Ocean Spray is considered to be an oligopoly firm because, until the 1990s, it faced little competition in the market for fresh and frozen cranberries. Why?
A) Ocean Spray had a patent on the production of cranberries that gave the company the exclusive right to market its product for 20 years. The 20-year period ended in the 1990s.
B) Until the 1990s, Ocean Spray controlled almost the entire supply of cranberries.
C) Ocean Spray was able to achieve significant economies of scale in the production of cranberries. Beginning in the 1990s, other firms finally achieved economies of scale as well, but Ocean Spray still controls about 80 percent of the cranberry market.
D) The federal government imposed a high tariff on cranberry imports. During the 1990s the tariff was eliminated, but Ocean Spray still controls about 80 percent of the cranberry market.

Question 3205

Which of the following is not part of the “regulation of health insurance” provision of the Patient Protection and Affordable Care Act (ACA)?
A) Individuals with pre-existing medical conditions will be able to acquire health insurance.
B) All policies must provide coverage for dependant children up to age 26.
C) Lifetime dollar maximums on coverage will be prohibited.
D) Limits on the size of deductibles and on waiting periods before coverage takes effect will be eliminated.

Question 3206

The study of how people make decisions in situations where attaining their goals depends on their interactions with others is called
A) Nash equilibrium.
B) the prisoner's dilemma.
C) game theory.
D) dominant strategy equilibrium.

Question 3207

Does the fact that monopolistically competitive firms do not achieve productive efficiency or allocative efficiency mean that there is a significant loss in consumer welfare?

Question 3208

When you buy previously-issued shares of Facebook stock, this transaction takes place in the
A) primary market.
B) bond market.
C) secondary market.
D) bear market.

Question 3209

Under the Patient Protection and Affordable Care Act (ACA), individuals who do not have health insurance will be subject to a fine.
[i]True[/i] or [i]false[/i]?

Question 3210

One reason that consumers and businesses might not act rationally is
A) it is difficult to obtain enough information about the elasticities of demand and supply.
B) they may not realize their actions are inconsistent with their goals.
C) consumer tastes change constantly.
D) they do not always value fairness when they make choices.

Question 3211

One of the main sources of comparative advantage is internal economies.
[i]True[/i] or [i]false[/i]?
Question 3212

Refer to the Article Summary. The protectionism being granted to Russian firms is likely to cause
A) exporting countries to retaliate by placing trade barriers on Russian imports.
B) Russian manufacturers to become more efficient.
C) Russian consumers to pay lower prices for a wider variety of products.
D) most countries to reduce their own trade barriers to be able to better compete with Russian imports at home.

Question 3213

Crude oil is not an example of a factor of production, but when crude oil is processed into gasoline, it is a factor of production.
[i]True[/i] or [i]false[/i]?

Question 3214

By the height of the housing bubble in 2005 and early 2006, lenders had greatly loosened the standards for obtaining a mortgage loan, with many mortgages being granted to sub-prime borrowers ________ and “Alt-A” borrowers ________.
A) with flawed credit histories; who did not document their incomes
B) who borrowed money at rates below the prime interest rate; who had AAA credit ratings
C) who borrowed more than 120 percent of the value of the house; with no proof of U.S. citizenship
D) who purchased homes in depressed housing markets; who purchased homes which were repossessed by government agencies.

Question 3215

A monopoly differs from monopolistic competition in that
A) a monopoly has market power while a firm in monopolistic competition does not have any market power.
B) a monopoly can never make a loss but a firm in monopolistic competition can.
C) in a monopoly there are significant entry barriers but there are low barriers to entry in a monopolistically competitive market structure.
D) a monopoly faces a perfectly inelastic demand curve while a monopolistic competitor faces an elastic demand curve.

Question 3216

Economists believe the most persuasive argument for protectionism is to protect infant industries. But the argument has a drawback. What is this drawback?
A) Governments always make the level of protection for infant industries too high.
B) Governments are usually too impatient and do not allow protection to remain in place long enough to allow industries to be competitive in international markets.
C) Governments usually use tariffs, rather than quotas, to protect infant industries in order to collect tariff revenue. (Quotas do not result in government revenue).
D) Protection lessens the need for firms to become productive enough to compete with foreign firms; this often results in infant industries never “growing up.”

Question 3217

The idea underlying Adam Smith’s “invisible hand” is that people tend to behave in ways that go unnoticed in society.
[i]True[/i] or [i]false[/i]?

Question 3218

To affect the market outcome, a price floor
A) must be set above the black market price.
B) must be set above the legal price.
C) must be set above the price ceiling.
D) must be set above the equilibrium price.

Question 3219

Discuss the likely impact of each of the following on the unemployment rate:
a. The length of time workers are eligible to receive unemployment insurance payments is cut in half.
b. The government passes a law making labor unions illegal.
c. The minimum wage is raised by 50 percent.
d. The government funds an Internet site where companies can post job openings at no charge.

**Question 3220**

The average total cost of production
A) is the extra cost required to produce one more unit.
B) equals the explicit cost of production.
C) equals total cost of production divided by the level of output.
D) equals total cost of production multiplied times the level of output.

**Question 3221**

Mrs. Lovejoy decides to invest in companies which she believes can produce its goods at the lowest possible cost. Mrs. Lovejoy is investing in companies that are
A) productively efficient.
B) allocatively efficient.
C) both productively and allocatively efficient.
D) always going to be profitable.

**Question 3222**

If the Fed pursues expansionary monetary policy then
A) the money supply will decrease, interest rates will rise and GDP will fall.
B) the money supply will decrease, interest rates will fall and GDP will fall.
C) the money supply will increase, interest rates will rise and GDP will rise.
D) the money supply will increase, interest rates will fall and GDP will rise.

**Question 3223**

If the Federal Reserve targets the interest rate and the money demand curve shifts to the left, then the Fed
A) cannot maintain the interest rate target.
B) can maintain the interest rate target, but at a lower quantity of the money supply.
C) can maintain the interest rate target, but at a higher quantity of the money supply.
D) can maintain the interest rate target with no change in the money supply.

**Question 3224**

The De Beers Company, one of the longest-lived monopolies, is facing increasing competition. One source of competition comes from people who might resell their previously owned diamonds. Why is De Beers worried that people might resell their previously owned diamonds?
A) because De Beers will not be able to guarantee the quality of previously owned diamonds and fears that its reputation might be harmed
B) because the availability of previously owned diamonds would increase the market demand for diamonds and dilute De Beers’ monopoly
C) because previously owned diamonds would be a close substitute to newly mined diamonds and therefore reduce De Beers’ market power
D) because the availability of previously owned diamonds would make the market demand curve for diamonds more inelastic and force De Beers to lower its price

**Question 3225**

A horizontal merger
A) is a merger between firms in the same industry.
B) results in a trust (for example, the Standard Oil Company).
C) is a merger between firms at different stages of production of a good.
D) was illegal in the United States until the Federal Trade Commission Act was passed by Congress in 1914.

**Question 3226**

In the United States, out-of-pocket spending on health care was ________ percent of all health care spending in 2011.
A) 2
B) 11
Question 3227

Inflation targeting refers to conducting ________ policy so as to commit the central bank to achieving a ________.
A) fiscal; publicly announced level of inflation
B) fiscal; zero inflation rate
C) monetary; publicly announced level of inflation
D) monetary; zero inflation rate

Question 3228

Deadweight loss refers to
A) the opportunity cost to firms from producing the equilibrium quantity in a competitive market.
B) the sum of consumer and producer surplus.
C) the loss of economic surplus when the marginal benefit equals the marginal cost of the last unit produced.
D) the reduction in economic surplus resulting from not being in competitive equilibrium.

Question 3229

The money supply curve is vertical if
A) banks and the Fed jointly determine the money supply.
B) the Fed is able to completely determine the money supply.
C) banks and households determine the money supply.
D) households and the Fed jointly determine the money supply.

Question 3230

In economics, the practical application of an invention is known as
A) technology.
B) entrepreneurship.
C) physical capital.
D) innovation.

Question 3231

According to the real business cycle model
A) increases in aggregate demand raise GDP.
B) increases in aggregate demand lower GDP.
C) increases in aggregate demand do not affect GDP.
D) increases in aggregate demand lower the price level.

Question 3232

Monetary policy is conducted by the U.S. Treasury Department.
[i]True[/i] or [i]false[/i]?

Question 3233

Each point on a ________ curve shows the willingness of consumers to purchase a product at different prices.
A) demand
B) supply
C) production possibilities
D) marginal cost

Question 3234

German automobile exports were hurt in 2008 as a result of the recession. How would this decrease in exports have affected Germany’s aggregate
demand curve?
A) The aggregate demand curve would have shifted to the right.
B) The aggregate demand curve would not have shifted, but there would have been a movement up the aggregate demand curve.
C) The aggregate demand curve would not have shifted, but there would have been a movement down the aggregate demand curve.
D) The aggregate demand curve would have shifted to the left.

Question 3235

In response to already low interest rates doing little to stimulate the economy, the Fed announced a new program in September 2011 under which it would purchase long-term Treasury securities while selling an equal amount of shorter-term Treasury securities. This policy was known as
A) inflation targeting.
B) Operation Twist.
C) securities-bubble deflating.
D) quantitative easing.

Question 3236

Joe Santos owns the only pizza parlor in a small town that is also home to a McDonald’s, a Taco Bell and a Kentucky Fried Chicken. Using a broad definition of a monopoly, Joe has a monopoly.
[i]True[/i] or [i]false[/i]?

Question 3237

How can increases in a country’s total income improve health?

Question 3238

Which of the following goods would have the most inelastic demand?
A) ski vacations
B) bread
C) luxury cars
D) big screen TVs

Question 3239

If the price level rose in three consecutive years from 100 to 120 to 140, then the annual inflation rate over those years would
A) increase.
B) remain the same.
C) decrease.
D) equal 20%.

Question 3240

For a perfectly competitive firm, at profit maximization
A) market price exceeds marginal cost.
B) total revenue is maximized.
C) marginal revenue equals marginal cost.
D) production must occur where average cost is minimized.

Question 3241

The Pre-Existing Condition Insurance Plan is a federally administered part of the Affordable Care Act, and is designed for people with pre-existing medical conditions to obtain insurance. By offering health insurance to all U.S. citizens with pre-existing medical conditions, the Pre-Existing Condition Insurance Plan
A) eliminates asymmetric information for the insurer, but not for the insured.
B) eliminates asymmetric information for the insured, but not for the insurer.
C) eliminates asymmetric information for both the insurer and the insured.
D) reduces, but does not eliminate, asymmetric information for both the insurer and the insured.
### Question 3242
Substantial co-payments are typically not required as a part of the health care system in
- A) Canada and the United Kingdom.
- B) Japan and Canada.
- C) the United States and Japan.
- D) Japan and the United Kingdom.


### Question 3243
Because Whirlpool produces durable goods, the demand for their goods
- A) is likely to increase during recession.
- B) declines when incomes in the economy are rising.
- C) is consistently high, regardless of the state of the economy.
- D) tends to follow the business cycle.


### Question 3244
President Bush lowered taxes on capital gains and dividends in 2003. Explain how this might increase aggregate supply.


### Question 3245
A monetary policy target is a variable that
- A) the Fed can affect directly.
- B) equals one of the Fed's main policy goals.
- C) the Fed has no ability to change.
- D) the Fed cannot affect directly.


### Question 3246
An implicit cost is
- A) a nonmonetary opportunity cost.
- B) a cost unique to sole proprietorships.
- C) a cost that involves spending money.
- D) a cost unique to corporations.


### Question 3247
As output increases, the distance between average total cost and average variable cost increases.
- [True] or [False]? 


### Question 3248
A grocery store sells a bag of potatoes at a fixed price of $2.30. Which of the following is a term used by economists to describe the money received from the sale of an additional bag of potatoes?
- A) marginal revenue
- B) gross earnings
- C) pure profit
- D) marginal costs
- E) net benefit


### Question 3249
What is the central role of financial intermediaries in a market economy?
- A) the creation and printing of money
- B) keeping the price level stable
- C) bringing together savers and borrowers
- D) providing safe deposit boxes for people and businesses

Question 3250
How does the increasing use of digital cameras affect the market for traditional camera film?
A) The demand curve for traditional camera film shifts to the right.
B) The quantity of traditional camera film demanded decreases.
C) The quantity of traditional camera film demanded increases.
D) The demand curve for traditional camera film shifts to the left.

Question 3251
Economists generally favor the use of tradable emissions allowances to reduce pollution. However, the use of these allowances has been criticized by some environmentalists. Which of the following describes this criticism?
A) Some environmentalists believe the allowances give firms a license to pollute.
B) Some environmentalists believe that the price of allowances is often too high for consumers to afford.
C) Some environmentalists believe that Pigovian taxes are a more efficient way to reduce pollution.
D) Some environmentalists oppose allowances on legal grounds; they believe the use of allowances is unconstitutional.

Question 3252
Included in government expenditures are government purchases and transfer payments.  
[True] or [false]?

Question 3253
If Sweden exports cell phones to Denmark and Denmark exports butter to Sweden, which of the following would explain this pattern of trade?
A) Sweden has a lower opportunity cost of producing cell phones than Denmark and Denmark has a comparative advantage in producing butter.
B) The opportunity cost of producing butter in Denmark is higher than the opportunity cost of producing butter in Sweden.
C) Sweden must have an absolute advantage in producing cell phones and Denmark must have an absolute advantage in producing butter.
D) Sweden has a higher opportunity cost of producing cell phones than Denmark, and Denmark has a higher opportunity cost of producing butter.

Question 3254
Which of the following is a macroeconomics question?
A) What determines the inflation rate?
B) What determines the production of DVDs?
C) What factors determine the price of carrots?
D) What determines the wage of auto workers?

Question 3255
What is the ceteris paribus condition?

Question 3256
The graph below represents the market for walnuts. Identify the values of the marginal benefit and the marginal cost at the output levels of 2,000 pounds, 4,000 pounds and 6,000 pounds. At each of these output levels, state whether output is inefficiently high, inefficiently low, or economically efficient.

Question 3257
How do the price and quantity of a monopoly compare to that of a perfectly competitive industry?

Question 3258
What is the difference between imports and exports?

Question 3259
Increasing opportunity cost along a bowed out production possibilities frontier occurs because
A) of inefficient production.
B) of ineffective management by entrepreneurs.
C) some factors of production are not equally suited to producing both goods or services.
D) of the scarcity of factors of production.

Question 3260
All economic questions arise from the fact that resources are scarce.
[i]True[/i] or [i]false[/i]?

When diminishing marginal utility sets in, total utility must be negative.
[i]True[/i] or [i]false[/i]?

Question 3262
Market equilibrium occurs where supply equals demand.
[i]True[/i] or [i]false[/i]?

Question 3263
Which of the following would not occur as a result of a monopolistically competitive firm suffering a short-run economic loss?
A) The firm could exit the industry in the long run.
B) If the firm does not exit the industry in the long run its demand curve will shift to the left.
C) If the firm does not exit the industry in the long run its demand curve will shift to the right.
D) If the firm remains in the industry in the long run it will break even.

Question 3264
Consider the following economic agents:
a. the government
b. consumers
c. producers
Who, in a modern mixed economy, decides what goods and services will be produced with the scarce resources available in that economy?
A) the government
B) producers
C) consumers
D) consumers and producers
E) the government, consumers and producers

Question 3265
Some economists have proposed making the tax treatment of employer-provided health insurance the same as the tax treatment of individually purchased health insurance and out-of-pocket health care spending. Such changes would make it more likely that
A) consumers would pay prices closer to the actual costs for routine medical care.
B) employers would provide more generous medical coverage to their employees.
C) insurance deductibles would decrease.
D) the quantity of medical services demanded would increase.

Question 3266
The tax multiplier equals the change in ________ divided by the change in ________.
A) taxes; equilibrium real GDP
B) equilibrium real GDP; taxes
C) taxes; consumption spending
D) consumption spending; taxes
Question 3267
Because many business situations are repeated games, firms may be able to avoid the prisoner’s dilemma and implicitly collude to keep prices high.  
[i]True[/i] or [i]false[/i]?

Question 3268
Mrs. Lovejoy decides to invest in companies which she believes are producing its goods based on the preferences of consumers. Mrs. Lovejoy is investing in companies that are  
A) productively efficient.  
B) allocatively efficient.  
C) both productively and allocatively efficient.  
D) always going to be profitable.  

Question 3269
Tanesha sells homemade candles over the Internet. Her annual revenue is $64,000 per year, the explicit costs of her business are $17,000, and the opportunity costs of her business are $22,000. What is her economic profit?  
A) $17,000  
B) $25,000  
C) $42,000  
D) $47,000  

Question 3270
Being a price-taker, a perfectly competitive firm cannot receive a producer surplus in the short run.  
[i]True[/i] or [i]false[/i]?

Question 3271
In the principal-agent relationship, the principal is  
A) the owner of a resource that has hired a third party to act in the best interest of that third party.  
B) the person who is placed in control over resources that are not his own, with a contractual obligation to use these resources in the interests of some other party.  
C) the person who is placed in control over resources that are not his own and agrees to compensate the resource owner in the event of outcomes that do not satisfy the resource owner.  
D) the person who places his resources in professional hands in exchange for the professional’s promise to act on the resource owner’s behalf.  

Question 3272
An equal increase in government purchases and taxes will cause  
A) an increase in real GDP.  
B) no change in real GDP.  
C) an increase in the budget surplus.  
D) a reduction in cyclically adjusted budget surplus.  

Question 3273
The total value of U.S. Treasury bonds outstanding equals  
A) the federal government deficit.  
B) the federal government surplus.  
C) the federal government debt.  
D) the cyclically adjusted budget deficit.  

Question 3274
Which of the following would be most likely to induce Congress and the president to conduct contractionary fiscal policy? A significant  
A) decrease in oil prices.  
B) decrease in real GDP.  

Question 3275

A firm's total profit can be calculated as all of the following except
A) total revenue minus total cost.
B) average profit per unit times quantity sold.
C) (price minus average total cost) times quantity sold.
D) marginal profit times quantity sold.


Question 3276

An agreement among firms to charge the same price or otherwise not to compete is called
A) a pay-off matrix.
B) a subgame-perfect equilibrium.
C) a Nash equilibrium.
D) collusion.


Question 3277

Suppose that households became mistrustful of the banking system and decide to decrease their checking accounts and increase their holdings of currency. Using the money demand and money supply model and assuming everything else is held constant, the equilibrium interest rate should
A) increase.
B) decrease.
C) not change.
D) increase, then decrease.


Question 3278

According to the quantity theory of money, deflation will occur if the
A) money supply is less than real GDP.
B) money supply is more than real GDP.
C) money supply grows at a slower rate than real GDP.
D) money supply grows at a faster rate than real GDP.


Question 3279

Suppose the demand for milk is relatively inelastic. What happens to sales revenue if the government imposes a price floor above the free market equilibrium price in the market for milk?
A) Sales revenue falls.
B) Sales revenue rises.
C) Sales revenue remains unchanged.
D) It cannot be determined without information on prices.


Question 3280

The midpoint formula is used to measure the elasticity of demand between two points on a demand curve
A) when demand is elastic.
B) in special cases when the percentage change in the quantity demanded is equal to the percentage change in price.
C) to ensure that the elasticity has a negative value.
D) to ensure that we have only one value of the price elasticity of demand between two points on a demand curve.


Question 3281

The only type of business that faces unlimited liability is a sole proprietorship.
[i]True[/i] or [i]false[/i]?

Question 3282

A final good is one that
A) is used in the production of another good.
B) is a natural resource used to produce a good.
C) is purchased as an input in the production process.
D) is purchased by its final user.

Question 3283

A perfectly competitive firm produces 3,000 units of a good at a total cost of $36,000. The fixed cost of production is $20,000. The price of each good is $10. Should the firm continue to produce in the short run?
A) No, it should shut down because it is making a loss.
B) Yes, it should continue to produce because its price exceeds its average fixed cost.
C) Yes, it should continue to produce because it is minimizing its loss.
D) There is insufficient information to answer the question.

Question 3284

________ are financial securities that represent partial ownership of a firm.
A) Stocks
B) Bonds
C) Treasury bills
D) Certificates of deposit

Question 3285

An increase in investment causes the price level to _______ in the short run and _______ in the long run.
A) increase; increase further
B) increase; decrease
C) decrease; decrease further
D) decrease; increase

Question 3286

When the economy enters a recessionary phase of the business cycle, unemployment tends to
A) decrease.
B) increase.
C) be unchanged.
D) change in the same direction as the rate of inflation.

Question 3287

Black markets only exist in developing nations.
[i]True[/i] or [i]false[/i]?

Question 3288

A firm’s cost of production is determined by all of the following except
A) the technology used to produce its output.
B) the productivity of its workers.
C) the cost of raw material used in production.
D) the amount of corporate taxes it must pay on its profit.

Question 3289

How are the fundamental economic decisions determined in China?
A) Individuals, firms, and the government interact in a market to make these economic decisions.
B) These decisions are made by the country’s elders who have had much experience in answering these questions.
Question 3290

In a diagram showing the average total cost and average variable cost curves, the minimum point of the average total cost is
A) at the same level of output as the minimum point of the average variable cost.
B) at a larger level of output than the minimum point of the average variable cost.
C) at a lower level of output than the minimum point of the average variable cost.
D) at the same level of output as the maximum of the total product curve.

Question 3291

A U-shaped long run average cost curve implies that a firm experiences economies of scale at low levels of production and diseconomies of scale at high levels of production.
[i]True[/i] or [i]false[/i]?

Question 3292

The process of countries becoming more open to foreign trade and investment is known as outsourcing.
[i]True[/i] or [i]false[/i]?

Question 3293

Which of the following is an example of an economic trade-off that a firm has to make?
A) whether it is cheaper to produce with more machines or with more workers
B) deciding why consumers want its products
C) whether or not consumers will buy its products
D) deciding what profit margin it desires for its products

Question 3294

If a firm decreases its plant size and finds that its long-run average costs have decreased, then
A) its labor is more productive in a smaller plant.
B) its diseconomies of scale are less.
C) the firm should reduce its plant size even more.
D) the firm is now profitable.

Question 3295

Suppose that at the beginning of a loan contract, the real interest rate is 4% and expected inflation is currently 6%. If actual inflation turns out to be 7% over the loan contract period, then
A) borrowers gain 1% of the loan value.
B) lenders gain 1% of the loan value.
C) borrowers lose 3% of the loan value.
D) lenders gain 3% of the loan value.

Question 3296

When the price of tortilla chips rose by 10 percent, the quantity of tortilla chips sold fell 4 percent. This indicates that the demand for tortilla chips is
A) inelastic.
B) elastic.
C) unit-elastic.
D) perfectly inelastic.

Question 3297

How is a stock's price-earnings ratio found?
A) by dividing the dividend by the closing price of the stock
B) by dividing the dividend by the firm's earnings per share  
C) by dividing current market price of the stock by the firm's earnings per share  
D) by subtracting the firm's earnings per share from the closing price of the stock  

**Question 3298**

The broadest measure of the price level that includes all final goods and services is  
A) the producer price index.  
B) the consumer price index.  
C) the GDP deflator.  
D) the wholesale price index.  

**Question 3299**

A decrease in aggregate demand in the economy will have what effect on macroeconomic equilibrium in the long run?  
A) The price level will fall, and the level of GDP will be unaffected.  
B) The price level will fall, and the level of GDP will fall.  
C) The price level will rise, and the level of GDP will fall.  
D) The price level will rise, and the level of GDP will be unaffected.  

**Question 3300**

The marginal product of labor is defined as  
A) the additional sales revenue that results when one more worker is hired.  
B) the additional output that results when one more worker is hired, holding all other resources constant.  
C) the additional number of workers required to produce one more unit of output.  
D) the cost of hiring one more worker.  

**Question 3301**

The provision of the Patient Protection and Affordable Care Act (ACA) which states that every firm with more than 200 full-time employees must offer health insurance to its employees and must automatically enroll them in the plan is the ________ provision.  
A) employer mandate  
B) state health exchanges  
C) individual mandate  
D) regulation of health insurance  

**Question 3302**

When a monopolistically competitive firm lowers it price one bad thing happens to the firm. What is this "one bad thing" called?  
A) the output effect  
B) the income effect  
C) the substitution effect  
D) the price effect  

**Question 3303**

How have U.S. imports and exports, as a fraction of GDP, changed from 1970 to the present?  

**Question 3304**

Which of the following is not an example of a trade restriction?  
A) tariffs  
B) quotas and voluntary export restraints  
C) legislation requiring that cars sold in a country have a 50 percent domestic content  
D) consumer preferences for goods produced domestically  

**Question 3305**
According to monetary theory, if the money supply is growing at a rate of 5 percent, real GDP is growing at a rate of 2 percent, and velocity is constant, what will the inflation rate be?

Question 3306

One problem with using a command and control approach to pollution reduction is that the monitoring costs may be too high. 
[i]True[/i] or [i]false[/i]?

Question 3307

Your checking account balance is included in your bank's assets. 
[i]True[/i] or [i]false[/i]?

Question 3308

The Pre-Existing Condition Insurance Plan is a federally administered part of the Affordable Care Act, and is designed for people with pre-existing medical conditions to obtain insurance. By offering health insurance to all U.S. citizens with pre-existing medical conditions, the Pre-Existing Condition Insurance Plan eliminates ________ for both the insurer and the insured, and eliminates ________ for the issuer of the insurance policy.
A) the principal-agent problem; moral hazard
B) asymmetric information; adverse selection
C) adverse selection; the principal-agent problem
D) moral hazard; adverse selection

Question 3309

Which of the following is a positive economic statement?
A) The standard of living in the United States is too low.
B) If the price of beef falls, a larger quantity of it will be bought.
C) The government should implement a national consumption tax.
D) The U.S. government should increase regulations on the banking industry.

Question 3310

Suppose a monopoly is producing its profit-maximizing output level. Now suppose the government imposes a lump-sum tax on the monopoly, independent of its output. As a result the monopoly's profit will fall. 
[i]True[/i] or [i]false[/i]?

Question 3311

How does a decrease in value of a country's currency relative to other currencies affect its balance of trade?
A) A decrease in value of a country's currency relative to other currencies raises imports, reduces exports, and reduces the balance of trade.
B) A decrease in value of a country's currency relative to other currencies reduces imports, raises exports, and reduces the balance of trade.
C) A decrease in value of a country's currency relative to other currencies reduces imports, raises exports, and increases the balance of trade.
D) A decrease in value of a country's currency relative to other currencies raises imports, reduces exports, and increases the balance of trade.

Question 3312

An appropriate fiscal policy response when aggregate demand is growing at a slower rate than aggregate supply is to cut taxes. 
[i]True[/i] or [i]false[/i]?

Question 3313

You explain to your friend Haslina, who runs a catering service called "Meals in a Zip," about an economic theory which asserts that consumers will purchase less of a product at higher prices than they will at lower prices. She contends that the theory is incorrect because over the past two years she has raised the price of her catered meals and yet has seen a brisk increase in sales. How would you respond to Haslina?
A) Haslina is right; she has evidence to back her claim. The theory must be erroneous.
B) I will explain to her that she is making the error of reverse causality: it is the increase in demand that has enabled her to raise her prices
C) I will explain to her that there are some omitted variables that have contributed to an increase in her sales such as changes in income.
D) Haslina is making the mistake of assuming that correlation implies causation.
Question 3314

In the ultimatum game, allocators usually offer recipients at least a 40 percent share of the money, and recipients almost always reject offers of less than a 10 percent share. Which of the following does not explain why allocators offer recipients a relatively generous share and why recipients reject meager offers?

A) Fear of arousing outrage and abhorrence could influence economic decisions.
B) People can and often do reject offers that offend their sense of fairness even if doing so means taking a monetary loss.
C) Some people are careful not to engage in economic behavior that might offend and alienate others.
D) Allocators can count on recipients to ignore all considerations except financial benefit.


Question 3315

Suppose you see a 2008 Ford Mustang GT advertised in the local newspaper for $15,000. If you knew the car was reliable, you would be willing to pay $17,000 for it. If you knew the car was unreliable, you would only be willing to pay $12,000 for it. Under what circumstances should you buy the car?


Question 3316

The CPI is also referred to as

A) the GDP deflator.
B) the inflation-consumption index.
C) the cost-of-living index.
D) the producer price index.


Question 3317

An increase in the demand for Treasury bills will

A) increase the price of Treasury bills.
B) increase the interest rate on Treasury bills.
C) increase the opportunity cost of holding money vs. Treasury bills.
D) eventually cause households to hold less money.


Question 3318

Most doctors are employed by the government and most hospitals are owned by the government in

A) Canada.
B) Japan.
C) the United Kingdom.
D) the United States.


Question 3319

Those who favor changes in the market for health care that would make it more like the markets for other goods and services favor what are generally known as market-based reforms.

[i]True[/i] or [i]false[/i]?


Question 3320

Under current tax law individuals do not pay taxes on health insurance benefits they receive from their employers. As a result

A) the federal government spends more than it receives in tax revenue.
B) individuals are encouraged to want generous health coverage that reduces their incentives to cut costs.
C) the quality of health care provided is less than it would be if benefits were taxed.
D) politicians are encouraged to raise income and payroll taxes.


Question 3321

What is shown on a firm’s income statement?

A) costs
B) profits
C) revenues
D) All of these are shown on a firm's income statement.

Question 3322
An increase in public saving has what impact on the market for loanable funds?
A) The supply of loanable funds increases.
B) The demand for loanable funds increases.
C) The supply of loanable funds decreases.
D) The demand for loanable funds decreases.

Question 3323
Would the Federal Reserve respond more aggressively with interest rate cuts in a recession caused by a decrease in spending, as in the 2001 recession, than in a recession caused by an increase in oil prices, as in the 1974-75 recession?

Question 3324
The monetary growth rule is a plan for increasing the quantity of money
A) at a fixed rate that does not respond to changes in the economic condition.
B) at a rate which increases as the economy grows.
C) at a rate which decreases as the economy declines.
D) at a rate which increases during recessions and decreases during expansions.

Question 3325
In the United States in 2012, of the firms that employed more than 200 workers that offer health insurance to workers, about _______ of employees did not accept the coverage.
A) 2%
B) 38%
C) 62%
D) 98%

Question 3326
The opportunity cost of taking a semester-long economics class is
A) the cost of tuition and fees only.
B) the value of the time spent in the classroom.
C) zero because there is no admission charged if you are enrolled in the course.
D) equal to the highest value of an alternative use of the time and money spent on the class.
E) the knowledge and enjoyment you receive from attending the class.

Question 3327
What gives rise to a natural monopoly? How do consumers benefit from a natural monopoly?

Question 3328
If a graph has a line that shows the quantity of flat-screen televisions sold in the last five years, it is known as
A) a pie chart.
B) a time-series graph.
C) a demand curve for outsourcing.
D) a supply curve of outsourcing.

Question 3329
If the nominal interest rate is 6% and the inflation rate is 2% then the real interest rate is
A) 8%.
B) 4%.
Question 3330

In the dynamic aggregated demand and aggregate supply model, inflation occurs if
A) AD shifts faster than SRAS.
B) AD shifts slower than SRAS.
C) SRAS shifts faster than AD.
D) LRAS shifts faster than AD.

Question 3331

The basic aggregate demand and aggregate supply curve model helps explain
A) short term fluctuations in real GDP and the price level.
B) long term growth.
C) price fluctuations in an individual market.
D) output fluctuations in an individual market.

Question 3332

What problems can high inflation rates cause for the economy?

Question 3333

The ratio at which a country can trade its exports for imports from other countries is called
A) a trade barrier.
B) the terms of trade.
C) autarky.
D) a free trade agreement.

Question 3334

A restaurant sells a large soft drink at a fixed price of $1.79. A term used by economists to describe the money received from the sale of an additional large soft drink is
A) marginal revenue.
B) gross earnings.
C) pure profit.
D) net benefit.

Question 3335

Holding all else constant, a rise in interest rates in the United States will cause the dollar to appreciate in international exchange markets.
[i]True[/i] or [i]false[/i]?

Question 3336

The basic economic problem of ______ has always existed and will continue to exist.
A) scarcity
B) efficiency
C) inflation
D) recession

Question 3337

An increase in government spending will force an appreciation of the dollar, which causes net exports to fall.
[i]True[/i] or [i]false[/i]?
Question 3338

Consider the following statements:
- a. Soda drinkers purchase more soda from a grocery store that sells soda at a lower price than other rival grocery stores in the area.
- b. Homeowners do not take steps to increase security even though they believe it is more costly to allow burglaries than to install security monitoring equipment.
- c. Manufacturers produce less of a particular cell phone when its selling price rises.

Which of the above statements demonstrates that economic agents respond to incentives?
A) a only.
B) b only.
C) c only.
D) a and b.
E) a, b, and c.

Question 3339

Nominal GDP is GDP in a given year
A) adjusted for inflation.
B) adjusted for anticipated inflation.
C) valued in the prices of that year.
D) valued in the prices of the base year.

Question 3340

The demand for a Giffen good slopes upward.
[i]True[/i] or [i]false[/i]?

Question 3341

How are the fundamental economic decisions determined in North Korea?
A) Individuals, firms, and the government interact in a market to make these economic decisions.
B) These decisions are made by the country's elders who have had much experience in answering these questions.
C) The government decides because North Korea is a centrally planned economy.
D) The United Nations decides because North Korea is a developing economy.

Question 3342

If consumers decide to be more frugal and save more out of their income, then this will cause
A) a shift in the supply curve for loanable funds to the right.
B) a shift in the supply curve for loanable funds to the left.
C) a movement to the right along the supply curve for loanable funds.
D) a movement to the left along the supply curve for loanable funds.

Question 3343

Expansionary fiscal policy involves increasing government purchases or increasing taxes.
[i]True[/i] or [i]false[/i]?

Question 3344

An external cost is created when you
A) graduate from college.
B) buy flowers for your mother on Mother's Day.
C) litter on the side of the road.
D) buy a sandwich for lunch.

Question 3345

About ________ of research on new medicines is carried out in the United States. U.S.
**Question 3346**

Economists use game theory to analyze oligopolies because
A) real markets are too complicated to analyze without using games.
B) it is more enjoyable for economists and students to learn by playing games.
C) game theory helps us to understand why interactions among firms are crucial in determining profitable business strategies.
D) game theory is useful in understanding the actions of firms that are price takers.

**Question 3347**

Briefly explain 4 of the difficulties in making cross-country comparisons in health care outcomes.

**Question 3348**

The demand curve for a luxury good is upward-sloping. 
[I]True[/I] or [I]false[/I]?

**Question 3349**

Which of the following is one of the most important benefits of money in an economy?
A) Money allows for the exchange of goods and services.
B) Money allows for the accumulation of wealth.
C) Money makes exchange easier, leading to more specialization and higher productivity.
D) Money encourages people to produce all of their own goods (self-sufficiency) and therefore increases economic stability.

**Question 3350**

Vineyards can grow either red wine grapes or white wine grapes on their land. Which of the following would cause the supply of red wine grapes to decrease?
A) an increase in the price of white wine grapes
B) a decrease in the price of white wine grapes
C) an increase in the demand for red wine grapes
D) an increase in the price of red wine

**Question 3351**

The Business Cycle Dating Committee, a part of the ________, officially decides when a recession begins and ends.
A) federal government
B) Bureau of Labor Statistics
C) National Bureau of Economic Research
D) Federal Reserve

**Question 3352**

The budget deficit is defined as 
A) T - (G + TR), and this is negative.
B) T - (G + TR), and this is positive.
C) T + (G - TR), and this is negative.
D) T + (G + TR), and this is negative.

**Question 3353**

The reason that the coffeehouse market is monopolistically competitive rather than perfectly competitive is because
A) barriers to entry are very low.
Question 3354
Accumulating debt poses a problem for the U.S. federal government because
A) it is currently in danger of defaulting on on the debt.
B) a large debt-to-GDP ratio causes crowding out.
C) building roads and bridges do not yield enough benefits to justify their cost.
D) the debt has to ultimately be paid off.

Question 3355
The number of people receiving Medicare is expected to ________ by the year 2030.
A) reach 5 million by
B) stabilize
C) decline by 10 percent
D) grow to 80 million

Question 3356
A quota
A) makes domestic consumers worse off.
B) makes both domestic producers and consumers better off.
C) makes everyone worse off.
D) makes domestic producers worse off.

Question 3357
The NBER's Business Cycle Dating Committee defines a recession as at least two consecutive quarters of falling real GDP.
[i]True[/i] or [i]false[/i]?

Question 3358
If, after hiring the 6th worker, a firm's output falls, then the marginal product of the 6th worker is negative.
[i]True[/i] or [i]false[/i]?

Question 3359
Which of the following is a macroeconomics question?
A) What determines the minimum wage?
B) What determines the production of video game consoles?
C) What factors determine the price of Oreo cookies?
D) What determines the salaries of college professors?

Question 3360
In the United States in 2012, the percentage of firms that employed more than 200 workers and did not offer health insurance as a fringe benefit to the workers was about
A) 2%.
B) 29%.
C) 44%.
D) 98%.

Question 3361
Which of the following is an advantage of starting a new business as a proprietorship?
A) The owner has limited personal liability.
<table>
<thead>
<tr>
<th>Question 3362</th>
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<tbody>
<tr>
<td>Inflation will</td>
</tr>
<tr>
<td>A) increase aggregate demand.</td>
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<tr>
<td>B) increase the quantity of real GDP demanded.</td>
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<tr>
<td>C) decrease aggregate demand.</td>
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<tr>
<td>D) decrease the quantity of real GDP demanded.</td>
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<tr>
<th>Question 3363</th>
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<tbody>
<tr>
<td>Examples of ________ show how trade between two countries can make each better off.</td>
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<tr>
<td>A) absolute advantage</td>
</tr>
<tr>
<td>B) comparative advantage</td>
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<tr>
<td>C) autarky</td>
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<tr>
<td>D) trade barriers</td>
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<th>Question 3364</th>
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<tbody>
<tr>
<td>An increase in quantity supplied is represented by a rightward shift of the supply curve.</td>
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<tr>
<td>[i]True[/i] or [i]false[/i]?</td>
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<tbody>
<tr>
<td>Which of the following models focuses on how productivity shocks explain fluctuations in real GDP?</td>
</tr>
<tr>
<td>A) the monetarist model</td>
</tr>
<tr>
<td>B) the new classical model</td>
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<td>C) the real business cycle model</td>
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<td>D) the new Keynesian model</td>
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<tbody>
<tr>
<td>During the 1990s positive technological change in the production of chicken caused the price of chicken to fall. Holding everything else constant, how would this affect the market for pork (a substitute for chicken)?</td>
</tr>
<tr>
<td>A) The supply of pork would increase and the equilibrium price of pork would decrease.</td>
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<tr>
<td>B) The demand for pork would decrease and the equilibrium price of pork would decrease.</td>
</tr>
<tr>
<td>C) The demand for pork would increase because consumers could afford to buy more chicken and pork.</td>
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<tr>
<td>D) The demand for pork would decrease and the equilibrium price of pork would increase.</td>
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<tbody>
<tr>
<td>The division of labor and specialization explain</td>
</tr>
<tr>
<td>A) why, when the marginal product of labor increases, so does the average product of labor.</td>
</tr>
<tr>
<td>B) why the average product of labor falls when firms use more capital or change the layout of their businesses.</td>
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<tr>
<td>C) why the marginal product of labor rises as a firm hires its first units of labor.</td>
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<tr>
<td>D) why firms may find it profitable to use more workers when the marginal product of labor is negative.</td>
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<tr>
<td>If the nominal exchange rate between the American dollar and the Canadian dollar is 0.89 Canadian dollars per American dollar, how many American dollars are required to buy a product that costs 2.5 Canadian dollars?</td>
</tr>
<tr>
<td>A) $1.32</td>
</tr>
<tr>
<td>B) $2.23</td>
</tr>
<tr>
<td>C) $2.75</td>
</tr>
<tr>
<td>D) $2.81</td>
</tr>
</tbody>
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Question 3369

Normative analysis is concerned with "what ought to be," while positive analysis is concerned with "what is."  
[i]True[/i] or [i]false[/i]?

Question 3370

Harvey Miller owns a baseball that was hit for a home run by Ted Williams. Harvey, a long-time Boston Red Sox fan, recently refused to sell his baseball for $75,000 even though he would not have paid someone more than $10,000 for the baseball if he did not already own it. Harvey explained his decision not to sell the baseball by noting that: "Ted Williams was my hero. This baseball has a great deal of sentimental value for me." Which of the following can explain Harvey's behavior?  
A) the difference between implicit and explicit costs  
B) the scarcity of home run baseballs hit by Ted Williams  
C) the endowment effect  
D) how social influences can affect consumption choices

Question 3371

Between 1950 and 2009, the average length of recessions in the United States was  
A) 11 months.  
B) two years.  
C) three months.  
D) eighteen months.

Question 3372

One desirable outcome of a market economy is that it leads to a more equitable distribution of income.  
[i]True[/i] or [i]false[/i]?

Question 3373

A monopolistically competitive firm will  
A) charge the same price as its competitors do.  
B) always produce at the minimum efficient scale of production.  
C) have some control over its price because its product is differentiated.  
D) produce an output level that is productively and allocatively efficient.

Question 3374

When housing prices ________ as they did beginning in 2006 following the housing market bubble, most banks and other lenders tightened the requirement for borrowers, making it ________ for potential home buyers to obtain mortgages.  
A) fell; easier  
B) fell; harder  
C) rose; easier  
D) rose; harder

Question 3375

Collusion  
A) is rampant in perfect competition as all firms charge the same price.  
B) reduces market concentration in an industry.  
C) among firms is difficult to maintain because it eliminates long run economic profit.  
D) is more difficult when there are many firms producing differentiated products in an industry.

Question 3376

Suppose that American firms claim that protectionism in Canada is on the rise as the Canadian government attempts to protect its infant industries. This protectionism will cause the greatest harm to  
A) Canadian manufacturers.
Question 3377

To examine how the total production of an economy has changed over time, it would be better to examine
A) real GDP.
B) nominal GDP.
C) GDP at current prices.
D) the GDP deflator.

Question 3378

The Farm Factory, a booth at the local Farmer's Market, sells fresh eggs for $1.50 per dozen and fresh milk for $2.50 per gallon. What is the opportunity cost of buying a dozen eggs?
A) 2/3 gallons of milk
B) 3/5 of a gallon of milk
C) $2.50
D) $1.50

Question 3379

Expansionary monetary policy enacted during a recession will cause the inflation rate to increase.
[i]True[/i] or [i]false[/i]?

Question 3380

Laura's Pizza Place incurs $800,000 per year in explicit costs and $100,000 in implicit costs. The restaurant earns $1.3 million in revenues and has $5 million in net worth. Based on this information, what is economic profit for Laura's Pizza Place?
A) $200,000
B) $400,000
C) $500,000
D) $2.8 million

Question 3381

Over the past 160 years in the United States, life expectancy
A) has remained fairly constant.
B) has slightly declined.
C) has more than doubled.
D) increased up to the 1950s and then declined for the next 60 years.

Question 3382

How has the growing popularity of factory outlet stores affected the market for clothing at retail department stores?
A) the demand curve for clothing at retail department stores shifts to the right.
B) the demand curve for clothing at retail department stores shifts to the left.
C) the supply curve for clothing at retail department stores shifts to the right.
D) the supply curve for clothing at retail department stores shifts to the left.

Question 3383

If Abercrombie & Fitch borrows $8 million from a bank to finance the construction of a new store, this is an example of
A) a stock market transaction.
B) direct finance.
C) a bond market transaction.
D) indirect finance.
Question 3384

According to the quantity theory of money, if the money supply grows at 6%, real GDP grows at 2%, and the velocity of money is constant, then the inflation rate will be

A) 8%.
B) 6%.
C) 4%.
D) 2%.


Question 3385

Which of the following is the correct way to describe equilibrium in a market?

A) At equilibrium, demand equals supply.
B) At equilibrium, quantity demanded equals quantity supplied.
C) At equilibrium, market forces no longer apply.
D) At equilibrium, scarcity is eliminated.


Question 3386

If nominal GDP is less than real GDP, then the GDP deflator will be greater than 100.

[i]True[/i] or [i]false[/i]?


Question 3387

You earned $30,000 in 2000, and your salary rose to $80,000 in 2013. If the CPI rose from 82 to 202 between 2000 and 2013, which of the following is true?

A) There was deflation between 2000 and 2013.
B) The purchasing power of your salary fell between 2000 and 2013.
C) The purchasing power of your salary remained constant between 2000 and 2013.
D) The purchasing power of your salary increased between 2000 and 2013.


Question 3388

An increase in the demand for LED light bulbs due to changes in consumer tastes, accompanied by an increase in the supply of LED light bulbs as a result of government subsidies, will result in

A) an increase in the equilibrium quantity of LED light bulbs and no change in the equilibrium price.
B) an increase in the equilibrium price of LED light bulbs and no change in the equilibrium quantity.
C) an increase in the equilibrium price of LED light bulbs; the equilibrium quantity may increase or decrease.
D) an increase in the equilibrium quantity of LED light bulbs; the equilibrium price may increase or decrease.


Question 3389

Under what conditions should a competitive firm shut down in the short run?


Question 3390

Both monopolistically competitive firms and perfectly competitive firms maximize profits

A) by producing where price equals average total cost.
B) by producing where marginal revenue equals average revenue.
C) by producing where marginal revenue is equal to marginal cost.
D) by producing where price equals average variable cost.


Question 3391

An increase in capital inflows will

A) increase net foreign investment.
B) increase capital outflows.
C) decrease capital outflows.
D) increase the value of the domestic currency.
Question 3392
Chips and salsa are complements. If the price of salsa decreases, the demand for chips will increase.
[i]True[/i] or [i]false[/i]?

Question 3393
A normal good is a good for which the demanded increases as income decreases, holding everything else constant.
[i]True[/i] or [i]false[/i]?

Question 3394
Shortage means the same thing as scarcity.
[i]True[/i] or [i]false[/i]?

Question 3395
How are the fundamental economic questions answered in a market economy?
A) The government alone decides the answers.
B) Individuals, firms, and the government interact in markets to decide the answers to these questions.
C) Households and firms interact in markets to decide the answers to these questions.
D) Large corporations alone decide the answers.

Question 3396
In market economies, income distribution is always going to be completely equitable.
[i]True[/i] or [i]false[/i]?

Question 3397
Which of the following is motivated by an equity concern?
A) Some states have transferred funds to food bank programs in order to increase benefits to lower-income families.
B) Following the implementation of subsidies for energy conservation, household demand for rooftop solar panels increased quite significantly in California.
C) The United Network for Organ Sharing advocates a system of rationing scarce kidneys that would favor young patients over old in an effort to wring more life out of donated organs.
D) The United States offers patent protection to pharmaceutical manufacturers to prevent others from duplicating their products.

Question 3398
The recession of 2007-2009 would most likely be represented in a production possibilities frontier graph by
A) a point inside the frontier.
B) a point outside the frontier.
C) a point on the frontier.
D) an intercept on either the vertical or the horizontal axis.

Question 3399
Each person goes about her daily business seeking to maximize her own self interests. In doing so, she contributes to the welfare of society at large. This is the idea underlying Adam Smith's "invisible hand."
[i]True[/i] or [i]false[/i]?

Question 3400
In a survey of consumers, Daniel Kahneman, Jack Knetsch and Richard Thaler asked their opinion of a hardware store's decision to
A) go out of business because a larger hardware store opened in the same city; 82 percent of those surveyed believed it was unfair for the larger store to compete with the smaller store.
B) raise the price of snow shovels the day following a snowstorm; 82 percent of those surveyed believed this was unfair.
C) sell tickets to sporting and cultural events at prices higher than prices paid at the ticket windows for the same events; 82 percent of those surveyed believed this was unfair.
D) remain in business even though the store was not making an economic profit; 82 percent of those surveyed believed it would be unfair for the store to go out of business if there no other hardware stores in the same area.

**Question 3401**

The U.S. government has frequently used a "command and control" approach in dealing with pollution. Which of the following describes this approach?
A) The government uses taxes in order to internalize the externalities caused by pollution.
B) The government uses subsidies to encourage firms to use new technology that reduces pollution.
C) The government imposes quantitative limits on the amount of pollution firms are allowed to generate.
D) The government distributes information to consumers and producers on how to reduce pollution.

**Question 3402**

What does price elasticity of demand measure? When is demand elastic? Inelastic? Unit elastic?

**Question 3403**

When people became ________ concerned with the underlying value of their houses and became ________ with the expectations of the prices of their houses increasing, a housing bubble occurred.
A) less; less
B) less; more
C) more; less
D) more; more

**Question 3404**

If a firm expects that the price of its product will be higher in the future than it is today
A) the firm will go out of business.
B) the firm has an incentive to increase supply now and decrease supply in the future.
C) the firm has an incentive to decrease quantity supplied now and increase quantity supplied in the future.
D) the firm has an incentive to decrease supply now and increase supply in the future.

**Question 3405**

Inflation targeting has been adopted by the central banks of several countries including the European Central Bank.
[i]True[/i] or [i]false[/i]?

**Question 3406**

In the short run, a firm might choose to produce rather than shut down even if its market price is less than its average total cost of production.
[i]True[/i] or [i]false[/i]?

**Question 3407**

Which of the following is an examples of spending on factors of production in the circular flow model?
A) Orson buys a package of beef jerky at a convenience store.
B) Bernadette gets a manicure and pedicure before attending her parents’ anniversary party.
C) Landon pays $100 for a season pass to a water park.
D) The “Suds Bucket” car wash buys new squeegees for all its employees.

**Question 3408**

Health insurance companies impose deductibles on policies and co-payments on claims to reduce the problem of adverse selection.
[i]True[/i] or [i]false[/i]?
Question 3409

Which of the following determines the amount of money the banking system as a whole can create?
A) the quantity of bank reserves
B) the quantity of vault cash held by banks
C) the gold reserves held by the Federal Reserve
D) the limit on profits by banks imposed by the U.S. Congress

Question 3410

Which of the following is the most liquid asset?
A) a Renoir painting
B) bonds
C) a car
D) money

Question 3411

Which of the following is motivated by an equity concern?
A) Some U.S. colleges have cut back on merit scholarships since these programs siphon money from need-based programs, thus harming lower-income students with greater financial need.
B) Following the removal of subsidies in urban water use, household demand for water decreased quite significantly in Bogor, Indonesia.
C) In November 2003, the Federal Communications Commission implemented the "local number portability" rule which gives cell phone customers the option of keeping their number when they switch carriers within the same geographic region.
D) The United States protects intellectual property rights, allowing inventors to prevent others from using their inventions without payment.

Question 3412

The Patient Protection and Affordable Care Act (ACA) is scheduled to be fully implemented by 2019, at which point
A) current budget cuts are expected to have completely offset the cost of the program.
B) more than 30 million additional individuals are expected to have health care coverage.
C) all hospitals in the United States will be taken over by the federal government.
D) private health insurance companies will no longer exist in the United States.

Question 3413

Adverse selection is a situation in which one party to an economic transaction has less information than the other party.
[i]True[/i] or [i]false[/i]?

Question 3414

Suppose a tax equal to the value of the marginal external cost at the optimal output is imposed on a pollution generating good. All of the following will result from the tax except
A) an increase in the equilibrium market price.
B) a decrease in the equilibrium quantity produced and consumed.
C) a decrease in market supply of the good.
D) an increase in the demand for the good.

Question 3415

Which of the following individuals would be most negatively affected by anticipated inflation?
A) a retired railroad engineer who receives a fixed income payment every month
B) a union contractor whose pay is adjusted based on changes in the CPI
C) a full-time employee at a pizza parlor who makes more than the minimum wage
D) a student who borrows $10,000 at a nominal interest rate of 5% to finance educational expenses

Question 3416

Interest rates in the economy have fallen. How will this affect aggregate demand and equilibrium in the short run?
Question 3417

The central role of ________ in a market economy is bringing together savers and borrowers.

A) corporations
B) sole proprietors
C) financial intermediaries
D) stock exchanges


Question 3418

Because of the shortcomings of concentration ratios, some economists prefer another measure of competition called

A) the Competition Index.
B) the Marginal Revenue-Marginal Cost Index.
C) the Economic Profit Index.
D) the Herfindahl-Hirschman Index.


Question 3419

Suppose a bank has the following balance sheet:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>$14,000</td>
</tr>
<tr>
<td>Deposits</td>
<td>$100,000</td>
</tr>
<tr>
<td>Loans</td>
<td>$90,000</td>
</tr>
<tr>
<td>Net Worth</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

If the required reserve ratio is 10 percent, how much excess reserves does the bank have? What is the maximum amount that the bank can expand its loans?


Question 3420

A construction project in Congressman Foghorn's district is unfinished. Foghorn has asked that a new appropriations bill include funds to complete the project, despite a report by an independent agency that the project is a waste of taxpayer money. Foghorn's project is a bridge that crosses a river between two cities in his district. The press has criticized Foghorn and dubbed the project "a bridge too far" since another bridge, located closer to the same two cities Foghorn's bridge will connect, already exists and can accommodate all traffic between the two cities. Foghorn argues that if the bridge project is not completed, the $50 million already spent will have been wasted. Is Foghorn's argument economically rational? Explain your answer.


Question 3421

In the past two decades the United States lost its comparative advantage in automobiles to Japan. What factor was most responsible for the development of Japan's comparative advantage in automobiles?

A) Japanese firms excelled in process technology.
B) Japan has abundant supplies of labor.
C) Japanese firms benefited from external economies.
D) Japan has abundant supplies of natural resources needed to produce automobiles.


Question 3422

Price floors are illegal in the United States.

[i]True[/i] or [i]false[/i]?


Question 3423

On a two-dimensional graph, ________ allows for the effects of additional variables.

A) moving along a curve
B) shifting curves
C) eliminating a curve
D) adding an additional curve

Question 3424

A monopoly is a firm that is the only seller of a good or service that does not have
A) a patent.
B) a close complement.
C) a barrier to entry.
D) a close substitute.

Question 3425

After having a monopoly in the diamond market for many years, by 2000 the De Beers company faced competition from other companies. To maintain its market share, De Beers
A) began buying so-called "blood diamonds" in order to keep these diamonds out of the control of other diamond companies.
B) adopted a strategy of differentiating its diamonds. Each of its diamonds is now marked with a microscopic brand.
C) bought diamond mines in Canada and Russia that had been its competitors.
D) lowered the prices of its diamonds to make the market appear less profitable to potential competitors.

Question 3426

If real equilibrium GDP is above potential GDP, expansionary fiscal policy should be pursued.
[i]True[/i] or [i]false[/i]?

Question 3427

Firms in perfectly competitive industries are unable to control the prices of the products they sell and earn a profit in the long run. Which of the following is one reason for this?
A) Owners of perfectly competitive firms realize that their short-run profits are temporary. Therefore, they either sell their businesses or develop other products that will earn short-run profits.
B) Firms in perfectly competitive industries can use advertising in the short run to persuade consumers that their products are better than those of other firms. But eventually consumers realize that all of the firms sell virtually identical products.
C) Firms from other countries are able to produce similar products at lower costs.
D) Firms in these industries sell identical products.

Question 3428

A perfectly competitive firm in a constant-cost industry produces 1,000 units of a good at a total cost of $50,000. The prevailing market price is $48. Assuming that this firm continues to produce in the long run, what happens to output level in the long run?
A) The firm's output falls.
B) The firm's output increases.
C) The firm produces the same output level.
D) There is insufficient information to answer the question.

Question 3429

Technological advancements have led to lower prices and an increase in the sale of color laser printers. How does this affect the market for traditional inkjet printers?
A) The demand curve for inkjet printers shifts to the right.
B) The demand curve for inkjet printers shifts to the left.
C) The quantity of inkjet printers demanded increases.
D) The quantity of inkjet printers demanded decreases.

Question 3430

The decisions Apple makes in determining production levels for its iPhone is an example of a microeconomics topic.
[i]True[/i] or [i]false[/i]?

Question 3431

If a firm shuts down it
A) will suffer a loss equal to its fixed costs.
B) will produce nothing but must pay its variable costs.
C) will produce nothing but must pay its fixed and variable costs.
D) will earn enough revenue to cover its variable costs but not all of its fixed costs.

Question 3432

What did economists Robert Jensen and Nolan Miller determine must be true for a good to be a Giffen good, where the income effect is larger than its substitution effect?

Question 3433

Which of the following is the best example of a short run adjustment?
A) A local bakery purchases another commercial oven as part of its capacity expansion.
B) Your local Wal-Mart hires two more associates.
C) Smith University completed negotiations to acquire a large piece of land to build its new library.
D) Toyota builds a new assembly plant in Texas.

Question 3434

The ability of the Federal Reserve to use monetary policy to affect economic variables such as real GDP ultimately depends upon its ability to affect
A) tax rates.
B) real interest rates.
C) nominal interest rates.
D) foreign exchange rates.

Question 3435

The level of real GDP in the long run is called
A) potential GDP.
B) short-run GDP.
C) frictional GDP.
D) low-capacity GDP.

Question 3436

What is the difference between total cost and variable cost in the long run?

Question 3437

Who controls a partnership?
A) stockholders
B) bondholders
C) the owners
D) all of these

Question 3438

The ________ curve has a positive slope because as prices of final goods and services rise, prices of inputs rise more slowly.
A) short-run aggregate supply
B) long-run aggregate supply
C) short-run aggregate demand
D) long-run aggregate demand

Question 3439

In 2010, Hooverville consumed 205,000 tons of sugar. In 2011, sugar consumption rose to 245,000 tons. Calculate the percentage change in sugar consumption.
A) 8.37%
B) 11.95%
C) 19.51%
D) 26.33%

Question 3440

A tariff
A) makes domestic consumers worse off.
B) makes both domestic producers and consumers worse off.
C) makes everyone better off.
D) makes domestic producers worse off.

Question 3441

Is it possible for technological change to be negative? If so, give an example.

Question 3442

In economics, the accumulated skills and training that workers have is known as
A) human capital.
B) entrepreneurship.
C) physical capital.
D) innovation.

Question 3443

Using the money demand and money supply model, an open market sale of Treasury securities by the Federal Reserve would cause the equilibrium interest rate to
A) increase.
B) decrease.
C) not change.
D) increase, then decrease.

Question 3444

If Brazil has a comparative advantage relative to Cuba in the production of sugar cane, then
A) the average cost of production for sugar cane is lower in Brazil than in Cuba.
B) the implicit costs of production for sugar cane are lower in Brazil than in Cuba.
C) the opportunity cost of production for sugar cane is lower in Brazil than in Cuba.
D) the explicit cost of production for sugar cane is lower in Brazil than in Cuba.

Question 3445

Eliza consumes 12 cappuccinos and 8 apple turnovers per week. The price of cappuccino is $4 each and apple turnovers are $1 each.
a. What is the amount of income allocated to cappuccino and apple turnover consumption?
b. What is the price ratio (the price of cappuccino relative to the price of apple turnovers)?
c. Explain the meaning of the price ratio you computed.
d. If Eliza maximize utility, what is the ratio of the marginal utility of cappuccino to the marginal utility of apple turnovers?
e. If the price of apple turnovers falls, will Eliza consume more apple turnovers, fewer apple turnovers or the same amount of apple turnovers? Explain your answer using the rule of equal marginal utility per dollar.

Question 3446

According to the Taylor rule, the Fed should set the target for the federal funds rate equal to the sum of the equilibrium real federal funds rate, the current inflation rate, one-half times the ________, and one-half times the ________.
A) interest rate gap; inflation gap
B) interest rate gap; output gap
C) inflation gap; output gap
D) unemployment gap; government-spending gap
Question 3447
If the demand for iPods is price elastic, then
A) the percentage change in quantity demanded is greater than the percentage change in price (in absolute value).
B) the percentage change in quantity demanded is less than the percentage change in price (in absolute value).
C) the percentage change in quantity demanded is equal to the percentage change in price.
D) quantity demanded is not responsive to changes in price.

Question 3448
To combat a recession with discretionary fiscal policy, Congress and the president should
A) decrease government spending to balance the budget.
B) decrease taxes to increase consumer disposable income.
C) lower interest rates and increase investment by increasing the money supply.
D) raise taxes on interest and dividends, but not on personal income.

Question 3449
The branch of economics which studies the behavior of entire economies is called
A) public economics.
B) microeconomics.
C) macroeconomics.
D) normative economics.

Question 3450
Liquidity is defined as
A) the ease with which a given asset can be converted to a store of value.
B) the ease with which a given asset can be converted to a unit of account.
C) the ease with which a given asset can be converted to a medium of exchange.
D) the ease with which a given asset can be converted to a standard of deferred payment.

Question 3451
Technological advancements have led to lower prices and an increase in the sale of digital cameras. How does this affect the digital photo printing paper market?
A) The demand curve for digital photo printing paper shifts to the right.
B) The demand curve for digital photo printing paper shifts to the left.
C) The supply curve for digital photo printing paper shifts to the right.
D) The supply curve for digital photo printing paper shifts to the left.

Question 3452
Goodyear's sales are now greater outside the United States than inside the United States.
[i]True[/i] or [i]false[/i]?

Question 3453
What is the difference between an invention and an innovation?

Question 3454
From an initial long-run macroeconomic equilibrium, if the Federal Reserve anticipated that next year aggregate demand would grow significantly slower than long-run aggregate supply, then the Federal Reserve would most likely
A) increase income tax rates.
B) decrease income tax rates.
C) increase interest rates.
D) decrease interest rates.
Question 3455

A natural monopoly is most likely to occur in which of the following industries?
A) the pharmaceutical industry because the development and approval of new drugs through the Food and Drug Administration can take more than 10 years
B) the diamond mining and marketing industry because one firm can control a key resource
C) the software industry because of the importance of network externalities
D) an industry where fixed costs are very large relative to variable costs

Question 3456

What is an externality? Explain how someone receiving a meningitis vaccination is an example of an externality in the market for health care.

Question 3457

If banks receive a greater amount of reserves and do not hold all of these reserves as excess reserves, the money supply expands.
[i]True[/i] or [i]false[/i]?

Question 3458

_____ raised average tariff rates by over 50 percent in the United States in 1930.
A) The GATT
B) The WTO
C) NAFTA
D) The Smoot-Hawley Tariff

Question 3459

Which of the following statements is true about competition in a market?
A) Competition forces firms to outsource the production of their labor-intensive products.
B) Competition forces firms to undercut their selling price, thus benefiting consumers who will be able to purchase products at the lowest price possible.
C) Competition forces firms to produce and sell products as long as the marginal benefit to consumers exceeds the marginal cost of production.
D) Competition forces firms to add only low profit margins to their costs of production.

Question 3460

If Congress wanted to counteract the effects of a recession it could
A) increase tax rates.
B) increase taxes by a fixed amount.
C) increase government purchases.
D) decrease defense spending.

Question 3461

When Toyota introduced its 2010 Prius, it announced that the average retail price of the 2010 model would be lower than the average retail price was for the equivalent 2009 model. Which of the following would explain the price differential?
A) The demand for the Prius had increased, and the supply of the Prius remained unchanged.
B) The supply of the Prius had decreased, and the demand for the Prius remained unchanged.
C) The demand for the Prius had decreased, and the supply of the Prius had increased.
D) The demand for the Prius had increased, and the supply of the Prius had decreased.

Question 3462

What are the four main sources of comparative advantage? Briefly explain each source and provide examples.

Question 3463

Fiscal policy is determined by
**Question 3464**

If an increase in crime causes households to spend money on police and security systems, GDP will rise.

[i]True[i] or [i]false[/i]?


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**Question 3465**

You’re traveling in Japan and are thinking about buying a new kimono. You’ve decided you’d be willing to pay $175 for a new kimono, but kimonos in Japan are all priced in yen. If the kimono you’re looking at costs 14,000 yen, under which of the following exchange rates would you be willing to purchase the kimono? (Assume no taxes or duties are associated with the purchase.)

A) 24.5 yen per dollar  
B) 65 yen per dollar  
C) 80 yen per dollar  
D) You would purchase the new kimono at any of the above exchange rates.


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**Question 3466**

The total amount of consumer surplus in a market is equal to the below above the market demand curve and above the market price.

[i]True[i] or [i]false[/i]?


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**Question 3467**

Which of the following is not a major function of the Federal Reserve System?

A) lender of last resort  
B) clearing checks between banks  
C) setting income tax rates  
D) controlling the money supply.


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**Question 3468**

An increase in aggregate demand in the economy will have what effect on macroeconomic equilibrium in the long run?

A) The price level will fall, and the level of GDP will rise.  
B) The price level will fall, and the level of GDP will fall.  
C) The price level will rise, and the level of GDP will fall.  
D) The price level will rise, and the level of GDP will be unaffected.


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**Question 3469**

If the demand for a product is elastic, the quantity demanded changes by a larger percentage than the percentage change in price.

[i]True[i] or [i]false[/i]?


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**Question 3470**

Which of the following is a positive economic statement?

A) The standard of living in the United States should be higher.  
B) If the price of iPhones falls, a larger quantity of iPhones will be purchased.  
C) The government should revamp the health care system.  
D) The U.S. government should not have bailed out U.S. auto manufacturers.


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**Question 3471**

The federal government debt as a percentage of GDP fell during the period

C) during World War I and World War II.
E) the Great Depression.

**Question 3472**

Use the dynamic aggregate demand and aggregate supply model and start with Year 1 in long-run macroeconomic equilibrium. For Year 2, graph aggregate demand, long-run aggregate supply, and short-run aggregate supply such that the condition of the economy will induce the Federal Reserve to conduct an expansionary monetary policy. Briefly explain the condition of the economy and what the Federal Reserve is attempting to do.

**Question 3473**

In a production possibilities frontier model, a point _______ the frontier is productively inefficient.
A) along
B) inside
C) outside
D) at either intercept of

**Question 3474**

Vaccinations tend to result in a positive externality.
[i]True[i] or [i]false[i]?

**Question 3475**

By 2013, spending on federal health care programs such as Medicare and Medicaid had grown to 6 percent of GDP.
[i]True[i] or [i]false[i]?

**Question 3476**

The invention of the integrated circuit by Jack Kilby of Texas Instruments gave rise to the information age. What did this technological change do the short-run supply curve?
A) It shifted the short-run aggregate supply curve to the left.
B) It shifted the short-run aggregate supply curve to the right.
C) It moved the economy up along a stationary short-run aggregate supply curve.
D) It moved the economy down along a stationary short-run aggregate supply curve.

**Question 3477**

What is the main difference between a single-payer health care system and socialized medicine?

**Question 3478**

The income effect of a price increase for a Giffen good outweighs the substitution effect.
[i]True[i] or [i]false[i]?

**Question 3479**

Last week, six Swedish kronor could purchase one U.S. dollar. This week, it takes eight Swedish kronor to purchase one U.S. dollar. This change in the value of the dollar will _______ exports from the United States to Sweden and _______ U.S. aggregate demand.
A) increase; increase
B) decrease; decrease
C) increase; decrease
D) decrease; increase

**Question 3480**

Network externalities refer to the situation where the usefulness of a product increases with the number of consumers who use it.
[i]True[i] or [i]false[i]?
Question 3481
If the price of orchids falls, the substitution effect due to the price change will cause
A) an increase in the demand for orchids.
B) an increase in the demand for roses, a substitute for orchids.
C) an increase in the quantity demanded of orchids.
D) an increase in the quantity supplied of orchids.

Question 3482
The basic economic problem of scarcity
A) has always existed and will continue to exist.
B) will eventually disappear as technology continues to advance.
C) is a problem only in developing economies.
D) does not apply to the wealthy in society.

Question 3483
In most countries in South America, the legal driving age is 18. If the legal driving age in the United States was raised from 16 to 18, how would this affect the market for new and used automobiles? What would happen to the equilibrium price and quantity of new and used automobiles?

Question 3484
A goal of ________ is to give patients an incentive to pay more attention to the prices of medical services. This would tend to increase economic efficiency by decreasing the costs of medical services.
A) the Patient Protection and Affordable Care Act (ACA)
B) market-based reforms of the health care system
C) government-provided health care
D) socialized medicine

Question 3485
When actual inflation is less than expected inflation
A) borrowers lose and lenders gain.
B) borrowers gain and lenders lose.
C) borrowers and lenders both gain.
D) borrowers and lenders both lose.

Question 3486
Stockholders
A) are liable for the debts of a corporation.
B) are the owners of a corporation.
C) control a corporation's day-to-day activities.
D) hire the managers of a corporation.

Question 3487
Which of the following is an example of an activity undertaken by an entrepreneur?
A) choosing the color scheme for your renovated kitchen
B) being promoted to the position of Chief of Police
C) being appointed to the U.S. Supreme Court
D) starting your own snow cone business

Question 3488
Increasing the federal budget deficit will contribute to increasing the federal government debt.
[i]True[/i] or [i]false[/i]?
Question 3489

What is economic profit?
A) gross revenue minus explicit costs
B) gross revenue minus implicit costs
C) gross revenue minus explicit and implicit costs
D) the same as accounting profit

Question 3490

Jake sells Star Wars memorabilia on eBay. His annual revenue is $42,000 per year, and the explicit costs of his business are $10,000. What is his accounting profit?
A) $10,000
B) $22,000
C) $32,000
D) $42,000

Question 3491

Which of the following will shift the aggregate demand curve to the right, ceteris paribus?
A) an increase in interest rates
B) a decrease in disposable income
C) a decrease in expected profits for firms
D) an increase in net exports

Question 3492

If labor productivity growth slows down in a country, this means that the growth rate in ________ has declined.
A) labor force participation
B) the quantity of goods or services that can be produced by one hour of work
C) the working-age population
D) nominal GDP

Question 3493

Vipsana's Gyros House sells gyros. The cost of ingredients (pita, meat, spices, etc.) to make a gyro is $2.00. Vipsana pays her employees $60 per day. She also incurs a fixed cost of $120 per day. Calculate Vipsana's average fixed cost per day when she produces 50 gyros using two workers?
A) $2.00
B) $2.40
C) $4.40
D) $6.80

Question 3494

What is accounting profit?
A) gross revenue minus explicit costs
B) gross revenue minus implicit costs
C) gross revenue minus explicit and implicit costs
D) the same as economic profit
Answer: https://biology-forums.com/index.php?topic=317836

Question 3495

To maximize profit a monopolist will produce where
A) marginal revenue is equal to marginal cost.
B) demand for its product is unit-elastic.
C) revenue per unit is maximized.
D) average total cost is equal to average revenue.
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Question 3496
Arnold Harberger was the first economist to estimate the loss of economic efficiency due to market power. Since Harberger’s findings were published, other researchers have studied this same issue. How do the results of these researchers compare to Harberger’s results?
A) The other researchers reached conclusions similar to Harberger’s; namely, the loss of economic efficiency due to market power is about 10 percent of the value of production in the United States.
B) The other researchers reached conclusions different from Harberger’s; namely, they found that the loss of economic efficiency due to market power is only about 1 percent of the value of production in the United States, much less than Harberger’s estimate.
C) The other researchers reached conclusions different from Harberger’s; namely, the loss of economic efficiency due to market power is about 10 percent of the value of production in the United States, significantly greater than Harberger’s estimate.
D) The other researchers reached conclusions similar to Harberger’s; namely, the loss of economic efficiency due to market power is about 1 percent of the value of production in the United States.

Question 3497
If, in an economy experiencing inflation, the government decided to tax real interest income rather than nominal interest income, this change would cause the real interest rate to ________ and the equilibrium quantity of loanable funds to ________.
A) fall; rise
B) fall; fall
C) rise; fall
D) rise; rise

Question 3498
Consider a country that produces only two goods: bird feeders and binoculars. Suppose it is possible for this country to increase its production of bird feeders without producing fewer binoculars. In this case, its current output combination is inefficient.
[i]True[/i] or [i]false[/i]?

Question 3499
The tax multiplier is calculated as “one minus the government purchases multiplier.”
[i]True[/i] or [i]false[/i]?

Question 3500
If Norwegian workers are more productive than Albanian workers, then trade between Norway and Albania
A) cannot take place because Norwegian goods and services will be less expensive than Albanian goods and services.
B) will take place so long as each country has a comparative advantage in a good or service that buyers in the other country want.
C) cannot take place until Albanian workers become more productive.
D) can take place only if Albania has an absolute advantage in producing a good or service Norwegian buyers want.

Question 3501
Which of the following is not an advantage of starting a new business as a corporation?
A) separation of ownership and business liability
B) enhanced ability to raise funds
C) ability to share risks
D) possibility of double taxation

Question 3502
One reason why, in the last four decades, the number of new auto makers in the world has been very small compared to the past is that
A) the automobile cannot be improved upon in any way by new producers.
B) new auto makers cannot obtain necessary inputs to produce new cars.
C) governments restrict who can produce automobiles.
D) new producers cannot match the economies of scale of existing auto makers.

Question 3503
Which of the following is a factor of production?
A) an acre of forested land
B) a U.S. Treasury bond
C) 20 shares of Ford stock
D) $25,000 in cash

Question 3504

In a natural monopoly, throughout the range of market demand
A) marginal cost is above average total cost and pulls average total cost upward.
B) average total cost is above marginal cost and pulls marginal cost upward.
C) marginal cost is below average total cost and pulls average total cost downward.
D) there are diseconomies of scale.

Question 3505

A constant-cost industry is an industry in which
A) average costs fall as the industry expands output.
B) average costs rise as the industry expands output.
C) average costs remain constant as the industry expands output.
D) input prices rise at a constant rate as firms in the industry use more inputs.

Question 3506

A decrease in the number of firms in a market will cause supply to increase.
[i]True[/i] or [i]false[/i]?

Question 3507

Why does a monopoly cause a deadweight loss?
A) because it does not produce some output for which marginal benefit exceeds marginal cost
B) because it appropriates a portion of consumer surplus for itself
C) because it increases producer surplus at the expense of consumer surplus
D) because it does not produce some output for which demand exceeds supply

Question 3508

Federal and state governments in the United States pay for ________ of health care spending.
A) less than 10 percent
B) approximately 34 percent
C) just over half
D) more than 80 percent

Question 3509

In 1913, Congress established the Federal Reserve system with the intention of putting an end to
A) high interest rates.
B) high unemployment rates.
C) inflation.
D) bank panics.

Question 3510

If a 35 percent increase in price of golf balls led to a 42 percent decrease in quantity demanded, then the demand for golf balls is
A) unit-elastic.
B) perfectly elastic.
C) relatively inelastic.
D) relatively elastic.
Question 3511

The Congressional Budget Office estimates that ________ account(s) for less than 1 percent of health care costs in the United States.
A) the aging population
B) uninsured patients receiving treatment in hospital emergency rooms that could have been provided less expensively at doctor’s offices
C) the payments to settle malpractice lawsuits and the premiums doctors pay for malpractice insurance
D) advances in medical technology

Question 3512

Which of the following is a normative economic statement?
A) The price of milk is too high.
B) The current high price of milk is the result of reduced worldwide supply.
C) When the price of milk rises, the quantity of milk purchased falls.
D) When the price of milk rises, the cost of milk-based products rises.

Question 3513

Holding everything else constant, a decrease in the price of GPS systems will result in
A) an decrease in the quantity of GPS systems demanded.
B) an increase in the demand for GPS systems.
C) a decrease in the supply of GPS systems.
D) an increase in the quantity of GPS systems demanded.

Question 3514

How can a sole proprietorship raise funds needed for firm expansion?

Question 3515

The Congressional Budget Office estimates that the Patient Protection and Affordable Care Act (ACA) will
A) increase government spending by just under $1 trillion over 10 years.
B) cost the government significantly more than the additional taxes and fees enacted under the law will bring in.
C) eliminate the budget deficit within 10 years.
D) actually reduce government spending over a 20 year period.

Question 3516

What does the PPI measure?
A) the average change in the prices paid for all goods produced in the economy over a given year
B) the average of the prices received by producers of goods and services at all stages of the production process
C) the level of production of goods and services generated in the economy in a given year
D) the difference between the prices consumers pay for goods and services and the prices producers pay for goods and services

Question 3517

Peet's Coffee and Teas produces some flavorful varieties of Peet's brand coffee. Is Peet's a monopoly?
A) Yes, there are no substitutes to Peet's coffee.
B) No, although Peet's coffee is a unique product, there are many different brands of coffee that are very close substitutes.
C) Yes, Peet's is the only supplier of Peet's coffee in a market where there are high barriers to entry.
D) No, Peet's is not a monopoly because there are many branches of Peet's.

Question 3518

Which of the following is not a consequence of minimum wage laws?
A) Low skilled workers are hurt because minimum wage reduces the number of jobs providing low skilled workers with training.
B) Employers will be reluctant to offer low-skill workers jobs with training.
C) Producers have an incentive to offer workers non-wage benefits such as health care benefits and convenient working hours rather than a higher wage.
D) Some workers benefit when the minimum wage is increased.

**Question 3519**

If stricter immigration laws are imposed and many foreign workers in the United States are forced to go back to their home countries
A) the long-run aggregate supply curve will shift to the right.
B) the long-run aggregate supply curve will shift to the left.
C) we will move up along the long-run aggregate supply curve.
D) we will move down along the long-run aggregate supply curve.

**Question 3520**

The major assets on a bank's balance sheet are its
A) checking and savings account deposits.
B) loans, and checking and savings account deposits.
C) reserves, loans, and holdings of securities.
D) reserves, checking and savings account deposits.
E) reserves, loans, and checking account deposits.

**Question 3521**

If an economy is growing at a rate of 2.5% per year, how long will it take the economy to double in size?
A) 60 years
B) 43 years
C) 36 years
D) 28 years

**Question 3522**

Suppose you have just opened a store to sell espresso machines. Both you and a competing store buy this machine from a manufacturer for $130 each. Your competitor who has a store of the same size as yours is currently selling about 10 machines a month at a price of $200 per machine. You expect to sell about 6 machines a month at a price of $220 per machine. If you lower your price, you expect to make a loss. Which of the following could explain why your competitor is able to profitably sell the machine at a lower price although the cost of purchasing the machine is the same for the both of you?
A) The competing store probably has a lower marginal cost of production.
B) The competing store probably has a lower average variable cost of production.
C) The competing store’s goal is to maximize revenue and not profit.
D) The competing store probably has a lower average cost because average fixed cost falls as output increases.

**Question 3523**

You agree to lend $1,000 for one year at a nominal interest rate of 10%. You anticipate that inflation will be 4% over that year. If inflation is instead 3% over that year, which of the following is true?
A) The real interest rate you earn on your money is lower than you expected.
B) The purchasing power of the money that will be repaid to you will be lower than you expected.
C) The person who borrowed the $1,000 will be worse off as a result of the unanticipated decrease in inflation.
D) The real interest rate you earn on your money will be negative.

**Question 3524**

Nominal GDP will increase
A) only if the price level rises.
B) only if the price level falls.
C) only if the quantity of final goods and services produced rises.
D) if either the price level or the quantity of goods and services produced rises.

**Question 3525**

What is a secondary market?
A) a market where factory seconds and damaged merchandise are sold
<table>
<thead>
<tr>
<th>Question 3526</th>
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<tbody>
<tr>
<td>The money demand curve has a</td>
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<tr>
<td>A) negative slope because an increase in the interest rate decreases the quantity of money demanded.</td>
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<tr>
<td>B) positive slope because an increase in the interest rate increases the quantity of money demanded.</td>
</tr>
<tr>
<td>C) negative slope because an increase in the price level decreases the quantity of money demanded.</td>
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<tr>
<td>D) positive slope because an increase in the price level increases the quantity of money demanded.</td>
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<th>Question 3527</th>
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<tbody>
<tr>
<td>______ marginal opportunity cost implies that the more resources already devoted to any activity, the payoff from allocating yet more resources to that activity increases by progressively smaller amounts.</td>
</tr>
<tr>
<td>A) Increasing</td>
</tr>
<tr>
<td>B) Decreasing</td>
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<td>C) Constant</td>
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<td>D) Negative</td>
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<tr>
<th>Question 3528</th>
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<tbody>
<tr>
<td>Japan experienced periods of deflation — a declining price level — during the 1990s. During a deflationary period, which would be higher: nominal GDP or real GDP? Why? Assume that the base year of choice is prior to the deflationary period.</td>
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<tr>
<th>Question 3529</th>
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<tbody>
<tr>
<td>The difference between the ______ for a good and the ______ is called consumer surplus.</td>
</tr>
<tr>
<td>A) highest price a consumer is willing to pay; lowest price a consumer is willing to pay</td>
</tr>
<tr>
<td>B) lowest price a consumer is willing to pay; price the consumer actually pays</td>
</tr>
<tr>
<td>C) highest price a consumer is willing to pay; price the consumer actually pays</td>
</tr>
<tr>
<td>D) price the consumer actually pays; actual cost to the producer</td>
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<thead>
<tr>
<th>Question 3530</th>
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<tr>
<td>How effective is discount policy as compared to open market operations in managing the money supply? Explain how The Federal Reserve uses discount policy today.</td>
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<tr>
<th>Question 3531</th>
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<tbody>
<tr>
<td>For a perfectly competitive firm, average revenue is equal to</td>
</tr>
<tr>
<td>A) marginal cost.</td>
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<tr>
<td>B) the market price.</td>
</tr>
<tr>
<td>C) total revenue.</td>
</tr>
<tr>
<td>D) average fixed cost.</td>
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<table>
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<tr>
<th>Question 3532</th>
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<tbody>
<tr>
<td>An economic model is a complex version of reality used to analyze real-world economic situations.</td>
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<tr>
<td>[i]True[/i] or [i]false[/i]?</td>
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<tr>
<th>Question 3533</th>
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<tr>
<td>Without an increase in the supplies of factors of production, how can a nation achieve economic growth?</td>
</tr>
<tr>
<td>A) by producing more high-value goods and less of low-value goods</td>
</tr>
<tr>
<td>B) through technological advancement which enables more output with the same quantity of resources</td>
</tr>
<tr>
<td>C) by lowering the prices of factors of production</td>
</tr>
<tr>
<td>D) by increasing the prices of factors of production</td>
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</table>
Question 3534

Assume a hypothetical case where an industry begins as perfectly competitive and then becomes a monopoly. Which of the following statements comparing the conditions in the industry under both market structures is true?
A) A monopoly will produce more and charge a higher price than would a perfectly competitive industry producing the same good.
B) A monopoly will produce more and advertise more than would a perfectly competitive industry producing the same good.
C) A monopoly will produce less and charge a higher price than would a perfectly competitive industry producing the same good.
D) A monopoly will produce less and charge a lower price than would a perfectly competitive industry producing the same good.

Question 3535

Suppose you transfer $2,000 from your mutual fund account to your checking account. What is the immediate impact of this transfer on M1 and M2?

Question 3536

Automobile insurance companies have a problem with people who buy insurance and then drive recklessly or take less care to avoid losses after being insured. In other words, the automobile insurance market is subject to
A) asymmetric information.
B) market signaling.
C) moral hazard.
D) adverse selection.

Question 3537

When there are few substitutes available for a good, demand tends to be relatively inelastic.
[i]True[/i] or [i]false[/i]?

Question 3538

A cartel is
A) a temporary storage facility for automobiles.
B) a group of firms that enter into an informal agreement to fix prices to maximize joint profits.
C) a group of firms that enter into a formal agreement to fix prices to maximize joint profits.
D) an example of a group of firms that collectively regulate a competitive industry.

Question 3539

To maximize utility consumers should buy goods and services to the point where the marginal utility of each item consumed is equal.
[i]True[/i] or [i]false[/i]?

Question 3540

In response to a surplus the market price of a good will fall; as the price falls, the quantity demanded will increase and quantity supplied will decrease until equilibrium is reached.
[i]True[/i] or [i]false[/i]?

Question 3541

For a profit-maximizing monopolistically competitive firm, for the last unit sold, the marginal cost of production is less than the marginal benefit received by a customer from the purchase of that unit.
[i]True[/i] or [i]false[/i]?

Question 3542

Suppose there is some unemployment in the economy and society decides that it wants more of one good. Which of the following statements is true?
A) It is not possible to achieve this unless technology advances.
B) It can increase output without giving up another good by employing more resources.
C) It will have to increase resource supplies.
Question 3543
Describe how the Fed uses open market operations to change short-term and long-term interest rates.

Question 3544
Which of the following is an implicit cost of production?
A) interest paid on a loan to a bank
B) wages paid to labor plus the cost of carrying benefits for workers
C) the utility bill paid to water, electricity, and natural gas companies
D) rent that could have been earned on a building owned and used by the firm

Question 3545
When every good or service is produced up to the point where the last unit provides a marginal benefit to society equal to the marginal cost of producing it, ________ occurs.
A) allocative efficiency
B) productive efficiency
C) equity
D) efficient central planning

Question 3546
Which of the following statements is false?
A) An explicit cost is a nonmonetary opportunity cost.
B) In the short run: total cost = fixed cost + variable cost.
C) Variable costs are costs that change as output changes.
D) In the long run there are no fixed costs.

Question 3547
Who was the economist who first analyzed the advantages of specialization and the division of labor?
A) David Ricardo
B) Arthur C. Pigou
C) Ronald Coase
D) Adam Smith

Question 3548
Using equations for public and private saving, show that saving must equal investment in a closed economy. Begin with the expression for total saving in the economy.

Question 3549
Consider a manufacturing operation that uses specialized machinery and labor to produce its output. In this case, the input that is not fixed in the short run is labor.
[i]True[/i] or [i]false[/i]?

Question 3550
The income tax system serves as an automatic stabilizer over the course of the business cycle.
[i]True[/i] or [i]false[/i]?

Question 3551
Which of the following is not a source of technological advancement for a producer?
A) better trained workers
Question 3552
Which of the following is a characteristic of a monopoly?
A) It is easy for new firms to enter the market.
B) There is only one seller in the market.
C) The product is not unique.
D) The firm has no control over price.

Question 3553
Which of the following generates allocative efficiency in a market economy?
A) national government intervention
B) voluntary exchange between buyers and sellers
C) United Nations rules for competition
D) equity

Question 3554
When demand is elastic, a fall in price causes total revenue to rise because
A) when price falls, quantity sold increases so total revenue automatically rises.
B) the increase in quantity sold is large enough to offset the lower price.
C) the percentage increase in quantity demanded is less than the percentage fall in price.
D) the demand curve shifts.

Question 3555
If a commercial dairy farm wants to raise funds to purchase feeding troughs, it does so in the
A) output market.
B) product market.
C) factor market.
D) dairy products market.

Question 3556
The discount rate is
A) the interest rate banks charge each other for overnight loans.
B) the interest rate banks charge their best customers.
C) the interest rate the Fed charges to banks for loans from the Fed.
D) the interest rate the U.S. Treasury pays on Treasury Bills.

Question 3557
In the real world we don't observe countries completely specializing in the production of goods for which they have a comparative advantage. All of the following are reasons for this except
A) not all goods and services are traded internationally.
B) some countries have more resources than other countries.
C) tastes for many traded goods are different in many countries because of globalization.
D) production of most goods involves increasing opportunity costs.

Question 3558
The term "market" refers only to trading arrangements that have been approved by the government.  
[i]True[/i] or [i]false[/i]?
Question 3559
Prior to the 1998 World Cup, France banned the use of all soccer balls made by child workers. Several economists criticized the ban. Which of the following is an argument these economists used to justify the use of child labor in some countries?
A) Soccer balls are easy to carry and workers were given soccer balls to play with.
B) Child workers were allowed to attend school during the periods they worked.
C) Child workers were given gloves to protect their hands while they stitched soccer balls.
D) Some of the alternatives to stitching soccer balls include begging and prostitution.

Question 3560
Examples of comparative advantage often begin with two countries that each produce the same two goods. Each country is then shown to have a comparative advantage in producing the good it can produce at a lower opportunity cost, and specializes in the production of the good for which it has a comparative advantage. How do these examples prove that both nations are made better off as a result of trade than they would be without trade?

Question 3561
In long-run perfectly competitive equilibrium, which of the following is false?
A) There is efficient, low-cost production at the minimum efficient scale.
B) Economic surplus is maximized.
C) Firms earn economic profit.
D) Economies of scale are exhausted.

Question 3562
Which of the following is evidence of a shortage of chocolate?
A) Firms lower the price of chocolate.
B) The price of chocolate is raised in order to increase sales.
C) The equilibrium price of chocolate falls due to a decrease in demand.
D) The quantity of chocolate demanded is greater than the quantity supplied.

Question 3563
Which of the following explains why the marginal cost curve has a U shape?
A) Initially, the marginal product of labor falls, then rises.
B) Initially, the average product of labor rises, then falls.
C) Initially, the marginal product of labor rises, then falls.
D) Initially, the average cost of production rises, then falls.

Question 3564
What is the principle-agent problem?

Question 3565
What characteristic of a competitive market has made the "long run pretty short" in the market for iPhone applications?
A) few firms in the market
B) identical products
C) ease of entry
D) blocked entry

Question 3566
The study of the problems due to asymmetric information was begun when economists analyzed which type of market?
A) the market for citrus fruit
B) the market for insurance
C) farmers’ markets
D) the market for automobiles
Question 3567
A financial asset is considered ________ if it can be sold in a secondary market.
A) a commodity
B) a security
C) a liability
D) durable

Question 3568
Which of the following describes the difference between the market demand curve for a perfectly competitive industry and the demand curve for a firm in this industry?
A) The market demand curve is a horizontal line; the firm's demand curve is downward-sloping.
B) The market demand curve is downward-sloping; the firm's demand curve is a vertical line.
C) The market demand curve can not have a constant slope; the firm's demand curve has a slope equal to zero.
D) The market demand curve is downward-sloping; the firm's demand curve is a horizontal line.

Question 3569
Automobiles and many other products are differentiated. As a result
A) different countries may each have a comparative advantage in producing different types of automobiles.
B) consumers of automobiles have difficulty deciding what type of imported automobile to buy.
C) the quality of imported automobiles is less than it could be.
D) we see countries specializing completely in the production of automobiles.

Question 3570
In October, market analysts predict that the price of platinum will fall in November. What happens in the platinum market in October, holding everything else constant?
A) The supply curve shifts to the right.
B) The supply curve shifts to the left.
C) The quantity demanded and the quantity supplied of platinum increase.
D) The demand curve shifts to the right.

Question 3571
Governments grant patents to
A) compensate firms for research and development costs.
B) encourage competition.
C) encourage low prices.
D) encourage firms to reveal secret production techniques.

Question 3572
The Fed uses a "core" price index, one that excludes food and energy prices to measure inflation. It does so because
A) food and energy are inelastic goods and consumers will buy them regardless of their price.
B) it wants to avoid the blame for high gasoline prices causing inflation.
C) food and energy prices have wide swings that are not related to the causes of general inflation.
D) food and energy prices do not change all that much during the short run, so are irrelevant to the calculation of inflation.

Question 3573
What does it mean for a country to have a comparative advantage in producing a product?

Question 3574
Which of the following is an experiment which tests whether fairness is important in consumer decision making?
A) the fair trade principle
B) the ultimatum game
Question 3575
Economic efficiency is a market outcome in which the marginal benefit of consumers is equal to the marginal cost of production and the sum of consumer surplus and producer surplus is maximized.
[i]True[/i] or [i]false[/i]?

Question 3576
If a monopolistically competitive firm breaks even, the firm
A) is earning an accounting profit and will have to pay taxes on that profit.
B) is earning zero accounting and zero economic profit.
C) should advertise its product to stimulate demand.
D) should expand production.

Question 3577
The sale of Treasury securities by the Federal Reserve will, in general
A) not change the money supply.
B) not change the quantity of reserves held by banks.
C) increase the quantity of reserves held by banks.
D) decrease the quantity of reserves held by banks.

Question 3578
A market supply curve reflects the
A) external costs of producing a good or service.
B) external benefits of producing a good or service.
C) social costs of producing a good or service.
D) private costs of producing a good or service.

Question 3579
All but one of the following economists were awarded a Nobel prize for their contributions to experimental economics and their explorations of the influence fairness has on consumer decision-making. Which economist did not receive a Nobel Prize for this work?
A) Vernon Smith
B) Alan Krueger
C) Daniel Kahneman
D) Maurice Allais

Question 3580
Which of the following are goals of monetary policy?
A) maximizing the value of the dollar relative to other currencies, economic growth, and high employment
B) price stability, maximizing the value of the dollar relative to other currencies, and high employment
C) price stability, economic growth, and high employment
D) price stability, economic growth, and maximizing the value of the dollar relative to other currencies

Question 3581
If Valerie purchases ankle socks at $5 and gets 25 units of marginal utility from the last unit, and bandanas at $3 and gets 12 units of marginal utility from the last bandana purchased, she
A) is maximizing total utility and does not want to change their consumption of ankle socks or bandanas.
B) wants to consume more ankle socks and fewer bandanas.
C) wants to consume more of bandanas and fewer ankle socks.
D) wants to consume less of both ankle sock and bandanas.
Question 3582

Last week, 13 Mexican pesos could purchase one U.S. dollar. This week, it takes 11 Mexican pesos to purchase one U.S. dollar. This change in the value of the dollar will _______ exports from the United States to Mexico and _______ U.S. aggregate demand.

A) increase; increase
B) decrease; decrease
C) increase; decrease
D) decrease; increase


Question 3583

The basis for trade is comparative advantage, not absolute advantage.

[i]True[/i] or [i]false[/i]?


Question 3584

A positive externality causes

A) the marginal social benefit to be equal to the marginal private cost of the last unit produced.
B) the marginal social benefit to be less than the marginal private cost of the last unit produced.
C) the marginal social benefit to exceed the marginal private cost of the last unit produced.
D) the marginal private benefit to exceed the marginal social cost of the last unit produced.


Question 3585

The International Nickel Company of Canada is often cited as an example of monopoly, but International Nickel eventually lost its monopoly. What event was responsible for this?

A) New technology allowed other firms to achieve network externalities after World War II.
B) The Canadian government, which had owned International Nickel, sold the company after World War II. The government no longer blocked entry into the market for nickel.
C) Competition in the market for nickel increased after nickel fields were developed in Russia after World War II.
D) Competition in the market for nickel increased after Canada signed the North American Free Trade Agreement with the United States and Mexico in 1994.


Question 3586

When people who buy insurance change their behavior after the purchase because they are protected from loss by the insurance, the insurance market is said to face the problem of

A) moral hazard.
B) adverse selection.
C) asymmetric information.
D) economic irrationality.


Question 3587

Better health allows people to work harder, which raises a country's total income. This indicates that in effect, better health

A) is a primary cause of price increases.
B) reduces the incentive to work.
C) shifts out a country's production possibilities frontier.
D) increases consumer surplus.


Question 3588

Suppose when Nablom's Bakery raised the price of its breads by 10 percent, the quantity demanded fell by 15 percent. What was the effect on sales revenue?

A) Sales revenue increased.
B) Sales revenue remained unchanged.
C) Sales revenue decreased.
D) It cannot be determined without information on prices.

Question 3589

The law of diminishing marginal returns
A) sets in because not all workers are equally productive.
B) applies only in the short run.
C) holds even when there are no fixed factors.
D) ultimately explains why production displays diseconomies of scale.

Question 3590

A Nash equilibrium is
A) reached when an oligopoly's market demand and supply intersect.
B) reached when each player chooses the best strategy for himself and for the group.
C) reached when each player chooses the best strategy for himself, given the other strategies chosen by the other players in the group.
D) an equilibrium comprising non-dominant strategies only.

Question 3591

If a country is producing efficiently and is on the production possibilities frontier, the country can produce more of one good without producing less of the other good.
[i]True[/i] or [i]false[/i]?

Question 3592

All else equal, as the price of a product falls, the quantity supplied decreases.
[i]True[/i] or [i]false[/i]?

Question 3593

What is the most common type of business?
A) corporation
B) partnership
C) sole proprietorship
D) They are equally represented because of Federal laws.

Question 3594

Which type of business is the most difficult to set up?
A) sole proprietorship
B) partnership
C) corporation
D) There is no difference in the difficulty of establishment.

Question 3595

The sum of consumer surplus and producer surplus is equal to
A) the deadweight loss.
B) the economic surplus.
C) zero.
D) total profit.

Question 3596

Most economists are concerned about entry barriers. Why is this so important to them?

Question 3597

After selling 1,000 three-ring binders Tony DiFulvio realizes that the marginal revenue from selling the last binder was less than the marginal cost. From this we can conclude that
Question 3598

The Fed seeks to promote stability of financial markets because
A) they want to lift the self-esteem of workers.
B) Congress directed them to do so by the Employment Act of 1946.
C) resources are lost when there is not an efficient matching of savers and borrowers.
D) unstable markets result in increased efficiency.

Question 3599

Once a product becomes established, network externalities may create ________ costs that make consumers reluctant to buy a new product with better technology.
A) external
B) implicit
C) switching
D) marginal

Question 3600

What is behavioral economics?
A) the study of how people make wealth-maximizing decisions
B) the study of how people behave in the face of scarcity
C) the study of situations in which people act in ways that are not economically rational
D) the study of how people make decisions at the margin

Question 3601

Which of the following is not a reason why government officials are willing to impose entry barriers?
A) to raise revenue
B) to encourage innovation which may improve the standard of living in the long run
C) to increase economic efficiency
D) to promote an equitable distribution of income

Question 3602

Which of the following is a part of the "employer mandate" provision of the Patient Protection and Affordable Care Act (ACA)?
A) Every firm with more than 3 full-time employees must offer health insurance to its employees and must automatically enroll them in the plan.
B) small businesses with fewer than 50 employees will be exempt from being required to participate in the program.
C) Firms with more than 50 full-time employees must offer health insurance or pay a $3,000 fine to the federal government for every employee who receives a tax credit from the federal government for obtaining health insurance through a health exchange.
D) Every resident of the United States must have health insurance that meets certain basic requirements.

Question 3603

In the circular flow model, households
A) sell goods and services in the input market.
B) and firms spend earnings from resource sales on goods and services in the factor market.
C) hire resources sold by firms in the factor market.
D) spend earnings from resource sales on goods and services in the product market.

Question 3604

An increase in the interest rate
A) decreases the opportunity cost of holding money.
B) increases the opportunity cost of holding money.
C) decreases the percentage yield of holding money.
D) increases the percentage yield of holding money.

Question 3605

Of the following high-income countries, which has the highest male life expectancy at age 65?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 3606

Which of the following is one reason for the decline in aggregate demand that led to the recession of 2007-2009?
A) falling oil prices
B) increases in housing prices
C) the financial crisis
D) a decline in government spending

Question 3607

Bank reserves include
A) vault cash and deposits with the Federal Reserve.
B) loans to bank customers and deposits with the Federal Reserve.
C) vault cash and loans to bank customers.
D) customer checking accounts and vault cash.
E) deposits with the Federal Reserve and holdings of securities.

Question 3608

Explain why the tax multiplier is different from the government purchases multiplier, in both sign and relative magnitude.

Question 3609

If demand is perfectly elastic, the absolute value of the price elasticity coefficient is
A) infinity.
B) zero.
C) more than one.
D) equal to the absolute value of the slope of the demand curve.

Question 3610

Which of the following is an implicit cost of production?
A) the loss in the value of capital equipment due to wear and tear
B) the salary you pay yourself for running your business
C) the utility bill paid to water, electricity, and natural gas companies
D) the interest you pay your mother for the money she loaned you to start your business

Question 3611

In which of the following countries does health insurance not pay for most preventive care procedures?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 3612

In March 2008, the Fed announced that primary dealers would be eligible to receive discount loans.
Question 3613

Molly Sharp is producing a documentary about the plight of the six-toed ferrets of Sri Lanka. Molly has spent $125,000 of her own money on this project and the documentary is now complete. Molly just found out that no studio is willing to release her documentary and she must now shop it to cable television networks, where she knows she will not be able to recoup her investment. Which of the following statements regarding Molly Sharp's documentary is true?

A) She should not try to have her documentary aired on television because she cannot recoup her $125,000 investment.
B) Since the $125,000 is a sunk cost, she should still try to have her documentary aired on television even though she will not see a profit.
C) The $125,000 is a variable cost, so will not be incurred if she chooses not to have her documentary aired.
D) The $125,000 investment is an economic cost, and she will still make an accounting profit even if the television network willing to air her documentary pays her less than $125,000.


Question 3614

The economic analysis of monopolistic competition shows that market forces eliminate profits in the long run. However, it is possible for a firm to continue to earn economic profits if the firm

A) expands its marketing budget.
B) adopts new technologies that enable it to lower its cost of production.
C) expands its product offerings to appeal to a wider range of consumers.
D) reduces its price to expand its market.


Question 3615

What is the relationship among the AD, SRAS and LRAS curves when the economy is in macroeconomic equilibrium?


Question 3616

An inflation rate of 5% between 2013 and 2014 would be implied by a change in the GDP deflator from ________ in 2013 to ________ in 2014.

A) 105; 115
B) 200; 205
C) 400; 420
D) 375; 390


Question 3617

Of the following high-income countries, which has the highest female life expectancy at age 65?

A) Canada
B) Japan
C) the United Kingdom
D) the United States


Question 3618

If the price of milk was $2.50 a gallon and it is now $3.25 a gallon, what is the percentage change in price?

A) 13 percent
B) 30 percent
C) 75 percent
D) 77 percent


Question 3619

Explain whether each of the following is a fixed cost or a variable cost for Damian Dandridge's tattoo parlor.

a. The payment he makes to buy tattoo ink.
b. The wages he pays his employees.
c. The $500-per-month payment he makes to advertise his shop on highway billboards.
d. The lease payment he makes to the landlord who owns the building where his shop is located.
e. The payment he makes on his liability insurance policy.

<table>
<thead>
<tr>
<th>Question 3620</th>
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</table>
| Monopolistic competition is a market structure in which  
A) firms produce and sell products for which there are no close substitutes.  
B) the demand curve for a typical firm is horizontal.  
C) firms cannot influence the market price.  
D) barriers to entry are low.  

<table>
<thead>
<tr>
<th>Question 3621</th>
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</table>
| If the population increases and input prices decrease, the equilibrium quantity of a product will definitely increase.  
[i]True[/i] or [i]false[/i]?  

<table>
<thead>
<tr>
<th>Question 3622</th>
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</table>
| In the circular flow model, households demand resources such as labor services in the product market.  
[i]True[/i] or [i]false[/i]?  

<table>
<thead>
<tr>
<th>Question 3623</th>
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</table>
| Which of the following demonstrates the endowment effect?  
A) Whelan inherits a cottage in Cape Cod from his grandfather and is unwilling to sell it for sentimental reasons.  
B) Robert Pattinson commands a premium in the movie industry because he is endowed with dashing looks.  
C) Isabella was not willing to part with her "Robert Pattinson" poster although she was offered $100 for it, a sum greater than what it costs to purchase another such poster.  
D) If you received a good as a gift, you are less likely to attach a monetary value to the good.  

<table>
<thead>
<tr>
<th>Question 3624</th>
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</table>
| By tying the salaries of top corporate managers to the price of the corporation's stock, corporations hope to avoid  
A) corporate governance.  
B) conflict between the CFO and the CEO.  
C) the principal-agent problem.  
D) paying high salaries to their managers.  

<table>
<thead>
<tr>
<th>Question 3625</th>
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</table>
| To have a monopoly in an industry there must be  
A) barriers to entry so high that no other firms can enter the industry.  
B) a patent or copyright giving the firm exclusive rights to sell a product for 20 years.  
C) an inelastic demand for the industry's product.  
D) a public franchise, making the monopoly the exclusive legal provider of a good or service.  

<table>
<thead>
<tr>
<th>Question 3626</th>
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</table>
| When you open a checking account at Bank of America, Bank of America  
A) has more reserves and more excess reserves.  
B) has more reserves, but excess reserves remain unchanged.  
C) has more deposits and less in excess reserves.  
D) has more deposits, but excess reserves remain unchanged.  

<table>
<thead>
<tr>
<th>Question 3627</th>
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</table>
| A decrease in the real interest rate will  
A) increase consumption and reduce investment.  
B) increase saving and investment.  
C) decrease investment and government spending.  
D) increase consumption and investment.  
Question 3628
Which of the following price indices comes closest to measuring the cost of living of the typical household?
A) GDP deflator
B) producer price index
C) consumer price index
D) household price index

Question 3629
Consumers and make all economic decisions in a mixed economy.
[i]True[/i] or [i]false[/i]?

Question 3630
Macroeconomics, as opposed to microeconomics, includes the study of what determines the
A) average price levels of goods and services in the economy.
B) price charged for laptop computers by Dell.
C) wages paid to employees by Dell.
D) quantity of Dell employees.

Question 3631
If a person withdraws $500 from his/her checking account and holds it as currency, then M1 will _______ and M2 will _______.
A) increase; decrease
B) not change; not change
C) not change; increase
D) decrease; increase
E) decrease; decrease

Question 3632
The private cost of a good or service is the cost borne by the producer.
[i]True[/i] or [i]false[/i]?

Question 3633
If the U.S. government implements a tariff on Chinese tire imports, the price of Chinese-made tires will _______, the quantity demanded will _______, and consumer surplus will _______.
A) increase; decrease; decrease
B) increase; not change; increase
C) decrease; increase; not change
D) increase; decrease; increase

Question 3634
A doctor pursuing the interests of his patients rather than his own interests is an example of the principal-agent problem.
[i]True[/i] or [i]false[/i]?

Question 3635
If the U.S. dollar increases in value relative to other currencies, how does this affect the aggregate demand curve?
A) This will move the economy up along a stationary aggregate demand curve.
B) This will move the economy down along a stationary aggregate demand curve.
C) This will shift the aggregate demand curve to the left.
D) This will shift the aggregate demand curve to the right.

Question 3636
Dividends are
A) financial securities which represent ownership in a corporation.
B) the yearly payments associated with bonds.
C) the interest rate paid on shares of stock.
D) payments by a corporation to its shareholders.

Question 3637
To affect the market outcome, a price ceiling
A) must be set below the black market price.
B) must be set below the legal price.
C) must be set below the price floor.
D) must be set below the equilibrium price.

Question 3638
What are economies of scale? What are diseconomies of scale?

Question 3639
In economics, the term "free market" refers to a market where products are traded but not sold.
[True] or [false]?

Question 3640
A corporation is the type of business has ________ government rules and regulations affecting it.
A) no
B) the fewest
C) the most
D) only federal

Question 3641
For purposes of monetary policy, the Federal Reserve has targeted the interest rate known as the
A) federal funds rate.
B) Treasury bill rate.
C) discount rate.
D) prime rate.

Question 3642
Horatio can produce either a combination of 15 bird houses and 25 wind chimes or a combination of 30 bird houses and 15 wind chimes. If he now produces 30 bird houses and 15 wind chimes, what is the opportunity cost of producing an additional 10 wind chimes?
A) 2 bird houses
B) 15 bird houses
C) 30 bird houses
D) 45 bird houses

Question 3643
Electric car manufacturers want to sell more electric cars at a higher price. Which of the following events would have this effect?
A) technological advancement in the production of electric car batteries
B) an increase in the number of manufacturers of electric cars
C) a decrease in the price of lithium, which is used in the electric car batteries
D) an increase in the price of gasoline

Question 3644
In what ways do economists and policymakers who believe that market-based reforms are the key to improving the health care system criticize the
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## Question 3645
To reassure investors who were unwilling to buy mortgages in the secondary market, the U.S. Congress used two government sponsored enterprises, [________], to sell bonds to investors and use the funds to purchase mortgages from banks.

A) the Fed and the Treasury Department  
B) Fannie Mae and Freddie Mac  
C) the Securities and Exchange Commission (SEC) and the Federal Trade Commission (FTC)  
D) ACORN and the Federal Housing Administration (FHA)


## Question 3646
What happens in the primary market?

A) primary inputs like electricity are sold  
B) a corporate financial manager will resell previously issued shares of stock  
C) newly issued claims are sold by the borrowing firm to the initial buyer  
D) already issued claims are sold from one investor to another


## Question 3647
"An Inquiry into the Nature and Causes of the Wealth of Nations" published in 1776 was written by

A) John Maynard Keynes.  
B) Karl Marx.  
D) Adam Smith.


## Question 3648
The demand for soft drinks in the United States has been [______] while the global demand has been [______].

A) increasing; increasing  
B) increasing; decreasing  
C) decreasing; increasing  
D) decreasing; decreasing


## Question 3649
The income effect results in consumers increasing the quantity of normal goods demanded when the price falls.

[[True]] or [[False]]?


## Question 3650
Select the phrase that correctly completes the following statement. "An increase in input prices caused a decrease in the supply of baseballs. As a result

A) the price of baseballs increased and the demand for baseballs decreased."  
B) the equilibrium quantity of baseballs increased."  
C) the price of baseballs increased and the quantity demanded of baseballs decreased."  
D) the price of baseballs increased. The higher price caused the supply of baseballs to increase."


## Question 3651
Which of the following is the best example of a firm that competes in a monopolistically competitive market?

A) the U.S. Postal Service  
B) Microsoft  
C) a movie theater  
D) an automobile manufacturer


## Question 3652
At a recent faculty meeting, Lorraine Waverly, president of Skywalker College, announced that enrollment is up by 12 percent over the previous semester. If enrollment the previous semester was 3,250 students, what is the student enrollment this semester?

A) 390  
B) 2,860  
C) 3,640  
D) 4,030  

Question 3653

If demand is inelastic, the absolute value of the price elasticity coefficient is greater than one.  
[i]True[/i] or [i]false[/i]?

Question 3654

Grace Makutsi finally bought a pair of blue shoes that she had been coveting for a long time. In less than a week she discovered that the shoes were uncomfortable. Grace went back to wearing her old pair and stashed away the new pair. When asked by her boss, Mme. Ramotswe why does she not simply give away the new pair, she said: “But I paid so much for them.” Grace’s behavior
A) is rational: she should not discard a valuable item.  
B) ignores the fact that the purchase price is now a sunk cost and has no bearing on whether she should give them away or not.  
C) supports the endowment effect which states that ownership of an item makes it more valuable.  
D) is rational because the more you pay for an item the more valuable it is.

Question 3655

Consider two oligopolistic industries selling the same product in different locations. In the first industry, firms always match price changes by any other firm in the industry. In the second industry, firms always ignore price changes by any other firm. Which of the following statements is true about these two industries, holding everything else constant?
A) Market prices are likely to be higher in the first industry in which firms always match price changes by rival firms than in the second where firms ignore their rivals’ price changes.  
B) Market prices are likely to be lower in the first industry where firms always match price changes by rival firms than in the second where firms ignore their rivals’ price changes.  
C) Market prices are likely to be the same in both markets because they are both oligopolistic markets.  
D) No conclusions can be drawn about the pricing behavior under these very different firm behaviors.

Question 3656

In the long run firms in both monopolistically competitive markets and perfectly competitive markets earn zero economic profits, but unlike perfectly competitive firms in the long run, monopolistically competitive firms
A) charge a price that is greater than average revenue.  
B) charge a price that is equal to marginal cost.  
C) do not produce at minimum average total cost.  
D) charge a price that is equal to average total cost.

Question 3657

The percent increase in the CPI from one year to the next is a measure of the
A) GDP deflator.  
B) unemployment rate.  
C) real interest rate.  
D) inflation rate.

Question 3658

Which of the following statements is true?
A) All individuals in both countries are made better off as a result of international trade.  
B) Within each country, some individuals are made better off as a result of international trade, but one of the countries will be worse off overall.  
C) Although some individuals are made better off as a result of international trade, both countries may be made worse off overall.  
D) Each country as a whole is made better off as a result of international trade, but individuals within each country may be made worse off.
### Question 3659
Which of the following is an example of the U.S. government’s use of a “command and control” approach to reducing pollution?

A) In 1990 Congress approved measures designed to reduce sulfur dioxide emissions to 8.5 million tons annually by 2010.
B) The U.S. government imposed a tax on electric utilities to reduce damages from acid rain.
C) The government issued electric utilities tradable emissions allowances in order to reduce emissions of nitrogen oxide.
D) In the 1980s the U.S. government required the installation of catalytic converters to reduce emissions from all new automobiles.


### Question 3660
Assume that Bulgaria has a comparative advantage in producing sandals and Finland imports sandals from Bulgaria. We can conclude that

A) Bulgaria also has an absolute advantage in producing sandals relative to Finland.
B) Bulgaria has a lower opportunity cost of producing sandals relative to Finland.
C) Finland has an absolute disadvantage in producing sandals relative to Bulgaria.
D) Labor costs are higher for sandal producers in Finland than in Bulgaria.


### Question 3661
How do economists generally rate the Fed’s performance in the 1980s, 1990s, and the early 2000s? Has the public been supportive of their policies? Is there anything on the horizon for the Fed that might cause the public concern?


### Question 3662
Collusion occurs when

A) a firm chooses a level of output to maximize its own profit.
B) two firms’ price and output decisions come into conflict.
C) there is an agreement among firms to charge the same price or otherwise not to compete.
D) firms refuse to follow their price leaders.


### Question 3663
Firms that are price takers

A) must lower their prices to increase sales.
B) are able to sell a fixed quantity of output at the market price.
C) can raise their prices as a result of a successful advertising campaign.
D) are able to sell all their output at the market price.


### Question 3664
Discuss the correct and incorrect economic analysis in the following statements.

“The United Auto Workers Union has successfully negotiated a 9 percent increase in wages for its workers. This increase in the wage rate causes an increase in demand for automobiles, since many consumers now have greater incomes, and also a decrease in the supply of automobiles because the cost of production has increased. These effects cancel each other out resulting in no change in equilibrium price and quantity in the automobile market.”


### Question 3665
What is an economic model?


### Question 3666
Suppose your expenses for this term are as follows: tuition: $12,000, room and board: $6,500, books and other educational supplies: $1,500. Further, during the term, you can only work part-time and earn $3,500 instead of your full-time salary of $14,000. What is the opportunity cost of going to college this term, assuming that your room and board expenses would be the same even if you did not go to college?

A) $13,500
B) $20,000
C) $24,000
D) $30,500

Question 3667

In a graph with output on the horizontal axis and total revenue on the vertical axis, what is the shape of the total revenue curve for a perfectly competitive seller?
A) U-shaped
B) inverted U-shaped
C) a horizontal line
D) a ray from the origin

Question 3668

What is an inside director?
A) a movie director who also appears in the movie
B) a member of a corporate board of directors that is also a manager of the business
C) the CEO that is selected by the corporation's board of directors
D) a board of director chair who has been in the job for at least three years

Question 3669

An economist observes two consumers in a supermarket. One of the consumers buys a case of Coca-Cola and the other buys a case of Pepsi-Cola. Both colas sell for the same price and the ages and incomes of the consumers are also the same. Based on this information, how would the economist explain the consumers' choices?
A) One of the consumers made the wrong choice, but it is impossible to say which one.
B) Both consumers should have considered buying other colas that had lower prices.
C) Both consumers should have purchased less than a case because they would be able to buy more later.
D) Apparently, the consumers had different tastes.

Question 3670

Examining the conditions that could lead to a recession in an economy is an example of macroeconomics topic.
[i]True[/i] or [i]false[/i]?

Question 3671

Economists are reluctant to state that price controls are desirable or undesirable because
A) it is impossible to evaluate the impact on quantity demanded and quantity supplied as a result of price controls.
B) whether the gains from the winners exceed the losses from the losers is not strictly an economic question.
C) sometimes price controls result in increases in economic efficiency and sometimes they result in decreases in economic efficiency.
D) economists are reluctant to conduct positive analysis of price controls.

Question 3672

If a country has an absolute advantage in producing a product, it must also have a comparative advantage in producing that product.
[i]True[/i] or [i]false[/i]?

Question 3673

If a theatre company expects $250,000 in ticket revenue from five performances and $288,000 in ticket revenue if it adds a sixth performance, the
A) marginal revenue of the sixth performance is $48,000.
B) marginal revenue of the sixth performance is $38,000.
C) cost of staging the sixth performance is probably higher than the cost of staging the previous five.
D) company will be making a loss on the sixth performance because its ticket sales will be less than the average received from the previous five.

Question 3674

If the CPI is currently 202, what does this tell you about inflation between last year and this year?
A) There was deflation in the economy between this year and last year.
B) Inflation in the economy between this year and last year was 2%.
C) Inflation in the economy between this year and last year was 102%.
Question 3675

At the profit-maximizing level of output for a perfectly competitive firm, price equals marginal cost. Which of the following is also true?
A) The difference between total revenue and total cost is the greatest.
B) Total revenue equals total cost.
C) Average revenue equals average total cost.
D) Marginal profit equals marginal cost.

Question 3676

If consumers believe the price of tablet computers will increase in the future, this will cause the demand for tablet computers to decrease now.
[i]True[/i] or [i]false[/i]?

Question 3677

The dynamic aggregate demand and aggregate supply model assumes that potential GDP increases over time.
[i]True[/i] or [i]false[/i]?

Question 3678

The additional benefit to a consumer from consuming one more unit of a good or service is the marginal benefit.
[i]True[/i] or [i]false[/i]?

Question 3679

Explain how both renters and landlords could be either winners or losers with the imposition of rent control.

Question 3680

Average fixed cost is equal to
A) the amount of total cost that does not change as output changes in the short run.
B) fixed cost divided by the quantity of output produced.
C) fixed cost multiplied by the quantity of output produced.
D) average total cost plus average variable cost.

Question 3681

Assume that Honduras has a comparative advantage in producing bananas and exports bananas to Brazil. We can conclude that
A) Honduras also has an absolute advantage in producing bananas relative to Brazil.
B) Honduras has a lower opportunity cost of producing bananas relative to Brazil.
C) Brazil has an absolute disadvantage in producing bananas relative to Honduras.
D) Labor costs are higher for banana producers in Brazil than in Honduras.

Question 3682

Before the Great Depression of the 1930s, the majority of government spending took place at the ________ and after the Great Depression the majority of government spending took place at the ________.
A) state and local levels; federal level
B) local level; federal level
C) federal level; state and local levels
D) federal level; state level

Question 3683

When production in an economy grows more quickly than the population in that economy, which of the following must be occurring?
A) Real GDP is falling.
B) Incomes are growing at a slower rate than the population.
C) Real GDP per capita is rising.
D) Living standards are falling.

**Question 3684**

The demand by all the consumers of a given good or service is the ________ for the good or service.
A) market demand
B) quantity demanded
C) law of demand
D) scheduled demand

**Question 3685**

In the United States in 2012, of those companies employing more than 200 workers that offer health care to those workers, about ________ percent of employees accept the coverage.
A) 10
B) 36
C) 62
D) 98

**Question 3686**

If the nominal exchange rate between the American dollar and the New Zealand dollar is 1.36 New Zealand dollars per American dollar, how many American dollars are required to buy a product that costs 3.50 New Zealand dollars?
A) $2.14
B) $2.24
C) $2.57
D) $4.76

**Question 3687**

The overall mortality rate in the United States has remained fairly constant for the past 30 years. [i]True[/i] or [i]false[/i]?

**Question 3688**

What was the source of the problems encountered by many financial firms during the late 2000s?

**Question 3689**

If there are no externalities a competitive market achieves economic efficiency. If there is a negative externality, economic efficiency will not be achieved because
A) too little of the good will be produced.
B) too much of the good will be produced.
C) a deadweight loss will occur that is equal to the area under the demand curve for the good.
D) economic surplus is maximized.

**Question 3690**

Lowering the individual income tax will increase household disposable income and consumption spending. [i]True[/i] or [i]false[/i]?

**Question 3691**

Most doctors and hospitals operate as private businesses in all of the following countries except
A) Canada.
B) Japan.
C) the United Kingdom.
D) the United States.
Question 3692

The problem causing most recessions is too little
A) money (currency plus checking accounts).
B) spending.
C) unemployment.
D) taxes.

Question 3693

Marginal cost is calculated for a particular increase in output by
A) multiplying the total cost by the change in output.
B) multiplying the change in total cost by the change in output.
C) dividing the total cost by the change in output.
D) dividing the change in total cost by the change in output.

Question 3694

When Potbelly sold stock to the public in its IPO, it did so through the NASDAQ market. This was an example of Potbelly raising funds through
A) reinvesting retained earnings.
B) a financial intermediary.
C) dividend reinvestment.
D) a financial market.

Question 3695

Scott is a manager at a pool cleaning business. He has hired 10 workers to clean pools for him and is considering what type of payment scheme he
should set up for his workers. He can pay each of his workers $10 per hour to clean pools, or he can pay his workers $20 for each pool a worker
cleans. (It takes 2 hours, on average, for an employee to clean a pool thoroughly.) If Scott wants to maximize the number of pools his workers clean in
one day, which payment scheme should he use? Explain.

Question 3696

Unlike a perfectly competitive firm, a monopolistic competitor does not have a short-run shut-down point.
[I]True[/I] or [I]false[/I]?

Question 3697

Which of the following contributed to the downfall of the Soviet Union in 1991?
A) public dissatisfaction with low living standards and political repression
B) producing higher-quality goods than were desired by consumers
C) the rapidly increasing standard of living
D) the lack of a strong dictator who can coordinate economic activities

Question 3698

Which of the following is explained by the law of diminishing marginal utility?
A) The marginal utility of Isabel's second bottle of Coca-Cola is greater than the marginal utility of her third bottle of Coca-Cola.
B) The marginal utility of Isabel's second bottle of Coca-Cola is greater than the marginal utility of her third pretzel.
C) The marginal utility of Isabel's second bottle of Coca-Cola is greater than the marginal utility of her friend Margie's third pretzel.
D) The total utility of one bottle of Coca-Cola is greater than the total utility of two bottles of Coca-Cola.

Question 3699

Suppose Bob works for Mary as a proofreader. Mary and Bob fall deeply in love, marry and have eight children. Bob stops working for Mary in order to
care for the children. What will be the effect on GDP?
A) GDP will decrease.
B) GDP will increase.

C) GDP will not change.
D) GDP may increase or may decrease depending on inflation.

Question 3700
The tax multiplier is smaller in absolute value than the government purchases multiplier because some portion of the
A) decrease in taxes will be saved by households and not spent, and some portion will be spent on imported goods.
B) decrease in taxes will be saved by households and not spent, and some portion will be spent on consumer durable goods.
C) increase in government purchases will be saved by households and not spent, and some portion will be spent on imported goods.
D) increase in government purchases will be saved by households and not spent, and some portion will be spent on consumer durable goods.

Question 3701
a. Draw a production possibilities frontier for a country that produces two goods, wine and cheese. Assume that resources are not equally suited to both tasks.
b. Define opportunity costs.
c. Use your production possibilities frontier graph to demonstrate the principle of opportunity costs.

Question 3702
Explain how unemployment changes over the business cycle. Why do these changes occur?

Question 3703
In 2012, employees covered by company-provided health insurance paid ________ percent of the cost of their own health insurance.
A) 3
B) 18
C) 37
D) 65

Question 3704
If bankers become more uncertain regarding future deposits and withdrawals and choose to hold more excess reserves against deposits, the money multiplier will increase.
[i]True[/i] or [i]false[/i]?

Question 3705
What is the trade-off that consumers face when buying the product of a monopolistically competitive firm?
A) Consumers pay higher prices but receive better quality goods compared to the output of perfectly competitive firms.
B) Consumers pay a price greater than marginal cost, but have the luxury of choices more suited to their tastes.
C) Consumers pay higher prices but the products are produced by highly efficient firms.
D) Consumers pay lower prices but have fewer choices.

Question 3706
Which of the following would cause an increase in the supply of cheese?
A) a decrease in the price of wine (assuming that cheese and wine are complements)
B) an increase in the price of cheese
C) an increase the price of a product that producers sell instead of cheese
D) an increase in the number of firms that produce cheese

Question 3707
The process of bundling financial assets together and buying and selling these bundles in a secondary financial market is called
A) open market operations.
B) securitization.
C) fractional reserve lending.
D) seigniorage.
Question 3708
A merger between the Ford Motor Company and General Motors would be an example of a
A) vertical merger.
B) horizontal merger.
C) conglomerate merger.
D) trust.

Question 3709
The real business cycle model focuses on how
A) wage and price stickiness explains fluctuations in real GDP.
B) the labor theory of value is the best measure of value of a good or service.
C) the Federal Reserve should adopt a monetary growth rule.
D) productivity shocks explain fluctuations in real GDP.

Question 3710
Increasing marginal opportunity cost implies that
A) the more resources already devoted to any activity, the payoff from allocating yet more resources to that activity increases by progressively smaller amounts.
B) the more resources already devoted to any activity, the benefits from allocating yet more resources to that activity decreases by progressively larger amounts.
C) that rising opportunity costs makes it inefficient to produce beyond a certain quantity.
D) the law of scarcity.

Question 3711
The term “market” in economics refers to
A) a place where money changes hands.
B) a legal institution where exchange can take place.
C) a group of buyers and sellers of a product and the arrangement by which they come together to trade.
D) an organization which sells goods and services.

Question 3712
An economy without money would have no exchanges of goods and services.
______True______ or ______False______

Question 3713
The production possibilities frontier shows
A) the various products that can be produced now and in the future.
B) the maximum attainable combinations of two products that may be produced in a particular time period with available resources.
C) what an equitable distribution of products among citizens would be.
D) what people want firms to produce in a particular time period.

Question 3714
The highest-valued alternative that must be given up to engage in an activity is the definition of
A) utility.
B) implicit cost.
C) opportunity cost.
D) economic sacrifice.

Question 3715
Cassie’s Quilts alters, reconstructs and restores heirloom quilts. Cassie has just spent $800 purchasing, cleaning and reconstructing an antique quilt
which she expects to sell for $1,500 once she is finished. After having spent $800, Cassie discovers that she would need some special period fabric that would cost her $200 in material and time in order to complete the task. Alternatively, she can sell the quilt "as is" now for $900. What is her marginal benefit if she sells the quilt "as is" now?

A) $100  
B) $900  
C) She makes a marginal loss of $600, not a marginal benefit.  
D) The marginal benefit cannot be determined.


Question 3716

A monopolistically competitive firm faces a downward-sloping demand curve because

A) it is able to control price and quantity demanded. 
B) there are few substitutes for its product.  
C) of product differentiation.  
D) its market decisions are affected by the decisions of its rivals.


Question 3717

By definition, economics is the study of

A) how to make money in the stock market. 
B) how to make money in a market economy. 
C) the choices people make to attain their goals, given their scarce resources. 
D) supply and demand.


Question 3718

Which of the following statements is true about the price elasticity of demand along a downward sloping linear demand curve?

A) It is inelastic at high prices and elastic at low prices. 
B) It is unit-elastic throughout the demand curve.  
C) It is elastic at high prices and inelastic at low prices. 
D) It is perfectly elastic at very high prices and perfectly inelastic at very low prices.


Question 3719

The budget deficit increases during wars and recessions.

[ ] True [ ] False


Question 3720

A successful market economy requires

A) a government-controlled banking system and government price controls. 
B) well-defined property rights and an independent court system to adjudicate disputes based on the law. 
C) generous unemployment benefits and paid medical leave for everyone in the labor force. 
D) an equitable distribution of income and limits on immigration.


Question 3721

Long-run economic profits would most likely exist in which market structure?

A) monopoly, monopolistic competition and oligopoly 
B) monopoly and oligopoly 
C) monopoly and monopolistic competition 
D) monopoly only


Question 3722

In the United States, government policies with respect to monopolies and collusion are embodied in

A) the U.S. Constitution. 
B) common law, which the United States adopted from English law. 
C) the Supreme Court. 
D) antitrust laws.
Question 3723
Both the perfectly competitive firm and the monopolistically competitive firm produce at the output where marginal revenue equals marginal cost (MR = MC) but only the perfectly competitive firm achieves allocative efficiency. Explain why this is the case.

Question 3724
Which of the following is considered expansionary fiscal policy?
A) Congress decreases the income tax rate.
B) Congress increases defense spending.
C) Legislation increases a college tuition deduction from federal income taxes.
D) The Arizona legislature cuts highway spending to balance its budget.

Question 3725
You earn $500 a month, currently have $200 in currency, $100 in your checking account, $2,000 in your savings accounts, $3,000 worth of illiquid assets and $1,000 of debt. You have
A) money = $2,300, annual income = $6,000, and wealth = $5,000.
B) money = $300, annual income = $6,000, and wealth = $4,300.
C) money = $200, annual income = $500, and wealth = $4,300.
D) money = $300, annual income = $6,000, and wealth = $5,000.

Question 3726
When a negative externality exists, the private market produces
A) more than the economically efficient output level.
B) less than the economically efficient output level.
C) products at a low opportunity cost.
D) products at a high opportunity cost.

Question 3727
An advantage of the personal consumption expenditures price index (PCE) over the Consumer Price Index (CPI) as a measure of inflation is that the
PCE
A) includes the prices of more consumer goods and services.
B) includes the prices of consumer goods, but not consumer services.
C) includes the prices of consumer services, but not consumer goods.
D) is a fixed market-basket price index that does not allow the mix of products to change each year.

Question 3728
A patent is an example of
A) how ownership of a key input creates a barrier to entry.
B) a government-imposed barrier to entry.
C) occupational licensing.
D) how market failure can lead to oligopoly.

Question 3729
What are the two effects that explain the Law of Demand? Briefly explain each effect.

Question 3730
A normal rate of return refers to the ________ that investors must earn on the funds they invest in a firm, expressed as a percentage of the amount invested.
A) minimum amount
B) maximum amount
C) total amount
Question 3731

Tesla Motors manufacturers its cars at a plant in Fremont, California. At this plant, Tesla is able to take advantage of the high level of technical training possessed by its American workers, but it also sacrifices the ability to pay lower wages had it chosen to open its plant in a low-wage country such as Mexico, India, or China. In deciding to open the Fremont plant, Tesla

A) faced no trade-offs because employing more technically-skilled workers increased efficiency.
B) faced a trade-off between higher cost and lower precision.
C) adopted a negative technological change because it chose high-skilled workers over low-paid workers.
D) eroded some of its competitiveness in the luxury electric car market because of its increased cost of production.


Question 3732

A financial asset is considered a security if

A) the owner of the security receives dividends and realizes a capital gain when the asset is sold.
B) it can be sold in a secondary market.
C) its value increases after it is sold in a primary market.
D) its value is secure; that is, the owner will not suffer a financial loss when the asset is sold.


Question 3733

The marginal utility per dollar that Harold Stratton receives from oranges is greater than the marginal utility per dollar Harold receives from pears. To maximize his utility, what should Harold do?

A) He should acquire more income so that he can afford to buy more oranges and pears.
B) He should reduce his consumption of both oranges and pears so that he can buy a greater variety of goods.
C) He should buy fewer pears and more oranges.
D) He should buy fewer oranges and more pears.


Question 3734

Which of the following is not one of the ways that the German government ended the hyperinflation of the 1920s?

A) negotiating a new agreement with the Allies (the United States, Great Britain, France, and Italy) that reduced its reparations payments
B) reducing government expenditures and raising taxes to balance its budget
C) raising the required reserve ratio to reduce bank loans
D) replacing the existing mark with a new mark


Question 3735

The government makes all economic decisions in a centrally planned economy.  

[True] or [False]?


Question 3736

________ means the supply curve has shifted to the right, while ________ refers to a movement along a given supply curve in response to an increase in price.

A) An increase in supply; an increase in supply
B) A decrease in supply; an increase in supply
C) An increase in supply; an increase in quantity supplied
D) A decrease in supply; a decrease in quantity supplied


Question 3737

According to the “Rule of 70,” it will take 4 years for real GDP per capita to double when the growth rate of real GDP per capita is

A) 4 percent.
B) 12.25 percent.
C) 17.5 percent.
D) 28 percent.

Question 3738
Terence has $50 per week to spend on Subway sandwiches and milkshakes. The price of a Subway sandwich is $5 and the price of a milkshake is $4. He buys 6 sandwiches and 5 milkshakes. The marginal utility of the 6th sandwich = 25 and the marginal utility of the 5th milkshake = 24. Which of the following is true?
A) He is not maximizing his utility and should buy more milkshakes.
B) He is maximizing his utility.
C) He is not maximizing his utility and should buy more Subway sandwiches.
D) He is not maximizing his utility because he is not spending all of his income.

Question 3739
An economic ________ is a simplified version of some aspect of economic life used to analyze an economic issue.
A) market
B) trade-off
C) variable
D) model

Question 3740
Holding all else constant, an economic expansion in Mexico should decrease the demand for U.S. dollars.
[i]True[/i] or [i]false[/i]?

Question 3741
If the demand for a product increases and the supply of the same product increases, the equilibrium price will increase.
[i]True[/i] or [i]false[/i]?

Question 3742
Which of the following would not be considered a positive addition to household wealth?
A) the equity in one's home
B) 1,000 shares of Microsoft stock
C) a credit card balance
D) the balance in your checking account

Question 3743
Equilibrium in a perfectly competitive market results in the greatest amount of economic surplus, or total benefit to society, from the production of a good. Why, then, did Joseph Schumpeter argue that an economy may benefit more from firms that have market power than from firms that are perfectly competitive?

Question 3744
For productive efficiency to hold
A) price must equal the marginal cost of the last unit produced.
B) price must equal marginal revenue of the last unit sold.
C) average variable cost is minimized in production.
D) average total cost is minimized in production.

Question 3745
The sum of consumer surplus and producer surplus is called economic surplus.
[i]True[/i] or [i]false[/i]?

Question 3746
A successful market economy requires well defined property rights and
A) balanced supplies of all factors of production.
B) an independent court system to adjudicate disputes based on the law.
C) detailed government regulations.
D) a safety net to ensure that those who cannot participate in the market economy can earn an income.

Question 3747
In a market with positive externalities, the market equilibrium price will be greater than the efficient equilibrium price.
[i]True[/i] or [i]false[/i]?

Question 3748
A decrease in interest rates can _______ the demand for stocks as stocks become relatively _______ attractive investments as compared to bonds.
A) increase; more
B) decrease; less
C) decrease; more
D) increase; less
E) increase; similar

Question 3749
In an attempt to bring lenders and borrowers together following the financial crisis of 2008, the Federal Reserve made a large amount of new funds available to financial markets. The Fed expected this to increase in the money supply and the total amount of lending because of the multiplier effect, in which a given amount of new reserves results in a multiple increase in
A) stockholder's equity.
B) bank deposits.
C) long-term debt.
D) required reserves.

Question 3750
The United Kingdom has a health care system under which the government owns most of the hospitals and employs most of the doctors.
[i]True[/i] or [i]false[/i]?

Question 3751
The ratio at which a country can trade its exports for imports from other countries is called comparative advantage.
[i]True[/i] or [i]false[/i]?

Question 3752
When new firms are encouraged to enter a monopolistically competitive market
A) some existing firms must be earning economic profits.
B) they do so because there is insufficient product differentiation.
C) the demand curve facing an existing firm shifts to the right.
D) the marginal cost curve facing an existing firm shifts downwards.

Question 3753
The revenue received from the sale of an additional unit of a product
A) is a marginal benefit to the firm.
B) is called profit.
C) is called gross sales.
D) is called a net gain.

Question 3754
Assume that Australia has a comparative advantage in producing surfboards and New Zealand imports surfboards from Australia. We can conclude that
A) Australia also has an absolute advantage in producing surfboards relative to New Zealand.
B) Australia has a lower opportunity cost of producing surfboards relative to New Zealand.  
C) New Zealand has an absolute disadvantage in producing surfboards relative to Australia.  
D) Labor costs are higher for surfboard producers in New Zealand than in Australia.  

**Question 3755**

Using the Taylor rule, if the current inflation rate exceeds the target inflation rate and real GDP exceeds potential GDP, then the federal funds target rate ______ the sum of the current inflation rate plus the real equilibrium federal funds rate.  
A) will be greater than  
B) will be less than  
C) will be the same as  
D) may be greater than or less than  

**Question 3756**

A perfectly competitive firm has to charge the same price as every other firm in the market. Therefore, the firm  
A) faces a perfectly inelastic demand curve.  
B) is not able to make a profit in the short run.  
C) is a price taker.  
D) faces a perfectly elastic supply curve.  

**Question 3757**

The idea that because of scarcity, producing more of one good or service means producing less of another good or service refers to the economic concept of  
A) optimization.  
B) efficiency.  
C) trade-off.  
D) equity.  

**Question 3758**

When firms exit a perfectly competitive industry, the market supply curve shifts to the left.  
[i]True[/i] or [i]false[/i]?  

**Question 3759**

A nonmonetary opportunity cost is called a(n) ________, while a cost that involves spending money is called a(n) ________.  
A) accounting cost; explicit cost  
B) implicit cost; explicit cost  
C) accounting profit; economic profit  
D) normal rate of return; asset  

**Question 3760**

Absolute advantage is  
A) the ability to produce more of a good or service than competitors when using the same amount of resources.  
B) the ability to produce higher quality goods compared to one's competitors.  
C) the ability to produce a good or service at a higher opportunity cost than one's competitors.  
D) the ability to produce more of a good or service than competitors that have more resources.  

**Question 3761**

Fill in the missing values in the following table. Draw one graph showing how total output increases with the quantity of workers hired, and another graph showing the marginal product of labor and the average product of labor.  
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<thead>
<tr>
<th>Quantity of Workers</th>
<th>Total Output</th>
<th>Marginal Product of Labor</th>
<th>Average Product of Labor</th>
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<td></td>
</tr>
<tr>
<td>3</td>
<td>900</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question 3762
Technological change is a key reason why Wal-Mart has become one of the largest firms in the world. Which of the following is a change in technology implemented by Wal-Mart?
A) Wal-Mart developed a supply chain that allows it to manage inventories efficiently.
B) Instead of buying goods it sells from other companies, Wal-Mart makes many of these goods in its own factories.
C) Wal-Mart employs hundreds of scientists and engineers who develop new cost-saving techniques.
D) Wal-Mart hires managers from many of the top business schools in the United States.

Question 3763
If the price of beef jerky rises, the substitution effect due to the price change will cause
A) an increase in the demand for beef jerky.
B) an increase in the demand for hot sauce, a complement for beef jerky.
C) an increase in the quantity of beef jerky demanded.
D) a decrease in the quantity of beef jerky demanded.

Question 3764
A person's wealth
A) is a measure of how much money the person has.
B) equals the value the person's assets minus his or her liabilities.
C) is measured independent of his or her current and expected future income.
D) All of the above are correct.

Question 3765
In the long run, all of a firm's inputs are variable.
[i]True[/i] or [i]false[/i]?

Question 3766
If a country produces only two goods, it is possible to have an absolute advantage in the production of both those goods.
[i]True[/i] or [i]false[/i]?

Question 3767
There is a government budget surplus if
A) T - TR > G.
B) G > T.
C) G > TR.
D) TR < T.

Question 3768
Policies that mandate the installation of specific pollution control devices are called
A) command and control policies.
B) benefit policies.
C) welfare policies.
D) incentive policies.

Question 3769
All of the following countries come close to the free market benchmark except
A) Canada.
B) North Korea.
Question 3770
Prior to the 1930s, the majority of dollars spent by government was spent at the state and local levels.
[i]True[/i] or [i]false[/i]?

Question 3771
In the short run, a profit-maximizing firm will shut down if its total revenue is greater than its variable costs.
[i]True[/i] or [i]false[/i]?

Question 3772
Although some economists believe network externalities are important barriers to entry, other economists disagree because
A) they believe that the dominant positions of firms that are supposedly due to network externalities are to a greater extent the result of the efficiency of firms in offering products that satisfy consumer preferences.
B) they believe that most examples of network externalities are really barriers to entry caused by the control of a key resource.
C) network externalities are really negative externalities.
D) they believe that the dominant positions of firms that are supposedly due to network externalities are to a greater extent the result of economies of scale.

Question 3773
An increase in interest rates
A) decreases investment spending on machinery, equipment and factories, but increases consumption spending on durable goods and net exports.
B) decreases investment spending on machinery, equipment and factories, and consumption spending on durable goods, but increases net exports.
C) decreases investment spending on machinery, equipment and factories, consumption spending on durable goods, and net exports.
D) increases investment spending on machinery, equipment and factories, consumption spending on durable goods, and net exports.

Question 3774
Some economists argue that Microsoft become a monopoly in the market for computer software by developing MS-DOS, an operating system used for the first IBM personal computers. The more people who used MS-DOS-based programs, the greater the usefulness of a using a computer with an MS-DOS operating system. The explanation for Microsoft's monopoly is
A) the development of new technology that other firms could not copy.
B) control of a key resource which, in this case, is the MS-DOS operating system.
C) network externalities.
D) patents Microsoft obtained when it developed the MS-DOS operating system.

Question 3775
Congress has divided the authority to police mergers between the Antitrust Division of the U.S. Department of Justice (AD) and the Federal Trade Commission (FTC). How is this authority divided?
A) The AD decides whether proposed horizontal mergers will be challenged; the FTC decides whether proposed vertical mergers will be challenged.
B) Both the AD and the FTC are responsible for merger policy.
C) The AD always renders its opinion on any proposed merger first. If the AD approves the merger, the case then goes to the FTC for final approval. If the AD disallows the merger, the decision stands and the FTC does not become involved.
D) The AD establishes the guidelines that are used to evaluate proposed mergers; the FTC uses these guidelines to decide whether a proposed merger will be allowed to take place.

Question 3776
The additional cost to a firm of producing one more unit of a good or service is equal to producer surplus.
[i]True[/i] or [i]false[/i]?

Question 3777
Both buyers and sellers are price takers in a perfectly competitive market because
A) the price is determined by government intervention and dictated to buyers and sellers.
B) each buyer and seller knows it is illegal to conspire to affect price.
C) both buyers and sellers in a perfectly competitive market are concerned for the welfare of others.
D) each buyer and seller is too small relative to others to independently affect the market price.

Question 3778

For consumers who opt to pay a $10 monthly fee to have unlimited texting on their cell phones, but choose not to pay a $5 monthly fee to have unlimited call minutes, the unlimited texting option has a ________ than the unlimited minutes option.
A) higher price elasticity of demand
B) higher cross-price elasticity of demand
C) lower price elasticity of demand
D) lower cross-price elasticity of demand

Question 3779

When goods and services are produced at the lowest possible cost, ________ occurs.
A) allocative efficiency
B) productive efficiency
C) equity
D) efficient central planning

Question 3780

Why might a young, healthy person choose not to buy health insurance?

Question 3781

The General Agreement on Tariffs and Trade (GATT) was formed to replace the World Trade Organization (WTO) because the WTO was empowered only to reduce barriers to trade in goods. The GATT is an agreement to reduce barriers to trade in goods, services and intellectual property.
[i]True[/i] or [i]false[/i]?

Question 3782

As the number of firms in a market decreases, the supply curve will shift to the left and the equilibrium price will fall.
[i]True[/i] or [i]false[/i]?

Question 3783

For each bottle of wine that Italy produces, it gives up the opportunity to make 10 pounds of cheese. France can produce 1 bottle of wine for every 25 pounds of cheese it produces. Which of the following is true about the comparative advantage between the two countries?
A) Italy has the comparative advantage in cheese.
B) Italy has the comparative advantage in wine.
C) France has the comparative advantage in wine and cheese.
D) France has the comparative advantage in wine.

Question 3784

Which of the following statements is true?
A) An inverse relationship has a positive slope value.
B) A direct relationship has a negative slope value.
C) A curved line has slope values that change at every point.
D) A straight line has a slope of one.

Question 3785

If, for the last bushel of apples produced and sold by an apple farm marginal revenue exceeds marginal cost, then in producing that bushel the farm
A) added more to total cost than it added to total revenue.
B) added an equal amount to both total revenue and total cost.
C) added more to total revenue than it added to total cost.
D) maximized its profits or minimized its losses.

Question 3786
Which of the following is not an example of a government-imposed entry barrier?
A) patents
B) occupational licensing
C) barriers to international trade
D) antitrust legislation

Question 3787
An equilibrium in a game in which players pursue their own self-interests and do not cooperate is called a
A) cartel equilibrium.
B) noncooperative equilibrium.
C) prisoner's dilemma equilibrium.
D) dominant strategy equilibrium.

Question 3788
Economic costs include implicit costs but not explicit costs.
[i]True[/i] or [i]false[/i]?

Question 3789
Which of the following statements is true?
A) Whenever a firm raises its price its total revenue will increase.
B) When a firm lowers its price its total revenue may either increase or decrease.
C) Whenever a firm increases its quantity sold its revenue will increase.
D) Total revenue will equal zero when the demand for a product is unit-elastic.

Question 3790
To offset the effect of households and firms deciding to hold more of their money in checking account deposits and less in currency, the Federal Reserve could
A) raise bank taxes.
B) sell Treasury securities.
C) raise government spending.
D) lower the required reserve ratio.

Question 3791
Which of the following is not counted in M1?
A) checking account balances
B) credit card balances
C) coins in circulation
D) currency in circulation
E) traveler's check balances

Question 3792
One would speak of a change in the quantity of a good supplied, rather than a change in supply, if
A) supplier expectations about future prices change.
B) the price of the good changes.
C) the cost of producing the good changes.
D) prices of substitutes in production change.
Question 3793
A dominant strategy
A) is one that is the best for a firm, no matter what strategies other firms use.
B) is one that a firm is forced into following by government policy.
C) involves colluding with rivals to maximize joint profits.
D) involves deciding what to do after all rivals have chosen their own strategies.

Question 3794
In September, buyers of silver expect that the price of silver will rise in October. What happens in the silver market in September, holding all else constant?
A) The quantity demanded decreases.
B) The demand curve shifts to the left.
C) The demand curve shifts to the right.
D) The quantity demanded increases.

Question 3795
In the short run, if price falls below a firm's minimum average total cost, the firm should shut down.
[i]True[/i] or [i]false[/i]?

Question 3796
Suppose that when the price of oranges decreases, the Sarita decreases her purchases of peaches. To Sarita
A) oranges and peaches are complements.
B) oranges and peaches are inferior goods.
C) oranges and peaches are normal goods.
D) oranges and peaches are substitutes.

Question 3797
Which of the following is the best example of a perfectly competitive industry?
A) wheat production
B) steel production
C) electricity production
D) airplane production

Question 3798
Economist Jerry Hausman estimated the price elasticity of demand for breakfast cereal. He found that
A) the price elasticity for a particular brand of raisin bran was the same as the elasticity of demand for all family cereals.
B) the price elasticity of demand for Post Raisin Bran is less than the price elasticity of demand for Kellogg's Raisin Bran.
C) the price elasticity of all family breakfast cereals is greater than the price elasticity of demand for Post Raisin Bran or Kellogg's Raisin Bran.
D) the price elasticity of demand for a particular brand of raisin bran was larger in absolute value than the elasticity for all family cereals.

Question 3799
Producing a homogeneous product occurs in which of the following industries?
A) oligopoly, monopolistic competition and perfect competition
B) perfect competition only
C) oligopoly and perfect competition
D) monopolistic competition and perfect competition

Question 3800
Consumers usually pay less than the total cost of medical treatment because
A) a third party, usually an insurance company, often pays most of the bill.
B) the federal government pays for most medical procedures.
C) competition forces doctors and hospitals to charge prices that do not cover their costs.
D) a third party, usually an employer, often pays most of the bill.


**Question 3801**

Explain how the CPI is constructed.


**Question 3802**

Which of the following characterizes the market that Starbucks competes in?

A) All coffeehouses face horizontal demand curves.
B) Coffeehouses sell identical products.
C) Barriers to entry are low.
D) There are a small number of firms.


**Question 3803**

If the price of automobiles was to increase, then

A) the demand for gasoline would decrease.
B) the demand for gasoline would increase.
C) the supply of gasoline would increase.
D) the quantity demanded of gasoline would decrease.


**Question 3804**

Pookie's Pinball Palace restores old Pinball machines. Pookie has just spent $300 purchasing and cleaning a 1960s-era machine which he expects to sell for $2,000 once he is finished with the restoration. After having spent $300, Pookie discovers that he will need to rewire the entire machine at a cost of $1,100 in order to finish the restoration. Alternatively, he can sell the machine "as is" now for $1,000. What should he do?

A) He should sell the machine now to make the most profit.
B) It does not matter what he does; he is going to take a loss on his project.
C) He should rewire the machine, complete the task and then sell the machine.
D) He should have never purchased the machine because he has already spent too much time on it and has not been paid for that time.


**Question 3805**

Average total cost is equal to

A) average fixed cost minus average variable cost.
B) total cost divided by the level of output.
C) marginal cost plus variable cost.
D) total cost divided by the number of workers.


**Question 3806**

A snack shop inside a hotel in a busy city has a monopoly on food sales if it is the only food vendor in the hotel that is open 24 hours a day.

[ ] True [ ] False


**Question 3807**

A transfer payment is a payment by the government to an individual

A) for a service.
B) for an investment good.
C) for a consumption good.
D) for which the government does not receive a good or service in return.
E) for a debt owed.


**Question 3808**

Despite being in a market with ________, from the mid-1990s to the mid-2000s Starbucks was able to significantly differentiate its products from the products of its competitors.
A) few barriers to entry  
B) significant barriers to entry  
C) blocked entry  
D) no barriers to entry  

Question 3809

The most profitable price for a monopolist is  
A) the highest price a consumer is willing to pay for the monopolist's product.  
B) the price at which demand is unit-elastic.  
C) a price that maximizes the quantity sold.  
D) the price for which marginal revenue equals marginal cost.  

Question 3810

Tanesha sells homemade candles over the Internet. Her annual revenue is $64,000 per year, the explicit costs of her business are $17,000, and the opportunity costs of her business are $22,000. What is her accounting profit?  
A) $17,000  
B) $22,000  
C) $47,000  
D) $64,000  

Question 3811

Which of the following would be categorized as an opportunity cost?  
a.not being able to spend your $10,000 savings if you sink the money in your business  
b.the cost of purchasing supplies for your house-cleaning business  
c.the cost of purchasing auto insurance for your dry-cleaning delivery business  
A) a only  
B) a and c only  
C) b and c only  
D) all of the above  

Question 3812

________ shows that if all resources are fully and efficiently utilized, more of one good can be produced only by producing less of another good.  
A) Comparative advantage  
B) Absolute advantage  
C) The mixed market system  
D) The production possibilities frontier model  

Question 3813

Because consumers who have insurance provided by their employers usually only pay a deductible for a visit to the doctor's office  
A) they demand a larger quantity of health care services than they would if they paid a price that better represented the true cost of providing the service.  
B) they demand a smaller quantity of health care services than they would if they paid a price that better represented the true cost of providing the service.  
C) the doctors supply a smaller quantity of health care services than they would if the consumer paid a price that better represented the true cost of providing the service.  
D) the insurance companies provide a larger quantity of health care services than they would if the consumer paid a price that better represented the true cost of providing the service.  

Question 3814

If it costs Danitra $225 to create 4 necklaces and $275 to create 5 necklaces, then $50 is the marginal cost of producing the 5th necklace.  
[i]True[/i] or [i]false[/i]?  

Question 3815
Consider a country that produces only two goods: kayaks and coconuts. Suppose it is possible for this country to increase its production of kayaks without producing fewer coconuts. In this case, its current output combination is efficient.

[i]True[/i] or [i]false[/i]?

**Question 3816**

If a firm’s fixed cost exceeds its total revenue, the firm should stop production by shutting down temporarily.

[i]True[/i] or [i]false[/i]?

**Question 3817**

Which of the following parties is likely to have the most information about the health of an individual who is trying to purchase a health insurance policy?
A) the company that issues the health insurance policy
B) the individual who is applying for the health insurance policy
C) the employer of the individual who is trying to purchase the health insurance policy
D) All parties in the health insurance market have access to the same level of information.

**Question 3818**

What actions should the Fed take if it believes the economy is about to fall into recession?

**Question 3819**

What are the five most important variables that shift the market supply curve?

**Question 3820**

Explain the similarities and differences between the long-run equilibrium for a perfectly competitive firm and a monopolistically competitive firm. Illustrate your answer with a graph demonstrating the long run equilibrium for the two types of firms.

**Question 3821**

The unemployment rate is too high is an example of a positive economic statement.
[i]True[/i] or [i]false[/i]?

**Question 3822**

The Federal Reserve cut the federal funds rate seven times between September 2007 and March 2008. What event led the Fed to make these reductions in the federal funds rate?
A) It was in response to reductions in the discount rate, which was also lowered seven times over the same time period.
B) The chairman of the Federal Reserve System persuaded members of the Federal Open Market Committee to lower interest rates in order to reduce the price of oil in international markets.
C) During this period there was a substantial reduction in the demand for housing.
D) Several large investment banks failed during this time period.

**Question 3823**

Increases in the price level
A) increase the opportunity cost of holding money.
B) decrease the opportunity cost of holding money.
C) increase the quantity of money needed for buying and selling.
D) decrease the quantity of money needed for buying and selling.

**Question 3824**

Profit is the difference between
A) marginal revenue and marginal cost.
B) total revenue and variable cost.
C) total revenue and total explicit cost.
D) total revenue and total cost.

Question 3825

Which of the following is an example of positive technological change?
A) A firm offers workers a higher wage to work on weekends and at night. As a result, the firm is able to increase its weekly production of surf boards.
B) A firm buys an additional machine that it uses to make surf boards. As a result, the firm is able to increase its weekly production of surf boards.
C) A firm conducts a new advertising campaign. As a result, the demand for the firm's surf boards increases.
D) A firm's workers participate in a training program designed to increase the number of surf boards they can produce per day.

Question 3826

Which of the following would shift the supply curve for smartphones to the right?
A) an increase in the price of a substitute in production
B) an increase in consumer income (assuming that all smartphones are normal goods)
C) a decrease in the number of firms that produce smartphones
D) a decrease in the price of an input used to produce smartphones

Question 3827

Which of the following is a common mistake consumers commit when they make decisions?
A) They take into account nonmonetary opportunity costs but ignore monetary costs.
B) They are overly pessimistic about their future behavior.
C) They fail to ignore sunk costs.
D) They sometimes value fairness too much.

Question 3828

a. What is the World Trade Organization?
b. When was it established?
c. How many countries are members of the World Trade Organization?

Question 3829

The president of Toyota's Georgetown plant was quoted as saying, "Demand for high volumes saps your energy. Over a period of time, it eroded our focus [and] thinned out the expertise and knowledge we painstakingly built up over the years." This quote suggests that
A) Toyota was experiencing an excess demand for its automobiles which it had difficulty keeping up with.
B) as Toyota expanded its capacity, it experienced diseconomies of scale.
C) Toyota was focused on "churning" out cars for which it did not invest sufficiently in training its workers.
D) high demand for Toyota's cars prevented the company from focusing on its strength: auto design.

Question 3830

Suppose Argyile Sachs has to choose between building a smaller sweater factory and a larger sweater factory. In the following graph, the relationship between costs and output for the smaller factory is represented by the curve ATC1, and the relationship between costs and output for the larger factory is represented by the curve ATC2.

a. If Argyile expects to produce 3,600 sweaters per month, should he build a smaller factory or a larger factory? Briefly explain?
b. If Argyile expects to produce 5,000 sweaters per month, should he build a smaller factory or a larger factory? Briefly explain.
c. If the average cost of producing sweaters is lower in the larger factory when Argyile produces 6,500 sweaters per week, why isn't it also lower when Argyile produces 4,000 sweaters per week?

Question 3831

The proponents of rational expectations and monetarism think that the Federal Reserve should adopt
A) an inflation target.
B) a monetary aggregate target.
C) a constant monetary growth rule.
D) an interest rate target.
Question 3832

When consumers are less confident about their jobs or incomes, they are more likely to
A) reduce purchases of durable goods than nondurable goods.
B) reduce purchases of nondurable goods and increase purchases of durable goods.
C) increase investment spending and decrease consumption spending.
D) increase consumption spending and decrease investment spending.

Question 3833

President Bush lowered income taxes for individuals in 2001. Explain how lower income taxes affect the aggregate demand curve.

Question 3834

Which of the following would cause both the equilibrium price and equilibrium quantity of oysters (assume that oysters are a normal good) to decrease?
A) an increase in consumer income
B) an oil spill that sharply reduces oyster output
C) a decrease in consumer income
D) a technological advancement in the production of oysters

Question 3835

In an oligopoly, minimum efficient scale is likely to occur at a level of output that is a large fraction of industry sales.
[i]True[/i] or [i]false[/i]?

Question 3836

Briefly describe changes in life expectancy, average height, and infant mortality in the United States since 1850.

Question 3837

Long-run macroeconomic equilibrium occurs when aggregate demand ________ short-run aggregate supply and they ________ the long-run supply curve.
A) equals; intersect at a point to the right of
B) equals; intersect at a point on
C) is greater than; intersect at a point to the left of
D) is less than; intersect at a point to the right of

Question 3838

Dividing the dividend payment by the stock’s closing market price determines the
A) coupon payment.
B) dividend yield.
C) price-earnings ratio.
D) selling price of the stock.

Question 3839

In the market for insurance,
A) buyers often have more information than sellers.
B) sellers often have better information than buyers.
C) sellers are protected from lawsuits brought by buyers.
D) demand is perfectly inelastic because, by law, home owners and automobile drivers must have insurance.

Question 3840

In most circumstances, employees do not pay taxes on the value of health insurance their employers provide them.
[i]True[/i] or [i]false[/i]?
Question 3841

A surplus occurs when the market price is lower than the equilibrium price. [i]True[/i] or [i]false[/i]?

Question 3842

In the United States, the bulk of health care spending is paid by health insurance companies. Such a system is also called third-party payer system where consumers of health care pay a nominal fee and the rest are paid by the health insurance provider. Why might such a system lead to an inefficient outcome?
A) Health insurance companies have an incentive to control cost and therefore tend to deny consumers many cutting edge medical treatments.
B) Consumers have an incentive to over-consume health care services because they pay prices well below the cost of providing these services.
C) Physicians concerned that insurance companies may not approve payments tend not to order expensive tests for their patients.
D) Consumers fearing that excessive use of health care services may lead to a rise in insurance premiums tend to under-consume health care services.

Question 3843

What is a Pigovian tax? What happens to deadweight loss when a Pigovian tax is implemented?

Question 3844

DeShawn's Detailing is a service that details cars at the customers' homes or places of work. DeShawn's cost for a basic detailing package is $40, and he charges $75 for this service. For a total price of $90, DeShawn will also detail the car's engine, a service that adds an additional $20 to the total cost of the package. What is the marginal cost of adding the engine detailing to the basic detailing package?
A) $20
B) $30
C) $60
D) $60 plus the value of his time

Question 3845

Rent control is an example of
A) a subsidy for low-skilled workers.
B) a price floor.
C) a price ceiling.
D) a black market.

Question 3846

If real GDP in a closed economy is $40 billion, consumption is $20 billion, and government purchases are $10 billion, what is investment?
A) $10 billion
B) $30 billion
C) $40 billion
D) $70 billion

Question 3847

Last year, the Pottery Palace supplied 8,000 ceramic pots at $40 each. This year, the company supplied the same quantity of ceramic pots at $55 each. Based on this evidence, The Pottery Palace has experienced
A) a decrease in supply.
B) an increase in supply.
C) an increase in the quantity supplied.
D) a decrease in the quantity supplied.

Question 3848

A monopolistically competitive industry that earns economic profits in the short run will face a more elastic demand curve in the long run.
Question 3849
If currency speculators decide that the value of the dollar should rise in the future relative to the yen, this will increase the demand for dollars and decrease the supply of dollars.
[i]True[/i] or [i]false[/i]?

Question 3850
In the short run, marginal product of labor increases at first and then falls because
A) as more labor is hired, they are not as skilled as the first ones hired.
B) there are fewer opportunities for division of labor and specialization when fewer workers are hired.
C) managerial inefficiency sets in when a firm gets too large.
D) the new workers do not have as much experience as those who have been with the firm for a long time and therefore are not as productive.

Question 3851
If the economy is slipping into a recession, which of the following would be an appropriate fiscal policy?
A) an increase in the money supply and a decrease in interest rates
B) a decrease in government purchases
C) a decrease in taxes
D) a decrease in oil prices

Question 3852
Because the copyright on the L. Frank Baum book The Wonderful Wizard of Oz expired many years ago, the actual written words from the book are in the public domain. Publishers who now choose to sell their own versions of the book
A) can claim copyright of Baum's words if they are the first to publish the book after the original copyright expired.
B) can claim copyright of Baum's words no matter how many versions are published, since the original is in the public domain.
C) can not claim copyright of Baum's words since they are in the public domain, but can claim copyright on any new design or illustrations created for the book.
D) can not claim copyright of Baum's words, or on any new design or illustrations created for the book, since the original written words are in the public domain.

Question 3853
Money market mutual funds sell shares to investors and use the money to buy
A) mortgage-backed securities.
B) foreign currency.
C) short-term securities.
D) overseas assets through foreign direct investment.

Question 3854
When a firm experiences a positive technological change
A) the price of a share of the firm's stock rises.
B) the firm is able to produce more output using the same inputs, or the same output using fewer inputs.
C) the value of the firm's assets rises.
D) the firm will hire additional workers in order to increase production.

Question 3855
When the Fed embarked on a policy known as quantitative easing, they
A) slowly lowered the federal funds rate target until it was equal to zero.
B) they reduced the required reserve ration by one-quarter point per month for 12 months.
C) bought longer-term securities than are usually bought in open market operations.
D) opened up lending to primary dealers, commercial banks, and investment banks.
Question 3856
The four-firm concentration ratio of the aircraft industry is over 80 percent. Most economists would consider this industry an oligopoly. [i]True[/i] or [i]false[/i]?

Question 3857
Liquidity refers to
A) the ease with a stock can be traded for a bond.
B) the ease with which a financial security can be traded for cash.
C) the number of times a dollar changes hands in the creation of GDP in an economy.
D) the number of shares of stock a corporation issues.

Question 3858
All of the following are assumptions made by the dynamic model of aggregate demand and aggregate supply except
A) aggregate demand and potential real GDP decrease continuously.
B) the aggregate demand curve shifts to the right during most periods.
C) potential real GDP increases continuously.
D) the short-run aggregate supply curve shifts to the right except during periods when workers and firms expect higher wages.

Question 3859
What does the word "marginal" mean in economics? What is a marginal benefit? What is a marginal cost? What is marginal analysis?

Question 3860
Scarcity refers to a situation in which unlimited wants exceed the limited resources available to fulfill those wants. [i]True[/i] or [i]false[/i]?

Question 3861
If 11 workers can produce a total of 54 units of a product and a 12th worker has a marginal product of 6 units, then the average product of 12 workers is
A) 60 units.
B) 54 units.
C) 48 units.
D) 5 units.

Question 3862
Federal government expenditures, as a percentage of GDP
A) have risen since the early 1950s to the present.
B) have fallen since the early 1950s to the present.
C) rose from 1950 to 1991, fell from 1992 to 2001, and have risen from 2001 to the present.
D) rose from 1950 to 2001 and then fell from 2001 to the present.
E) rose from 1950 to 1980, fell from 1981 to 2001, and have risen from 2001 to the present.

Question 3863
Marginal cost is the ________ associated with undertaking an activity.
A) total cost
B) extra cost.
C) opportunity cost.
D) foregone cost.

Question 3864
Long-run equilibrium under monopolistic competition is similar to that under perfect competition in that
A) firms produce at the minimum point of their average cost curves.
B) price equals marginal cost.
C) firms earn normal profits.
D) price equals marginal revenue.

Question 3865
A monopoly firm’s demand curve
A) is the same as the market demand curve.
B) is perfectly inelastic.
C) is more inelastic than the demand curve for the product.
D) is inelastic at high prices and elastic at lower prices.

Question 3866
The federal government debt equals
A) tax revenues minus government spending.
B) government spending minus tax revenues.
C) the accumulation of past budget deficits.
D) the total value of U.S. Treasury bonds outstanding.

Question 3867
What is a black market?

Question 3868
On the long-run aggregate supply curve
A) an increase in the price level increases the aggregate quantity of GDP supplied.
B) an increase in the price level reduces the aggregate quantity of GDP supplied.
C) an increase in the price level has no effect on the aggregate quantity of GDP supplied.
D) an increase in the price level increases the level of potential GDP.

Question 3869
If the bank of Waterloo receives a $10,000 deposit, and the reserve requirement is 10 percent, how much can the bank loan out? (Assume that before the deposit this bank is just meeting its legal reserve requirement.)
A) $1,000
B) $9,000
C) $10,000
D) $11,000

Question 3870
Which of the following are examples of a firm experiencing a positive technological change?
a. A firm is able to reduce its inputs by 15 percent and still produce the same level of output.
b. A seminar attended by the firm’s workers makes them more productive.
c. A firm adds 5 percent to its workforce and is able to maintain its initial level of output.
d. A firm restructures its distribution system and is able to save on its shipping times.
e. A firm rearranges its warehouse and finds that it can use fewer workers to maintain its productivity level.

Question 3871
The long-run aggregate supply curve shows the relationship between the _______ and ________.
A) inflation rate; quantity of real GDP demanded
B) real interest rate; quantity of real GDP supplied
C) nominal interest rate; quantity of real GDP supplied
D) price level; quantity of real GDP supplied
Question 3872

Which of the following describes what the Fed would do to pursue an expansionary monetary policy?
A) use open market operations to buy Treasury bills
B) use open market operations to sell Treasury bills
C) use discount policy to raise the discount rate
D) raise the reserve requirement

Question 3873

_______ dictates the lowest wage that firms may pay for labor.
A) A maximum wage requirement
B) A minimum wage law
C) The black market wage
D) A price ceiling wage

Question 3874

What is opportunity cost?

Question 3875

A government tax rebate of $1,000 would ______ your disposable income by ______.
A) increase; less than $1,000
B) increase; $1,000
C) decrease; less than $1,000
D) decrease; $1,000

Question 3876

Inflation is generally the result of total spending growing faster than total production.
[True] or [False]?

Question 3877

Before its IPO, Facebook was an example of a private firm. As a private firm, Facebook was
A) not subject to government regulations and taxation.
B) run by stockholders and a board of directors.
C) run by its founder, Mark Zuckerberg.
D) not legally allowed to raise funds through venture capital firms.

Question 3878

At a recent company meeting, Geraldine Erwin, sales manager of Dastoria, a flavored beverage producer announced, “We have increased our sales by 8 percent in just six months.” Suppose six months ago, its sales amounted to $452,000, what is the value of its sales today?
A) $36,160
B) $415,840
C) $488,160
D) $565,000

Question 3879

If a typical monopolistically competitive firm is making short-run losses, then
A) other more competitive firms will enter the market.
B) as some firms leave, the remaining firms will experience an increase in the demand for their products.
C) as some firms leave, the demand for the products of the remaining firms will become more elastic.
D) the industry will eventually cease to exist.
Question 3880
What is the difference between explicit collusion and implicit collusion?

Question 3881
Compared to a monopolistic competitor, a monopolist faces
A) a more elastic demand curve.
B) a more inelastic demand curve.
C) a more elastic demand curve at higher prices and a more inelastic demand curve at lower prices.
D) a demand curve that has a price elasticity coefficient of zero.

Question 3882
Doctors have ________ incentive to control their costs when consumers ________ for a visit to the doctor's office.
A) more; only pay a deductible
B) less; only pay a deductible
C) less; pay entirely out of pocket
D) more; have a third-party payer that pays

Question 3883
Which of the following would cause the dollar to depreciate?
A) an increase in the demand for dollars
B) a decrease in the demand for dollars
C) a decrease in the supply of dollars
D) a decrease in the demand for imports from foreign countries

Question 3884
Why does the substitution bias cause the consumer price index to overstate inflation and the cost of living? Why does the increase in quality bias cause the consumer price index to overstate inflation and the cost of living?

Question 3885
For a monopolistically competitive firm, marginal revenue
A) equals the price.
B) is greater than the price.
C) is less than the price.
D) and price are unrelated.

Question 3886
Suppose you withdraw $1,000 from your savings account and put it in your checking account. Briefly explain how this will affect M1 and M2.

Question 3887
In the United States, consumption per-person of carbonated soft drinks ________ between 2005 and 2013.
A) declined by more than 15 percent
B) increased by approximately 22 percent
C) fell by almost 80 percent
D) remained virtually unchanged

Question 3888
Which of the following is a positive economic statement?
A) People should not buy SUVs.
B) The government should mandate electric automobiles.
C) Scarcity necessitates that people make trade-offs.
D) Foreign workers should not be allowed to work for lower wages than the citizens of a country.


**Question 3889**

An example of a barrier to entry is
A) product differentiation.
B) high profits.
C) superior technological knowledge.
D) increasing marginal costs


**Question 3890**

Firms such as Caribou Coffee and Diedrich Coffee operate hundreds of coffeehouses nationwide while firms such as Dunn Brothers Coffee operate only in four states. How would you characterize these stores?
A) Caribou Coffee and Diedrich Coffee are oligopolists while Dunn Brothers is a monopolistic competitor.
B) Caribou Coffee and Diedrich Coffee are duopolists while Dunn Brothers is a monopolistic competitor.
C) Caribou Coffee and Diedrich Coffee are duopolists while Dunn Brothers is an oligopolist.
D) They are all monopolistic competitors.


**Question 3891**

A supply shock causes the long-run aggregate supply curve to shift left, decreasing the price level.
[i]True[/i] or [i]false[/i]?


**Question 3892**

One reason Zimbabwe suffered from hyperinflation is that the government had decided to pay for all of its expenses by
A) selling Treasury bonds to foreign governments.
B) selling its government-run oil company to a private company, which then defaulted on its payment.
C) raising interest rates to attract foreign direct investment, then nationalizing the foreign-owned facilities.
D) printing more and more money.


**Question 3893**

Soldiers in a World War II prisoner-of-war camp
A) used gold as a fiat money.
B) used cowrie shells as money.
C) used cigarettes as money.
D) used U.S. dollars as a commodity money.


**Question 3894**

Minimum efficient scale is defined as the level of output at which the short-run average total cost stops decreasing.
[i]True[/i] or [i]false[/i]?


**Question 3895**

Suppose the equilibrium real federal funds rate is 5 percent, the target rate of inflation is 3 percent, the current inflation rate is 5 percent, and real GDP is 4 percent above potential real GDP. If the weights for the inflation gap and the output gap are both 1/2, then according to the Taylor rule the federal funds target rate equals
A) 1 percent.
B) 9 percent.
C) 13 percent.
D) 17 percent.


**Question 3896**

Adverse selection refers to the actions people take after they have entered into a transaction that make the other party to the transaction worse off.
[i]True[/i] or [i]false[/i]?
Question 3897

________ is/are the payment for the factor of production ________.
A) Wages; capital
B) Interest; labor
C) Profit; entrepreneurship
D) Rent; capital

Question 3898

When a firm experiences negative technological change it can produce the same output with fewer inputs.  
[i]True[/i] or [i]false[/i]?

Question 3899

What is the relationship between marginal revenue and average revenue for a monopolist and is it the same for a perfect competitor?

Question 3900

Ceteris paribus, in the long run, a negative supply shock causes
A) the long-run aggregate supply curve to shift to the left.
B) the price level to rise initially, and then return to its lower level.
C) unemployment to fall below its short-run level.
D) equilibrium real GDP to fall.

Question 3901

Suppose that at a price of $55, 100 units were sold while at a price of $33, 153 units were sold. Without calculating the price elasticity value, can you determine whether demand is elastic, unit-elastic, or inelastic? Explain your answer.

Question 3902

If, for a given percentage increase in price, quantity demanded falls by a proportionately smaller percentage, then demand is
A) unit-elastic.
B) perfectly elastic.
C) relatively inelastic.
D) relatively elastic.

Question 3903

In recent economic history, the U.S. federal budget was in surplus during
A) 2001 through 2005.
C) 1990 through 1997.

Question 3904

Suppose Renee can increase her total utility from consuming video rentals and books by buying one more book and renting one fewer video. Which of the following is true?
A) The marginal utility of video rentals is negative.
B) The marginal utility per dollar spent on books exceeds that of video rentals.
C) The marginal utility of the last book consumed exceeds the marginal utility of the last video rental consumed.
D) The marginal utility of the last video rental consumed exceeds the marginal utility of the last book consumed.

Question 3905

Who decides who controls a corporation?
Question 3906

Arnie Ziffel has $20 per week to spend on any combination of pineapples and green tea. The price of a pineapple is $4 and the price of a bottle of green tea is $2. The table below shows Arnie's utility values. Use the table to answer the questions that follow the table.

Quantity of Pineapples | Total Utility | Marginal Utility | Marginal Utility per Dollar | Quantity of Green Tea | Total Utility | Marginal Utility | Marginal Utility per Dollar
--- | --- | --- | --- | --- | --- | --- | ---
1 | 32 | | | 1 | 28 | | |
2 | 52 | | | 2 | 46 | | |
3 | 64 | | | 3 | 54 | | |
4 | 68 | | | 4 | 60 | | |
5 | 70 | | | 5 | 64 | | |
6 | 71 | | | 6 | 66 | | |
7 | 71 | | | 7 | 67 | | |

a. Complete the table by filling in the blank spaces.
b. Suppose Arnold purchases 4 pineapples and 2 bottles of green tea. Is he consuming the optimal consumption bundle? If so, explain why. If not, what combination should he buy and why?


Question 3907

If China decides to enact laws to clean up the environment, what would be the effect on GDP?
A) GDP would increase reflecting the fact that the environment would be cleaner.
B) GDP would decrease if the pollution controls reduce productivity by more than the cost of the controls.
C) GDP would increase as the citizens of China were made happier as the environment was cleaned up.
D) GDP would increase as the environmental costs of pollution were not included in the calculation of GDP.


Question 3908

The United States Post Office
A) faces no competition for its mail services.
B) has a monopoly in the provision of first-class mail service.
C) can safely ignore the prices for mail services charges by its rivals such as FedEx and UPS.
D) is an example of a monopoly that results from the ownership of a key resource: first class mail service.


Question 3909

A local electricity-generating company has a monopoly that is protected by an entry barrier that takes the form of
A) control of a key raw material.
B) network externalities.
C) economies of scale.
D) perfectly inelastic demand curve.


Question 3910

Price ceilings result in shortages.
[ ] True or [ ] False?


Question 3911

All but one of the following have been suggested by some economists as possible consequences of path dependency and switching costs. Which of the following is not a possible consequence of path dependency and switching costs?
A) Consumers may get locked into using products with inferior technology.
B) market failure
C) diseconomies of scale
D) Government intervention may be necessary in affected markets in order to improve economic efficiency.


Question 3912

The law of demand implies, holding everything else constant, that as the price of yogurt increases, the demand for yogurt will increase.
Question 3913

If, for a product, the quantity supplied exceeds the quantity demanded, the market price will fall until
A) the quantity demanded exceeds the quantity supplied. The market will then be in equilibrium.
B) quantity demanded equals quantity supplied. The equilibrium price will then be lower than the market price.
C) all consumers will be able to afford the product.
D) quantity demanded equals quantity supplied. The market price will then equal the equilibrium price.

Question 3914

When there is a positive externality in a free market, too much of the good is produced and consumed.
[i]True[/i] or [i]false[/i]?

Question 3915

The ______ production points on a production possibility curve are the points along and inside the production possibility frontier.
A) attainable
B) unattainable
C) productively efficient
D) allocatively efficient

Question 3916

If production displays economies of scale, the long-run average cost curve is
A) above the short-run average total cost curve.
B) downward-sloping.
C) upward sloping.
D) below the long-run marginal cost curve.

Question 3917

If Abigail can make more candles in one day than Pierre, then Abigail has an absolute advantage in making candles.
[i]True[/i] or [i]false[/i]?

Question 3918

As the number of firms in a market increases, the supply curve will shift to the right and the equilibrium quantity will rise.
[i]True[/i] or [i]false[/i]?

Question 3919

Which of the following describes how a positive externality affects a competitive market?
A) The externality causes a difference between the private benefit from consumption and the social benefit.
B) The externality causes a difference between the private benefit from production and the social cost of production.
C) The externality causes quantity demanded to exceed quantity supplied.
D) The externality causes a difference between the social cost of production and the social cost of consumption.

Question 3920

Explain the difference between a cooperative equilibrium and a noncooperative equilibrium in game theory.

Question 3921

A sunk cost is a cost that has already been paid and cannot be recovered.
[i]True[/i] or [i]false[/i]?
Question 3922

The _______ the reserve ratio, the _______ the money multiplier.
A) smaller; smaller
B) smaller; larger
C) larger; larger
D) None of the above are correct.

Question 3923

If an airport decides to expand by building an additional passenger terminal, and in doing so it lowers its average cost per airplane landing, then the expansion would provide _______ to the airlines.
A) economies of scale
B) diseconomies of scale
C) higher average costs but lower total costs
D) higher marginal costs but lower total costs

Question 3924

Suppose that the federal budget is balanced when GDP is at potential GDP. If equilibrium GDP falls below potential
A) this will result in a current budget deficit.
B) the cyclically adjusted budget will be balanced.
C) government transfer payments will be rising and tax receipts will be falling.
D) All of the above are correct.

Question 3925

An example of a factor of production is
A) a car produced by an auto manufacturer.
B) a worker hired by an auto manufacturer.
C) a loan granted to an auto manufacturer.
D) the automobiles exported by an auto manufacturer.

Question 3926

If a perfectly competitive firm maximizes short-run profits, its marginal revenue will be positive and less than its price.
[i]True[/i] or [i]false[/i]?

Question 3927

In an economy with _______, there are more prices than in an economy with _______.
A) barter; money
B) money; barter
C) fiat money; commodity money
D) fiat money; barter

Question 3928

In the long run, what happens to the demand curve facing a monopolistically competitive firm that is earning short-run profits?
A) The demand curve will shift to the left and became more elastic.
B) The demand curve will shift to the left and became less elastic.
C) The demand curve will shift to the right and became more elastic.
D) The demand curve will shift to the right and became less elastic.

Question 3929

A change in tax rates
A) has a less complicated effect on GDP than does a tax cut of a fixed amount.
Question 3930

B) has a larger multiplier effect the smaller the tax rate.
C) will not affect disposable income.
D) will not affect the size of the multiplier.

Question 3931

The smaller the fraction of an investment financed by borrowing,
A) the greater the potential return and potential loss on that investment.
B) the smaller the potential return and potential loss on that investment.
C) the greater the potential return and the smaller the potential loss on that investment.
D) the smaller the potential return and the greater the potential loss on that investment.

Question 3932

Which of the following statements about the Social Security, Medicare, and Medicaid programs is true?
A) Spending on these three programs will rise from 9.7% of GDP currently to 10.2% of GDP by 2050.
B) Costs are being driven up by the fact that Americans are living longer and medical costs are rising substantially.
C) Some economists have argued for decreasing taxes to help with these programs' funding problems.
D) Some economists have argued for increasing benefits to help with these programs' funding problems.

Question 3933

If the required reserve ratio is 10 percent, an increase in bank reserves of $1,000 can support an increase in checking account deposits (including the original deposit) in the banking system as a whole of up to
A) $100.
B) $1,000.
C) $10,000.
D) $100,000.

Question 3934

Allocative efficiency is achieved when
A) goods and services are fairly distributed among consumers in an economy.
B) firms produce the goods and services that consumers value most.
C) firms produce goods and services at the lowest cost.
D) there are no shortages or surpluses in the market.

Question 3935

Why are music, television, and movie companies concerned about their products being posted to Internet websites such as YouTube?

Question 3936

In addition to requiring that CEO's personally certify the accuracy of financial statements, the Sarbanes-Oxley Act of 2002 also requires that
A) CEO's conduct audits of their corporations themselves.
B) firms raise funds for expansion through the sale of bonds only, not stocks.
C) auditors disclose any potential conflicts of interest.
D) corporations issue financial statements monthly rather than quarterly.

Question 3937

Commodity money
A) has value independent of its use as money.
B) has little to no value independent of its use as money.
C) is backed by a valuable commodity such as gold.
D) can be used to purchase commodities, but not services.

Question 3938

A game in which each player adopts its dominant strategy
A) will not lead to an equilibrium.
B) must be a cooperative game.
C) could result in a Nash equilibrium.
D) can never result in a Nash equilibrium.

Question 3939

When a recession ends
A) interest rates decrease.
B) households decrease spending on durable goods.
C) the household sector decreases spending substantially.
D) firms increase the amount of borrowing.

Question 3940

Part of the spending on the Caldecott Tunnel project in northern California came from the American Reinvestment and Recovery Act, which is an example of ________ aimed at increasing real GDP and employment.
A) discretionary fiscal policy
B) an automatic stabilizer
C) contractionary fiscal policy
D) a transfer payment

Question 3941

Suppliers will be willing to supply a product in all of the following situations except
A) the price received is greater than the additional cost of producing the product.
B) the price received is at least equal to the additional cost of producing the product.
C) the price received is equal to the additional cost of producing the product.
D) the price received is less than the additional cost of producing the product.

Question 3942

A perfectly competitive apple farm produces 1,000 bushels of apples at a total cost of $36,000. The price of each bushel is $50. Calculate the firm's short-run profit or loss.
A) loss of $14,000
B) profit of $14,000
C) profit of $50,000
D) There is insufficient information to answer the question.

Question 3943

Producer surplus is the difference between the highest price someone is willing to pay and the price he actually pays.
[i]True[/i] or [i]false[/i]?

Question 3944

Goods and services bought domestically but produced in other countries are referred to as
A) exports.
B) imports.
C) transfer payments.
D) foreign consumption.

Question 3945
<table>
<thead>
<tr>
<th>Question 3946</th>
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</thead>
<tbody>
<tr>
<td>What shape does a production possibilities frontier take if it displays increasing opportunity costs? What shape does a production possibilities frontier take if it displays constant opportunity costs? Which shape is most common in production situations?</td>
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<table>
<thead>
<tr>
<th>Question 3947</th>
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<tbody>
<tr>
<td>The size of the underground economy would tend to decrease if the government of a country</td>
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<tr>
<td>A) decreased government regulations on businesses.</td>
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<tr>
<td>B) made over-the-counter drugs illegal.</td>
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<td>C) increased income tax rates.</td>
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<td>D) increased business taxes.</td>
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<tr>
<th>Question 3948</th>
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<tbody>
<tr>
<td>In San Francisco there are many restaurants that specialize in a wide variety of cuisines. Patronage at these restaurants is influenced by factors such as tastes, price and location. This market is</td>
</tr>
<tr>
<td>A) perfectly competitive.</td>
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<td>B) monopolistically competitive.</td>
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<td>C) oligopolistic.</td>
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<tr>
<td>D) monopolistic.</td>
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<tr>
<th>Question 3949</th>
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<tbody>
<tr>
<td>If a producer is not able to expand its plant capacity immediately, it is</td>
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<tr>
<td>A) bankrupt.</td>
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<tr>
<td>B) operating in the long run.</td>
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<tr>
<td>C) operating in the short run.</td>
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<tr>
<td>D) losing money.</td>
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<tr>
<th>Question 3950</th>
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<tbody>
<tr>
<td>Beginning in 1965, the head of the Antitrust Division of the U.S. Department of Justice began to change antitrust policy. How did antitrust policy change?</td>
</tr>
<tr>
<td>A) For the first time horizontal mergers were allowed—with government approval—and vertical mergers were allowed without need for approval from the government.</td>
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<td>B) For the first time concentration ratios were used to evaluate the degree of competition in the industries of firms that proposed mergers.</td>
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<td>C) The Division began to systematically consider the economic consequences of proposed mergers.</td>
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<td>D) Proposed mergers no longer needed the approval of the Federal Trade Commission or the court system.</td>
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<th>Question 3951</th>
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<tr>
<td>If the dollar appreciates against the Mexican peso</td>
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<tr>
<td>A) Mexican imports to the U.S. become more expensive.</td>
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<tr>
<td>B) U.S. exports to Mexico become less expensive.</td>
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<tr>
<td>C) U.S. exports to Mexico become more expensive.</td>
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<tr>
<td>D) The value of Mexican imports to the United States does not change.</td>
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<tr>
<th>Question 3952</th>
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<tbody>
<tr>
<td>A decrease in the marginal income tax rate is a fiscal policy which will increase aggregate demand.</td>
</tr>
<tr>
<td>A) True or False?</td>
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<table>
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<tr>
<th>Question 3953</th>
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<tbody>
<tr>
<td>Which of the following would cause a decrease in the supply of milk?</td>
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</table>
A) an increase in the price of cookies (assuming that milk and cookies are complements)  
B) a decrease in the price of milk  
C) an increase the price of a product that producers sell instead of milk  
D) an increase in the number of firms that produce milk  

Question 3954

The processes a firm uses to turn inputs into outputs of goods and services is called  
A) technology.  
B) technological change.  
C) marginal analysis.  
D) positive economic analysis.  

Question 3955

Assume that China has a comparative advantage in producing corn and exports corn to Japan. We can conclude that  
A) China also has an absolute advantage in producing corn relative to Japan.  
B) China has a lower opportunity cost of producing corn relative to Japan.  
C) Japan has an absolute disadvantage in producing corn relative to China.  
D) Labor costs are higher for corn producers in Japan than in China.  

Question 3956

Which of the following is an example of a Pigovian tax?  
A) payments by utilities to obtain tradable emissions allowances  
B) a payroll tax  
C) payments for licenses to pollute  
D) a tax imposed on a utility that internalizes the cost of externalities caused by the utility  

Question 3957

What do economists call the situation where a hired manager does not have the same interests as the owners of the business?  
A) conquest and control  
B) a financial problem  
C) a principal-agent problem  
D) a financial intermediary problem  

Question 3958

Economic efficiency is defined as a market outcome in which the marginal benefit to consumers of the last unit produced is equal to the marginal cost of production, and in which  
A) the sum of consumer surplus and producer surplus is at a maximum.  
B) economic surplus is minimized.  
C) the sum of the benefits to firms is equal to the sum of the benefits to consumers.  
D) the sum of consumer surplus and producer surplus is minimized.  

Question 3959

Poorly timed discretionary policy can do more harm than good. Getting the timing right with fiscal policy is generally  
A) less difficult than with monetary policy.  
B) far less difficult than with monetary policy.  
C) more difficult than with monetary policy.  
D) about the same difficulty as with monetary policy.  

Question 3960

The payment received by suppliers of entrepreneurial skills is called rent.  
[i]True[/i] or [i]false[/i]?  
Question 3961
The change in a firm's total cost from producing one more unit of a good or service is the firm's
A) explicit cost of production.
B) marginal cost of production.
C) average cost of production.
D) implicit cost of production.

Question 3962
Disagreements about whether the U.S. government should regulate international trade
A) began during the Great Depression.
B) began after World War I when government officials no longer believed in isolationism.
C) date back to the beginning of the country.
D) did not occur until the end of the Mexican War in 1848.

Question 3963
A typical consumer of health care in the United States
A) pays the full price of his or her health care.
B) pays more than the full price of his or her health care.
C) does not pay any of the price of his or her health care.
D) does not pay the full price of his or her health care.

Question 3964
Assume that price is greater than average variable cost. If a perfectly competitive firm is producing at an output where price is $114 and the marginal cost is $102, then the firm is probably producing more than its profit-maximizing quantity.
[i]True[/i] or [i]false[/i]?

Question 3965
Which of the following is a true statement about the impact of World War II on the U.S. economy?
A) U.S. GDP decreased dramatically from 1941 to 1945.
B) The war time years were a period of prosperity for U.S. consumers.
C) Less than 10% of the labor force was in the military or producing war goods.
D) Increased production of tanks, ships, planes, and munitions accounted for most of the increase in GDP.

Question 3966
What are the five variables that will shift the demand curve?

Question 3967
The minimum point on the average variable cost curve is called
A) the shutdown point.
B) the break-even point.
C) the loss minimizing point.
D) the point of diminishing returns.

Question 3968
One reason why, in the short run, the marginal product of labor might increase initially as more workers are hired is that
A) the first workers hired get to use the best equipment.
B) specialization allows a worker to focus on one task, thereby increasing her proficiency at that task.
C) the best workers are hired first and later hires are not as skillful.
D) beyond some point, a firm has hired too many workers.
Question 3969
A monopolistically competitive industry that earns economic profits in the short run will be able to expand its market share even if the market size remains constant.
[i]True[i] or [i]false[/i]?

Question 3970
Which of the following is an objective of fiscal policy?
A) energy independence from Middle East oil
B) health care coverage for all Americans
C) discovering a cure for AIDs
D) high rates of economic growth
E) homeland security

Question 3971
According to the Centers for Disease Control and Prevention, ________ in 2013 in which less than 20 percent of the population was considered obese.
A) Colorado was the only state
B) there were only 5 states
C) there were more than 25 states
D) there were no states

Question 3972
A change in which variable will change the market demand for a product?
A) the price of the product
B) population
C) technology
D) the prices of substitutes in production

Question 3973
A monopolist’s demand curve is the same as the marginal revenue curve for the product.
[i]True[i] or [i]false[/i]?

Question 3974
If the demand for a life-saving drug was perfectly inelastic and the price doubled, the quantity demanded would
A) also double.
B) decrease by 50%.
C) be cut in half.
D) remain constant.

Question 3975
Which of the following statements about the economic decisions consumers, firms, and the government have to make is false?
A) Governments face the problem of scarcity in making economic decisions.
B) Only individuals face scarcity; firms and the government do not.
C) Both firms and individuals face scarcity.
D) Each faces the problem of scarcity which necessitates trade-offs in making economic decisions.

Question 3976
The demand for all carbonated beverages is likely to be ________ the demand for Dr. Pepper.
A) more elastic than
B) perfectly elastic compared to
C) less elastic than
**Question 3977**

In the long run, if price is less than average cost
A) there is an incentive for firms to exit the market.
B) there is profit incentive for firms to enter the market.
C) the market must be in long-run equilibrium.
D) there is no incentive for the number of firms in the market to change.


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**Question 3978**

Which of the following would be considered an implicit cost of operating a business?
A) advertising expenses
B) wages paid to workers
C) a normal rate of return for investors
D) any explicit cost


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**Question 3979**

In 2008, the Fed and the Treasury began attempting to stabilize the commercial banking system through the Troubled Asset Relief Program (TARP) by
A) allowing domestic banks to be taken over by foreign banks.
B) permitting banks to sell commercial bonds to the Federal Reserve Bank.
C) allowing banks to double any outstanding claims for federal deposit insurance reimbursements.
D) providing funds to banks in exchange for stock.


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**Question 3980**

Political candidates often hold fund raisers by charging "per plate" for dinner. Wendy purchased four tickets to a $1,000 per plate dinner for a local city council candidate. Is this transaction economically efficient?
A) No, political candidates should never be allowed to overcharge for a fund raising dinner.
B) Yes, it was a voluntary exchange that benefited both parties.
C) No, Wendy paid too much for four dinners.
D) Yes, it is efficient only from the perspective of the candidate but not from the perspective of Wendy.


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**Question 3981**

A decrease in liabilities will reduce a firm's net worth.


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**Question 3982**

Costs that change as output changes are called incremental costs.


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**Question 3983**

An appreciating yen makes Japanese products
A) more expensive in foreign markets.
B) less expensive in foreign markets.
C) more expensive in the Japanese market.
D) more expensive in both foreign markets and the Japanese market.


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**Question 3984**

The health care system in the United Kingdom is referred to as __________, under which the government owns most of the hospitals and employs most of the doctors.
A) an out-of-pocket system
Question 3985
An oligopoly firm is similar to a monopolistically competitive firm in that
A) both firms face the prisoner's dilemma.
B) both operate in a market in which there are entry barriers.
C) both firms have market power.
D) both firms are in industries characterized by an interdependent firm.

Question 3986
In the United States, doctors and hospitals that provide most health care are
A) primarily private firms.
B) primarily employed by the government.
C) split evenly between private firms and employed by the government.
D) 100 percent employed by the government.

Question 3987
Which of the following is not a common mistake made by consumers?
A) the failure to take into account the implicit costs of an activity
B) the failure to ignore sunk costs
C) being overly optimistic about their future behavior
D) being overly pessimistic about their future behavior

Question 3988
In ______, health care spending per person based on income per person is significantly higher than the average for most other countries.
A) Austria
B) Canada
C) Norway
D) the United States

Question 3989
A demand curve shows
A) the willingness of consumers to buy a product at different prices.
B) the willingness of consumers to substitute one product for another product.
C) the relationship between the price of a product and the demand for the product.
D) the relationship between the price of a product and the total benefit consumers receive from the product.

Question 3990
For a downward-sloping demand curve, marginal revenue decreases as quantity sold increases.
[i]True[/i] or [i]false[/i]?

Question 3991
Explain the Law of Demand.

Question 3992
In regulating a natural monopoly, the price strategy that ensures the highest possible output and zero profit is one that sets price
A) equal to average total cost where it intersects the demand curve.
B) equal to marginal cost where it intersects the demand curve.
C) equal to average variable cost where it intersects the demand curve.
D) corresponding to the demand curve where marginal revenue equals zero.

Question 3993
If technological change occurs in the economy
A) the long-run aggregate supply curve will shift to the right.
B) the long-run aggregate supply curve will shift to the left.
C) we will move up along the long-run aggregate supply curve.
D) we will move down along the long-run aggregate supply curve.

Question 3994
A partnership is ______ type of business.
A) the most common.
B) the least common
C) the least risky
D) the most profitable

Question 3995
The increase in quality bias in the consumer price index refers to the idea that price increases in the CPI reflect pure inflation, but ______ quality increases. This causes the CPI to ______ the cost of the market basket.
A) also; understate
B) also; overstate
C) not; understate
D) not; overstate

Question 3996
If economies of scale are relatively unimportant in an industry, the typical firm’s long-run average total cost curve will reach a minimum at a level of output that is a ______ fraction of total industry sales. The industry will be ______.
A) large; competitive
B) large; an oligopoly
C) small; competitive
D) small; an oligopoly

Question 3997
Which of the following statements is false?
A) An implicit cost is a nonmonetary opportunity cost.
B) Economic costs include both accounting costs and implicit costs.
C) An explicit cost is a cost that involves spending money.
D) Economists consider all costs to be implicit costs.

Question 3998
If the Fed lowers the reserve requirement, then this
A) increases excess reserves, encourages banks to make more loans, and increases the money supply.
B) decreases excess reserves, causes banks to reduce their loans, and decreases the money supply.
C) decreases excess reserves, causes banks to reduce their loans, and increases the money supply.
D) increases excess reserves, causes banks to reduce their loans, and increases the money supply.

Question 3999
When a monopolistically competitive firm lowers its price, one good thing happens to the firm. What is this “one good thing” called?
A) the output effect
B) the price effect
C) the income effect
D) the substitution effect
### Question 4000
During a business cycle expansion, total production ________ and total employment ________.
A) increases; increases  
B) increases; decreases  
C) decreases; increases  
D) decreases; decreases

### Question 4001
The purchase of $1 million of Treasury securities by the Federal Reserve, if there is no change in the quantity of currency, will cause reserves at banks to
A) increase by $1 million.  
B) increase by less than $1 million.  
C) decrease by $1 million.  
D) decrease by less than $1 million.

### Question 4002
In contrast with perfect competition, excess capacity characterizes monopolistic competition. Excess capacity is due to which of the following?
A) Monopolistically competitive firms produce at the minimum point on their average total cost curves.  
B) Monopolistically competitive firms face downward-sloping demand curves. In the long run, firms produce where their demand curves are tangent to their long-run average total cost curves.  
C) Monopolistically competitive firms produce where marginal revenue is equal to marginal cost.  
D) Monopolistically competitive markets have low barriers to entry.

### Question 4003
The aggregate demand curve will shift to the right ________ the initial increase in government purchases.
A) by less than  
B) by more than  
C) by the same amount as  
D) sometimes by more than and other times by less than

### Question 4004
What is a corporate bond and what does it specify?

### Question 4005
In most circumstances, employees pay taxes on the value of health insurance their employers provide them.
True or False?

### Question 4006
If the CPI falls from 142 to 140 between two consecutive years, this implies that prices fell by 2% between those two years.
True or False?

### Question 4007
A tariff is a tax imposed by a government on 
A) exports.  
B) services.  
C) imports.  
D) luxury items.

### Question 4008
A supply curve
A) is a table that shows the relationship between the price of a product and the quantity of the product supplied. 
B) is a curve that shows the relationship between the price of a product and the quantity of the product supplied. 
C) is the relationship between the supply of a good and the cost of producing the good. 
D) is a curve that shows the relationship between the price of a product and the quantity of the product that producers and consumers are willing to exchange.


Question 4009

Does expansionary fiscal policy directly increase the money supply? Isn't it true that the president and Congress fight recessions by spending more money? 


Question 4010

The velocity of money is defined as 
A) the average number of times each dollar is used to purchase goods and services. 
B) the total number of times each dollar is used to purchase goods and services. 
C) P × Y. 


Question 4011

If government purchases are $400 million, taxes are $700 million, and transfers are $200 million, which of the following is true? 
A) Public saving is $500 million. 
B) The budget deficit is $100 million. 
C) The budget deficit is $500 million. 
D) Public saving is $100 million. 


Question 4012

If the market for a product is narrowly defined, then there are likely to be many substitutes for the product and the demand for the product is relatively elastic. 
[i]True[/i] or [i]false[/i]? 


Question 4013

The first economist to systematically analyze market failure was 
A) Adam Smith. 
B) Ronald Coase. 
C) A. C. Pigou. 
D) J. E. Meade. 


Question 4014

As output increases, average fixed cost gets smaller and smaller. 
[i]True[/i] or [i]false[/i]? 


Question 4015

If average product is decreasing, then marginal product must be negative. 
[i]True[/i] or [i]false[/i]? 


Question 4016

What is the difference between scarcity and a shortage? 


Question 4017

Who was the economist who first proposed that governments use taxes and subsidies to correct for externalities? 
A) Ronald Coase
### Question 4018

Using the Taylor rule, if the current inflation rate equals the target inflation rate and real GDP is less than potential GDP, then the federal funds target rate ________ the sum of the current inflation rate plus the real equilibrium federal funds rate.

A) will be greater than  
B) will be less than  
C) will be the same as  
D) may be greater than or less than


### Question 4019

If the demand for a product is elastic, the quantity demanded changes by a smaller percentage than the percentage change in price.  

[i]True[/i] or [i]false[/i]?


### Question 4020

A monopolistically competitive firm that is profitable in the short run will face competition that will eventually eliminate the firm's profits in the long run. But the firm can stave off competition and continue to earn economic profits if  
A) it can successfully sue its competitors for copyright infringement.  
B) it can move to another country where there is less competition.  
C) it can lobby the government to establish a price floor for its product.  
D) it can find new ways to differentiate its product.


### Question 4021

Empirical evidence shows that the impact of government budget deficits and surpluses on the equilibrium interest rate is quite large.  

[i]True[/i] or [i]false[/i]?


### Question 4022

Which of the following is not a consequence of hyperinflation?  
A) Money's function as a medium of exchange is enhanced.  
B) Money loses value so rapidly that firms and individuals stop holding it.  
C) It causes an economy to suffer slow growth.  
D) The price level grows in excess of hundreds of percentage points per year.


### Question 4023

Suppose the equilibrium real federal funds rate is 2 percent, the target rate of inflation is 2 percent, the current inflation rate is 4 percent, and real GDP is 2 percent above potential real GDP. If the weights for the inflation gap and the output gap are both 1/2, then according to the Taylor rule the federal funds target rate equals  
A) 4 percent.  
B) 6 percent.  
C) 8 percent.  
D) 10 percent.


### Question 4024

The underground economy—the informal sector—can be a significant drag on the economies of developing countries. Why are firms in the informal sector often less efficient than firms in the formal sector?


### Question 4025

Borrowing to pay for long-lived capital expenditures makes sense as  
A) the benefits are received in the current year so the burden of paying for them should be spread over many years.
Question 4026
Because of asymmetric information, most used cars that are offered for sale will be sold for prices that are greater than their true value. Because of this fact, the used car market falls victim to
A) the free rider problem.
B) deadweight loss and economic inefficiency.
C) a surplus of used cars.
D) adverse selection.

Question 4027
The majority of dollars spent by government prior to the Great Depression was spending at the _______ level. In the post World War II period, two-thirds to three quarters of all dollars spent by government in the United States are spent at the _______ level.
A) federal; state and local
B) state and local; federal
C) state and local; state
D) local; state

Question 4028
Ethan Nicholas, who developed the iShoot application for the iPhone 3G, found that to maintain sales in a profitable competitive market, the price of a product
A) will usually rise.
B) will usually fall.
C) will usually remain stable.
D) will eventually fall to zero.

Question 4029
Carrie Bradshaw claims that when it comes to buying shoes, “price is no object.” If this is true, then her demand for shoes is
A) perfectly elastic.
B) perfectly inelastic.
C) unit-elastic.
D) horizontal.

Question 4030
GDP is not a complete measure of well-being.
[i]True[/i] or [i]false[/i]?

Question 4031
Using an aggregate demand graph, illustrate the impact of an increase in the price level on aggregate demand.

Question 4032
Vipsana's Gyro House sells gyros. The cost of ingredients (pita, meat, spices, etc.) to make a gyro is $2.00. Vipsana pays her employees $60 per day. She also incurs a fixed cost of $120 per day. What is Vipsana's total cost per day when she does not produce any gyros and does not hire any workers?
A) $0
B) $2
C) $60
D) $120
Question 4033
Which of the following would cause the money demand curve to shift to the left?
A) an open market purchase of Treasury securities by the Federal Reserve
B) an increase in the interest rate
C) an increase in the price level
D) a decrease in real GDP

Question 4034
If there is currently a shortage of dollars, which of the following would you expect to see in the foreign exchange market?
A) The dollar will appreciate.
B) The dollar will depreciate.
C) There will be an increase in the demand for dollars.
D) There will be an increase in the supply of dollars.

Question 4035
The long run refers to a time period
A) during which a firm is able to purchase all of its inputs, including its plant and equipment.
B) long enough for a firm to vary all of its inputs, to adopt new technology and change the size of its physical plant.
C) long enough for a firm to pay all of its creditors in full.
D) long enough for a firm to change the use of its variable inputs.

Question 4036
Explain the difference between a normal good and an inferior good.

Question 4037
Which of the following is not an assumption of perfectly competitive markets?
A) There are many sellers and many buyers, all of which are small relative to the market.
B) Each firm produces a similar but not identical product.
C) There are no barriers to new firms entering the market.
D) The products sold by all firms in the market are identical.

Question 4038
One of the assumptions of monopolistic competition is that firms produce differentiated products. What does this assumption imply about the demand curve facing a representative firm?

Question 4039
An increase in individual income taxes _______ disposable income, which _______ consumption spending.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Question 4040
Studies have shown that
A) firms often cut nominal wages during recessions and allow inflation to gradually increase real wages.
B) firms are reluctant to cut nominal wages during recessions but instead increase workers' nominal wages and allow inflation to gradually increase real wages.
C) firms are reluctant to cut nominal wages during recessions but instead freeze workers' nominal wages and allow inflation to gradually reduce real wages.
D) firms often freeze workers' nominal wages during a recession and keep the wages frozen well after the recession has ended.
Question 4041

If 50 units are sold at a price of $20 and 80 units are sold at a price of $15, what is the absolute value of the price elasticity of demand? Use the midpoint formula.

A) 0.17  
B) 0.62  
C) 1.62  
D) 5


Question 4042

In both monopolistically competitive and perfectly competitive industries
A) firms produce products for which there are no close substitutes.  
B) there are high barriers to entry.  
C) there are many buyers and sellers.  
D) firms are price takers.


Question 4043

Which of the following would shift a nation's production possibilities frontier outward?
A) discovering a cheap way to convert sunshine into electricity  
B) an increase in demand for the nation's products  
C) a decrease in the unemployment rate  
D) a law requiring workers to retire at age 50


Question 4044

A decrease in the equilibrium price for a product will result
A) when the quantity demanded for the product exceeds the quantity supplied.  
B) when there is a decrease in supply and a decrease in demand for the product.  
C) when there is an increase in supply and a decrease in demand for the product.  
D) when there is a decrease in demand and a decrease in the number of firms producing the product.


Question 4045

A black market is a market where buying and selling take place
A) at prices that violate government price regulations.  
B) in non-licensed shops and warehouses.  
C) after regular office hours.  
D) on foreign soil.


Question 4046

"A competitive market achieves economic efficiency by maximizing the sum of consumer surplus and producer surplus." This statement
A) is true only if there are positive externalities in production in the market.  
B) is true only if there are no negative externalities in the market.  
C) is true only if there are no positive or negative externalities in the market.  
D) is true in theory, but economic efficiency cannot be achieved in a real market.


Question 4047

All of the following are part of the "individual mandate" provision of the Patient Protection and Affordable Care Act (ACA) except
A) individuals are allowed to opt out of the insurance program if they can prove they have no serious health issues and do so before the act fully takes effect in the year 2014.  
B) by 2016, fines for not having health insurance will be the greater of $695 per person or 2.5 percent of income.  
C) beginning in 2014, individuals who do not acquire health insurance will be subject to a fine.  
D) with limited exceptions, every resident of the United States will be required to have health insurance that meets certain basic requirements.

Question 4048

The international trade effect states that a(n) ________ in the price level will ________ net exports.
A) increase; increase
B) increase; decrease
C) decrease; decrease
D) decrease; not affect

Question 4049

List three different price indices and explain how they differ in terms of the market basket on which they are based.

Question 4050

To combat inflation, Congress and the president should
A) decrease government spending.
B) decrease taxes.
C) raise interest rates.
D) increase transfer payments.

Question 4051

A profit-maximizing monopolistically competitive firm produces and sells an allocatively efficient quantity of output.
[i]True[/i] or [i]false[/i]?

Question 4052

The Federal Reserve could target both the money supply and the interest rate at the same time if it controlled money demand along with money supply.
[i]True[/i] or [i]false[/i]?

Question 4053

China's current rate of GDP growth is quite rapid. Its current growth rate is probably three times that of the United States. However, the levels of pollution are much higher in China. Would you consider China to be better off than the United States given this information? Why or why not?

Question 4054

The supply of money is easier to control with commodity money than it is with fiat money.
[i]True[/i] or [i]false[/i]?

Question 4055

A market comprised of only two firms is called a
A) competitive market.
B) duopoly.
C) monopoly.
D) monopolistically competitive market.

Question 4056

The quantity theory of money implies that the price level will be stable (no inflation or deflation) when the growth rate of the money supply equals
A) 0.
B) the growth rate of the price level.
C) the growth rate of the velocity of money.
D) the growth rate of real GDP.
Question 4057
Which of the following statements about inflation targeting is true?
A) Inflation targeting by the central banks in other countries has not typically lowered inflation.
B) Inflation targeting would not reduce the flexibility of monetary policy to address other policy goals.
C) Inflation targeting would not allow the central bank the flexibility to take action against a severe recession.
D) Inflation targeting would make it easier for households and firms to form accurate expectations of future inflation, improving their planning and the efficiency of the economy.

Question 4058
The Fed can use contractionary monetary policy in an attempt to keep inflation from increasing. [i]True[/i] or [i]false[/i]?

Question 4059
In the United States from 1981 to 2011, deaths from ______ increased largely due to the effects of increasing obesity.
A) strokes
B) cancer
C) heart attacks
D) diabetes

Question 4060
According to the quantity theory of money, the inflation rate equals
A) the money supply minus real output.
B) the growth rate of the money supply minus the growth rate of real output.
C) real output minus the money supply.
D) the growth rate of real output minus the growth rate of the money supply.

Question 4061
A firm would decide to shut down if its production resulted in
A) MR < ATC.
B) ATC > AVC.
C) AFC > AVC.
D) MR < AVC.

Question 4062
Positive analysis is concerned with "what ought to be," while normative analysis is concerned with "what is." [i]True[/i] or [i]false[/i]?

Question 4063
As was demonstrated in 2007, firms in the shadow banking system
A) were very vulnerable to bank runs.
B) were protected from financial ruin by federal deposit insurance.
C) were well insulated from bank runs.
D) were more insulated from the financial crisis than were commercial banks.

Question 4064
Typically, as an economy begins to emerge from a recessionary phase of the business cycle
A) unemployment falls immediately.
B) unemployment continues to rise.
C) inflation begins to fall.
D) investment begins to fall.
Question 4065
When the Fed decided to buy long-term Treasury securities while selling an equal amount of shorter-term treasury securities to keep long-term interest rates low, it was following a strategy known as
A) securitization.
B) operation twist.
C) quantitative easing.
D) indirect finance.

Question 4066
If a monopolistically competitive firm has excess capacity
A) it has exhausted all economies of scale.
B) it is producing beyond the minimum efficient scale.
C) it is experiences diseconomies of scale.
D) it produces an output rate that places it on the negatively sloped portion of its average total cost curve.

Question 4067
A demand curve that is horizontal indicates that the commodity
A) has few substitutes.
B) must be very cheap.
C) is a necessity.
D) has a large number of substitutes.

Question 4068
Unlike firms that sell stock in financial markets, which are known as ________ firms, companies which do not sell stock in financial markets are known as ________ firms.
A) public; private
B) open; closed
C) corporate; proprietary
D) stock market; bond market

Question 4069
An example of a monopoly based on control of a key resource is
A) Major League Baseball.
B) the Paul Ecke Ranch monopoly on poinsettias.
C) Microsoft's Windows operating system.
D) the U.S. Food and Drug Administration.

Question 4070
Which of the following is a common mistake made by consumers?
A) taking into account the implicit costs of an activity
B) ignoring sunk costs
C) being overly optimistic about their future behavior
D) being overly pessimistic about their future behavior

Question 4071
According to the U.S. Treasury
A) the government will not accept cash in payment of taxes.
B) creditors do not have to accept cash in payment of debts.
C) firms do not have to accept cash as payment for goods and services.
D) U.S. dollars must be accepted as payment for any good or service sold in the United States.
Question 4072

________ is the ability of an individual, a firm, or a country to produce a good or service at a lower opportunity cost than competitors.

A) Absolute advantage
B) Specialization
C) Autarky
D) Comparative advantage


Question 4073

If the government purchases multiplier equals 2, and real GDP is $14 trillion with potential real GDP $14.5 trillion, then government purchases would need to increase by ________ to restore the economy to potential real GDP.

A) $7.25 trillion
B) $1 trillion
C) $500 billion
D) $250 billion


Question 4074

In the United States in 2012, a majority of people received health care through

A) Medicare.
B) Medicaid.
C) their employers.
D) individually purchased insurance policies.


Question 4075

Economic incentives are designed to make individual self-interest coincide with social interest. According to economists, which of the following methods of pollution control best uses economic incentives to reduce pollution?

A) Rewarding environmental groups for monitoring the activities of private firms that produce products which generate pollution.
B) Imposing quantitative limits on the amount of pollution and imposing a penalty for non-compliance with these limits.
C) Requiring the installation of specific pollution control devices.
D) Instituting a system of tradable emissions allowances.


Question 4076

Two economists from Northwestern University estimated the benefit households received from subscribing to broadband Internet service. The economists found that

A) the consumer surplus from dial-up Internet service exceeded the consumer surplus from broadband Internet service.
B) the average consumer of broadband Internet service received a marginal benefit equal to $36.
C) most consumers of broadband Internet service were not willing to pay more than $36 per month.
D) one month’s benefit to consumers who subscribe to broadband Internet service is about $890 million.


Question 4077

When a monopolistically competitive firm cuts its price to increase its sales, it experiences a loss in revenue due to the income effect and a gain in revenue due to the substitution effect.

[i]True[/i] or [i]false[/i]?


Question 4078

In recent years the cost of producing wines in the U.S. has increased largely due to rising rents for vineyards. At the same time, more and more Americans prefer wine over beer. Which of the following best explains the effect of these events in the wine market?

A) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
B) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.
C) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in both the equilibrium price and the equilibrium quantity.
D) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result, there has been an increase in the equilibrium quantity.
price and an uncertain effect on the equilibrium quantity.

Question 4079
A consequence of increasing marginal costs of producing digital music players in Japan is
A) Japan will not export digital music players.
B) Japan will stop short of complete specialization in the production of digital music players.
C) Japan will import digital music players from countries that don't experience increasing marginal costs.
D) Japan will likely impose trade restrictions on imported digital music players.

Question 4080
Changes in ________ do not affect the level of aggregate supply in the long run.
A) technology
B) the number of workers in the economy
C) the price level
D) the amount of accumulated capital equipment

Question 4081
The difference between adverse selection and moral hazard is that
A) moral hazard happens at the time parties enter into a transaction; adverse selection occurs after the transaction takes place.
B) adverse selection happens at the time parties enter into a transaction; moral hazard occurs after the transaction takes place.
C) moral hazard is the motive that is behind one party entering into a transaction with another party. Adverse selection refers to the other party being harmed by the transaction.
D) moral hazard refers to the likelihood that a transaction will lead one party to be better off at the expense of the other party to the transaction. Adverse selection refers to the consequences of the transaction after it has occurred.

Question 4082
Human capital refers to which of the following?
A) the quantity of goods and services that can be produced by one worker or by one hour of work
B) the accumulated knowledge and skills workers acquire from education and training or from their life experiences
C) manufactured goods that are used to produce other goods and services
D) physical equipment that is made by human laborers, not machines

Question 4083
Which of the following describes the degree of control that the Fed has over the money supply?
A) The Fed has absolute control over the money supply.
B) The Fed has no control of the money supply.
C) The Fed has substantial control over the money supply.
D) The Fed is not concerned about the level of the money supply, and does not attempt to control it.

Question 4084
In general, a "big ticket item" such as a house or new car will
A) tend to have a more elastic demand than a lower priced good.
B) tend to have an inelastic demand because spending on the item takes up a large share of the average consumer's budget.
C) tend to have an inelastic demand because it has many substitutes.
D) tend to have a more inelastic demand the more time that passes.

Question 4085
Which of the following is a microeconomics question?
A) How much will be saved and how much will be produced in the entire economy?
B) What will the level of economic growth be in the entire economy?
C) What factors determine the price of carrots?
D) What determines the average price level and inflation?
Question 4086

If the market for a product is broadly defined, then
A) the good has many complements.
B) there are few substitutes for the product and the demand for the product is relatively inelastic.
C) there are many substitutes for the product and the demand for the product is relatively elastic.
D) the expenditure on the good is likely to make up a large share of one's budget.

Question 4087

Each member of OPEC can increase its income by selling more oil than its output quota because
A) by selling more at OPEC's cartel price, a member will automatically earn more income.
B) each member's demand is more elastic than the total demand for oil.
C) the demand for oil is inelastic so total revenue increases.
D) the demand for oil is perfectly elastic.

Question 4088

Because workers in the United States work fewer hours per week, on average, than they did over 100 years ago
A) workers in the United States are worse off than they were over 100 years ago.
B) workers in the United States earn less income than they did over 100 years ago.
C) GDP is lower than it would be if U.S. workers worked the same workweek they had 100 years ago.
D) GDP is higher than it would be if U.S. workers worked the same workweek they had 100 years ago.

Question 4089

If the CPI rises from 206.7 to 212.7 between two consecutive years, by how much has the cost of living changed between these two years?
A) The cost of living has increased by 6%.
B) The cost of living has increased by 2.9%.
C) The cost of living has increased by 12.7%.
D) The cost of living has decreased by 6%.

Question 4090

One reason patent protection is vitally important to pharmaceutical firms is
A) successful new drugs are not profitable. If firms are not granted patents many would go out of business and health care would be severely diminished.
B) the approval process for new drugs through the Food and Drug Administration can take more than 10 years and is very costly. Patents enable firms to recover costs incurred during this process.
C) that taxes on profits from drugs are very high; profits from patent protection enable firms to pay these taxes.
D) the high salaries pharmaceutical firms pay to scientists and doctors make their labor costs higher than for any other business. Profits from patents are needed to pay these labor costs.

Question 4091

A member of a corporate board of directors that is also a manager of the business is known as
A) a shareholder.
B) an inside director.
C) a partner.
D) a corporate governor.

Question 4092

Assume you set up a sole proprietorship and your lawyer tells you that as the owner you will face unlimited liability. What does that mean?
A) You are liable for organizing the business.
B) You could stand to lose your personal wealth if the business goes bankrupt.
C) There is no legal responsibility of the business in case a customer sues, as the business is legally untouchable.
D) None of these explain what unlimited liability means.
## Question 4093

Commodity money is a good
A) used as money that has no secondary use.
B) that is designated as money by law.
C) used as money that also has value independent of its use as money.
D) used as money that has no intrinsic value.


## Question 4094

In a perfectly competitive market the term “price taker” applies to
A) sellers and buyers.
B) firms but not buyers.
C) buyers but not sellers.
D) only the smallest sellers and buyers.


## Question 4095

Included on the board of directors of Microsoft are Dina Dublon, former chief financial officer of JP Morgan Chase, the president of Harvey Mudd college Maria M. Klawe, and the vice chairman of Bank of America Charles H. Noski. These three board members do not have a direct management role with Microsoft and are therefore referred to as
A) inside directors.
B) outside directors.
C) competitive directors.
D) honorary directors.


## Question 4096

Productive efficiency is achieved when
A) firms add a low profit margin to the goods and services they produce.
B) firms produce the goods and services that consumers value most.
C) firms produce goods and services at the lowest cost.
D) there are no shortages or surpluses in the market.


## Question 4097

Factory incentives on cell phones have encouraged consumers to upgrade their phones. How does this affect the market for bluetooth headsets?
A) The quantity of bluetooth headsets demanded increases.
B) The quantity of bluetooth headsets demanded decreases.
C) The demand for bluetooth headsets increases.
D) The demand for bluetooth headsets decreases.


## Question 4098

The increase in government spending on unemployment insurance payments to workers who lose their jobs during a recession and the decrease in government spending on unemployment insurance payments to workers during an expansion is an example of
A) automatic stabilizers.
B) discretionary fiscal policy.
C) discretionary monetary policy.
D) automatic monetary policy.


## Question 4099

Which of the following is part of an economic model?
A) norms
B) hypotheses
C) opinions
D) preferences of economic agents

Question 4100

Of the following high-income countries, which has the highest mortality ratio for cancer?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 4101

When a firm produces more output using the same inputs or the same output using fewer inputs we say that the firm
A) experiences an increase in demand.
B) experiences positive technological change.
C) will hire more workers in order to produce more output.
D) is operating in the short run.

Question 4102

Vipsana’s Gyros House sells gyros. The cost of ingredients (pita, meat, spices, etc.) to make a gyro is $2.00. Vipsana pays her employees $60 per day. She also incurs a fixed cost of $120 per day. Calculate Vipsana’s variable cost per day when she produces 50 gyros using two workers?
A) $100
B) $124.40
C) $220
D) $240

Question 4103

What is a private benefit from consumption? What is a social benefit from consumption? When is the private benefit from consumption equal to the social benefit from consumption?

Question 4104

A tax rebate, like the one issued in 2008, is likely to _______ consumption spending _______ than would a permanent tax cut.
A) increase; more
B) increase; less
C) decrease; more
D) decrease; less

Question 4105

The larger the fraction of an investment financed by borrowing
A) the greater the potential return and potential loss on that investment.
B) the smaller the potential return and potential loss on that investment.
C) the greater the potential return and the smaller the potential loss on that investment.
D) the smaller the potential return and the greater the potential loss on that investment.

Question 4106

If the GDP deflator is less than 100, which will be higher: nominal GDP or real GDP? Why?

Question 4107

If you own a bond with a seven percent coupon rate and new bonds are paying five percent, what will happen to your bond’s market price?

Question 4108

An inferior good is a good for which the quantity demanded increases as the price decreases, holding everything else constant. [i]True[/i] or [i]false[/i]?
Question 4109

Health insurance plans which typically reimburse doctors mainly by paying ________ are known as health maintenance organizations.

A) a fee for each individual service provided  
B) a fee for each individual office visit  
C) an escalating fee based on the number of patients being treated  
D) a flat fee per patient  


Question 4110

The rising cost of malpractice insurance is one of the leading causes of the increase in health care spending as a percentage of GDP in the United States.

[i]True[/i] or [i]false[/i]?


Question 4111

When the coupon rate on newly issued bonds increases relative to older, outstanding bonds, what happens?

A) The market price of the older bond falls in the secondary market.  
B) The market price of the older bond rises in the secondary market.  
C) Older bonds can still be sold at their face value.  
D) Older bonds will sell for less than their face value.


Question 4112

The delivery of first-class mail by the U.S. Postal Service is an example of

A) a monopoly.  
B) perfect competition because consumers have access to other methods of written communication; for example, email and text messaging.  
C) monopolistic competition, because mail delivery is a differentiated product provided by many firms.  
D) an oligopoly because a few other firms provide delivery of letters and packages.


Question 4113

Adam spent $10,000 on new equipment for his small business, "Adam's Fitness Studio." Membership at his fitness center is very low and at this rate, Adam needs an additional $12,000 per year to keep his studio open. Which of the following is true?

A) The fixed cost of running the studio is $22,000.  
B) The variable cost of running the studio is $22,000.  
C) The $10,000 Adam spent on equipment is a fixed cost of business and the $12,000 he'll need to continue operations is a variable cost.  
D) The $10,000 Adam spent on equipment is the total cost of starting the business and the $12,000 he'll need to continue operations is a marginal cost.


Question 4114

Which of the following is the best example of a tariff?

A) a limit imposed on the number of sports utility vehicles that the United States can import from Japan  
B) a subsidy granted by the U.S. government to domestic garment manufacturers so they can compete more effectively with foreign garment manufacturers  
C) a tax placed on all sports utility vehicles sold in the domestic market  
D) a $5,000 per-car fee imposed on all sports utility vehicles imported into the United States


Question 4115

Use the money demand and money supply model to show the money market in equilibrium with an interest rate of 5 percent and the quantity of money of $800 billion. Suppose the Federal Reserve increases the money supply to $850 billion. At the previous equilibrium interest rate of 5 percent, will households and firms now be holding more money or less money than they want to hold, and will they be buying or selling short-term financial assets? At the new equilibrium interest rate, households and firms will desire to hold the entire $850 billion of the money supply. What causes households and firms to want to hold the additional $50 billion of the money supply?


Question 4116
When potential GDP increases, is it necessarily the case that real GDP increases as well? Explain.

**Question 4117**

Between 1981 and 2011, deaths from kidney disease increased largely due to the effects of
A) increasing obesity.
B) increasing alcohol consumption.
C) increased smoking.
D) increased pollution.

**Question 4118**

If the number of firms producing electric cars increases and consumer preference for electric cars increases, the equilibrium quantity of electric cars will definitely increase.
[i]True[/i] or [i]false[/i]?

**Question 4119**

All else equal, the desired increase in the supply of smart phones for Google would cause the equilibrium price of the smart phones to ________ and the equilibrium quantity of the smart phones to ________.
A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

**Question 4120**

What are the five steps by which economists arrive at a useful economic model?

**Question 4121**

Suppose the marginal utilities for the first three cans of soda are 100, 80 and 60, respectively. The total utility received from consuming 2 cans is
A) 20.
B) 80.
C) 90.
D) 180.

**Question 4122**

Along a downward-sloping linear demand curve
A) the marginal utility from the consumption of each unit of the good and the total utility from consuming larger quantities increase.
B) the marginal utility from the consumption of each unit of the good and the total utility from consuming larger quantities remain constant.
C) the marginal utility from the consumption of each unit of the good falls and the total utility from consuming larger quantities increases.
D) the marginal utility from the consumption of each unit of the good rises and the total utility from consuming larger quantities remain constant.

**Question 4123**

The economic analysis of minimum wage involves both normative and positive analysis. Consider the following consequences of a minimum wage:

a. The minimum wage law causes unemployment.
b. A minimum wage law benefits some groups and hurts others.
c. In some cities such as San Francisco and New York, it would be impossible for low-skilled workers to live in the city without minimum wage laws.
d. The gains to winners of a minimum wage law should be valued more highly than the losses to losers because the latter primarily comprises businesses.

Which of the consequences above are positive statements and which are normative statements?
A) a, b, and c are positive statements and d is a normative statement.
B) a and b are positive statements, c and d are normative statement.
C) Only a is a positive statement, b, c and d are normative statements.
D) a and c are positive statements, b and d are normative statements.
Question 4124

If a firm has excess capacity, it means
A) that the firm expends too much of its resources on advertising its product without seeing an appreciable increase in sales.
B) that the firm is not producing its minimum efficient scale of output.
C) that the firm's long-run average cost of producing a given quantity exceeds its short-run cost of producing that same quantity.
D) that the firm's quantity supplied exceeds its quantity demanded.

Question 4125

The market demand curve facing a monopolist is more elastic than the market demand curve facing a monopolistic competitor.
[i]True[/i] or [i]false[/i]?

Question 4126

How will an interest rate increase in the United States affect equilibrium in the market for dollars against foreign currencies? (Assume the exchange rate is stated in terms of foreign currency per U.S. dollar.)
A) The equilibrium exchange rate will increase, and the equilibrium quantity of dollars traded cannot be determined.
B) The equilibrium exchange rate will decrease, and the equilibrium quantity of dollars traded cannot be determined.
C) The equilibrium exchange rate cannot be determined, and the equilibrium quantity of dollars traded will increase.
D) The equilibrium exchange rate will increase, and the equilibrium quantity of dollars traded will increase.

Question 4127

What is the difference between retained earnings and dividends?

Question 4128

A bank is legally required to hold a fraction of its ________ as ________.
A) deposits; required reserves
B) deposits; excess reserves
C) loans; excess reserves
D) loans; required reserves

Question 4129

Explain the differences between a change in supply and a change in quantity supplied.

Question 4130

Economists who support market-based reforms for health care believe that increased competition among providers of health care would
A) decrease costs but decrease economic efficiency.
B) decrease costs and increase economic efficiency.
C) increase costs but increase economic efficiency.
D) increase costs and decrease economic efficiency.

Question 4131

It is possible to have an absolute advantage in producing a good or service without having a comparative advantage.
[i]True[/i] or [i]false[/i]?

Question 4132

For the federal deficit to be lowered
A) the federal government must decrease its spending and increase net exports.
B) the federal government’s expenditures must be lower than its tax revenue.
C) the Federal Reserve must raise interest rates and lower the required reserve ratio.
D) the Federal Reserve must reduce the money supply.
Question 4133
Under which of the following circumstances would private saving be positive in a closed economy?

A) Y = $10 trillion
   C = $5 trillion
   TR = $2 trillion
   G = $2 trillion
   public saving = $1 trillion

B) Y = $9 trillion
   C = $5 trillion
   TR = $1 trillion
   G = $1 trillion
   public saving = $3 trillion

C) Y = $8 trillion
   C = $2 trillion
   TR = $4 trillion
   G = $2 trillion
   public saving = $4 trillion

D) Y = $6 trillion
   C = $2 trillion
   TR = $8 trillion
   G = $3 trillion
   public saving = $1 trillion


Question 4134
Tomas increased his consumption of potato chips when the price of pistachios increased. For Tomas, potato chips and pistachios are
A) substitutes in consumption.
B) both inferior goods.
C) complements in consumption.
D) both luxury goods.


Question 4135
An open market purchase of Treasury securities by the Federal Reserve causes the reserves of banks to rise.

[i]True[/i] or [i]false[/i]?


Question 4136
Which of the following statements applies to a monopolist but not to a perfectly competitive firm at their profit maximizing outputs?

A) Marginal revenue is less than price.
B) Marginal revenue equals marginal cost.
C) Price equals marginal cost.
D) Average revenue equals average cost.


Question 4137
In cities with rent controls, the actual rents paid can be ________ than the legal maximum. One explanation for this is because there is a ________ of apartments, tenants are ________.

A) higher; shortage; often willing to pay rents higher than the law allows
B) higher; surplus; often forced to pay rents higher than the law allows
C) lower; surplus; never willing to pay rents below the legal maximum
D) lower; shortage; rarely willing to pay rents lower than the law allows


Question 4138
Traditionally, Wall Street investment banks had been organized as partnerships, but by 2000 they had converted to being publicly traded corporations.

As partnerships, the principle-agent problem is ________ but as publicly traded corporations, the principal-agent problem is often ________.

A) increased; more severe
B) increased; less severe
C) reduced; more severe
D) reduced; less severe

Question 4139
Marginal cost is the
A) change in average cost when an additional unit of output is produced.
B) the additional output when total cost is increased by one dollar.
C) additional cost of producing an additional unit of output.
D) change in the price of inputs if a firm buys more inputs to produce an additional unit of output.

Question 4140
Which of the following could cause nominal GDP to increase, but real GDP to decrease?
A) The price level rises and the quantity of final goods and services produced rises.
B) The price level rises and the quantity of final goods and services produced falls.
C) The price level falls and the quantity of final goods and services produced rises.
D) The price level falls and the quantity of final goods and services produced falls.

Question 4141
In 2004, hurricanes damaged a large portion of Florida's orange crop. As a result of this, many orange growers were not able to supply fruit to the market. At the pre-hurricane equilibrium price (i.e., at the initial equilibrium price), we would expect to see
A) a surplus of oranges.
B) the quantity demanded equal to the quantity supplied.
C) a shortage of oranges.
D) an increase in the demand for oranges.

Question 4142
Avner is maximizing total utility by buying sports magazines and protein supplements. For him to buy more sports magazines
A) the price of protein supplements has to fall.
B) the price of sports magazines has to fall.
C) the price of sports magazines has to rise.
D) Since Avner is maximizing his utility, nothing can change the consumption of sports magazines.

Question 4143
Suppose you pre-ordered a non-refundable movie ticket to X-Men: Days of Future Past. On the day of the movie you decide that you would rather not go to the movie. According to economists, what is the rational thing to do?
A) Since the cost of the movie ticket is a sunk cost, it should not influence your decision. Your decision should be based solely on whether you want to see the movie or not.
B) You should not waste resources. Since you have paid for the ticket you should watch the movie.
C) Your should go to the movie to minimize your losses.
D) You should go to the movie to maximize your utility.

Question 4144
Consider a used car market in which half the cars are good and half are bad (lemons). A rational buyer in this market should
A) offer to pay a price equal to the most she would pay for a good car.
B) offer to pay a price equal to the most she would pay for a lemon.
C) offer to pay a price somewhere between the price she would pay for a good car and the price she would pay for a lemon.
D) save up and buy a new car.

Question 4145
Suppose the U.S. GDP growth rate is faster relative to other countries' GDP growth rates. This will
A) move the economy up along a stationary aggregate demand curve.
B) move the economy down along a stationary aggregate demand curve.
C) shift the aggregate demand curve to the left.
D) shift the aggregate demand curve to the right.

Question 4146
Consider the following factors:
a. culture
b. religion
c. customs
d. prices
e. income
Which of the factors above are likely to influence the choices consumers make?
A) a, d, and e only
B) all the factors except b
C) all the factors except c
D) d and e only
E) all the factors listed

Question 4147
An increase in the real interest rate results in which of the following?
A) an increase in the demand for loanable funds
B) a decrease in the demand for loanable funds
C) an increase in the quantity of loanable funds supplied
D) Both B and C will occur as a result of an increase in the real interest rate.

Question 4148
Assume that when the price of cantaloupes is $2.50 the demand for cantaloupes is unit-elastic, and that the demand curve for cantaloupes is linear and downward sloping. If firms lower the price of cantaloupes to $2.00 which of the following statements can be made regarding the price elasticity of demand for cantaloupes?
A) The demand for cantaloupes at $2.00 must be inelastic.
B) We cannot determine whether the demand for cantaloupes is elastic or inelastic without knowing what the quantity demanded is at each price.
C) The demand for cantaloupes at $2.00 must be elastic.
D) The demand for cantaloupes at $2.00 must be unit-elastic.

Question 4149
What is the "tax wedge"?

Question 4150
The primary tool the Federal Reserve uses to increase the money supply is
A) printing more money.
B) lowering the required reserve ratio.
C) buying Treasury securities.
D) lowering the discount rate.

Question 4151
An increase in the real interest rate does which of the following?
A) reduces the demand for loanable funds
B) reduces saving
C) reduces consumption spending
D) increases the demand for loanable funds

Question 4152
An increase in the money supply is a discretionary fiscal policy which will increase aggregate demand.
[True] or [False]?
Question 4153

In economics, money is defined as
A) the total value of one's assets in current prices.
B) the total value of one's assets minus the total value of one's debts, in current prices.
C) the total amount of salary, interest, and rental income earned during a year.
D) any asset people generally accept in exchange for goods and services.

Question 4154

The simple deposit multiplier is the ratio of the amount of
A) new reserves created by the banks to the amount of deposits.
B) new reserves created by the banks to the amount of loans.
C) deposits created by the banks to the amount of new reserves.
D) loans issued by the banks to deposits created by the banks.

Question 4155

How would the equilibrium interest rate respond to a change from an income tax to a consumption tax?
A) The equilibrium interest rate would rise.
B) The equilibrium interest rate would fall.
C) The equilibrium interest rate would be unaffected.
D) The equilibrium interest rate may rise or fall based on whether the demand or supply of loanable funds changes.

Question 4156

Which of the following statements about an entrepreneur is false?
A) organizes the other factors of production into a working unit
B) develops the vision for the firm and funds the producing unit
C) sells his entrepreneurial services in the output market
D) risks the personal funds provided

Question 4157

Gross domestic product understates the total production of final goods and services because of the omission of
A) exports.
B) inflation.
C) intermediate goods.
D) household production.

Question 4158

Refer to the Article Summary. The protectionism being granted to Russian firms will cause the greatest harm to
A) Russian manufacturers.
B) the Russian government.
C) manufacturers who export to Russia.
D) Russian consumers.

Question 4159

Which of the following statements describes the experiences of the Whirlpool Corporation since it was established in 1911?
A) strong uninterrupted growth in demand
B) long-run growth interrupted by periods of business cycle recession
C) little or no growth in the long run, and unaffected by the business cycle
D) little or no growth in the long run, but very vulnerable to the business cycle

Question 4160

Which of the following is most liquid?
Question 4161

Suppose that you deposit $2,000 in your bank and the required reserve ratio is 10 percent. The maximum loan your bank can make as a direct result of your deposit is

A) $200.
B) $1,800.
C) $2,000.
D) $20,000.


Question 4162

Most people would prefer to drive a luxury car that has all the options, but more people buy less expensive cars even though they could afford the luxury car because

A) car buyers are irrational.
B) the total utility of less expensive cars is greater than that of luxury cars.
C) the marginal utility per dollar spent on the less expensive car is higher than that spent on luxury cars.
D) luxury cars cost a lot more than non-luxury cars.


Question 4163

Which of the following is a true statement?

A) excess reserves = actual reserves - required reserves
B) excess reserves = deposits - required reserves
C) excess reserves = deposits - loans
D) excess reserves = loans - required reserves


Question 4164

Suppose you withdraw $1,000 in cash from your checking account. Draw a T-account to show the effect of this transaction on your bank’s balance sheet.


Question 4165

If consumers believe the price of hybrid vehicles will decrease in the future, this will cause the demand for hybrid vehicles to decrease now.

[i]True[/i] or [i]false[/i]?


Question 4166

If an increase in income leads to a decrease in the demand for salami, then salami is

A) an inferior good.
B) a neutral good.
C) a necessity.
D) a normal good.


Question 4167

At the profit-maximizing level of output for a perfectly competitive firm

A) price equals marginal cost.
B) average revenue equals average variable cost and price equals marginal cost.
C) marginal revenue equals marginal cost and average total cost equals average fixed cost.
D) price equals average revenue and marginal cost equals average variable cost.


Question 4168
Suppose that the economy is producing below potential GDP and the Fed implements the correct change in monetary policy, but not until after the economy has passed the trough of the recession. Then
A) the Fed's contractionary policy will result in too large of a decrease in GDP.
B) the Fed's contractionary policy will result in too small of a decrease in GDP.
C) the Fed's expansionary policy will result in too small of a decrease in GDP.
D) the Fed's expansionary policy will result in too large of an increase in GDP.

Question 4169

For each of the following pairs of products state which are complements, which are substitutes, and which are unrelated.

a. Digital camera and memory stick
b. 7Up and Mountain Dew
c. Swimsuits and flip-flops
d. Tylenol and cat food
e. Photocopier and paper


Question 4170

Suppose a monopolistically competitive firm's output where marginal revenue equals marginal cost is 66 units and the price corresponding to this quantity is $18. If the average total cost at this output is $16.55, then its total profit is
A) $1,188.
B) $1,092.30.
C) $95.70.
D) $1.45.


Question 4171

Which of the following is used to explain why a consumer's willingness to buy a cell phone increases as the number of other people who own and use cell phones increases?

A) network externalities
B) market failure
C) diminishing marginal utility
D) the income effect of a price change


Question 4172

Why does a prisoner’s dilemma lead to a noncooperative equilibrium?

A) because each player had agreed before the game started to minimize the harm that he can inflict on the other players
B) because each player is uncertain how other players will play the game
C) because players must choose from a limited number of non-dominant strategies
D) because each rational player has a dominant strategy to play a certain way regardless of what other players do


Question 4173

In the short run, a firm that incurs losses might choose to produce rather than shut down if the amount of its revenue is less than its fixed cost. [i]True[/i] or [i]false[/i]?


Question 4174

The perfectly competitive market structure benefits consumers because
A) firms do not produce goods at the lowest possible price in the long run.
B) firms are forced by competitive pressure to be as efficient as possible.
C) firms add a much smaller markup over average cost than firms in any other type of market structure.
D) firms produce high quality goods at low prices.


Question 4175

A sunk cost is
A) another term that means opportunity cost.
B) a term used to describe the cost of capital that the owners of a firm sink into their business.
C) the highest valued alternative that must be given up to engage in an activity.
D) a cost that has already been paid and cannot be recovered.

**Question 4176**

An outward shift of a nation’s production possibilities frontier represents

A) economic growth.
B) rising prices of the two goods on the production possibilities frontier model.
C) an impossible situation.
D) a situation in which a country produces more of one good and less of another.


**Question 4177**

Imports are goods and services bought domestically but produced in other countries.

[i]True[/i] or [i]false[/i]?


**Question 4178**

A newspaper story on the effect of higher milk prices on the market for ice cream contained the following:

"As a result [of the increase in milk prices], retail prices for ice cream are up 4 percent from last year... And ice cream consumption is down 3 percent."


Based on the information given, what is the price elasticity of demand for ice cream?

A) 0.75 (in absolute value)
B) 1.33 (in absolute value)
C) 12%
D) We do not have enough information to calculate the elasticity.


**Question 4179**

An ________ is represented by a rightward shift of the demand curve while an ________ is represented by a movement along a given demand curve.

A) increase in demand; decrease in demand
B) increase in demand; increase in quantity demanded
C) decrease in demand; decrease in quantity demanded
D) increase in quantity demanded; increase in demand


**Question 4180**

Which of the following products comes closest to having a perfectly inelastic demand?

A) gasoline
B) cholesterol medication in general
C) iPhones
D) bus rides


**Question 4181**

How do the owners of a partnership relate to the business?

A) The owners and the business are not separate legal entities.
B) The owners and the business are separate legal entities.
C) The assets of the owners are considered separate from the asset of the business.
D) None of these describe the legal relationship of the owners to the business.


**Question 4182**

Once a country has a comparative advantage in producing a product, it cannot lose that advantage.

[i]True[/i] or [i]false[/i]?

Question 4183

In the United States in 2012, the percentage of people with private health insurance was about
A) 17%.
B) 29%.
C) 74%.
D) 83%.

Question 4184

Suppose that real GDP for 2012 was $10,000 billion and real GDP for 2013 was $11,000 billion. What is the rate of growth of real GDP between 2012 and 2013?
A) 1%
B) 2%
C) 5%
D) 10%

Question 4185

If the Fed lowers its target for the federal funds rate, this indicates that
A) the Fed is pursuing an expansionary monetary policy.
B) the Fed is pursuing a contractionary monetary policy.
C) the Fed is attempting to combat inflation.
D) the Fed is concerned that the growth in aggregate demand will exceed potential GDP.

Question 4186

A perfectly competitive firm in long-run equilibrium produces output at the lowest possible average total cost.
[i]True[i] or [i]false[i]?

Question 4187

Government spending on transfer payments is included in government purchases when calculating GDP because it results in the production of new goods and services.
[i]True[i] or [i]false[i]?

Question 4188

________ is the ease with which a financial security can be exchanged for money.
A) Risk
B) The face value
C) Liquidity
D) The rate of return

Question 4189

Which of the following statements is true?
A) Anytime you have to decide which action to take you are experiencing economic equity.
B) Trade-offs do not apply when the consumers purchase a product for which there is excess supply, such as a stock clearance sale.
C) Every individual, no matter how rich or poor, is faced with making trade-offs.
D) Economics is a social science that studies the trade-offs we are forced to make because resources are unlimited.

Question 4190

Costa Rica is a leading exporter of bananas. What explains the comparative advantage of this country in banana production?
A) climate and soil conditions in Costa Rica which are well-suited for banana production
B) investment by multinational firms such as Chiquita Brands International and the Dole Food Company
C) a large supply of unskilled labor
D) positive externalities
Question 4191

The "Buy American" provision in the 2009 stimulus package required that stimulus money be spent only on U.S.-made goods, effectively acting as a quota of zero imports when stimulus money was being spent. In the U.S. steel market, a "Buy American" provision in the 2009 stimulus package would:

A) convert some consumer surplus to deadweight loss.
B) transfer some deadweight loss to producer surplus.
C) transfer some producer surplus to consumer surplus.
D) reduce the producer surplus received by foreign manufacturers.


Question 4192

Government deficits tend to increase during:

A) recessions and booms.
B) periods of war and recession.
C) periods of below- or above-average growth.
D) periods of increased financial uncertainty.


Question 4193

The Congressional Budget Office estimates that most of the increase in federal spending on Medicare and Medicaid will be due to:

A) the aging population.
B) increases in the cost of providing health care.
C) increases in immigration.
D) declining income levels.


Question 4194

A perfectly competitive wheat farmer in a constant-cost industry produces 1,000 bushels of wheat at a total cost of $50,000. The prevailing market price is $48. What will happen to the market price of wheat in the long run?

A) The price remains constant at $48.
B) The price falls below $48.
C) The price rises above $48.
D) There is insufficient information to answer the question.


Question 4195

If a monopolist's price is $50 at the output where marginal revenue equals marginal cost and average total cost is $43, then the average profit is $7.

[i]True[/i] or [i]false[/i]?


Question 4196

The Congressional Budget Office estimates that the Patient Protection and Affordable Care Act (ACA) will increase government spending:

A) by just under $1 trillion over 10 years.
B) by more than the additional taxes and fees enacted under the law will bring in.
C) by less than $50 billion over the next decade.
D) by more than $20 trillion dollars over the next 5 years.


Question 4197

Which of the following is not a consequence of the Fed changing the reserve requirement?

A) Changes in the ratio are easily incorporated into banks' routine management.
B) Decreasing the ratio will increase excess reserves.
C) Increasing the ratio will decrease the amount of reserves banks have to loan.
D) Changes in the ratio effectively places a tax on banks' deposit taking and lending activities.


Question 4198
In economics, an organization that produces a good or service is called a
A) firm.
B) company.
C) business.
D) All of the above are correct.

**Question 4199**
Which of the following is a normative economic statement?
A) Rising global demand for coal has led to increases in the price of coal.
B) With rising mortgage rates and rising unemployment rates, the number of unsold homes has increased.
C) The state of Texas is considering increasing funds for light-rail development to promote the use of public transportation.
D) Pharmaceutical manufacturers should not be allowed to patent their products so prescription drugs would be more affordable.

**Question 4200**
In order to avoid the imposition of other types of trade barriers, foreign producers will sometimes agree to voluntary export restraints. With voluntary export restraints, foreign producers
A) agree to meet specific quality standards required by the importing country.
B) limit their exports to a country.
C) pay a tax on all products they export.
D) must agree to import an equal quantity of products that they export.

**Question 4201**
An increase in the real interest rate will decrease consumption and investment.
[i]True[/i] or [i]false[/i]?

**Question 4202**
Monetary policy refers to the actions the Federal Reserve takes to manage
A) the money supply and income tax rates to pursue its economic objectives.
B) the money supply and interest rates to pursue its economic objectives.
C) income tax rates and interest rates to pursue its economic objectives.
D) government spending and income tax rates to pursue its economic objectives.

**Question 4203**
Although the Federal Reserve had traditionally made discount loans only to ________, in response to to the financial crisis in 2008 the Fed made primary dealers eligible for discount loans as well.
A) commercial banks
B) government agencies
C) investment banks
D) mortgage lenders

**Question 4204**
A good can serve as money only if
A) government mandates that the good must be accepted in payment of debts.
B) it is declared by authorities to be legal tender.
C) it has intrinsic value or if it is backed by precious metals.
D) citizens accept the good as a means of payment for transactions and debts.

**Question 4205**
If tolls on a toll road can be raised significantly before commuters will consider using a free alternative, then an increase in tolls will result in
A) a decrease in total revenue.
B) a decrease in non-toll road usage.
C) an increase in total revenue.
D) an increase in toll road usage.
Question 4206

How do changes in income tax policies affect aggregate demand?
A) Higher taxes increase disposable income, consumption, and aggregate demand.
B) Higher taxes reduce disposable income, consumption, and aggregate demand.
C) Higher taxes increase corporate investment and aggregate demand.
D) Higher taxes increase aggregate supply and thus increase aggregate demand as well.

Question 4207

Firms that participate in regular open market transactions with the Federal Reserve are called
A) secondary market banks.
B) Treasury banks.
C) primary dealers.
D) Federal Reserve partners.

Question 4208

Active changes in tax and spending by government intended to smooth out the business cycle are called ________, and changes in taxes and spending that occur passively over the business cycle are called ________.
A) automatic stabilizers; discretionary fiscal policy
B) discretionary fiscal policy; automatic stabilizers
C) automatic stabilizers; monetary policy
D) discretionary fiscal policy; conscious fiscal policy

Question 4209

Which of the following is a positive economic statement?
A) U.S. citizens should only buy products which are produced in the United States.
B) The government should ban the production and sale of incandescent light bulbs.
C) Raising the tax on gasoline raises the selling price of gasoline.
D) The government should revamp its immigration policies.

Question 4210

Competition among sellers generates
A) productive efficiency.
B) allocative efficiency.
C) equity.
D) scarcity.

Question 4211

What are the key differences between how we illustrate a contractionary fiscal policy in the basic aggregate demand and aggregate supply model and in the dynamic aggregate demand and aggregate supply model?

Question 4212

In a free market there are virtually no restrictions, or at best few restrictions on how factors of production can be employed.
[i]True[/i] or [i]false[/i]?

Question 4213

Which of the following is not a reason why the U.S. economy has been more stable since 1950?
A) Goods have become a larger fraction of GDP and services have become a smaller fraction of GDP.
B) The government has actively pursued policy to combat recessions and prolong expansions.
C) Unemployment insurance and other government programs curtail the decline in spending that occurs during a recession.
D) Services have become a larger fraction of GDP and goods have become a smaller fraction of GDP.
Question 4214

If a decrease in income leads to an increase in the demand for macaroni, then macaroni is
A) an inferior good.
B) a neutral good.
C) a necessity.
D) a normal good.

Question 4215

Your income will increase if the Federal Reserve buys a Treasury bill from you and pays you with a check from the Fed.
[i]True[/i] or [i]false[/i]?

Question 4216

When the government imposes a tax equal to the external cost of producing a product that causes pollution, the government is said to externalize the externality.
[i]True[/i] or [i]false[/i]?

Question 4217

Marginal revenue for an oligopolist is
A) identical to the demand for the firm's product.
B) difficult to determine because the firm's demand curve is typically unknown.
C) downward sloping beneath the firm's demand curve.
D) horizontal on a price-quantity diagram.

Question 4218

In economics, what is the difference between the short run and the long run?

Question 4219

Today, ________ of Goodyear’s tire sales are in the North America.
A) only 11 percent
B) less than 40 percent
C) 65 percent
D) more than 80 percent

Question 4220

If average total cost is falling marginal cost must also be falling.
[i]True[/i] or [i]false[/i]?

Question 4221

Which of the following contributes to the efficiency of markets?
A) Governments play an active role in the day-to-day operations of markets.
B) Markets are able to bring about an equitable distribution of goods and services.
C) Markets promote equal standards of living.
D) Markets promote competition and voluntary exchange.

Question 4222

Firms disclose financial statements in ________ and in ________.
A) periodic filings to the federal government; annual reports to shareholders
B) daily filings to the federal government; daily reports to shareholders
C) monthly reports to shareholders; 5-year balance statements to the board of directors
Question 4223

Which of the following statements is true?
A) An increase in demand causes a change in equilibrium price; the change in price does not cause a further change in demand or supply.
B) A decrease in supply causes equilibrium price to rise; the increase in price then results in a decrease in demand.
C) If both demand and supply increase there must be an increase in equilibrium price; equilibrium quantity may either increase or decrease.
D) If demand decreases and supply increases one cannot determine if equilibrium price will increase or decrease without knowing which change is greater.


Question 4224

If a country produces only two goods, then it is not possible to have a comparative advantage in the production of both those goods.

[i]True[/i] or [i]false[/i]?


Question 4225

If the market price is $40 in a perfectly competitive market, the marginal revenue from selling the fifth unit is

A) $8.
B) $20.
C) $40.
D) $200.


Question 4226

Assuming that the United States is the domestic economy, ______ are goods and services produced by ______ and purchased by ______.

A) exports; foreign countries; the United States
B) exports; the United States; the United States
C) imports; foreign countries; foreign countries
D) imports; foreign countries; the United States


Question 4227

If the price of gasoline was $3.25 a gallon and it is now $3.75 a gallon, what is the percentage change in price?

A) 7.1 percent
B) 13.3 percent
C) 15.4 percent
D) 33.3 percent


Question 4228

An argument in favor of the Federal Reserve adopting inflation targeting is that in the long run, the Fed can have an impact on inflation but not on real GDP.

[i]True[/i] or [i]false[/i]?


Question 4229

The slope of a production possibilities frontier

A) has no economic relevance or meaning.
B) is always constant.
C) is always varying.
D) measures the opportunity cost of producing one more unit of a good.


Question 4230

What is the difference between fiscal policy and monetary policy?

Question 4231

During the recession phase of the business cycle
A) production is usually rising.
B) interest rates are usually falling.
C) unemployment is usually falling.
D) income is usually rising.

Question 4232

If economies of scale are relatively important in an industry, the typical firm's
A) marginal cost curve will decline continuously until it reaches minimum efficient scale.
B) long-run average cost curve will begin rising before it reaches minimum efficient scale.
C) long-run average cost curve will reach a minimum at a level of output that leaves room for a large number of firms to enter the industry.
D) long-run average cost curve will reach a minimum at a level of output that is a relatively large fraction of total industry sales.

Question 4233

In an attempt to bring lenders and borrowers together following the financial crisis of 2008, the Federal Reserve made a large amount of new funds available to financial markets. Any of these new funds that are loaned out by banks would be classified as ________ of the banks.
A) required reserves
B) excess reserves
C) deposits
D) liabilities

Question 4234

Marginal cost is
A) the total cost of producing one unit of a good or service.
B) the average cost of producing a good or service.
C) the difference between the lowest price a firm would have been willing to accept and the price it actually receives.
D) the additional cost to a firm of producing one more unit of a good or service.

Question 4235

The use of fiscal policy to stabilize the economy is limited because
A) changes in government spending and tax rates have a small effect on aggregate demand.
B) changes in government spending and tax rates have a small effect on interest rates.
C) the legislative process can be slow, which means that it is difficult to make fiscal policy actions in a timely way.
D) the Internal Revenue Service (IRS) resists changes in tax rates because of all the changes they would have to make to the tax code.

Question 4236

If a straight line passes through the point x = 12 and y = 4 and also through the point x = 4 and y = 8, the slope of this line is
A) negative 8 divided by 4.
B) seven tenths.
C) negative one half.
D) one and one half.

Question 4237

Technology is defined as
A) the process of developing and revising models.
B) new innovations and creations.
C) the processes used to produce goods and services.
D) the process of recycling products.

Question 4238
According to the National Bureau of Economic Research, the recession that began in December 2007
A) lasted 12 months.
B) lasted 18 months.
C) lasted 27 months.
D) had not ended by December 2011.

Question 4239
An increase in the price of off-road vehicles will result in
A) a smaller quantity of off-road vehicles supplied.
B) a larger quantity of off-road vehicles supplied.
C) an increase in the demand for off-road vehicles.
D) a decrease in the supply of off-road vehicles.

Question 4240
Uninsured patients receiving treatments at hospital emergency rooms that could have been provided less expensively at doctor’s offices account for
________ of health care costs in the United States.
A) between 1 and 4 percent
B) approximately 25 percent
C) almost 40 percent
D) between 15 and 20 percent

Question 4241
If the opportunity cost of producing more of one good increases as more of that good is produced, then the production method is inefficient.
[i]True[/i] or [i]false[/i]?

Question 4242
When the government runs a deficit, which of the following is true?
A) T > TR - G
B) G > T + TR
C) G > TR - T
D) T < G + TR

Question 4243
The observation that people tend to value something more highly when they own it than when they don’t is called the
A) wealth effect.
B) endowment effect.
C) path dependent effect.
D) endorsement effect.

Question 4244
Perfectly competitive industries tend to produce low-priced, low-technology products.
[i]True[/i] or [i]false[/i]?

Question 4245
Compared to the United States, health care spending per person in other high-income countries has been
A) growing at a slower rate.
B) growing at a faster rate.
C) growing at approximately the same rate.
D) declining at approximately the same rate.

Question 4246
An oligopolist's demand curve is
A) identical to that of a perfect competitive firm.
B) identical to that of a monopolistically competitive firm.
C) vertical on a price quantity diagram.
D) unknown because a response of firms to price changes by rivals is uncertain.

Question 4247
During the Great Depression, what appeared to be ________ fiscal policy was actually not when the ________ budget deficit or surplus is examined.
A) expansionary; actual
B) expansionary; cyclically adjusted
C) contractionary; actual
D) contractionary; cyclically adjusted

Question 4248
Gross domestic product understates the total production of final goods and services because of the omission of
A) the underground economy.
B) intermediate goods.
C) inflation.
D) exports.

Question 4249
Under the Patient Protection and Affordable Care Act (ACA), insurance companies will be required to participate in a high-risk pool that will cover individuals with pre-existing medical conditions.
[i]True[/i] or [i]false[/i]?

Question 4250
Which of the following is considered contractionary fiscal policy?
A) Congress increases the income tax rate.
B) Congress increases defense spending.
C) Legislation removes a college tuition deduction from federal income taxes.
D) The New Jersey legislature cuts highway spending to balance its budget.

Question 4251
The real power within the Federal Reserve lies with the
A) Federal Reserve District banks.
B) Board of Governors.
C) Council of Economic Advisors.
D) Council of Monetary Advisors.

Question 4252
If the price elasticity of demand is unit-elastic, a 10 percent increase in price will result in a 10 percent increase in revenue.
[i]True[/i] or [i]false[/i]?

Question 4253
If the price of grapefruit rises, the substitution effect due to the price change will cause
A) a decrease in the demand for grapefruit.
B) a decrease in the demand for oranges, a substitute for grapefruit.
C) a decrease in the quantity demanded of grapefruit.
D) a decrease in the quantity supplied of grapefruit.

Question 4254
Who controls a partnership?
A) the owners
B) stockholders
C) bondholders
D) employees

**Question 4255**

International trade
A) harms consumers but helps exporting firms.
B) helps consumers but harms exporting firms and their workers.
C) helps consumers but hurts firms that are less efficient than their foreign competitors.
D) helps consumers and firms that compete with their foreign competitors.

**Question 4256**

The rising cost of uninsured patients receiving treatment at hospital emergency rooms is one of the leading causes of the increase in health care spending as a percentage of GDP in the United States.
[i]True[/i] or [i]false[/i]?

**Question 4257**

The income effect explains why there is a direct relationship between the price of a product and the quantity of the product demanded.
[i]True[/i] or [i]false[/i]?

**Question 4258**

Marginal benefit is the benefit that your activity provides to someone else.
[i]True[/i] or [i]false[/i]?

**Question 4259**

Jill Johnson owns a pizzeria. She currently produces 10,000 pizzas per month at a total cost of $500. If she produced one more pizza her total cost rises to $500.11. What does this tell us about Jill's marginal cost of producing pizzas?
A) The marginal cost of producing pizzas is constant.
B) The marginal cost of producing pizzas is falling.
C) The marginal cost of producing pizzas cannot be determined without more information.
D) The marginal cost of producing pizzas is rising.

**Question 4260**

Brett buys a new cell phone for $100. He receives consumer surplus of $80 from the purchase. How much does Brett value his cell phone?
A) $180
B) $100
C) $80
D) $20

**Question 4261**

Voluntary exchange between buyers and sellers generates _______ in a market economy.
A) scarcity
B) allocative efficiency
C) productive efficiency
D) equity

**Question 4262**

If the social cost of producing a good or service exceeds the private cost
A) a positive externality exists.
B) the sum of consumer surplus and producer surplus is maximized.
C) the market achieves economic efficiency.
D) a negative externality exists.

Question 4263

In January, buyers of gold expect that the price of gold will rise in February. What happens in the gold market in January, holding all else constant?
A) The supply curve shifts to the right.
B) The demand curve shifts to the left.
C) The demand curve shifts to the right.
D) The quantity demanded increases.

Question 4264

College education tends to result in a negative externality because the recipient does not receive the full benefit of the education.
[i]True[/i] or [i]false[/i]?

Question 4265

The substitution effect explains why there is an inverse relationship between the price of a product and the quantity of the product demanded.
[i]True[/i] or [i]false[/i]?

Question 4266

In the long run,
A) GDP > potential GDP.
B) unemployment is at its natural rate.
C) LRAS and SRAS lie on the same line.
D) the inflation rate is zero.

Question 4267

The principal-agent problem is a problem
A) caused by a person (principal) who hires an agent to act on his behalf but is unwilling to delegate authority to the agent to carry out the task in the best possible way.
B) caused by agents pursuing their own interests rather than the interests of the principals who hired them.
C) of the power system of boss and subordinate where the boss (principal) exerts influence over his subordinates (agents) using punishment or threat.
D) that exists when a person (principal) has more information about the task than the agent he hires to perform the task.

Question 4268

Scarcity refers to the situation in which
A) unlimited wants exceed limited resources.
B) unlimited resources exceed limited wants.
C) a country's population is larger than its resource base.
D) a nation's poverty level increases faster than its population.

Question 4269

A merger between U.S. Steel and General Motors would be an example of a
A) vertical merger.
B) horizontal merger.
C) conglomerate merger.
D) conspiracy in restraint of trade.

Question 4270

________ a nation's production possibilities frontier represents economic growth.
Question 4271

The “Buy American” provision in the 2009 stimulus package required that stimulus money be spent only on U.S.-made goods, effectively acting as a quota of zero imports when stimulus money was being spent. For the U.S. steel industry, a “Buy American” provision would create gains for all of the following except:

A) U.S. steel companies.
B) U.S. taxpayers.
C) U.S. steel workers.
D) All of the above would gain from the provision.


Question 4272

Lionel’s Lawn Care is a company that maintains residential yards. Lionel’s cost for his standard package of mowing, edging, and trimming is $15, and he charges $25 for this service. For a total price of $40, Lionel will also trim shrubs, a service that adds an additional $10 to the total cost of the standard package. Should Lionel continue to offer the shrub-trimming service?

A) Yes, his marginal benefit is greater than his marginal cost.
B) Yes, but only if he raises the price of the standard package.
C) No, his marginal benefit is less than his marginal cost.
D) More information is needed for Lionel to make this decision.


Question 4273

Monthly expenditures for a family of 4 in 2012 averaged $1,400. In 2013, the cost of the same purchases was $1,500. If 2012 is the base year, what was the CPI in 2013?

A) 110
B) 107
C) 100
D) 93


Question 4274

Which type of business has the most government rules and regulations affecting it?

A) sole proprietorship
B) partnership
C) corporation
D) They all have the same set of rules and regulations affecting them.


Question 4275

An increase in the purchasing power of money need not lead to an increase in the purchasing power of income, because the falling price level would likely mean falling wages and salaries.

[i]True[/i] or [i]false[/i]?


Question 4276

Which of the following statements is true?

A) A long-run competitive equilibrium can only be achieved in constant-cost industries.
B) When an industry achieves a long-run competitive equilibrium, industry output will not change in the future.
C) A long-run competitive equilibrium outcome is not economically efficient.
D) When an industry reaches a long-run competitive equilibrium, the typical firm in the industry breaks even.


Question 4277

The federal funds rate is

A) the interest rate the Fed charges commercial banks.
B) the interest rate a bank charges its best customers.
C) the interest rate banks charge each other for overnight loans.
D) the interest rate on a Treasury Bill.

**Question 4278**

In the United States in 2012, about two-thirds of those who were not covered by health insurance
A) are single and unemployed.
B) live in families in which at least one member has a job.
C) live in families in which all members are unemployed.
D) are retired from the workforce.

**Question 4279**

New Keynesian macroeconomic theory emphasizes the role of "sticky" prices in the economy.
[i]True[/i] or [i]false[/i]?

**Question 4280**

Holding everything else constant, the absolute value of the price elasticity of demand for Saucony tennis shoes is ________ the price elasticity of demand for tennis shoes.
A) less than
B) equal to
C) twice as great as
D) greater than

**Question 4281**

If a firm is a natural monopoly, competition from other firms cannot be counted on to force price down to the level where the company earns zero economic profit. How are prices usually set in natural monopoly markets in the United States?
A) Each natural monopoly is made a public franchise. The public franchise is then required to set its price equal to its marginal cost.
B) Natural monopolies are privately owned, but prices proposed by the firms must be approved by the Antitrust Division of the Department of Justice.
C) Natural monopolies are privately owned and allowed to set their own prices. Government regulation of the firms would result in greater deadweight losses.
D) Local or state regulatory commissions usually set prices for natural monopolies.

**Question 4282**

If the total cost of producing 20 units of output is $1,000 and the average variable cost is $35, what is the firm's average fixed cost at that level of output?
A) $65
B) $50
C) $15
D) It is impossible to determine without additional information.

**Question 4283**

Using a broad definition, a firm would have a monopoly if
A) it produced a product that has no close substitutes.
B) it does not have to collude with any other producer to earn an economic profit.
C) there is no other firm selling a substitute for its product close enough that its economic profits are competed away in the long run.
D) it can make decisions regarding price and output without violating antitrust laws.

**Question 4284**

Raising taxes on interest and dividend income will increase the level of investment and economic growth.
[i]True[/i] or [i]false[/i]?
Question 4285

In a closed economy, which of the following equations reflects investment? (Y = GDP, C = Consumption, G = Government purchases, T = Taxes, and TR = Transfers)

A) Y - C - G
B) Y - C - T
C) Y - T + TR
D) C + G - T


Question 4286

Economic models
A) make no assumptions in order to remain as accurate as possible.
B) are simplified versions of reality.
C) can not be used to analyze real-world issues.
D) magnify the complexity of economic issues in order to provide useful data.


Question 4287

Which of the following could explain why the demand for table salt is inelastic?
A) Salt is a luxury good.
B) Salt is a rare commodity.
C) Households devote a very small portion of their income to salt purchases.
D) Salt is a luxury for high income consumers but a necessity for low income consumers.


Question 4288

What is meant by the term "government-imposed barrier to entry"? Why would a government be willing to impose barriers to entering an industry?


Question 4289

The owners of a ________ have a separate legal distinction from the business.
A) corporation
B) partnership
C) sole proprietorship
D) All of the above are correct.


Question 4290

As the number of firms in a market increases, the supply curve will shift to the left and the equilibrium price will rise.

[i]True[/i] or [i]false[/i]?


Question 4291

When Potbelly sold stock to the public in its IPO, it did so through the NASDAQ market. This was an example of Potbelly using ________ to raise funds.
A) indirect finance
B) direct finance
C) bonds
D) corporate governance


Question 4292

Suppose a chain of convenience stores reorganized its system of supplying its stores with food. This led to a sharp reduction in the number of trucks that the company had to use and increased the amount of fresh food on store shelves. Which of the following statements best describes the chain stores' actions?
A) The change implemented is not an example of technological change because it did not require the use of new machinery of equipment.
B) Technological change refers only to the introduction of new products or improvements to existing product. As such, the scenario described in the question is not technological change.
C) The firm is able to produce more output (increase its sales) using fewer inputs (less trucks). Therefore, the chain of convenience stores has implemented a positive technological change.

D) The scenario described is an example of management efficiency and not technological change. Essentially, the chain changes its way of operating its business.


Question 4293

Which of the following is a characteristic of an oligopolistic market structure?
A) There are few dominant sellers.
B) Each firm sells a unique product.
C) It is easy for new firms to enter the industry.
D) Each firm need not react to the actions of rivals.


Question 4294

Which of the following would occur if the United States switched from income taxes to consumption taxes?
A) Consumption would increase.
B) The supply of loanable funds would decrease.
C) Saving would increase.
D) Tax revenues would rise.


Question 4295

If a firm's average total cost is less than price where MR=MC
A) the firm should shut down.
B) the firm should raise its price.
C) the firm should continue to produce the output it is producing.
D) the firm should cut back on its output to lower its cost.


Question 4296

Market supply is found by
A) vertically summing the relevant part of each individual producer's marginal cost curve.
B) horizontally summing the relevant part of each individual producer's marginal cost curve.
C) vertically summing each individual producer's average total cost curve.
D) horizontally summing each individual producer's average total cost curve.


Question 4297

Which of the following is an example of discretionary fiscal policy?
A) an increase in unemployment insurance payments during a recession
B) an increase in income tax receipts with rising income during an expansion
C) the tax cuts passed by Congress in 2001 to combat the recession
D) a decrease in food stamps issued during an expansion or boom


Question 4298

A decrease in the discount rate _______ bank reserves and _______ the money supply if banks respond appropriately to the change in the rate.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases


Question 4299

Which of the following statements is true?
A) An increase in demand causes an increase in equilibrium price; the increase in price causes supply to increase.
B) A decrease in supply causes equilibrium price to rise; the increase in price then results in a decrease in quantity demanded.
C) If both demand and supply decrease, there must be a decrease in equilibrium price; equilibrium quantity may either increase or decrease.
D) If demand increases and supply decreases one cannot determine if equilibrium price will increase or decrease without knowing which change is
Question 4300

The effect of a recession on a company like Whirlpool Corporation is such that
A) sales decline more sharply for Whirlpool as compared to firms that do not produce durable goods.
B) profits fall less sharply as compared to firms that do not produce durable goods.
C) the decline in sales is more short-lived as compared to firms that do not produce durable goods.
D) there is no difference in the impact of the recession on its profits as compared to firms that do not produce durable goods.

Question 4301

What is a network externality?
A) It refers to having a network of suppliers and buyers for a good or service.
B) It refers to lobbying to form a public enterprise.
C) It refers to a situation in which a product's usefulness increases with the number of people using it.
D) It refers to a product that requires connection to a network for it to be useful.

Question 4302

Twenty-seven countries in Europe have eliminated all tariffs with each other. This group of countries is known as the
A) European Union.
B) United Federation of Europe.
C) Gruppo Euro.
D) European Free Trade Association.

Question 4303

Describe the demand curve for a Giffen good.

Question 4304

The iPod is a product without any significant network externalities.
[i]True[/i] or [i]false[/i]?

Question 4305

Cassie's Quilts alters, reconstructs and restores heirloom quilts. Cassie has just spent $800 purchasing, cleaning and reconstructing an antique quilt which she expects to sell for $1,500 once she is finished. After having spent $800, Cassie discovers that she would need some special period fabric that would cost her $200 in material and time in order to complete the task. Alternatively, she can sell the quilt "as is" now for $900. What should she do?
A) She should cut her losses and sell the quilt now.
B) It does not matter what she does; she is going to take a loss on her project.
C) She should purchase the period fabric, complete the task and then sell the quilt.
D) She should not do anymore work on the quilt because she has already spent too much time on it and has not been paid for that time.

Question 4306

Which of the following statements is true?
A) An increase in supply causes a change in equilibrium price; the change in price does not cause a further change in demand or supply.
B) A decrease in supply causes equilibrium price to rise; the increase in price then results in a decrease in demand.
C) If both demand and supply increase there must be an increase in equilibrium price; equilibrium quantity may either increase or decrease.
D) If demand decreases and supply increases one cannot determine if equilibrium price will increase or decrease without knowing which change is greater.

Question 4307

A decrease in the tax rate will ________ the disposable income of households and ________ the size of the multiplier effect.
A) increase; increase

Page 550 of 619
Which of the following is not an advantage of risk pooling?

A) By insuring large groups as opposed to individuals, health insurance providers reduce adverse selection.
B) It gives very sick people in the group the same access to health care and to pay the same premiums as healthy individuals.
C) It is easier for an insurance company to estimate the average number of claims likely to be filed under a group policy than it is to predict the number of claims likely to be filed under an individual policy.
D) Individuals who are insured and therefore do not have to pay the full cost of health care services may be inclined to over-use those services.


Which of the following explains why fluctuations in real GDP have become less volatile in the United States since 1950?

A) Services have become a smaller fraction of GDP since the 1950s.
B) Unemployment insurance and other government transfer programs are more prevalent since the 1950s.
C) The government has become more reluctant to intervene when real GDP declines and unemployment rises since the 1950s.
D) both B and C


The key to sustained economic growth is increasing labor productivity. [i]True[/i] or [i]false[/i]?


If the absolute value of the price elasticity of demand for DVD movies is 0.8 then the elasticity of demand for the DVD for the movie The Hangover should be

A) less than 0.8 in absolute value.
B) greater than 0.8 in absolute value.
C) equal to 1 in absolute value.
D) equal to zero because the DVD of this movie has been out for several years.


Which of the following is a result of a market economy?

A) environmental protection
B) an equal income distribution
C) agreement on equity
D) voluntary exchange


Each point on a demand curve shows

A) the willingness of consumers to purchase a product at different prices.
B) the consumer surplus received from purchasing a given quantity of a product.
C) the economic surplus received from purchasing a given quantity of a product.
D) the legally determined maximum price that sellers may charge for a given quantity of a product.


State and local governments subsidize college students with grants and low-interest loans. The loans and subsidies are examples of

A) positive externalities.
B) Coase subsidies.
C) Pigovian subsidies.
D) emission allowances.

Question 4315
Which of the following is not an argument against inflation targeting?
A) Inflation targeting reduces the flexibility of the Fed to pursue other policy goals.
B) Inflation targeting assumes that the Fed can accurately forecast future inflation rates.
C) Inflation targeting makes monetary policy ineffective because the targets are publicly announced.
D) Inflation targeting holds the Fed accountable for an inflation goal, but may make it less likely the Fed will achieve other goals.

Question 4316
A positive technological change will cause the supply of a good to increase.
[True] or [False]?

Question 4317
An increase in the demand for lobster due to changes in consumer tastes, accompanied by a decrease in the supply of lobster as a result bad weather reducing the number of fishermen trapping lobster, will result in
A) a decrease in the equilibrium quantity of lobster and no change in the equilibrium price.
B) an increase in the equilibrium price of lobster and no change in the equilibrium quantity.
C) an increase in the equilibrium price of lobster; the equilibrium quantity may increase or decrease.
D) a decrease in the equilibrium quantity of lobster; the equilibrium price may increase or decrease.

Question 4318
Inflation that is ________ than what is expected benefits ________ and hurts ________.
A) less; lenders; borrowers
B) less; borrowers; lenders
C) greater; lenders; borrowers
D) greater; lenders; no one

Question 4319
The health care system in ________ is referred to as socialized medicine, under which the government owns most of the hospitals and employs most of the doctors.
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 4320
If the market price is at equilibrium, the producer surplus is minimized.
[True] or [False]?

Question 4321
For each pound of salami that Hungary produces, it gives up the opportunity to make 10 bottles of beer. Slovakia can produce 1 pound of salami for every 8 bottles of beer it produces. Which of the following is true about the comparative advantage between the two countries?
A) Hungary has the comparative advantage in salami.
B) Hungary has the comparative advantage in beer.
C) Slovakia has the comparative advantage in salami and beer.
D) Slovakia has the comparative advantage in beer.

Question 4322
The base period for CPI calculations is generally 1982-84. In 2005, 50% of households accessed the Internet through a broadband connection that would not have existed in the 1980s. This potential for bias in the CPI is referred to as ________ bias and results in ________.
A) outlet bias; the CPI underestimating the true change in the cost of living
B) new product; the CPI overestimating the true change in the cost of living

C) outlet bias; the CPI overestimating the true change in the cost of living  
D) net product; the CPI underestimating the true change in the cost of living  

Question 4323

Which of following is the best example of a monopoly if we use a broader definition of monopoly?  
A) Spuds McKenzie, a wealthy potato farmer in Idaho  
B) Cheap Gas, one of two gasoline stations in a large rural community  
C) Santos Tacos, the only taqueria in the small town of Santosville  
D) Zippie Rentals, a sports car rental service in the downtown Boston area  

Question 4324

A voluntary export restraint is an agreement negotiated between two countries that places a numerical limit on the quantity of a good that can be imported by one country from the other country.  
[i]True[/i] or [i]false[/i]?  

Question 4325

According to a recent study, "Stricter college alcohol policies, such as raising the price of alcohol, or banning alcohol on campus, decrease the number of students who use marijuana." On the basis of this information, how would you describe alcohol and marijuana?  
A) The two goods are substitutes in consumption.  
B) There is no relationship between the two goods.  
C) The two goods are complements in consumption.  
D) They are both luxury goods.  

Question 4326

The leader of the monetarist school and major proponent of a monetary growth rule was  
A) Ben Bernanke.  
B) Milton Friedman.  
C) Alan Greenspan.  
D) Paul Volcker.  

Question 4327

When the price of a good falls, consumers buy a larger quantity because of the ________ effect and the ________ effect.  
A) substitution; income  
B) normal; inferior  
C) substitute; complement;  
D) supply; demand  

Question 4328

Let D = demand, S = supply, P = equilibrium price, Q = equilibrium quantity. What happens in the market for electric vehicles if the government offers incentives to manufacturers to produce more electric vehicles?  
A) D increases, S no change, P and Q increase  
B) S increases, D no change, P decreases, Q increases  
C) D and S increase, P and Q decrease  
D) D no change, S increases, P decreases, Q decreases  

Question 4329

Holding everything else constant, government approval of horizontal mergers is more likely to be granted if the "market" that firms are in are broadly defined rather than narrowly defined.  
[i]True[/i] or [i]false[/i]?  

Question 4330
The level of crowding out associated with a tax cut will be smaller if the tax change has a supply-side effect than it will be if it only has a demand-side effect.

[i]True[/i] or [i]false[/i]?


**Question 4331**

If, when you consume another piece of candy, your marginal utility is zero, then
A) you want more candy.
B) you have maximized your total utility from consuming candy.
C) you have not yet reached the point of diminishing marginal utility.
D) you should consume less candy.


**Question 4332**

Identify each of the following as (i) part of an expansionary fiscal policy, (ii) part of a contractionary fiscal policy, or (iii) not part of fiscal policy.
a. The personal income tax rate is lowered.
b. Congress cuts spending on defense.
c. College students are allowed to deduct tuition costs from their federal income taxes.
d. The corporate income tax rate is lowered.
e. The state of Nevada builds a new tollway in an attempt to expand employment and ease traffic in Las Vegas.


**Question 4333**

Assume the market price for lemon grass is $4.00 per pound, but most buyers are willing to pay more than the market price. At the market price of $4.00, the quantity of lemon grass demanded is 1,500 pounds per month, and quantity demanded does not reach zero until the price reaches $30.00 per pound. Construct a graph showing this data, calculate the total consumer surplus in the market for lemon grass, and show the consumer surplus on the graph.


**Question 4334**

Expansionary monetary policy refers to the Fed’s increasing the money supply and increasing interest rates to increase real GDP.

[i]True[/i] or [i]false[/i]?


**Question 4335**

In a competitive market equilibrium
A) total consumer surplus equals total producer surplus.
B) marginal benefit and marginal cost are maximized.
C) consumers and producers benefit equally.
D) the marginal benefit equals the marginal cost of the last unit sold.


**Question 4336**

What is a Giffen good?


**Question 4337**

The demand curve for the monopoly’s product is
A) the market demand for the product.
B) more elastic than the market demand for the product.
C) more inelastic than the market demand for the product.
D) undefined.


**Question 4338**

What does the term “increasing marginal opportunity cost” mean? How are increasing marginal opportunity costs represented on a bowed out production possibilities frontier?

Arnold Kim began blogging about Apple products during his fourth year of medical school. Kim's website, MacRumors.com, became so successful that he decided to give up his medical career and work full time on his website, despite the nearly $200,000 he had invested in his education. In making his decision, the $200,000 he spent on his education
A) should be ignored since it represents a sunk cost.
B) should be considered since it is money he has spent and needs to recoup.
C) should be ignored only if Kim can earn more than $200,000 by running his website.
D) should be considered since it is money he could have used to invest in his website.

If a fire insurance company requires firms buying fire insurance to install automatic sprinkler systems, the insurance company is trying to reduce
A) the problem of adverse selection.
B) the moral hazard problem.
C) sunk costs.
D) asymmetric information.

What is meant by the term "internalizing an externality"? How does a Pigovian tax or subsidy internalize an externality?

In the market for factors of production, firms earn income by selling goods and services to households.
[i]True[/i] or [i]false[/i]?

Long-run macroeconomic equilibrium occurs when
A) aggregate demand equals short-run aggregate supply.
B) aggregate demand equals short-run aggregate supply and they intersect at a point on the long-run supply curve.
C) structural and frictional unemployment equals zero.
D) output is above potential GDP.

If the absolute value of the price elasticity of demand for gasoline is 0.5, then a 10 percent increase in the price of gasoline leads to a 0.5 percent decrease in the quantity demanded.
[i]True[/i] or [i]false[/i]?

Define microeconomics.

The Wong family consumes 3 pounds of fish and 5 pounds of chicken per month. The price of fish is $8 per pound and chicken is $4 per pound.
a. What is the amount of income allocated to fish and chicken consumption?
b. What is the price ratio (the price of fish relative to the price of chicken)?
c. Explain the meaning of the price ratio you computed.
d. If the Wongs maximize utility, what is the ratio of the marginal utility of fish to the marginal utility of chicken?
e. If the price of chicken rises, will the Wong family consume more chicken, less chicken or the same amount of chicken? Explain your answer using the rule of equal marginal utility per dollar.

The study of economics arises due to
A) money.
<table>
<thead>
<tr>
<th>Question 4348</th>
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<tbody>
<tr>
<td>The decision about what goods and services will be produced made in a market economy is made by</td>
</tr>
<tr>
<td>A) lawmakers in the government voting on what will be produced.</td>
</tr>
<tr>
<td>B) workers deciding to produce only what the boss says must be produced.</td>
</tr>
<tr>
<td>C) producers deciding what society wants most.</td>
</tr>
<tr>
<td>D) consumers and firms choosing which goods and services to buy or produce.</td>
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<tr>
<td>E) consumers dictating to firms what they need most.</td>
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<table>
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<tr>
<th>Question 4349</th>
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<tbody>
<tr>
<td>Holding everything else constant, a decrease in the price of bicycles will result in</td>
</tr>
<tr>
<td>A) a decrease in the quantity of bicycles demanded.</td>
</tr>
<tr>
<td>B) an increase in the demand for bicycles.</td>
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<tr>
<td>C) a decrease in the supply of bicycles.</td>
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<tr>
<td>D) an increase in the quantity of bicycles demanded.</td>
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<tr>
<th>Question 4350</th>
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<tbody>
<tr>
<td>A major factor contributing to the slow growth rate of less developed economies is</td>
</tr>
<tr>
<td>A) the lack of well-defined and enforceable property rights.</td>
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<tr>
<td>B) the lack of natural resources.</td>
</tr>
<tr>
<td>C) the lack of workers.</td>
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<td>D) the high rate of illiteracy.</td>
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<tr>
<th>Question 4351</th>
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<tbody>
<tr>
<td>Which of the following is a microeconomics question?</td>
</tr>
<tr>
<td>A) When will the government better secure the borders?</td>
</tr>
<tr>
<td>B) Why hasn't the federal government raised the minimum wage?</td>
</tr>
<tr>
<td>C) How does Fiat decide on the price of the 500 Pop model?</td>
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<td>D) What determines the level of U.S. imports and exports?</td>
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<th>Question 4352</th>
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<tr>
<td>tended to increase spending on health care in the United States.</td>
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<tr>
<td>A) The aging of the U.S. population, rather than advances in medical technology, has</td>
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<tr>
<td>B) Advances in medical technology, rather than the aging of the U.S. population, has</td>
</tr>
<tr>
<td>C) The aging of the U.S. population, as well as advances in medical technology, have</td>
</tr>
<tr>
<td>D) Neither the aging of the U.S. population, nor advances in medical technology, have</td>
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<tbody>
<tr>
<td>Entrepreneurs bring together the factors of production to produce goods and services.</td>
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<tr>
<td>[I]True[/I] or [I]false[/I]?</td>
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<tbody>
<tr>
<td>Fiscal policy actions that are intended to have long-run effects on real GDP attempt to increase ______ through changing ______.</td>
</tr>
<tr>
<td>A) aggregate demand; government spending</td>
</tr>
<tr>
<td>B) aggregate supply; taxes</td>
</tr>
<tr>
<td>C) aggregate demand; taxes</td>
</tr>
<tr>
<td>D) aggregate supply; government spending</td>
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</table>
Question 4355
The opportunity cost of going to an outdoor music festival is
A) the enjoyment you receive from going to the festival.
B) the value of the time spent at the festival.
C) equal to the highest value of an alternative use of the time and money spent on the festival.
D) zero because there is no overhead costs for an outdoor festival.
E) the cost of the festival ticket only.

Question 4356
Which of the following will not shift the demand curve for a good?
A) an increase in population
B) an increase in the price of the good
C) a decrease in the price of a substitute good
D) an increase in consumer incomes

Question 4357
Which type of businesses earns the majority of revenues in the United States?
A) corporations
B) partnerships
C) sole proprietorships
D) none of these

Question 4358
If policy makers are concerned that the economy is in danger of rising inflation because aggregate demand is increasing faster than aggregate supply, the appropriate fiscal policy response is to
A) increase taxes.
B) increase government spending.
C) use expansionary fiscal policy.
D) increase interest rates.

Question 4359
There is much evidence to suggest that airlines are more likely to match price cuts than price increases. Which of the following best explains this evidence?
A) The law of demand which states that an increase in price leads to a decrease in quantity demanded.
B) No one airline wants to be the first to renege on a tacit collusive agreement in which all airlines implicitly agree to match price cuts but not price increases.
C) An airline fears that if it does not match a price cut, its sales may fall considerably but if it does not match a price increase, it will be able to attract customers away from its rivals.
D) Airlines have different costs of production and therefore it is more difficult to agree on a price increase than on a price decrease.

Question 4360
The Taylor rule helps explain the relationship between the Fed's ________ and ________.
A) money supply target; economic conditions
B) money supply target; the federal funds target
C) federal funds target; the monetary growth rule
D) federal funds target; economic conditions

Question 4361
If the Fed buys U.S. Treasury securities, then this
A) increases reserves, encourages banks to make more loans, and increases the money supply.
B) decreases reserves, causes banks to reduce their loans, and decreases the money supply.
C) decreases reserves, causes banks to reduce their loans, and increases the money supply.
D) increases reserves, causes banks to reduce their loans, and increases the money supply.

Question 4362
Which of the following is not part of the "individual mandate" provision of the Patient Protection and Affordable Care Act (ACA)?
A) Individuals are allowed to opt out of the insurance program if they can prove they have no serious health issues and do so before the act fully takes effect in the year 2014.
B) By 2016, fines for not having health insurance will be the greater of $695 per person or 2.5 percent of income.
C) Beginning in 2014, individuals who do not acquire health insurance will be subject to a fine.
D) With limited exceptions, every resident of the United States will be required to have health insurance that meets certain basic requirements.

Question 4363
Total income in an economy is equal to
A) GDP minus net exports.
B) income minus taxes.
C) the sum of wages, interest, rent, and profit.
D) firm revenues.

Question 4364
Which of the following is not a characteristic of a monopolistically competitive market structure?
A) There is a large number of independently acting small sellers.
B) All sellers sell products that are differentiated.
C) There are low barriers to entry of new firms.
D) Each firm must react to actions of other firms.

Question 4365
If consumers believe the price of iPads will decrease in the future, this will cause the demand for iPads to decrease now.
[i]True[i] or [i]false[i]?

Question 4366
If a typical firm in a perfectly competitive industry is earning profits, then
A) all firms will continue to earn profits.
B) new firms will enter in the long run causing market supply to decrease, market price to rise and profits to increase.
C) new firms will enter in the long run causing market supply to increase, market price to fall and profits to decrease.
D) the number of firms in the industry will remain constant in the long run.

Question 4367
What effect does the entry of new firms in a monopolistically competitive market have on the economic profits of existing firms in the market? How might existing firms attempt to counteract this effect?

Question 4368
Which of the following is an example of a long run adjustment?
A) Your university offers Saturday morning classes next fall.
B) Ford Motor Company lays off 2,000 assembly line workers.
C) A soybean farmer turns on the irrigation system after a month long dry spell.

Question 4369
In markets with asymmetric information,
A) moral hazard causes adverse selection which in turn causes asymmetric information.
B) adverse selection causes moral hazard which in turn causes asymmetric information.
C) asymmetric information causes moral hazard and then it causes adverse selection.
D) asymmetric information causes adverse selection and then it causes moral hazard.
Question 4370

If you are considering buying either an Apple iPhone or a Samsung Galaxy, and you choose the Samsung only because the price is lower, then you consider
A) the iPhone and the Galaxy to be complements.
B) the iPhone and the Galaxy to be substitutes.
C) the iPhone to be a normal good and the Galaxy to be an inferior good.
D) the iPhone to be an inferior good and Galaxy to be a normal good.


Question 4371

In the mid-1990s, cattle ranchers in the United States kept raising cattle even though prices were at a ten-year low and below average total cost. What is the likely explanation for this?
A) Continuing to operate resulted in smaller losses than would have been incurred by shutting down.
B) The ranchers were hoping to receive government subsidies.
C) The exit costs were too high.
D) Cattle is an important source of protein and its production is essential for the United States.


Question 4372

What does it mean for a country to have an absolute advantage in producing a product?


Question 4373

If real GDP exceeded potential real GDP and inflation was increasing, which of the following would be an appropriate fiscal policy?
A) a decrease in the money supply and an increase in the interest rate
B) an increase in government spending
C) an increase in taxes
D) an increase in oil prices


Question 4374

Assume that the personal computer industry is perfectly competitive. The fact that the price of personal computers over the last decade has fallen despite increases in demand signifies that the industry is a decreasing-cost industry.

[i]True[/i] or [i]false[/i]?


Question 4375

OPEC periodically meets to agree to restrict the cartel’s oil output, and yet almost every member of OPEC produces more than its own output quota. This suggests that OPEC has
A) a cooperative equilibrium.
B) a noncooperative equilibrium.
C) new potential entrants.
D) a threat of substitute goods.


Question 4376

How can changes over time of the average height of the people in a country help to indicate the standard of living in a country?


Question 4377

For the recessions in the United States since the 1950s
A) cyclical unemployment has been non-existent.
B) unemployment rises on average by about 1.2 percentage points 12 months after a recession begins.
C) unemployment falls on average by 2 percentage points 12 months after a recession begins.
D) unemployment rises on average about 5 percentage points 12 months after a recession begins.

Question 4378

Minimum efficient scale is defined as the level of output at which
A) all economies of scale are exhausted.
B) diminishing returns affect average total cost.
C) the firm's long-run average total cost starts falling.
D) the maximum output is produced.

Question 4379

Which of the following is an example of an efficiency-equity trade-off faced by economic agents?
A) According to an article by in the American Journal of Public Health by Edward Kaplan and Michael Merson of Yale University School of Medicine, the federal government's current method of allocating HIV-prevention resources is not cost-effective. Instead of allocating resources to states in proportion to reported AIDS cases, resources should flow first to those activities that prevent more infections per dollar and then to less and less effective combinations of programs and populations until funds are exhausted, even if it means that some populations would be left without any prevention services.
B) Concerned about the falling birth rate, the French government has pledged more money for families with three children, in an effort to encourage working women to have more babies.
C) Some U.S. colleges are actively recruiting foreign students for their technology-based programs.
D) All New York City art museums are considering adopting a free-admission policy for local residents one weekend per month.

Question 4380

If GDP grew 3% in 1970, 2.2% in 1971 and 2.5% in 1972 then, what is the average annual growth rate over this period?
A) 5%
B) 4%
C) 2.6%
D) -2.2%

Question 4381

If the price of peaches, a substitute for plums, decreases the demand for plums will increase.
[i]True[/i] or [i]false[/i]?

Question 4382

If Canada imports fishing poles from Mexico and Mexico imports bacon from Canada, which of the following would explain this pattern of trade?
A) Mexico has a lower opportunity cost of producing bacon than Mexico and Mexico has a comparative advantage in producing fishing poles.
B) The opportunity cost of producing fishing poles in Canada is higher than the opportunity cost of producing bacon in Mexico.
C) Mexico must have an absolute advantage in producing fishing poles and Canada must have an absolute advantage in bacon.
D) Mexico has a higher opportunity cost of producing fishing poles than Canada, and Canada has a higher opportunity cost of producing bacon.

Question 4383

In the United States, imports and exports make up more than half of GDP.
[i]True[/i] or [i]false[/i]?

Question 4384

In a typical year, _______ of new jobs are created by small firms.
A) less than 5 percent
B) 10 percent
C) 40 percent
D) 75 percent

Question 4385

Identify whether each of the following transactions will take place in the factor market or in the product market:
a. Shondra buys a Harley-Davidson Softail motorcycle.

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b. Aimee works 20 hours a week at a grocery store.
c. Gustavo sells a warehouse to a produce delivery company.
d. Ocean Spray increases employment at its Middleboro, Massachusetts plant.

Question 4386
If a firm's total variable cost exceeds its total revenue, the firm should stop production by shutting down temporarily.
[i]True[/i] or [i]false[/i]?

Question 4387
If a corporate bond with a face value of $5,000 pays yearly coupon payments of $100, what is the coupon rate?
A) 2%
B) 5%
C) 10%
D) 20%

Question 4388
Which of the following statements about the budget deficit is true?
A) In 1992, the federal budget was balanced.
B) In 2000, the federal budget was in surplus.
C) In 2004, the federal budget was in surplus.
D) In 2011, the federal budget was in surplus.

Question 4389
What are menu costs?
A) the full list of a firm's costs of production
B) the costs to a firm of changing prices
C) the cost to a household of borrowing money when there is deflation
D) the opportunity cost of dining in a restaurant instead of at home

Question 4390
Which of the following statements is true?
A) Monopolists are price makers. All other firms are price takers.
B) Unlike other industries, monopoly industries have high barriers to entry.
C) Only monopoly firms are granted patents and copyrights.
D) Unlike other firms, a monopolist's demand curve is the same as the market demand curve.

Question 4391
Economist Robert Higgs showed that World War II brought great increase in the number of consumer goods available to the typical person.
[i]True[/i] or [i]false[/i]?

Question 4392
Double taxation refers to
A) corporations paying taxes on profits and individuals paying taxes on wage income.
B) individuals paying taxes on wage income and individuals paying taxes on dividends.
C) corporations paying taxes on profits and individuals paying taxes on dividends.
D) corporations paying taxes on capital gains and individuals paying taxes on wage income.

Question 4393
What is the difference between product markets and factor markets?
Question 4394
The Fed has more control over open market operations as compared to discount policy.
[i]True[/i] or [i]false[/i]?

Question 4395
If an increase in income leads to a decrease in the demand for popcorn, then popcorn is
A) an inferior good.  
B) a neutral good.  
C) a necessity.  
D) a normal good.

Question 4396
To increase gas mileage, automobile manufacturers make cars small and light. Large cars absorb more of the impact of an accident than small cars
but yield lower gas mileage. These facts suggest that a positive relationship exists between safety and gas mileage.
[i]True[/i] or [i]false[/i]?

Question 4397
When housing prices ________, as they did beginning in 2006 following the housing market bubble, consumption spending on furniture, appliances,
and home improvements declined as many households found it ________ to borrow against the value of their homes.
A) rise; easier  
B) rise; harder  
C) fall; easier  
D) fall; harder

Question 4398
_______ occurs when one party takes advantage of having more information than another party about the attributes of the good or service they will
exchange.
A) A negative externality  
B) Moral hazard  
C) A transaction cost  
D) Adverse selection

Question 4399
After getting an A on your economics exam, you decide to go to your favorite Mexican restaurant to celebrate. You are having trouble deciding
whether to order the chipotle chicken chimichanga or the cilantro seafood enchiladas. Use the rule of equal marginal utility per dollar to determine
which one to purchase: (a) the chimichanga for $8 which gives you 120 units of utility, or (b) the enchiladas for $15 which gives you 195 units of utility?

Question 4400
If tax reduction and simplification are effective, then
A) real wages will rise as labor supply and demand increase.  
B) saving and investment in new capital will increase.  
C) interest rates will rise in financial markets and demand for financial assets falls.  
D) fewer new firms will be established, since existing firms will make more profit.

Question 4401
What is a centrally planned economy?

Question 4402
A perfectly competitive firm produces 3,000 units of a good at a total cost of $36,000. The price of each good is $10. Calculate the firm’s short-run
profit or loss.
Question 4403

If the opportunity cost of producing more of one good remains the same as more of that good is produced, then the production method is inefficient.

[i]True[/i] or [i]false[/i]?


Question 4404

All renters benefit from rent control and all landlords lose.

[i]True[/i] or [i]false[/i]?


Question 4405

Hewlett-Packard will not raise the prices of its personal computers without first considering how Dell might respond. This is evidence of
A) interdependence.
B) collusion.
C) cutthroat competition.
D) price fixing.


Question 4406

Are the costs of utilities always fixed, always variable, or can they be both? Briefly explain.


Question 4407

Electric car enthusiasts want to buy more electric cars at a lower price. All of the following events would have this effect except
A) technological advancement in the production of electric car batteries.
B) an increase in the number of manufacturers of electric cars.
C) a decrease in the price of lithium, which is used in the electric car batteries.
D) an increase in the price of gasoline.


Question 4408

If the economy is growing beyond potential real GDP, which of the following would be an appropriate fiscal policy to bring the economy back to long-run aggregate supply? An increase in
A) the money supply and a decrease in interest rates.
B) government purchases.
C) oil prices.
D) taxes.


Question 4409

During a study session for an economics exam with three other students, Peter Daltry commented on an example of a consumer who had to decide the on number of slices of pizza and cups of Coca-Cola he would consume. Peter explained that "To maximize his utility this consumer must equate the marginal utility per dollar for pizza and Coca-Cola." Was Peter's analysis correct?
A) Peter described one of the conditions necessary for utility maximization. The consumer also must equate the marginal utility of pizza and the marginal utility of cups of Coca-Cola.
B) Peter's statement is correct.
C) Peter's statement is correct but we must also assume that the consumer is rational.
D) Peter describes one of the conditions necessary for utility maximization. The second condition is that total spending on both goods must equal the amount available to be spent.


Question 4410

If a decrease in income leads to an increase in the demand for sardines, then sardines are

[...]

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<table>
<thead>
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<th>Question 4411</th>
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| Alan Krueger conducted a survey of fans at the 2001 Super Bowl who purchased tickets to the game for $325 or $400. Krueger found that (a) 94 percent of those surveyed would not have paid $3,000 for their tickets, and (b) 92 percent of those surveyed would not have sold their tickets for $3,000. These results are evidence of 
A) the high value fans place on watching the Super Bowl in person, rather than on television. 
B) the failure of consumers to take into account nonmonetary opportunity costs. 
C) the failure of consumers to ignore sunk costs. 
D) consumers being overly optimistic about their future behavior. 

<table>
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<th>Question 4412</th>
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| A member of a cartel earns more profits by producing more than its quota and selling at a price higher than the cartel's price. 

<table>
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<th>Question 4413</th>
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| BHP Billiton is a Canadian company that owns mines in Canada that 
A) produce nickel. After World War II, BHP Billiton began to compete with another Canadian firm, the International Nickel Company. This competition eventually ended International Nickel's monopoly in this market. 
B) produces bauxite, the mineral needed to produce aluminum. BHP Billiton began to mine bauxite after World War II. This competition eventually ended the Aluminum Company of America (ALCOA)'s monopoly in this market. 
C) produces coal. Until World War II, BHP Billiton had a monopoly on coal in Canada. 
D) produce diamonds. |

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<th>Question 4414</th>
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| If, as a perfectly competitive industry expands, it can supply larger quantities only at a higher long-run equilibrium price, it is 
A) a constant-cost industry. 
B) an increasing-cost industry. 
C) a decreasing-cost industry. 
D) a fixed-cost industry. |

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<tr>
<th>Question 4415</th>
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<tbody>
<tr>
<td>What must be true in terms of the income effect, the substitution effect, and the type of good for the good's demand curve to be upward sloping?</td>
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<th>Question 4416</th>
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| An increase in the price level shifts the aggregate demand curve to the left. 

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<th>Question 4417</th>
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| Which of the following accurately describes an effect of hurricane Katrina on GDP? 
A) GDP would decrease reflecting the costs of cleanup. 
B) GDP would increase reflecting the costs of cleanup. 
C) GDP would increase reflecting the decrease in production that occurred during the storm and the productive capacity lost in the storm. 
D) GDP would increase well-being. |

<table>
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<tr>
<th>Question 4418</th>
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</table>
| You have a bond that pays $60 per year in coupon payments. Which of the following would result in an increase in the price of your bond? 
A) Coupon payments on newly-issued bonds rise to $80 per year. |

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B) The likelihood that the firm issuing your bond will default on debt increases.
C) The price of a share of stock in the company falls.
D) Coupon payments on newly-issued bonds fall to $50 per year.

Question 4419
There are no costs to inflation if it is fully anticipated.
[i]True[/i] or [i]false[/i]?

Question 4420
A monopoly is a firm that is the only seller of a good or service that does not have a close substitute.
[i]True[/i] or [i]false[/i]?

Question 4421
One reason a country does not specialize completely in production is that not all goods and services are traded internationally.
[i]True[/i] or [i]false[/i]?

Question 4422
What is dumping? Who benefits and who loses from dumping?

Question 4423
A decrease in the labor force shifts the production possibility frontier inwards over time.
[i]True[/i] or [i]false[/i]?

Question 4424
From an initial long-run macroeconomic equilibrium, if the Federal Reserve anticipated that next year aggregate demand would grow significantly slower than long-run aggregate supply, then the Federal Reserve would most likely
A) decrease interest rates.
B) increase interest rates.
C) decrease income tax rates.
D) increase income tax rates.

Question 4425
If a firm in a perfectly competitive industry introduces a lower-cost way of producing an existing product, the firm will be able to earn economic profits in the long run.
[i]True[/i] or [i]false[/i]?

Question 4426
Suppose the velocity of money is not fixed, but stable at about two percent growth per year. How could the quantity theory of money be modified to include a stable growth rate of the velocity of money? In this modified quantity theory of money with velocity growing at two percent per year, what would the growth rate of the other variables in the theory need to be to cause inflation?

Question 4427
The demand curve for a monopoly firm
A) is perfectly inelastic.
B) lies below its marginal revenue curve.
C) is the same as the market demand curve.
D) is horizontal.
Question 4428

What are earnings per share equal to?
A) the last dividend payment made
B) total dividend payments plus retained earnings divided by outstanding stock shares
C) the amount by which the stock's market price has increased in the last year
D) revenues divided by the number of stockholders

Question 4429

Most economists believe that the return of _______ during the 2007-2009 recession is a key reason why the recession was so severe.
A) high tariffs
B) financial instability
C) rapid inflation
D) high interest rates

Question 4430

Which of the following is a characteristic shared by a perfectly competitive firm and a monopoly?
A) Each must lower its price to sell more output.
B) Each sets a price for its product that will maximize its revenue.
C) Each maximizes profits by producing a quantity for which marginal revenue equals marginal cost.
D) Each maximizes profits by producing a quantity for which price equals marginal cost.

Question 4431

An increase in the government budget surplus will shift the _______ curve for loanable funds to the _______ and the equilibrium real interest rate will _______.
A) supply; right; fall
B) supply; left; rise
C) demand; right; rise
D) demand; left; fall

Question 4432

Borrowers are _______ of loanable funds, and lenders are _______ of loanable funds.
A) demanders; suppliers
B) suppliers; demanders
C) suppliers; suppliers
D) demanders; demanders

Question 4433

To reduce the bias in the consumer price index, the Bureau of Labor Statistics
A) updates the market basket every two years, rather than every 10 years.
B) updates the market basket every 10 years, rather than every two years.
C) incorporates substitutions by consumers when prices of specific products rise rapidly.
D) incorporates substitutions by consumers when prices of specific products fall rapidly.

Question 4434

Which of the following is an example of an activity undertaken by an entrepreneur?
A) deciding whether to purchase a gasoline-powered automobile or an electric vehicle.
B) being appointed as the head of a charitable organization
C) running for a seat on the city council
D) starting your own cigar manufacturing business

Question 4435
What is the difference between a demand schedule and a demand curve?

Question 4436

How does Adam Smith's idea of the "invisible hand" apply to the various parts, made by many different manufacturers in many different countries, that are used by Apple to produce an iPad?

Question 4437

To increase the money supply, the Federal Reserve could
A) raise the discount rate.
B) decrease income taxes.
C) raise the required reserve ratio.
D) conduct an open market purchase of Treasury securities.
E) lower transfer payments.

Question 4438

Cole was discussing the market for cocoa beans with his friend John Schmidt. Cole said, "Ever since Venezuela announced that its cocoa harvest was its lowest ever in fifteen years, the price of cocoa beans has been rising and rising and people are buying more and more. I think the demand for cocoa beans must be upward sloping." Is Cole right? Briefly explain why or why not.

Question 4439

In a market economy, who decides what goods and services will be produced?
A) only the producers
B) only consumers
C) consumers and producers
D) the government

Question 4440

In a corporation, what are "inside directors" and "outside directors"?

Question 4441

If, in a competitive market, marginal benefit is less than marginal cost
A) the net benefit to consumers from participating in the market is less than the net benefit to producers.
B) the government must force producers to raise prices in order to achieve economic efficiency.
C) the quantity sold is greater than the equilibrium quantity.
D) the quantity sold is less than the equilibrium quantity.

Question 4442

For a perfectly competitive firm, at the profit-maximizing output average revenue equals marginal cost.
[i]True[/i] or [i]false[/i]?

Question 4443

The unemployment rate is higher with a minimum wage law than it would be without a minimum wage law.
[i]True[/i] or [i]false[/i]?

Question 4444

The DeBeers Company of South Africa was able to block competition through
A) economies of scale.
B) ownership of an essential input.
C) government-imposed barriers.
D) differentiating its product.
Question 4445
A rise in the dollar price of the Chinese yuan signals an appreciation of the yuan and a depreciation of the dollar.
[i]True[/i] or [i]false[/i]?

Question 4446
Opera Estate Girls' School is considering increasing its tuition to raise revenue. If the school believes that raising tuition will increase revenue
A) it is assuming that the demand for attending the school is inelastic.
B) it is assuming that the demand for attending the school is elastic.
C) it is assuming that the demand for attending the school is unit-elastic.
D) it is assuming that the demand for attending the school is perfectly elastic.

Question 4447
If the GDP deflator is 142, by how much have prices changed since the base year?
A) Prices have increased by 42%.
B) Prices have increased by 142%.
C) Prices have decreased by 4.2%.
D) Prices have increased by 58%.

Question 4448
On a diagram of a production possibility frontier, opportunity cost is represented by the production possibility frontier shifting outward.
[i]True[/i] or [i]false[/i]?

Question 4449
Financial securities that represent promises to repay a fixed amount of funds are known as
A) bonds.
B) stocks.
C) pension funds.
D) insurance premiums.

Question 4450
What is the incentive for a firm to join a cartel?
A) to be able to earn profits in the long run but not in the short run
B) to be able to earn larger profits than if it was not part of the cartel
C) to completely insulate itself from competition
D) to produce a larger amount of output than if it was not part of the cartel

Question 4451
The financial statements of firms generally are audited by
A) employees of the firm being audited.
B) employees of private accounting firms.
C) employees of the federal government.
D) the board of directors of the corporation being audited.

Question 4452
The U.S. Bureau of Labor Statistics predicts that 9 of the 20 fastest growing occupations over the next ten years will be in
A) the medical field.
B) the travel and leisure industry.
C) education.
D) construction.
Question 4453

If the marginal cost curve is below the average variable cost curve, then
A) average variable cost is increasing.
B) average variable cost is decreasing.
C) marginal cost must be decreasing.
D) average variable cost could either be increasing or decreasing.

Question 4454

Marv Pilson has $50 worth of groceries in a shopping cart at his local Shop ’n Save. Assume that the marginal utility per dollar of the liter bottles of soft drink in Marv's cart equals 50. The marginal utility per dollar of the boxes of cereal in Marv's cart equals 20. Marv has only $50 to spend, but has not yet paid for his groceries. How can Marv increase his total utility without spending more than $50?
A) Marv should substitute his favorite soft drink or the cereal in his cart for generic brands that have lower prices.
B) Marv should buy more boxes of cereal and fewer bottles of soft drink.
C) Marv should buy fewer boxes of cereal and more bottles of soft drink.
D) Marv should buy fewer boxes of cereal and fewer bottles of soft drink. He can then spend more on other items.

Question 4455

Suppose the value of the price elasticity of demand is -3. What does this mean?
A) A 1 percent increase in the price of the good causes quantity demanded to increase by 3 percent.
B) A 1 percent increase in the price of the good causes quantity demanded to decrease by 3 percent.
C) A 3 percent increase in the price of the good causes quantity demanded to decrease by 1 percent.
D) A $1 increase in price causes quantity demanded to fall by 3 units.

Question 4456

Which of the following will shift the demand curve for a good?
A) a change in the technology used to produce the good
B) an increase in the price of the good
C) a decrease in the price of a complementary good
D) a decrease in the price of the good

Question 4457

A(n) ________ comes to an end with a business cycle ________.
A) recession; peak
B) recession; trough
C) expansion; trough
D) expansion; bubble

Question 4458

If the Fed wishes to decrease the supply of money and credit, it may sell government securities, raise the discount rate, or lower required reserve ratios.
[i]True[/i] or [i]false[/i]?

Question 4459

Economists do not think it is possible to compare the relative utility that two people get from consuming an additional unit of a particular good.
[i]True[/i] or [i]false[/i]?

Question 4460

You’re traveling in Ireland and are thinking about buying a new digital camera. You’ve decided you’d be willing to pay $125 for a new camera, but cameras in Ireland are all priced in euros. If the camera you’re looking at costs 115 euros, under which of the following exchange rates would you be willing to purchase the camera? (Assume no taxes or duties are associated with the purchase.)
A) 0.56 euros per dollar
Question 4461
The government makes all economic decisions in a market economy.
[i]True[/i] or [i]false[/i]?

Question 4462
Perfect competition is characterized by all of the following except
A) heavy advertising by individual sellers.
B) homogeneous products.
C) sellers are price takers.
D) a horizontal demand curve for individual sellers.

Question 4463
As output increases
A) average variable cost becomes smaller and smaller.
B) the difference between average total cost and average variable cost decreases.
C) marginal cost increases continuously.
D) the difference between average total cost and average variable cost becomes greater and greater.

Question 4464
When the price level in the United States rises relative to the price level of other countries, ________ will rise, ________ will fall, and ________ will fall.
A) imports; exports; net exports
B) exports; imports; net exports
C) net exports; exports; imports
D) net exports; imports; exports

Question 4465
During most of the years of the Great Depression, the actual federal budget was in ________, and the cyclically adjusted budget was in ________.
A) deficit; surplus
B) surplus; surplus
C) deficit; deficit
D) surplus; deficit

Question 4466
A merger between firms at different stages of production of a good
A) is a vertical merger.
B) was made illegal by the Sherman Act.
C) was made legal by the Clayton Act.
D) is a horizontal merger.

Question 4467
The intention of the U.S. tariff on Chinese tires was to
A) protect jobs in the U. S. tire industry.
B) protect infant industries in tire U.S. tire market.
C) insure that Chinese tires meet U.S. quality and safety standards.
D) save the government money by restricting the sale of more expensive Chinese-made tires.
Question 4468
The Sarbanes-Oxley Act of 2002 was passed in response to what event?
A) a series of accounting scandals
B) unexpected increases in dividend payments to stockholders at various corporations
C) volatility in NASDAQ indexes
D) historically low bond prices

Question 4469
The larger the share of a good in a consumer's budget, holding everything else constant, the
A) more price elastic is a consumer's demand.
B) more vertical is a consumer's demand curve.
C) more price inelastic is a consumer's demand.
D) more unit-elastic is a consumer's demand.

Question 4470
If fixed costs do not change, then marginal cost
A) also remains constant.
B) equals the change in variable cost divided by the change in output.
C) equals the change in average variable cost divided by the change in output.
D) equals the change in average fixed cost divided by the change in output.

Question 4471
According to the National Bureau of Economic Research, the United States experienced _______ recessions since 1950.
A) 4
B) 7
C) 10
D) 15

Question 4472
Select the phrase that correctly completes the following statement. *A decrease in the expected future price caused an increase in the supply of smartphones. As a result
A) the price of smartphones decreased and the demand for smartphones increased.
B) the equilibrium quantity of smartphones decreased.
C) the price of smartphones decreased and the quantity demanded of smartphones increased.
D) the price of smartphones decreased. The lower price caused the supply of smartphones to decrease.

Question 4473
Pollution is an example of a
A) public good.
B) positive externality.
C) private cost.
D) negative externality.

Question 4474
In the United States, corporate profits are taxed at the corporate level and then are taxed again as personal income in the form of dividend payments.
[i]True[/i] or [i]false[/i]?

Question 4475
The supply curve of a perfectly competitive firm in the short run is
A) the firm's average variable cost curve.
B) the portion of the firm's marginal cost curve below the minimum point of the average variable cost curve.
C) the portion of the firm's marginal cost curve above the minimum point of the average variable cost curve.

D) the portion of the firm's marginal cost curve above the minimum point of the average total cost curve.


**Question 4476**

If a firm shuts down in the short run it will
A) break even.
B) declare bankruptcy.
C) suffer a loss equal to its variable costs.
D) suffer a loss equal to its fixed costs.


**Question 4477**

The Federal Reserve responded to the 2008 financial crisis in several ways. Which of the following is not one of the ways the Fed responded?
A) The Fed made investment banks eligible for discount loans.
C) The Fed lowered the required reserve ratio on demand deposit accounts in order to increase the amount of bank reserves.
D) The Fed helped JP Morgan to acquire Bear Stearns, a nearly bankrupt investment bank.


**Question 4478**

The Organization of Petroleum Exporting Countries (OPEC) controls about 75 percent of the world's proven oil reserves. Economists refer to OPEC as a cartel because
A) OPEC is a monopoly, but it is located outside of the boundaries of any one country. This is the definition of a cartel.
B) this is the term used for an oligopoly that is controlled by national governments rather than private firms.
C) it is a group of firms that collude to restrict output to increase prices and profits.
D) this is the term economists use to describe an oligopoly that sells a standardized product, such as oil, rather than a differentiated product, such as automobiles.


**Question 4479**

a. Define the term "globalization."

b. Describe the benefits of globalization.

c. Who is likely to oppose globalization and why?


**Question 4480**

Which of the following is not an example of inflation causing a redistribution of income because the inflation was unanticipated?
A) A firm signs a 3-year contract with a union based on a 2 percent anticipated rate of inflation per year, and the actual rate of inflation ends up being 7 percent per year.
B) A worker receives a raise in salary that is less than the rate of inflation, because management under-predicted inflation.
C) Firms have to hire an extra worker to change prices in its store because of inflation.
D) A bank collects a lower amount of interest from a loan because inflation was under-predicted.


**Question 4481**

The social cost of cutting trees for firewood in a government forest is
A) the increased likelihood of flooding as more trees are cut.
B) the increased likelihood of flooding as more trees are cut plus the private cost of cutting the trees.
C) opportunity cost to the individual of cutting the wood.
D) the marginal costs of cutting the last tree.


**Question 4482**

An increase in population results in an increase in demand.
[ ]True[ ] or [ ]false[ ]?


**Question 4483**
Pricing insurance policies is made difficult because buyers have more information than sellers. This difficulty is an example of
A) moral hazard.
B) adverse selection.
C) asymmetric information.
D) the free rider problem.

**Question 4484**

Which of the following would cause the equilibrium price of ketchup to increase and the equilibrium quantity of ketchup to decrease?
A) a decrease in the price of tomatoes
B) an increase in the price of tomatoes
C) an increase in the price of mustard, a substitute for ketchup
D) an increase in the price of french fries, a complement for ketchup

**Question 4485**

Public saving in the economy can be increased by
A) lowering taxes.
B) raising government spending.
C) raising taxes.
D) raising transfer payments.

**Question 4486**

The Congressional Budget Office estimates that the additional taxes and fees enacted under the ACA will not even cover half of the true cost of the ACA.
[i]True[/i] or [i]false[/i]?

**Question 4487**

In 2004, hurricanes destroyed a large portion of Florida’s grapefruit crop. How did this affect the market price and market quantity of grapefruit?

**Question 4488**

Growth in labor productivity in health care has been ________ labor productivity in the economy as a whole.
A) approximately equal to
B) slightly faster than
C) almost twice as fast as
D) less than half as fast as

**Question 4489**

If money demand is extremely sensitive to changes in the interest rate, the money demand curve becomes almost horizontal. If the Fed expands the money supply under these circumstances, then the interest rate will
A) fall substantially and investment and consumer spending will fall substantially.
B) rise substantially and investment and consumer spending will rise substantially.
C) fall substantially and investment and consumer spending will change very little.
D) change very little and investment and consumer spending will change very little.

**Question 4490**

Which of the following would cause both the equilibrium price and equilibrium quantity of potatoes (assume that potatoes are an inferior good) to decrease?
A) an increase in consumer income
B) a freeze that sharply reduces potato output
C) a decrease in consumer income
D) a technological advancement that results in a bumper crop of potatoes
Question 4491

Although the Federal Reserve had traditionally made discount loans only to commercial banks, in response to the financial crisis in 2008 the Fed made ________ eligible for discount loans as well.
A) the Treasury Department
B) mortgage brokers
C) savings banks
D) primary dealers

Question 4492

Economics is the study of the ________ people make to attain their goals, given their ________ resources.
A) purchases; unlimited
B) choices; scarce
C) income; available
D) decisions; household

Question 4493

Is it possible for average total cost to be decreasing over a range of output where marginal cost is increasing? Briefly explain.

Question 4494

There has been a decrease in investment. As a result, real GDP will ________ in the short run, and ________ in the long run.
A) increase; increases further
B) increase; decrease to its initial value
C) decrease; decrease further
D) decrease; increase to its initial level

Question 4495

In a competitive market the demand curve shows the ________ received by consumers and the supply curve shows the ________.
A) utility; average cost.
B) marginal benefit; marginal cost
C) economic surplus; opportunity cost
D) net benefit; net cost

Question 4496

What are some reasons why the unemployment rate is typically lower in the United States as compared to Canada and some Western European countries?

Question 4497

In order to be binding a price floor
A) must lie above the free market equilibrium price.
B) must lie below the free market equilibrium price.
C) must coincide with the free market equilibrium price.
D) must be high enough for firms to earn a profit.

Question 4498

Which of the following is a true statement about real and nominal GDP?
A) If nominal GDP increases from one year to the next, we know that production of goods and services has risen.
B) Nominal GDP is a better measure than real GDP in comparing changes in the production of goods and service year after year.
C) Increases in average prices do not affect the calculation of nominal GDP.
D) If real GDP increases from one year to the next, we know that production of goods and services has risen.
Question 4499

Gross domestic product in the economy is measured by the
A) total number of goods and services produced in the economy.
B) dollar value of all final goods and services produced in the economy.
C) total number of goods produced in the economy.
D) total number of services produced in the economy.

Question 4500

Golda Rush quit her job as a manager for Home Depot to start her own hair dressing salon, Goldilocks. She gave up a salary of $40,000 per year, invested her savings of $30,000 (which was earning 5 percent interest) and borrowed $10,000 from a close friend, agreeing to pay 5 percent interest per year. In her first year, Golda spent $18,000 to rent a salon, hired a part-time assistant for $12,000 and incurred another $15,000 on equipment and hair dressing material. Based on this information, what is the amount of her implicit costs?
A) $80,000
B) $70,000
C) $42,000
D) $41,500

Question 4501

The price of a seller's product in perfect competition is determined by
A) the individual seller.
B) a few of the sellers.
C) market demand and market supply.
D) the individual demander.

Question 4502

Real GDP is GDP in a given year
A) adjusted only for anticipated inflation.
B) adjusted only for unanticipated inflation.
C) valued in the prices of that year.
D) valued in the prices of the base year.

Question 4503

An important reason why diseconomies of scale arise is because firms may have to hire lower skilled workers as firms expand.
[i]True[/i] or [i]false[/i]?

Question 4504

Which of the following describes a characteristic of a perfectly competitive market?
A) There are many buyers but few sellers.
B) There are many sellers but few buyers.
C) There are many buyers and sellers.
D) Equilibrium is achieved when demand for the product sold in the market equals the supply.

Question 4505

Suppose that the required reserve ratio is 10 percent and you withdraw $25,000 from Comerica Bank. What is the deposit multiplier? What is the total decrease in deposits in the banking system? What is the change in the money supply?

Question 4506

Which is not one of the criteria necessary for a commodity to make a suitable medium of exchange?
A) It should be durable.
B) It should be of standardized quality.
C) It should be valuable relative to its weight.

Question 4507
Selling a product at a price below its cost is known as dumping.
[i]True[/i] or [i]false[/i]?

Question 4508
“A decrease in the price of tablet computers will decrease the demand for desktop computers.” This statement is an example of a normative economic statement.
[i]True[/i] or [i]false[/i]?

Question 4509
When the coupon rate on newly issued bonds decreases relative to older, outstanding bonds, what happens?
A) The market price of the older bond falls in the secondary market.
B) The market price of the older bond rises in the secondary market.
C) Older bonds can still be sold at their face value.
D) Older bonds will sell for more than their face value.

Question 4510
The major shortcoming of a barter economy is
A) the requirement of a double coincidence of wants.
B) the requirement of specialization and exchange.
C) that goods and services are not traded.
D) that money loses value from inflation.

Question 4511
Policies based on positive economic ideas tend to decrease economic efficiency and reduce equity.
[i]True[/i] or [i]false[/i]?

Question 4512
If average total cost is $50 and average fixed cost is $15 when output is 20 units, then the firm’s total variable cost at that level of output is
A) $1,000.
B) $700.
C) $300.
D) impossible to determine without additional information.

Question 4513
You lend $5,000 to a friend for one year at a nominal interest rate of 10%. The CPI over that year rises from 180 to 190. What is the real rate of interest you will earn?
A) 0%
B) 4.4%
C) 5.5%
D) 5.8%

Question 4514
Economists have used the ultimatum game and the dictator game in experiments designed to determine
A) whether consumers care about fairness when they make decisions.
B) whether consumers believe it is fair for producers to raise the price of a product for which there is excess demand.
C) whether consumers understand the difference between implicit costs and explicit costs.
D) whether consumers understand the rule of equal marginal utility per dollar spent.
Question 4515

A decrease in which of the following would decrease the tax wedge?
A) marginal tax rate
B) money supply
C) national debt
D) federal budget deficit

Question 4516

The marginal revenue of a monopolistically competitive firm
A) cannot be negative because the price the firm charges will always be greater than zero.
B) can be negative if the firm charges a high price.
C) can be negative if the firm charges a low price.
D) will equal average revenue.

Question 4517

Which of the following is not a shortcoming of the concentration ratio as a measure of the extent of competition in an industry?
A) Concentration ratios do not include sales in the United States by foreign firms.
B) Concentration ratios are calculated for the national market, even though the competition in some industries is mainly local.
C) Concentration ratios assign weights to only the four largest firms in an industry.
D) Concentration ratios do not address the fact that competition sometimes exists between firms in different industries.

Question 4518

Of the following high-income countries, which has the highest number of CT scanners per 1 million population?
A) Canada
B) Japan
C) the United Kingdom
D) the United States

Question 4519

A form of implicit collusion where one firm in an oligopoly announces a price change which is matched by other firms in the same industry is
A) "follow the leader" pricing.
B) price leadership.
C) retaliation pricing.
D) "tit-for-tat" pricing.

Question 4520

What is a surplus? What is a shortage?

Question 4521

Typically, the higher the level of income per person in a country, the higher the level of spending per person on health care. This relationship between income and spending indicates that health care is a
A) normal good.
B) inferior good.
C) luxury.
D) necessity.

Question 4522

During the twentieth century, the largest budget deficits as a percentage of GDP occurred
A) during the 1990s.
B) during the 1980s.
C) during the Vietnam War.
Question 4523

During the German hyperinflation of the 1920s, the large increases in the money supply were generated by the German government
A) significantly lowering the required reserve ratio to enable German businesses to obtain loans.
B) significantly raising the required reserve ratio to reduce business loans.
C) printing large quantities of German marks.
D) selling large quantities of government bonds to the central bank, the Reichsbank.

Question 4524

If 11 workers can produce 53 units of output while 12 workers can produce 56 units of output, what is the marginal product of the 12th worker?
A) 0.16
B) 3
C) 4.67
D) 36

Question 4525

The ________ effect refers to the change in quantity demanded for a good that results from the effect of a change in the good's price on consumer's purchasing power.
A) ceteris paribus
B) population
C) substitution
D) income

Question 4526

Accounting profit is the difference between a firm’s revenue and its opportunity costs.
[i]True[/i] or [i]false[/i]?

Question 4527

Seth is a competitive body builder. He says he has to have his 12-oz package of protein powder to "feed his muscles" every day. On the basis of this information, what can you conclude about his price elasticity of demand for protein powder?
A) It is elastic.
B) It is perfectly elastic.
C) It is perfectly inelastic.
D) The price elasticity coefficient is 0.

Question 4528

Which of the following indicates that the U.S. economy has become more stable since 1950?
A) longer recessions
B) shorter expansions
C) less severe fluctuations in real GDP
D) All of the above indicate that the U.S. economy has become more stable since 1950.

Question 4529

If the economy receives an influx of new workers from immigration
A) the long-run aggregate supply curve will shift to the right.
B) the long-run aggregate supply curve will shift to the left.
C) we will move up along the long-run aggregate supply curve.
D) we will move down along the long-run aggregate supply curve.

Question 4530
Purchases of Huggies diapers should
A) remain fairly constant over the business cycle.
B) increase in recessions and decrease in expansions.
C) decrease in recessions and increase in expansions.
D) increase in recessions and remain constant in expansions.

Question 4531

What are the key differences between how we illustrate an expansionary fiscal policy in the basic aggregate demand and aggregate supply model and in the dynamic aggregate demand and aggregate supply model?

Question 4532

Recessions cause the unemployment rate to ________ and the inflation rate to ________.
A) rise; rise
B) rise; fall
C) fall; rise
D) fall; fall

Question 4533

Replacing employment-based health care with a government-run system could reduce employers payments for their workers insurance, but the amount that they would have to pay in overall compensation
A) would remain essentially unchanged.
B) would dramatically increase.
C) would fall to zero.
D) would dramatically decrease.

Question 4534

If a monopolist's marginal revenue is $35 per unit and its marginal cost is $25, then
A) to maximize profit the firm should increase output.
B) to maximize profit the firm should decrease output.
C) to maximize profit the firm should continue to produce the output it is producing.
D) Not enough information is given to say what the firm should do to maximize profit.

Question 4535

Holding all other personal characteristics—such as age, gender, and income—constant, economists would expect that
A) people with health insurance will be less likely to be overweight than people without health insurance.
B) people with health insurance will be more likely to be overweight than people without health insurance.
C) people with health insurance will be equally likely to be overweight as people without health insurance.
D) there is no correlation between having health insurance and being overweight.

Question 4536

An example of a final good would be
A) the soy milk sold to Starbucks.
B) the whipped cream sold to Starbucks.
C) a soy latte sold by Starbucks to a student.
D) the coffee beans sold to Starbucks.

Question 4537

In the long run
A) the firm's fixed costs are greater than its fixed costs in the short run.
B) all of the firm's costs are explicit costs; there are no implicit costs of production.
C) the firm is more profitable than it is in the short run.
D) all of the firm's costs are variable costs.
Question 4538
Distinguish between a voluntary export restraint and a quota.

Question 4539
As the number of firms in a market decreases, the supply curve will shift to the left and the equilibrium price will rise. [True] or [False]?

Question 4540
When the market value of the dollar falls relative to other currencies around the world, we say that
A) the dollar has appreciated.
B) the dollar has depreciated.
C) the demand for dollars has decreased.
D) the supply of dollars has decreased.

Question 4541
In a city with rent-controlled apartments, all of the following are true except
A) apartments usually rent for rates lower than the market rate.
B) apartments are often in shorter supply than they would be without rent control.
C) it usually takes more time to find an apartment than it would without rent control.
D) landlords have an incentive to rent more apartments than they would without rent control.

Question 4542
Which of the following is a positive economic statement?
A) The inflation rate in the United States is too high.
B) Unemployment insurance payments increase when the unemployment rate rises.
C) The government should defund Obamacare.
D) States should be able to enact their own marijuana legalization laws.

Question 4543
Which of the following is not a result of government price controls?
A) Some people win and some people lose.
B) Price controls benefit poor consumers but harm producers and wealthy consumers.
C) Price controls decrease economic efficiency.
D) A deadweight loss will occur.

Question 4544
Which of the following is evidence of a surplus of bananas?
A) Firms raise the price of bananas.
B) The price of bananas is lowered in order to increase sales.
C) The equilibrium price of bananas rises due to an increase in demand.
D) The quantity demanded of bananas is greater than the quantity supplied.

Question 4545
If a significant number of smokers switch from smoking tobacco cigarettes to e-cigarettes, a company like NJOY will likely find its demand curve shifting to the ________ and its marginal revenue curve shifting to the ________ as more competitors enter the market.
A) right; right
B) right; left
C) left; right
D) left; left
Question 4546

One example of physical capital is the amount of savings that you have. [i]True[/i] or [i]false[/i]?

Question 4547

Which of the following does not describe governmental policy actions that are helpful in supporting growth in an economy? Governmental policies that A) avoid playing any role in developing communication systems. B) provide secure rights to private property. C) establish an independent court system that enforces contracts. D) facilitate the development of an efficient financial system.

Question 4548

Which of the following correctly describes the relationship between economic efficiency and economic equity? A) They are both automatically achieved in a free market economy. B) They always call for opposite outcomes. C) There is no conflict between the two goals. D) There is often a trade-off between the two.

Question 4549

Most people buy salt infrequently and in small quantities. Even a doubling of the price of salt is likely to result in a small decline in the quantity of salt demanded. Therefore A) the demand for salt will be perfectly inelastic. B) salt is a normal good. C) the demand for salt is relatively inelastic. D) the price elasticity of demand for salt is greater than 1 (in absolute value).

Question 4550

In the United States in 2011, over 50 percent of people without health insurance were below the age of 34. [i]True[/i] or [i]false[/i]?

Question 4551

Which of the following is a factor of production that generally is fixed in the short run? A) raw materials B) labor C) a factory building D) water

Question 4552

An office supply store sells a ream of printer paper at a fixed price of $4.50. Which of the following is a term used by economists to describe the money received from the sale of an additional ream of paper? A) marginal revenue B) gross earnings C) pure profit D) marginal costs E) net benefit

Question 4553

In the dynamic aggregated demand and aggregate supply model, if AD shifts faster than AS A) inflation occurs. B) deflation occurs. C) stagflation occurs.
D) disinflation occurs.  

**Question 4554**

New classical macroeconomic theory emphasizes the role of "sticky" prices in the economy. 
[i]True[/i] or [i]false[/i]?

**Question 4555**

FedEx plays such a large role in moving packages around the country that there is usually a close relationship between fluctuations in FedEx's business and fluctuations in GDP. Some economists refer to this relationship as the 
A) shipping cycle.  
B) FedEx indicator.  
C) overnight delivery index.  
D) package prognostication process.  

**Question 4556**

Competition forces firms to produce and sell products as long as the ________ to consumers exceeds the ________ of production.  
A) marginal benefit; marginal cost  
B) marginal benefit; marginal benefit  
C) marginal cost; marginal cost  
D) marginal cost; marginal benefit  

**Question 4557**

In 2013, the average height of adult males in the United States was  
A) 5’ 7.”  
B) 5’ 9.”  
C) 6’ 0.”  
D) 6’ 4.”  

**Question 4558**

Any output combination along a production possibility frontier is associated with fully utilized resources. 
[i]True[/i] or [i]false[/i]?

**Question 4559**

An increase in the price level causes a movement down the aggregate demand curve.  
[i]True[/i] or [i]false[/i]?

**Question 4560**

According to a study of the price elasticities of products sold in supermarkets, the price elasticity of demand for toothpaste is estimated at -0.45. Which of the following could explain why the price elasticity of demand for toothpaste is so low?  
A) The toothpaste industry is highly competitive.  
B) Toothpaste is relatively inexpensive.  
C) Toothpaste is heavily endorsed by dentists.  
D) There are few close substitutes for toothpaste.  

**Question 4561**

Which of the following conditions holds in an economically efficient competitive market equilibrium?  
A) The deadweight loss is positive but at a minimum.  
B) Producer and consumer surplus are exactly equal in size.  
C) There are no positive and no negative external effects from consumption and production.  
D) The marginal benefit of the last unit produced and consumed is maximized.  
Question 4562

Explain whether you agree or disagree with the following statement: "The reason that inflation is bad is because it increases the cost of living—the costs of goods and services we buy—without increasing income in general."


Question 4563

Silver is an example of a
A) commodity money.
B) barter money.
C) fiat money.
D) representative money.


Question 4564

An increase in the demand for loanable funds will occur if there is
A) an increase in the real interest rate.
B) a decrease in the real interest rate.
C) an increase in expected profits from firm investment projects.
D) an increase in the nominal interest rate accompanied by an equal increase in inflation.


Question 4565

A monopolistically competitive firm maximizes profit where
A) price = marginal revenue.
B) price > marginal cost.
C) marginal revenue > average revenue.
D) total revenue > marginal cost.


Question 4566

Insurance companies use deductibles and coinsurance to reduce moral hazard.
[i]True[/i] or [i]false[/i]?


Question 4567

In a closed economy
A) I = Y - C - G.
B) I = Y + C - G.
C) I = Y - C + G.
D) I = Y + C + G.


Question 4568

Consumption spending is $4.5 billion, gross private domestic investment is $3 billion, and government expenditures are $2 billion. If GDP is $14 billion, which of the following could be true regarding exports and imports in the economy?
A) Exports are $4.5 billion, and imports are $2 billion.
B) Exports are $6 billion, and imports are $8.5 billion.
C) Exports are $9 billion, and imports are $6 billion.
D) Exports are $15 billion, and imports are $10.5 billion.


Question 4569

Domestically produced goods and services sold to other countries are referred to as
A) exports.
B) imports.
C) transfer payments.
D) capital outflow.

Question 4570

What are liabilities?
A) anything of value owned by a person or a business
B) anything a person or a business owes to entities outside the business
C) the total cost of labor for a firm
D) only those unpaid expenses for which a business or person is making interest payments

Question 4571

In the long run, a perfectly competitive market will
A) produce only the quantity of output that yields a long-run profit for the typical firm.
B) supply whatever amount consumers will buy at a price which earns the market an economic profit.
C) supply whatever amount consumers demand at a price determined by the minimum point on the typical firm's average total cost curve.
D) generate a long-run equilibrium where the typical firm operates at a loss.

Question 4572

Suppose a large firm allows its employees to choose whether to participate in its health insurance plan. The firm is trying to decide between two plans: Plan I has a low monthly premium but a high deductible, and Plan II has a high monthly premium but a low deductible. Under which plan is adverse selection likely to be a bigger problem?
A) Plan I because it is likely to draw participants who expect high medical costs. This group expects to consume much health care services and therefore prefer low deductibles.
B) Plan II because it is likely to draw participants who expect high medical costs. Healthy individuals who do not expect to consume much health care services will not be willing to pay the high premiums.
C) Plan I because it is likely to draw the relatively healthy employees who do not expect to spend much on health care. Because the monthly premiums are low, the insurance company has to bear a bigger financial burden in the event of serious illnesses.
D) Plan II because it is likely to draw employees who tend to over-consume health care services because of the low deductible. Insurance companies are likely to end up paying out more claims than the premiums they collect.

Question 4573

Which of the following is an example of spending on factors of production in the circular flow model?
A) Carolina has her nails done before her 20th high school class reunion.
B) Giorgio buys snow cones for his youth soccer team after each game.
C) Stevie trades in his old cell phone for a newer model.
D) Arlisha purchases a cotton candy machine for her concession stand at the state fair.

Question 4574

If the exchange rate changes from $2.00 = £1 to $2.01 = £1 then
A) the dollar has depreciated.
B) the dollar has appreciated.
C) the British pound has depreciated.
D) the British pound has stayed constant in value.

Question 4575

Which of the following is not a characteristic of monopolistic competition?
A) Firms are price takers.
B) There are many buyers and sellers.
C) Barriers to entry are low.
D) Firms sell similar, but not identical, products.

Question 4576

In 2012, Smileytown consumed 50,000 tubes of toothpaste. In 2013, toothpaste consumption rose to 62,000 tubes. Calculate the percentage change in toothpaste consumption.
A) 12%
B) 16.42%

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Question 4577

Economic growth is represented on a production possibilities frontier model by the production possibility frontier
A) shifting outward.
B) shifting inward.
C) becoming steeper.
D) becoming flatter.

Question 4578

A decrease in government spending will result in a decrease in the price level and a decrease in real GDP in the long run.
[i]True[/i] or [i]false[/i]?

Question 4579

The World Trade Organization (WTO) promotes foreign trade and investment, or globalization. In recent years opposition to globalization has led to violent protests at meetings of the WTO. All of the following are reasons for these anti-globalization protests except
A) protestors believe the WTO favors the interests of high-income countries at the expense of lower-income countries.
B) protesters believe that tariffs are needed to protect domestic firms from foreign competition.
C) protesters believe that free trade destroys the distinctive cultures of many countries.
D) protesters object to the loss of intellectual property (such as software programs and movies) that results from foreign trade and investment.

Question 4580

Today, the United States charges an average tariff rate of less than 1.5 percent.
[i]True[/i] or [i]false[/i]?

Question 4581

Which of the following is motivated by an efficiency concern?
A) In 2009, the Obama administration increased unemployment benefits.
B) As part of an economic stimulus package, each taxpayer received a $3,000 tax rebate check.
C) Following a six-month drought, a city banned homeowners from watering their lawns in an effort to conserve water.
D) Some U.S. colleges have cut back on merit scholarships since these programs siphon money from need-based programs, thus harming lower-income students with greater financial need.

Question 4582

Money will fail to serve as a medium of exchange if it ceases to be a store of value.
[i]True[/i] or [i]false[/i]?

Question 4583

________ is an experiment that tests the significance of fairness in consumer decision making.
A) The fairness challenge
B) The consumer choice paradigm
C) The ultimatum game
D) The Giffen paradox

Question 4584

Which of the following assets is most liquid?
A) money
B) bond
C) savings account
D) stock
Question 4585

Purchasing a firm's stock in an IPO can be risky because financial information may not be fully disclosed.  
[i]True[i] or [i]false[i]?  

Question 4586

The multiplier effect is the series of ________ increases in ________ expenditures that result from an initial increase in ________ expenditures.  
A) induced; investment; autonomous  
B) induced; consumption; autonomous  
C) autonomous; consumption; induced  
D) autonomous; investment; induced  

Question 4587

About ________ of pharmaceutical patents are issued to U.S. firms.  
A) 10 percent  
B) one-half  
C) two-thirds  
D) 90 percent  

Question 4588

Economic surplus  
A) does not exist when a competitive market is in equilibrium.  
B) is equal to the sum of consumer surplus and producer surplus.  
C) is the difference between quantity demanded and quantity supplied when the market price for a product is greater than the equilibrium price.  
D) is equal to the difference between consumer surplus and producer surplus.  

Question 4589

What is the difference between an "increase in demand" and an "increase in quantity demanded"?  
A) There is no difference between the two terms; they both refer to a shift of the demand curve.  
B) An "increase in demand" is represented by a rightward shift of the demand curve while an "increase in quantity demanded" is represented by a movement along a given demand curve.  
C) There is no difference between the two terms; they both refer to a movement downward along a given demand curve.  
D) An "increase in demand" is represented by a movement along a given demand curve, while an "increase in quantity demanded" is represented by a rightward shift of the demand curve.  

Question 4590

Goodyear's sales were negatively affected by the tariff on Chinese tires because  
A) Goodyear operates factories in China, and some of the tires produced there were exported to the United States and subject to the tariff.  
B) China retaliated and imposed a tariff on Goodyear tires exported to China.  
C) despite being a U.S. company, all of Goodyear's tires are produced in China.  
D) the tariff raised the price on Chinese tires, allowing these tires to compete more directly with the more expensive Goodyear tires.  

Question 4591

The individual mandate provision of the ACA requires  
A) every U.S. resident to have health insurance.  
B) every U.S. company to provide health insurance to its employees.  
C) every employed person to pay for his or her own health insurance.  
D) every private insurance company to provide free health care to its current policy holders.  

Question 4592

Stockholders
Question 4593
Government transfer payments include which of the following?
A) interest on the national debt
B) grants to state and local governments
C) Social Security and Medicare programs
D) national defense

Question 4594
Identify four reasons for high entry barriers? Briefly explain each reason.

Question 4595
During 2007, many “subprime” and “Alt-A” borrowers began to default on their mortgages. Describe "subprime" and "Alt-A" borrowers.

Question 4596
If, in response to an increase in the price of chocolate the quantity of chocolate demanded decreases, economists would describe this as
A) a decrease in demand.
B) a decrease in quantity demanded.
C) a change in consumer income.
D) a decrease in consumers’ taste for chocolate.

Question 4597
Consumers are willing to purchase a product up to the point where
A) the marginal benefit of consuming the product is equal to the marginal cost of consuming it.
B) the consumer surplus is equal to the producer surplus.
C) the marginal benefit of consuming the product equals the area below the supply curve and above the market price.
D) the marginal benefit of consuming a product is equal to its price.

Question 4598
Which of the following is a normative economic statement?
A) The price of gasoline is too high.
B) The current high price of gasoline is the result of strong worldwide demand.
C) When the price of gasoline rises, the quantity of gasoline purchased falls.
D) When the price of gasoline rises, transportation costs rise.

Question 4599
A vertical merger is one that takes place between two companies producing different goods or services for one specific finished product.
[i]True[/i] or [i]false[/i]?

Question 4600
There is public dissaving if
A) G + TR > T.
B) G + TR < T.
C) TR > G + T.
D) TR < G + T.
## Question 4601

Explain why OPEC is caught in a prisoner's dilemma.


## Question 4602

A tariff is:
A) a limit placed on the quantity of goods that can be imported into a country.
B) a tax imposed by a government on goods imported into a country.
C) a subsidy granted to importers of a vital input.
D) a health and safety restriction imposed on an imported product.


## Question 4603

U.S. antitrust laws are designed to prohibit monopolization and encourage competition. Why, then, does the government erect barriers to entry and create monopoly power by granting firms patents?


## Question 4604

If a country is producing efficiently and is on the production possibilities frontier, the only way to produce more of one good is to produce less of the other.

**[True]** or **[false]**?


## Question 4605

Explain the relationship between price elasticity of demand and total revenue.


## Question 4606

The slope of a demand curve is not used to measure the price elasticity of demand because:
A) the slope of a linear demand curve is not constant.
B) the slope of a line cannot have a negative value.
C) the measurement of slope is sensitive to the units chosen for price and quantity.
D) the slope of the demand curve does not tell us how much quantity changes as price changes.


## Question 4607

A college must decide if it wants to offer more adult literacy classes. This decision involves answering the economic question of "for whom to produce."

**[True]** or **[false]**?


## Question 4608

If inflation is positive and is perfectly anticipated:
A) those that borrow money lose.
B) those that lend money lose.
C) those that hold paper money lose.
D) no one in the economy loses.


## Question 4609

A car that is produced in 2013 is not sold until 2014. According to the definition of GDP, in which year's GDP should it be counted?
A) 2013
B) 2014
C) Half of the sales price will count as part of 2013 GDP and half will count as part of 2014 GDP.
D) The production cost will count as part of 2013 GDP while the sales price will count as part of 2014 GDP.


## Question 4610
Quantity supplied refers to the amount of a good or service that a firm is willing and able to supply at a given price. [i]True[/i] or [i]false[/i]?

**Question 4611**

Suppose the equilibrium price in a perfectly competitive industry is $15 and a firm in the industry charges $21. Which of the following will happen?
A) The firm’s profits will increase.
B) The firm’s revenue will increase.
C) The firm will not sell any output.
D) The firm will sell more output than its competitors.

**Question 4612**

A product’s price approaches its marginal cost as market concentration increases. [i]True[/i] or [i]false[/i]?

**Question 4613**

The profit-maximizing level of output and the profit-maximizing price for an oligopolist cannot be calculated when we don’t know
A) what the concentration ratio for the oligopolist’s industry is.
B) what the minimum efficient scale in the oligopolist’s industry is.
C) the demand curve and the marginal revenue curve of the oligopolist.
D) the type of barrier to entry that exists in the oligopolist’s industry.

**Question 4614**

For a person to have a comparative advantage in producing a product, she must be able to produce that product at a lower opportunity cost than her competitors. [i]True[/i] or [i]false[/i]?

**Question 4615**

DeShawn’s Detailing is a service that details cars at the customers’ homes or places of work. DeShawn’s cost for a basic detailing package is $40, and he charges $75 for this service. For a total price of $90, DeShawn will also detail the car’s engine, a service that adds an additional $20 to the total cost of the package. Should DeShawn continue to offer the engine detailing service?
A) Yes, he still makes a profit by selling the engine detailing service with the basic detailing package.
B) Yes, but only if he raises the price of the basic detailing package.
C) No, his marginal benefit is less than his marginal cost.
D) More information is needed for DeShawn to make this decision.

**Question 4616**

Which is the least common type of business?
A) corporation
B) partnership
C) sole proprietorship
D) impossible to determine without further information

**Question 4617**

Paying efficiency wages are a way for a company to cut costs and become more efficient, and are therefore lower than market wages. [i]True[/i] or [i]false[/i]?

**Question 4618**

The graph below represents the market for lychee nuts. The equilibrium price is $7.00 per bushel, but the market price is $5.00 per bushel. Identify the areas representing consumer surplus, producer surplus, and deadweight loss at the equilibrium price of $7.00 and at the market price of $5.00.
Question 4619

Economists assume that the goal of consumers is to
A) do as little work as possible to survive.
B) make themselves as well off as possible.
C) expend all their income.
D) consume as much as possible.

Question 4620

The first important federal law passed to regulate monopolies in the United States was the
A) Cellar-Kefauver Act.
B) Clayton Act.
D) Sherman Act.

Question 4621

Private saving is defined as
A) Y + TR - C - T.
B) T + G + TR.
C) T - G + TR.
D) Y + TR + C - T.

Question 4622

The short run is the time period during which a firm has at least one input constraint.
[i]True[/i] or [i]false[/i]?

Question 4623

Carolyn spends her income on popular magazines and music CDs. If the price of a CD is four times the price of a magazine and if Carolyn is maximizing her utility, she buys
A) both goods until the marginal utility of the last CD purchased is four times the marginal utility of the last magazine purchased.
B) both goods until the marginal utility of the last magazine purchased is four times the marginal utility of the last CD purchased.
C) four times as much magazines as CDs.
D) four times as much CDs as magazines.

Question 4624

Financial markets and financial intermediaries comprise the financial system.
[i]True[/i] or [i]false[/i]?

Question 4625

Which of the following is common to both tariffs and quotas?
A) Tariffs and quotas are both used as a means to increase government revenue.
B) Tariffs and quotas both increase economic efficiency.
C) Tariffs and quotas are both designed to reduce foreign competition faced by domestic firms.
D) Tariffs and quotas are both examples of voluntary export restraints.

Question 4626

One way by which firms differentiate their products is to find a market niche.
[i]True[/i] or [i]false[/i]?

Question 4627

On average, people in low-income countries ________ than people in high-income countries.
A) have a longer life expectancy  
B) are subject to a lower infant mortality rate  
C) are shorter  
D) are exposed to fewer severe diseases  

Question 4628

If a graph has a line that shows the amount of outsourcing in the last ten years, it is known as  
A) a pie chart.  
B) a time-series graph.  
C) a demand curve for outsourcing.  
D) a supply curve of outsourcing.  

Question 4629

Why are demand and marginal revenue represented by the same curve for a firm in a perfectly competitive market, but by separate curves for a firm in a monopolistically competitive market?  

Question 4630

Marty’s Bird House suffers a short-run loss. Marty can reduce his loss below the amount of his total fixed costs by continuing to produce if his revenue  
A) exceeds his implicit costs.  
B) exceeds his nonmonetary opportunity costs.  
C) exceeds his variable costs.  
D) exceeds his marginal costs.  

Question 4631

Which of the following is a microeconomics question?  
A) Why do economies experience periods of high inflation?  
B) Will Federal Reserve intervention lower the inflation rate?  
C) Why has growth in the economy increased since the end of the recession?  
D) Will the merger of American Airlines and US Airways increase or decrease airfares?  

Question 4632

The price elasticity of demand for Kellogg’s Raisin Bran is larger in absolute value than the price elasticity for all breakfast cereals.  
[i]True[/i] or [i]false[/i]?  

Question 4633

If additional units of a good are produced at an increasing opportunity cost, the production possibility frontier would be bowed outward (concave).  
[i]True[/i] or [i]false[/i]?  

Question 4634

If production displays constant returns to scale, then all economies of scale have been exhausted.  
[i]True[/i] or [i]false[/i]?  

Question 4635

The purchase of Treasury securities by the Federal Reserve will, in general  
A) not change the money supply.  
B) not change the quantity of reserves held by banks.  
C) increase the quantity of reserves held by banks.  
D) decrease the quantity of reserves held by banks.  

Question 4636
If the GDP deflator is less than 100, then for that year nominal GDP ________ real GDP.
A) equals
B) is greater than
C) is less than
D) may be greater than or less than

Question 4637

To reassure investors who were unwilling to buy mortgages in the secondary market, the U.S. Congress used two government sponsored enterprises, Fannie Mae and Freddie Mac, to stand between investors and banks that grant mortgages. Fannie Mae and Freddie Mac
A) sell mortgages to investors and use the funds to purchase bonds from banks.
B) sell bonds to investors and use the funds to purchase mortgages from banks.
C) sell bonds to banks and use the funds to purchase mortgages from investors.
D) sell mortgages to banks and use the funds to purchase bonds from investors.

Question 4638

Although the United States is the second largest exporting country, international trade is less important to the U.S. than it is to most other countries.
[i]True[/i] or [i]false[/i]?

Question 4639

Tom Searchinger, a senior attorney at the Environmental Defense Fund, observed that generous farm subsidies have encouraged farmers to produce more corn and more wheat. How does this affect the market for fertilizer?
A) The supply of fertilizer increases.
B) The supply of fertilizer decreases.
C) The demand for fertilizer increases.
D) The demand for fertilizer decreases.

Question 4640

Using the money demand and money supply model, an open market purchase of Treasury securities by the Federal Reserve would cause the equilibrium interest rate to
A) increase.
B) decrease.
C) not change.
D) increase if the economy is in a recession.

Question 4641

The Fed
A) can easily distinguish the minor ups and downs of the economy from a recession.
B) can have difficulty distinguishing the minor ups and downs of the economy from a recession.
C) always times its policy responses correctly.
D) can easily determine if a drop in production means a recession is inevitable.

Question 4642

How does the decreasing use of traditional cameras affect the market for traditional camera film?
A) The demand curve for traditional camera film shifts to the right.
B) The quantity of traditional camera film demanded decreases.
C) The quantity of traditional camera film demanded increases.
D) The demand curve for traditional camera film shifts to the left.

Question 4643

A perfectly competitive industry achieves allocative efficiency in the long run. What does allocative efficiency mean?
A) Each firm produces up to the point where the price of the good equals the marginal cost of producing the last unit.
B) Each firm produces up to the point where all scale economies are exhausted.
C) Production occurs at the lowest average total cost.
Question 4644

Steve Ballmer is the Chief Executive Officer of Microsoft as well as a member of Microsoft's board of directors. Ballmer is therefore classified as an
A) inside director.
B) outside director.
C) independent director.
D) unbiased director.

Question 4646

The sales revenue a seller receives from the sale of an additional unit of goods is called the marginal benefit.
[i]True[/i] or [i]false[/i]?

Question 4647

Game theory was developed in the 1940s by John von Neuman, a mathematician, and an economist named
A) John Nash.
B) John Maynard Keynes.
C) Oskar Morgenstern.
D) Milton Friedman.

Question 4648

In economics, the term ________ means "additional" or "extra."
A) allocative
B) marginal
C) equity
D) optimal

Question 4649

A decrease in the reserve requirement ________ bank reserves and ________ the money supply.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Question 4650

Which of the following describes a situation in which a good or service is produced at the lowest possible cost?
A) productive efficiency
B) allocative efficiency
C) marginal efficiency
D) profit maximization

Question 4651

Adverse selection occurs in the market for used cars because used car buyers
A) have more information than used car sellers.
B) have less information than used car sellers.
C) have less incentive to maintain the value of their cars than new car buyers.
D) tend to have more accidents than new car buyers.
Question 4652

To make the calculation of real GDP more accurate, in 1996 the BEA switched to using
A) base-year prices.
B) current prices.
C) chain-weighted prices.
D) market prices.

Question 4653

Economic efficiency requires that a natural monopoly’s price be
A) equal to average total cost where it intersects the demand curve.
B) equal to marginal cost where it intersects the demand curve.
C) equal to average variable cost where it intersects the demand curve.
D) equal to the lowest price the firm can charge and still make a normal profit.

Question 4654

Companies in the sharing economy have the potential to lower the equilibrium price in their market, and by doing so increase efficiency. This would have a tendency to
A) increase producer surplus and increase deadweight loss.
B) increase consumer surplus and decrease deadweight loss.
C) decrease consumer surplus and decrease producer surplus.
D) maximize consumer surplus and minimize producer surplus.

Question 4655

Suppose real GDP is $14 trillion and potential real GDP is $14.4 trillion. An increase in government purchases of $400 billion would cause real GDP to
A) equal
B) be less than
C) be more than
D) There is insufficient information given here to draw a conclusion.

Question 4656

Short-run macroeconomic equilibrium occurs when
A) aggregate demand and short-run aggregate supply intersect.
B) the equilibrium lies on the long-run aggregate supply curve.
C) structural and frictional unemployment equal zero.
D) A and B

Question 4657

Which of the following is an example of a “how much” decision?
A) Dinah’s Diner is only open for breakfast and lunch. Dinah is trying to decide whether to open for dinner as well.
B) Zander has torn up his front yard and is debating whether to plant grass or install a rock garden.
C) You received a nice birthday check from your grandmother and are deciding on whether to spend it on a trip to New York or a trip to San Francisco.
D) Sergio quit his job to go back to school full time.

Question 4658

Of the following high-income countries, which has the highest infant mortality rate?
A) Canada
B) Japan
C) the United Kingdom
D) the United States
Question 4659
Crowding out refers to a decline in ________ as a result of an increase in ________.
A) tax revenues; unemployment
B) government purchases; tax rates
C) government purchases; private expenditures
D) private expenditures; government purchases

Question 4660
In Walnut Creek, California, there are three very popular supermarkets: Safeway, Whole Foods and Lunardi’s. While Safeway remains open twenty-four hours a day, Whole Foods and Lunardi’s close at 9 pm. Which of the following statements is true?
A) Safeway is a monopoly all day because it produces a service that has no close substitutes.
B) Safeway has a monopoly at midnight but not during the day.
C) Safeway can ignore the pricing decisions of the other two supermarkets.
D) Safeway probably has a higher markup to compensate for its higher cost of production.

Question 4661
Economists usually assume that people act in a rational, self-interested way. In explaining how consumers make choices this means that economists believe
A) consumers will always buy goods and services at the lowest possible prices.
B) consumers spend their incomes to order to accumulate the most goods and services.
C) consumers make choices that will leave them as satisfied as possible given their incomes, tastes and the prices of goods and services available to them.
D) consumers will spend their incomes and time on activities that benefit themselves as much as possible, without regard to the welfare of others.

Question 4662
Real GDP per capita is calculated by dividing the value of real GDP for a country by the country’s adult population.
[i]True[/i] or [i]false[/i]?

Question 4663
A(n) ________ is represented by a leftward shift of the demand curve while a(n) ________ is represented by a movement along a given demand curve.
A) decrease in demand; increase in demand
B) decrease in demand; increase in quantity demanded
C) increase in demand; decrease in quantity demanded
D) decrease in quantity demanded; decrease in demand

Question 4664
Long-run equilibrium under monopolistic competition and perfect competition is similar in that
A) firms produce at the minimum point of their average cost curves.
B) price equals marginal cost.
C) firms break even.
D) price equals marginal revenue.

Question 4665
What factors increase potential GDP? Include a definition of potential GDP in your answer.

Question 4666
An example of a factor of production is
A) a bottle of wine produced by a vineyard.
B) a vintner hired by a vineyard.
C) a loan granted to a vineyard.
Question 4667

When the price of gasoline rises, some consumers begin riding their bikes more frequently or riding the bus instead of driving their cars. The fact that the CPI does not fully account for such changes in consumer behavior is called
A) outlet bias.
B) increase in quality bias.
C) substitution bias.
D) discrimination bias.

Question 4668

All of the following products are most likely to have significant network externalities except
A) cat food.
B) cell phones.
C) popular board games.
D) fax machines.

Question 4669

From an initial long-run equilibrium, if aggregate demand grows faster than long-run and short-run aggregate supply, then Congress and the president would most likely
A) decrease the required reserve ratio.
B) decrease government spending.
C) decrease oil prices.
D) decrease tax rates.

Question 4670

Explain the differences between total revenue, average revenue, and marginal revenue.

Question 4671

A production possibilities frontier with a bowed outward shape indicates
A) the possibility of inefficient production.
B) constant opportunity costs as more and more of one good is produced.
C) increasing opportunity costs as more and more of one good is produced.
D) decreasing opportunity costs as more and more of one good is produced.

Question 4672

__________ is defined as a market outcome in which the marginal benefit to consumers of the last unit produced is equal to the marginal cost of production, and in which the sum of consumer surplus and producer surplus is at a maximum.
A) Economic efficiency
B) Consumer efficiency
C) Producer efficiency
D) Deadweight efficiency

Question 4673

Which of the following is considered a negative supply shock?
A) increasing investment in the economy causes the capital stock to rise
B) an unexpected increase in the price of natural gas
C) a decline in wages
D) an improvement in technology

Question 4674
A decrease in the price of inputs will cause the supply curve for a product to shift to the right.

[i]True[i] or [i]false[i]?

**Question 4675**

In economics, the difference between a firm’s revenues and its costs is referred to as
A) physical capital.
B) profit.
C) capital gains.
D) factor payments.

**Question 4676**

Which of the following is a fixed cost?
A) payment to hire a security worker to guard the gate to the factory around the clock
B) wages to hire assembly line workers
C) payments to an electric utility
D) costs of raw materials

**Question 4677**

Writing in the New York Times on the technology boom of the late 1990s, Michael Lewis argues, “The sad truth, for investors, seems to be that most of the benefits of new technologies are passed right through to consumers free of charge.” What does Lewis means by the benefits of new technology being “passed right through to consumers free of charge”?
A) Firms in perfect competition are price takers. Since they cannot influence price, they cannot dictate who benefits from new technologies, even if the benefits of new technology are being “passed right through to consumers free of charge.”
B) In perfect competition, price equals marginal cost of production. In this sense, consumers receive the new technology “free of charge.”
C) In the long run, price equals the lowest possible average cost of production. In this sense, consumers receive the new technology “free of charge.”
D) In perfect competition, consumers place a value on the good equal to its marginal cost of production and since they are willing to pay the marginal valuation of the good, they are essentially receiving the new technology “free of charge.”

**Question 4678**

One possible reason as to why consumers respond to sales is that by displaying a “high” regular price and a “low” sale price, sales provide consumers with a reference point to interpret the prices being offered.
[i]True[i] or [i]false[i]?

**Question 4679**

Government intervention in agricultural markets in the U.S. began
A) during World War II to ensure that enough food was available for domestic consumption.
B) after World War I in order to assist farmers to adjust from a war-time economy to a peace-time economy.
C) during the Great Depression.
D) during the Korean War.

**Question 4680**

China has developed a comparative advantage in the production of clothing. The source of this comparative advantage is
A) a large supply of natural resources.
B) a large supply of unskilled workers and relatively little capital.
C) investment in capital used to produce clothing.
D) superior process technology.

**Question 4681**

The Taylor rule accurately predicted the changes in the federal funds target during the period
A) when Alan Greenspan was the chairman of the Federal Reserve Board.
B) when Paul Volcker was the chairman of the Federal Reserve Board.
C) when Arthur Burns was the chairman of the Federal Reserve Board.
D) when William McChesney Martin was the chairman of the Federal Reserve Board.
Question 4682

The simple trade model demonstrates that countries can expand consumption by specializing in the production of goods and services in which they have a comparative advantage. In reality we do not see complete specialization in production. State three reasons why this is case.


Question 4683

Vaccinations tend to result in a negative externality.

[i]True[/i] or [i]false[/i]?


Question 4684

The extra cost associated with undertaking an activity is called
A) net loss.
B) marginal cost.
C) opportunity cost.
D) foregone cost.


Question 4685

Fiat money
A) has no or very little value except as money.
B) is rarely used in modern economies.
C) functions well only if can be redeemed for gold or other precious metals.
D) serves well as a medium of exchange, but not as a store of value.


Question 4686

Two key consequences of asymmetric information are adverse selection and moral hazard. Define each concept, provide one example of each and explain how the two concepts differ.


Question 4687

Which of the following is a normative economic statement?
A) The price of wheat is too low.
B) The current low price of wheat is the result of increased worldwide supply.
C) When the price of wheat falls, the quantity of wheat purchased rises.
D) When the price of wheat falls, the cost of wheat-based products falls.


Question 4688

Automobile manufacturers produce a range of automobiles such as sports utility vehicles, luxury sedans, pickup trucks and compact cars. What fundamental economic question are they addressing by making this range of products?
A) How to produce goods that consumers want?
B) Why produce a variety of automobiles?
C) What to produce?
D) Who to produce automobiles for?


Question 4689

Consumer surplus in a market for a product would be equal to ________ if the market price was zero.
A) zero
B) the area between the supply curve and the demand curve
C) the area above the supply curve
D) the area under the demand curve


Question 4690
Arthur buys a new cell phone for $150. He receives consumer surplus of $150 from the purchase. How much does Arthur value his cell phone?
A) $0
B) $150
C) $225
D) $300

Question 4691

In 2008, Timothy Geithner referred to investment banks, money market mutual funds, hedge funds, and other financial firms engaged in similar activities as the
A) shadow banking system.
B) commercial banking system.
C) securitization market.
D) secondary market.

Question 4692

Suppose consumer preference for beef starts to rise while the cost of raising beef continues to rise. In the market for beef, this would be represented by the equilibrium price _______ and the equilibrium quantity _______.
A) increasing; increasing or decreasing
B) decreasing; increasing or decreasing
C) increasing or decreasing; increasing
D) increasing or decreasing; decreasing

Question 4693

Implicit costs can be defined as
A) accounting profit minus explicit cost.
B) the non-monetary opportunity cost of using the firm's own resources.
C) the deferred cost of production.
D) total cost minus fixed costs.

Question 4694

Apple's decision in 2002 to focus on developing a smartphone rather than a tablet computer exemplifies the
A) refusal of firms to invest in more than one project where unlimited resources are involved.
B) refusal of firms to invest in more than one project where limited resources are involved.
C) trade-off that firms face due to unlimited resources.
D) trade-off that firms face due to limited resources.

Question 4695

The level of output at which all economies of scale have been exhausted is known as
A) constant returns to scale.
B) minimum efficient scale.
C) the economically efficient output level.
D) optimal economic size.

Question 4696

Prices of smartphones (assume that this is a normal good) have fallen in recent years. Over this same period, the price of the components used to produce smartphones has also fallen and consumer incomes have risen. Which of the following best explains the falling prices of smartphones?
A) The supply curve for smartphones has shifted to the right while the demand curve for smartphones has shifted to the left.
B) The demand curve for smartphones has shifted to the right more than the supply curve has shifted to the right.
C) The demand curve and the supply curve for smartphones have both shifted to the left.
D) The supply curve for smartphones has shifted to the right more than the demand curve has shifted to the right.

Question 4697

The economic analysis of minimum wage involves both normative and positive analysis. Consider the following consequences of a minimum wage:
a. The minimum wage law causes unemployment.
b. Unemployment would be lower without a minimum wage law.
c. Minimum wage laws benefit some workers and harm others.
d. The minimum wage should be more than $7.25 per hour.
Which of the consequences above are positive statements and which are normative statements?
A) a, b, and c are positive statements and d is a normative statement.
B) a and b are positive statements, c and d are normative statement.
C) Only a is a positive statement, b, c and d are normative statements.
D) a and c are positive statements, b and d are normative statements


Question 4698
Which of the following is true about the Federal Reserve and its ability to prevent recessions? The Federal Reserve
A) does not try to eliminate recessions, but instead focuses on preventing inflation.
B) can fine tune the economy and realistically hope to keep the economy from experiencing recessions.
C) cannot realistically fine tune the economy, but seeks to keep recessions shorter and milder than they would otherwise be.
D) cannot realistically fine tune the economy and has little to no effect on the magnitude and length of recessions.

Question 4699
Scarcity is defined as the situation that exists when the quantity demanded for a good is greater than the quantity supplied.
[i]True[/i] or [i]false[/i]?

Question 4700
It is not possible to have an absolute advantage in producing a good or service without having a comparative advantage.
[i]True[/i] or [i]false[/i]?

Question 4701
The quantity demanded of tickets to the Super Bowl is always greater than the than the quantity supplied. Which of the following in the best explanation why the National Football League does not raise the price of tickets to the level where the quantity demanded equals the quantity supplied?
A) Raising the price would reduce the demand for tickets; there would then be a surplus and the game would not sell out.
B) The cost of raising the price and printing new tickets would exceed the revenue the NFL would receive from higher ticket prices.
C) The demand for Super Bowl tickets is elastic; raising the price would reduce total revenue.
D) The NFL is concerned that raising ticket prices would be considered unfair.

Question 4702
Economies of scale occur when
A) a firm's long-run average total costs fall as it increases the quantity of output it produces.
B) the marginal product of labor is greater than the average product of labor.
C) short-run marginal cost falls.
D) the demand for a firm's output increases.

Question 4703
Consider an industry that is made up of nine firms each with a market share (percent of sales) as follows:
 a. Firm A: 30%
b. Firm B: 20%
c. Firms C, D and E: 10% each
d. Firms F, G, H and J: 5% each
What is the value of the four-firm concentration ratio and how is the industry categorized?
A) 50%; monopolistic competition
B) 70%; oligopoly
C) 75%; oligopoly
D) 80%; strongly oligopolistic
Question 4704

When the Fed increases the money supply
A) the interest rate rises and this stimulates consumption spending.
B) people spend less because they have more money.
C) the interest rate falls and this stimulates investment spending.
D) the interest rate rises and this stimulates investment spending.


Question 4705

Hyperinflation is caused by
A) a constant increase in the money supply.
B) a high rate of growth in the money supply.
C) Real GDP growing more rapidly than the money supply.
D) the money supply growing more slowly than GDP.


Question 4706

Suppose the equilibrium price in a perfectly competitive industry is $10 and a firm in the industry charges $12. Which of the following will happen?
A) The firm will sell more output than its competitors.
B) The firm's revenue will increase.
C) The firm will not sell any output.
D) The firm's profits will increase.


Question 4707

Which of the following will not occur as the result of a decrease in net taxes?
A) decreased household saving
B) decreased government saving
C) a shift to the left of the supply curve for loanable funds
D) all of the above


Question 4708

The supply curve for umbrellas
A) shows the supply of umbrellas consumers are willing and able to buy at any given price.
B) is downward sloping.
C) shows the relationship between the quantity of umbrellas firms are willing and able to supply and the quantity of umbrellas consumers are willing and able to purchase.
D) shows the relationship between the price of umbrellas and the quantity of umbrellas supplied.


Question 4709

The demand for The Federalist Papers is likely to be more elastic than the demand for a best-selling mystery novel.

[True] or [False]


Question 4710

Suppose a bank has $100 million in checking account deposits with no excess reserves and the required reserve ratio is 10 percent. If the Federal Reserve reduces the required reserve ratio to 8 percent, then the bank can make a maximum loan of
A) $0.
B) $2 million.
C) $8 million.
D) $10 million.


Question 4711

A decrease in the unemployment rate may be represented as a movement from a point inside the production possibilities frontier to a point on the frontier.
Suppose a positive technological change in the production of disease-resistant corn caused the price of corn to fall. Holding everything else constant, how would this affect the market for wheat (a substitute for corn)?

A) The supply of wheat would increase and the equilibrium price of wheat would decrease.
B) The demand for wheat would decrease and the equilibrium price of wheat would decrease.
C) The demand for wheat would increase because consumers could afford to buy more wheat and corn.
D) The demand for wheat would decrease and the equilibrium price of wheat would increase.

If a straight line passes through the point x = 24 and y = 8 and also through the point x = 8 and y = 16, the slope of this line is

A) negative 8 divided by 4.
B) seven tenths.
C) negative one half.
D) one and one half.

A major problem with using tradable emissions allowance system to control pollution is

A) that it grants firms a license to pollute.
B) the difficulty in determining the emissions target.
C) it discourages firms from implementing cost-effective pollution control technology.
D) that it does not eliminate pollution completely.

In the short run, if marginal product is at its maximum, then

A) average cost is at its minimum.
B) average variable cost is at its minimum.
C) marginal cost is at its minimum.
D) total cost is at its maximum.

To maximize profit, a monopolist will produce and sell a quantity such that for the last unit sold, marginal revenue equals marginal cost, and charges a price given by the demand curve at that output level.

Most economists believe that biases cause changes in the CPI to overstate the inflation rate by ________ percentage points.

A) 0.1 to 0.2
B) 0.2 to 2.0
C) 0.4
D) 0.5 to 1.0
E) 1.0 to 3.0

A major source of inefficiency in barter economies is that they require

A) a standard of deferred payment to make trade possible.
B) a double coincidence of wants in exchange.
C) more liquid stores of value than do monetary economies.
D) All of the above are correct.
### Question 4719

If the percentage increase in price is 15 percent and the value of the price elasticity of demand is -3, then quantity demanded

A) will increase by 45 percent.
B) will increase by 5 percent.
C) will decrease by 45 percent.
D) will decrease by 5 percent.


### Question 4720

Firms in perfect competition produce the productively efficient output level in the short run and in the long run.

[i]True[i] or [i]false[i]?


### Question 4721

When Zynga, the company behind the social games CityVille and Words With Friends, sold stock to the public for the first time in December 2011, funds were being raised in a ________ market, and when those newly issued shares are resold to other buyers, the sales take place in a ________ market.

A) primary; primary
B) primary; secondary
C) secondary; primary
D) secondary; secondary


### Question 4722

The River Rouge plant was built by the Ford Motor Company in the 1920s to produce the company's Model A car. Which of the following is evidence that the River Rouge plant suffered from diseconomies of scale?

A) Despite an expensive advertising campaign the Model A did not earn the company a profit.
B) Model A cars made at the River Rouge plant failed to earn Ford a profit. Ford eventually constructed smaller plants to make the Model A at a lower average cost.
C) Model A cars made at the River Rouge plant failed to earn a profit. Ford reduced the average cost of the Model A by cutting its employees' wages.
D) Model A cars made at the River Rouge plant failed to earn a profit because the price of steel used to manufacture the Model A rose when workers in the steel industry went on strike.


### Question 4723

Explain why the rates of death due to kidney disease and diabetes has slightly increased in the United States since 1981.


### Question 4724

If society decides it wants more of one good and all resources are fully utilized, then

A) it is unable to do this unless technology advances.
B) additional resource supplies will have to be found.
C) it has to give up some of another good and incur some opportunity costs.
D) more unemployment will occur.


### Question 4725

Assume that the medical screening industry is perfectly competitive. Consider a typical firm that is making short-run losses. Suppose the medical screening industry runs an effective advertising campaign which convinces a large number of people that yearly CT scans are critical for good health. How will this affect a typical firm that remains in the industry?

A) The firm's supply curve shifts right and its marginal revenue curve shifts upwards as the market price rises and ultimately the firm starts making profits.
B) The firm's marginal revenue curve and average cost curve shift upwards in response to the increase in market price and advertising expenditure. The firm increases output until it starts breaking even.
C) The marginal revenue curve shifts upwards, the firm's output increases along its marginal cost curve, it expands production and eventually starts making profits.
D) The marginal revenue curve shifts upwards, the firm's output increases along its marginal cost curve, it expands production until it breaks even.

Question 4726
Suppose a bank has $100,000 in checking account deposits with no excess reserves and the required reserve ratio is 10 percent. If the Federal Reserve raises the required reserve ratio to 12 percent, then the bank will now have excess reserves of
A) $12,000.
B) $0.
C) -$2,000.
D) -$12,000.

Question 4727
As a percentage of GDP, federal expenditures _______ from 1950 to the early 1990s, _______ from 1992 to 2001, and have _______ since 2001.
A) rose; fell; risen
B) fell; fell; risen
C) rose; rose; fallen
D) fell; rose; fallen

Question 4728
Workers in high-income countries have _______ to work with than do workers in low-income countries.
A) less physical capital
B) more physical capital
C) more labor
D) more labor and less physical capital

Question 4729
What assumptions are necessary for a market to be perfectly competitive? Explain why each of these assumptions is important.

Question 4730
Results of the ultimatum game indicate that most people value fairness enough that they will refuse to participate in a transaction they consider unfair, even if they are worse off financially as a result.
[i]True[/i] or [i]false[/i]?

Question 4731
Monetarists believe that the quantity of money should be increased at an increasing rate.
[i]True[/i] or [i]false[/i]?

Question 4732
One reason why the coffeehouse market is competitive is that
A) demand for specialty coffee is very high.
B) it is trendy and therefore is likely to have a customer following.
C) barriers to entry are low.
D) consumption takes place in public.

Question 4733
It is difficult to determine if foreign companies are selling their products for prices below their costs of production because
A) the true costs of production are difficult to calculate.
B) the firms have no legal obligation to reveal this information.
C) costs are calculated in the firms' local currencies.
D) domestic taxes increase the firms' costs but it is difficult to determine the incidence of these taxes.

Question 4734
Which of the following is an example of a positive externality?
Question 4735

Examples of comparative advantage show how trade between two countries can make each better off. Compared to their pre-trade positions, trade makes both countries better off because in each country
A) total employment is greater.
B) total consumption of goods is greater.
C) wages are higher.
D) total welfare is greater.

Question 4736

When the price of pistachio nuts is $7.50 per lb. the quantity demanded is 48 lbs. When the price of peaches is $9.00 per lb. the quantity demanded is 40 lbs. When the midpoint formula is used to measure the price elasticity of demand we can say that the demand for pistachio nuts is
A) relatively, but not perfectly, elastic.
B) unit-elastic.
C) completely inelastic.
D) relatively, but not perfectly, inelastic.

Question 4737

Which of the following costs will not change as output changes?
A) marginal cost
B) total variable cost
C) average variable cost
D) average fixed cost
E) total fixed cost

Question 4738

Technological advancements have led to lower prices and an increase in the sale of color laser printers. How does this affect the market for laser printer ink cartridges?
A) The demand curve for laser printer ink cartridges shifts to the right.
B) The demand curve for laser printer ink cartridges shifts to the left.
C) The quantity of laser printer ink cartridges demanded increases.
D) The quantity of laser printer ink cartridges demanded decreases.

Question 4739

If nominal GDP rises we can say that
A) production has risen and prices remain constant.
B) prices have risen and production remains constant.
C) production has risen or prices have risen or both have risen.
D) production has fallen and prices have risen.

Question 4740

A surplus occurs when the actual selling price is above the market equilibrium price.
[i]True[/i] or [i]false[/i]?

Question 4741

Which of the following is one reason for the decline in aggregate demand that led to the recession of 2007-2009?
A) falling oil prices
B) an increase in net exports
C) the end of the housing bubble
D) a decline in government spending

**Question 4742**

If the dollar depreciates against the Indian rupee
A) Indian imports to the U.S. become less expensive.
B) U.S. exports to India become less expensive.
C) U.S. exports to India become more expensive.
D) The value of Indian imports to the United States does not change.

**Question 4743**

Using an aggregate demand graph, illustrate the impact of an increase in the growth rate of U.S. GDP relative to the growth rate of foreign GDP.

**Question 4744**

A curve showing the lowest cost at which a firm is able to produce a given level of output in the long run is
A) a long-run production function.
B) a long-run marginal cost curve.
C) a minimum efficient scale curve.
D) a long-run average total cost curve.

**Question 4745**

Every society faces economic trade-offs. This means
A) some people live better than others do.
B) not everyone can have enough goods to survive.
C) producing more of one good means less of another good can be produced.
D) society’s output cannot be made available to all.

**Question 4746**

In making decisions about what to consume, a person's goal is to
A) allocate her limited income among all the products she wishes to buy so that she receives the highest total utility.
B) buy low-priced goods rather than high-priced goods.
C) maximize her marginal utility from the goods and services she wishes to buy using her limited income.
D) consume as many necessities as possible and then, if there is money left over, to buy luxuries.

**Question 4747**

Which of the following is not a source of comparative advantage?
A) relative abundance of labor and capital
B) technology
C) climate and natural resources
D) a strong foreign currency exchange rate

**Question 4748**

The branch of economics which studies the behavior of entire economies and policies that affect the economy as a whole is called
A) public economics.
B) microeconomics.
C) macroeconomics.
D) normative economics.

**Question 4749**

Banks keep ______ of checking deposits as reserves because on a typical day withdrawals ________ deposits.
A) more than 100%; are much greater than
B) exactly 100%; are about the same as
C) less than 100%; are about the same as
D) exactly 100%; are much greater than
E) less than 100%; are much greater than

Question 4750
An article in the Wall Street Journal noted the following: Instead of relying on a full-coach, round-trip unrestricted fare of about $2,000 between Cleveland and Los Angeles ...Continental [Airlines] since June has offered a $716 unrestricted fare in that market .... Through October, the test resulted in about the same revenue that Continental thinks it would have collected with its higher fare.
What is the absolute value of the price elasticity of demand on this airline route?
A) 0
B) less than 1
C) greater than 1
D) approximately 1

Question 4751
Allocative efficiency best explains ________, and productive efficiency best explains ________.
A) how something will be produced; when something will be produced
B) when something will be produced; why something will be produced
C) why something will be produced; what will be produced
D) what will be produced; how something will be produced

Question 4752
Danielle Ocean pays for monthly pool maintenance for her home swimming pool. Last week the owner of the pool service informed Danielle that he will have to raise his monthly service fee because of increases in the price of pool chemicals. How is the market for pool maintenance services affected by this?
A) There is an increase in the supply of pool maintenance services.
B) There is a decrease in the demand for pool maintenance services.
C) There is a decrease in the quantity of pool maintenance services supplied.
D) There is a decrease in the supply of pool maintenance services.

Question 4753
In the short run, why does a production function eventually display diminishing returns to labor?
A) As the number of workers increases it becomes difficult to monitor them.
B) As a firm hires more workers the skills and the work ethic of the additional workers will eventually decline.
C) As the number of workers increases eventually the gains from the division of labor and specialization are used up.
D) The opportunity cost of hiring additional workers must eventually rise.

Question 4754
By the 2000s, an important market change occurred when investment banks became significant participants in the secondary market for
A) mortgages.
B) Treasury securities.
C) corporate bonds.
D) currency.

Question 4755
Suppose a price floor on sparkling wine is proposed by the Health Minister of the country of Vinyardia. What will be the likely effect on the market for sparkling wine in Vinyardia?
A) Consumer surplus will increase.
B) Producer surplus will increase.
C) Deadweight loss will increase.
D) Market efficiency will increase.
Question 4756

A(n) ________ in private expenditures as a result of a(n) ________ in government purchases is called crowding out.
A) increase; decrease
B) decrease; decrease
C) decrease; increase
D) increase; increase

Question 4757

A monopolistically competitive firm that is earning profits will, in the long run, experience all of the following except
A) new rivals entering the market.
B) a decrease in demand for its product.
C) demand for the firm's product becomes more elastic.
D) a decrease in the number of rival products.

Question 4758

Economists assume that rational people
A) never use all available information as they act to achieve their goals.
B) undertake activities that benefit others and hurt themselves.
C) only weigh the benefits and costs of the most desirable alternative actions.
D) respond to economic incentives.

Question 4759

Describe the differences (in sign and relative magnitude) between the government purchases multiplier and the tax multiplier.

Question 4760

What is a market economy?

Question 4761

If in the market for apples the supply has decreased then
A) the supply curve for apples has shifted to the right.
B) there has been a movement upwards along the supply curve for apples.
C) the supply curve for apples has shifted to the left.
D) there has been a movement downwards along the supply curve for apples.

Question 4762

The key characteristics of a monopolistically competitive market structure include
A) few sellers.
B) sellers selling similar but differentiated products.
C) high barriers to entry.
D) sellers acting to maximize revenue.

Question 4763

The demand for loanable funds has a ________ slope because the lower the interest rate, the ________ number of investment projects are profitable, and the ________ the quantity of loanable funds demanded.
A) negative; greater; greater
B) negative; greater; lesser
C) negative; lesser; greater
D) positive; lesser; lesser

Question 4764
Sally quit her job as an auto mechanic earning $50,000 per year to start her own business. To save money she operates her business out of a small building she owns which, until she started her own business, she had rented out for $10,000 per year. She also invested her $20,000 savings (which earned a market interest rate of 5% per year) in her business. You are given the following information about the first year of her operations.

Total revenue $120,000
Cost of labor $40,000
Cost of materials $15,000
Equipment rental $5,000

a. Calculate her economic costs.
b. Calculate her accounting costs.
c. Calculate her implicit costs.
d. Sally tells you that she would really like to move to a location closer to town but she decided against it because "right now I don't pay any rent and it will cost me $10,000 a year to rent near town." Do you agree with her reasoning?


Question 4765

The seven members of the Board of Governors of the Federal Reserve are appointed by
A) Congress.
B) the President.
C) the Governors of the States.
D) leaders in the banking industry.
E) the Treasury Department.


Question 4766

A commercial bank like Comerica creates money by
A) printing paper money.
B) earning profits.
C) selling corporate bonds.
D) making loans.


Question 4767

Is a monopolistically competitive firm allocatively efficient?
A) No, because it does not produce at minimum average total cost.
B) Yes, because it produces where marginal cost equals marginal revenue.
C) No, because price is greater than marginal cost.
D) Yes, because price equals average total cost.


Question 4768

For a perfectly competitive firm, which of the following is not true at profit maximization?
A) Market price is greater than marginal cost.
B) Marginal revenue equals marginal cost.
C) Total revenue minus total cost is maximized.
D) Price equals marginal cost.


Question 4769

The opportunity cost of taking an on-line history class is
A) the knowledge and enjoyment you receive from taking the class.
B) the value of the time spent on line.
C) equal to the highest value of an alternative use of the time and money spent on the class.
D) zero because there is no classroom time involved if you are enrolled in the course.
E) the cost of tuition and fees only.


Question 4770

The formula for total fixed cost is
A) TFC = TC + TVC.
B) TFC = TC - TVC.
Question 4771

Long-run equilibrium in a monopolistically competitive market is similar to long-run equilibrium in a perfectly competitive market in that in both markets, firms
A) produce at the minimum point of their average total cost curves.
B) produce where price equals marginal cost.
C) break even.
D) produce where price equals marginal revenue.

Question 4772

In reality, the Fed is unable to use monetary policy to keep real GDP exactly at its potential level.
[i]True[i] or [i]false[i]?

Question 4773

Which of the following do not suffer the costs of inflation?
A) persons on fixed incomes
B) persons whose incomes rise more rapidly than inflation
C) firms that have to devote more time and labor to raising prices
D) an investor that has to pay higher taxes because of the inflation

Question 4774

When voluntary exchange takes place, neither party usually gains from the exchange.
[i]True[i] or [i]false[i]?

Question 4775

Which of the following is not a determinant of a good's price elasticity of demand?
A) the slope of the demand curve
B) the share of the good in the consumer's total budget
C) whether the good is a luxury or a necessity
D) the passage of time

Question 4776

Explain the three reasons the aggregate demand curve slopes downward.

Question 4777

To obtain real average hourly earnings, nominal average hourly earnings are multiplied by the CPI.
[i]True[i] or [i]false[i]?

Question 4778

An increase in the sensitivity of private spending (consumption, investment, and net exports) to changes in the interest rate ________ the government purchases multiplier.
A) will decrease
B) will increase
C) will not change
D) may increase or may decrease

Question 4779

An item has utility for a consumer if it
Question 4780
When an investor buys a corporate bond
A) the investor becomes part owner of the corporation.
B) the principal of the bond is a loan to the corporation.
C) the interest made on the bond represents the bondholder’s limited liability in the company.
D) the face value of the bond is equal to what the investor paid for the bond.

Question 4781
An external benefit is created when you pursue a college education.
[i]True[/i] or [i]false[/i]?

Question 4782
Economic efficiency in a free market occurs when
A) consumer surplus is maximized.
B) producer surplus is maximized.
C) the sum of consumer surplus and producer surplus is maximized.
D) price is as low as possible.

Question 4783
Social Security began as a “pay-as-you-go” system, meaning that payments to current retirees were paid
A) from taxes collected from current workers.
B) from taxes collected from retired workers.
C) as long as the government had funds available.
D) as the government collected revenues from tariffs and excise taxes in the years Social Security payments were made.

Question 4784
Excess capacity is a characteristic of monopolistically competitive firms. What does excess capacity mean?
A) It means that firms do not produce the output level that corresponds to the minimum point on their average total cost curves.
B) It means that firms hire more than the minimum number of workers needed to produce the profit-maximizing level of output.
C) It means that firms produce with inefficient combinations of resources.
D) It means that firms build plants that are not large enough to achieve minimum efficient scale.

Question 4785
Which of the following is an example of a way in which a firm in oligopoly can escape the prisoner’s dilemma?
A) producing more of its product
B) advertising that it will match its rival’s price
C) reneging on a previous tacit agreement with rival firms to charge identical high prices
D) ignoring the pricing decisions of the other firms

Question 4786
Many people leave their servers tips in restaurants, even when they are not likely to visit the restaurant again. This is evidence that
A) people would rather pay for good service at an inexpensive restaurant than pay higher prices and receive poor service at an expensive restaurant.
B) people enjoy eating at restaurants more than eating at home.
C) people treat others fairly even if doing so makes them worse off financially.
D) there has been an improvement in the service people receive in restaurants over time, partly because the restaurant industry has become more competitive.
Question 4787
Which of the following is the smallest portion of the market basket of goods that makes up the CPI?
A) housing  
B) food and beverages  
C) transportation  
D) apparel  

Question 4788
The automatic mechanism ________ the price level in the case of ________ and ________ the price level in the case of ________.
A) raises; recession; lowers; expansion  
B) lowers; expansion; raises; recession  
C) raises; expansion; raises; recession  
D) lowers; recession; raises; expansion  

Question 4789
When a monopolistically competitive firm cuts its price to increase its sales, it experiences a gain in revenue due to the  
A) substitution effect.  
B) income effect.  
C) price effect.  
D) output effect.  

Question 4790
Explain why market power leads to a deadweight loss. Is the total deadweight loss from market power in the United States large or small?  

Question 4791
GDP is not a perfect measure of well-being because  
A) the value of leisure is included in GDP.  
B) GDP is not adjusted for pollution.  
C) GDP is adjusted for changes in crime rates.  
D) GDP is adjusted for increases in drug addiction.  

Question 4792
Individuals who have never been the best at doing anything  
A) cannot have a comparative advantage in producing any product.  
B) can still have a comparative advantage in producing some product.  
C) perform all tasks at a higher opportunity cost than others.  
D) must have an absolute advantage in at least ones task.  

Question 4793
Economists believe that consumers would be better off if markets were perfectly competitive rather than monopolistically competitive.  
[i]True[/i] or [i]false[/i]?  

Question 4794
The U.S. Congress has given two government entities the authority to police mergers. These two entities are  
A) the antitrust division of the Department of State and the Securities and Exchange Commission.  
B) the Federal Trade Commission and the Internal Revenue Service.  
C) the Antitrust Division of the U.S. Department of Justice and the Council of Economic Advisors.  
D) the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice.  

Question 4795
A monopoly is a seller of a product
A) with many substitutes.
B) without a close substitute.
C) with a perfectly inelastic demand.
D) without a well-defined demand curve.

Question 4796
What has happened to health care's share of gross domestic product in the United States since 1965? How does this compare to what has happened to out-of-pocket spending on health care as a percentage of all spending on health care?

Question 4797
The area above the market supply curve and below the market price
A) is equal to the total amount of producer surplus in a market.
B) is equal to the marginal cost of the last unit produced.
C) is equal to the total amount of economic surplus in a market.
D) is equal to the total cost of production.

Question 4798
If net taxes rise by $150 billion would you expect household saving to fall by $150 billion, by more than $150 billion, or by less than $150 billion?

Question 4799
If Estonia has an absolute advantage in the production of two goods compared to Norway, Estonia can not benefit from trade with Norway.
[i]True[/i] or [i]false[/i]?

Question 4800
A decrease in the demand for incandescent light bulbs due to changes in consumer tastes, accompanied by a decrease in the supply of incandescent light bulbs as a result of government restrictions, will result in
A) a decrease in the equilibrium quantity of incandescent light bulbs and no change in the equilibrium price.
B) a decrease in the equilibrium price of incandescent light bulbs and no change in the equilibrium quantity.
C) a decrease in the equilibrium price of incandescent light bulbs; the equilibrium quantity may increase or decrease.
D) a decrease in the equilibrium quantity of incandescent light bulbs; the equilibrium price may increase or decrease.

Question 4801
Inflation redistributes income to a greater extent when the inflation is unanticipated compared to when the inflation is anticipated.
[i]True[/i] or [i]false[/i]?

Question 4802
The aggregate demand curve will shift to the left ________ the initial decrease in government purchases.
A) by less than
B) by more than
C) by the same amount as
D) sometimes by more than and other times by less than

Question 4803
What is an economic variable?

Question 4804
Which of the following reforms could potentially reduce spending on health care without reducing the effectiveness of health care received?
A) nationalize health care so that all health services are government funded and operated
B) give every citizen a fixed amount of money that can only be spent on health care services
Question 4805
How do adverse selection and moral hazard affect the market for insurance?

Question 4806
Assume that both the demand curve and the supply curve for DVD players shift to the left but the supply curve shifts more than the demand curve. As a result
A) both the equilibrium price and quantity of DVD players will decrease.
B) the equilibrium price of DVD players will decrease; the equilibrium quantity may increase or decrease.
C) the equilibrium price of DVD players may increase or decrease; the equilibrium quantity will increase.
D) the equilibrium price of DVD players will increase; the equilibrium quantity will decrease.

Question 4807
Suppose your expenses for this term are as follows: tuition: $10,000, room and board: $6,000, books and other educational supplies: $1,000. Further, during the term, you can only work part-time and earn $8,000 instead of your full-time salary of $20,000. What is the opportunity cost of going to college this term, assuming that your room and board expenses would be the same even if you did not go to college?
A) $11,000
B) $17,000
C) $23,000
D) $29,000

Question 4808
Workers and firms both expect that prices will be 3% higher next year than they are this year. As a result
A) workers will be willing to take lower wages next year.
B) the purchasing power of wages will rise if wages increase by 3%.
C) the short-run aggregate supply curve will shift to the left as wages increase.
D) aggregate demand will increase by 3%.

Question 4809
A student comments to his roommate that the only way he will be able to pass his final exams is to not sleep for the next three days. This statement suggests that
A) students are more concerned about good grades than good health.
B) society should value sleep more highly than good grades.
C) there is a trade-off between studying and sleep.
D) society should value good grades more highly than sleep because students can catch up on their sleep once final exams are over.

Question 4810
Explain whether a monopoly that maximizes profit will also be maximizing revenue and production.

Question 4811
At the end of World War II in 1945, many economists and business managers expected that the U.S. economy would enter a severe recession. At that time, Sears and Montgomery Ward were the two largest department store chains in the country. Sears CEO Robert Wood expected continuing prosperity and opened new stores. Montgomery Ward CEO Sewell Avery expected falling incomes and rising unemployment and closed a number of existing stores. The results of their actions were seen during the late 1940s, when
A) Sears declared bankruptcy and was purchased by Montgomery Ward.
B) Montgomery Ward weathered the economic downturn in better financial shape than Sears.
C) Sears rapidly gained market share at Montgomery Ward's expense.
D) Sears had to close many of the new stores it had opened following the end of the war.
Question 4812

Which of the following transactions would be included in the official calculation of GDP?
A) A student buys a used textbook at the bookstore.
B) Firestone sells $2 million worth of tires to General Motors.
C) You wash and wax your father's car as a favor to him.
D) You buy a new iPod.
E) You illegally download music off the Internet to put on your new iPod.

Question 4813

Suppose you lend $1,000 at an interest rate of 10 percent over the next year. If the expected real interest rate at the beginning of the loan contract is 4 percent, then what rate of inflation over the upcoming year would be most beneficial to you as the lender? An inflation rate
A) equal to 0 percent.
B) greater than 6 percent.
C) equal to 6 percent.
D) equal to 4 percent.

Question 4814

Over time, people in the United States and other high-income countries have, on average, become taller, which is an indication that their nutritional status has improved.
[i]True[/i] or [i]false[/i]?

Question 4815

If a decrease in income leads to a decrease in the demand for ice cream, then ice cream is
A) a normal good.
B) a neutral good.
C) a complement.
D) a necessity.

Question 4816

Carmelita can perform either a combination of 35 manicures and 70 pedicures or a combination of 50 manicures and 45 pedicures. If she now performs 35 manicures and 70 pedicures, what is the opportunity cost of performing an additional 15 manicures?
A) 5 pedicures
B) 20 pedicures
C) 25 pedicures
D) 45 pedicures

Question 4817

In October 2013, Abercrombie & Fitch (ANF) posted a price-earnings ratio of 13. If the price of the stock at that time was $36 per share, which of the following must have been true?
A) ANF's revenues that month were $4.68 million.
B) ANF's earnings per share was $2.77.
C) ANF's coupon payment was $23.23 per year.
D) ANF's dividend yield for the year was 47%.

Question 4818

To compete in the automobile market, Tesla must make many strategic decisions such as whether to introduce a new car model, how to sell and service its cars, and where to advertise. At Tesla's Fremont, California plant, managers must decide on the monthly production quantities of their S and X models. In making this decision, the managers
A) face no trade-off because the Fremont plant only produces these two models of the many Tesla models produced worldwide.
B) face a trade-off, because producing more of one model means producing less of the others.
C) will choose to only produce the quantity of S and X models where marginal cost equals zero.
D) will always decide on production quantities in which revenues are maximized.
Question 4819
Which of the following is not an advantage of starting a new business as a proprietorship?
A) The owner has complete control over the business.
B) A proprietorship has few government rules and regulations to comply with.
C) Business profits are only taxed once, not twice.
D) A proprietorship can easily attain additional funding.

Question 4820
Which of the following statements is true?
A) Exports benefit trading countries because exports create jobs. Imports do not benefit trading countries because they result in a loss of jobs.
B) Each year China exports about 50 percent of its wheat crop and 40 percent of its rice crop.
C) Most of the leading exporting countries are large, high-income countries.
D) All sectors of the U.S. economy are affected equally by international trade.

Question 4821
Two of the firms involved in the accounting scandals of the early 2000s were
A) Arthur Anderson and NBC.
B) Western Digital and General Motors.
C) WorldCom and Enron.
D) DuPont and Lehman Brothers.

Question 4822
There are many cattle ranchers in the world, and there are also many McDonald's restaurants in the world. Why, then, does a McDonald's restaurant face a downward sloping demand curve while a cattle rancher faces a horizontal demand curve?

Question 4823
A car dealer sells you a car today in exchange for money in the future. This illustrates which function of money?
A) medium of exchange
B) unit of account
C) store of value
D) standard of deferred payment

Question 4824
Will equilibrium in a market always result in an outcome that is economically efficient? Explain.

Question 4825
The real-world money multiplier is greater than the simple money multiplier (1/RR).
[i]True[/i] or [i]false[/i]?

Question 4826
An increase in aggregate demand causes an increase in ________ only in the short run, but causes an increase in ________ in both the short run and the long run.
A) the price level; real GDP
B) real GDP; real GDP
C) the price level; the price level
D) real GDP; the price level

Question 4827
Holding everything else constant, an increase in the price of raisins will result in
A) an decrease in the quantity of raisins demanded.
B) an increase in the demand for raisins.
C) a decrease in the supply of raisins.
D) an increase in the quantity of raisins demanded.

Question 4828

Question 4829

Question 4830

Question 4831

Question 4832

Question 4833

Question 4834

Following the September 11, 2001, terrorist attacks, the managers of many hotels expected a prolonged period of reduced travel, responding by laying off workers and postponing or canceling new construction. Isadore Sharp, the chairman and CEO of Four Seasons Hotels, decided to
A) continue expanding and was able to maintain or enhance the company's market share.
B) continue expanding and the company ended up losing significant market share.
C) curtail expansion plans, and by significantly cutting back on expansion was able to maintain the company's market share.
D) curtail expansion plans and the company ended up losing significant market share.
Question 4835
If opportunity costs are constant, the production possibilities frontier would be graphed as
A) a ray from the origin.
B) a positively sloped straight line.
C) a negatively sloped curve bowed in toward the origin.
D) a negatively sloped straight line.

Question 4836
Assuming a market price of $4, fill in the columns in the following table. What is the profit-maximizing level of production? What are the two ways to determine the profit-maximizing level of production?
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<th>Total Cost (TC)</th>
<th>Profit</th>
<th>Marginal Revenue (MR)</th>
<th>Marginal Cost (MC)</th>
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Question 4837
If the Apple iPhone and the Samsung Galaxy are considered substitutes, then, other things equal, an increase in the price of the iPhone will
A) decrease the demand for the iPhone.
B) increase the demand for the Galaxy.
C) increase the quantity demanded for the Galaxy.
D) increase the quantity demanded for the iPhone.

Question 4838
Consider a country that produces only two goods: pineapples and tractors. Suppose it is possible for this country to increase its production of pineapples without producing fewer tractors. In this case, its current output combination is inefficient.
[i]True[/i] or [i]false[/i]?

Question 4839
If banks do not loan out all their excess reserves, then the real world multiplier is
A) smaller than 1/RR.
B) larger than 1/RR.
C) equal to 1/RR.
D) not related to 1/RR.

Question 4840
All of the following is counted as "capital" in economics except
A) money.
B) machine tools.
C) factory buildings.
D) warehouses.

Question 4841
In 2013, Smileytown consumed 12,000 gallons of mouthwash. In 2014, mouthwash consumption rose to 17,000 gallons. Calculate the percentage change in mouthwash consumption.
A) 17.2%
B) 29.4%
Question 4842
How can a proprietorship or partnership raise funds for expansion?
A) borrow from someone or an institution willing to lend the funds
B) reinvest profit back into the business
C) take on a partner or more partners
D) Any of these would generate funds for expansion.

Question 4843
Who owns a corporation?
A) the board of directors
B) the stockholders
C) the employees
D) the CEO

Question 4844
What effect does the payment of government unemployment insurance have on the unemployment rate?

Question 4845
For a person to have a comparative advantage in producing a product, he must be able to produce that product at a higher opportunity cost than his competitors.
[i]True[/i] or [i]false[/i]?

Question 4846
Which of the following is typically considered a fixed cost by academic book publishers but a variable cost by companies that print books?
A) postage and supplies
B) travel
C) rent
D) wages and salaries

Question 4847
A numerical limit imposed by a government on the quantity of a good that can be imported into the country is called a
A) tariff.
B) quota.
C) quantity floor.
D) barricade.