

Question 1

According to the text, which of the following consequences could we predict most confidently if the federal government was effectively required, by a constitutional amendment, to match expenditures and tax revenues (balance the budget) in each fiscal year?

- A) An end to discretionary fiscal policy
- B) An end to efforts to manipulate the economy for partisan political purposes
- C) Frequent and sudden changes in previously legislated tax rates and expenditure commitments
- D) Less unemployment but more inflation

Answer: <https://biology-forums.com/index.php?topic=316948>

Question 2

If Bonnie can produce either 10 hats or 20 scarves in a month, and Phil can produce either 10 hats or 5 scarves in a month, then

- A) Bonnie is equally efficient at producing hats, compared to Phil.
- B) Bonnie is more efficient at producing hats, compared to Phil.
- C) Bonnie is more efficient at producing scarves, compared to Phil.
- D) Phil is more efficient at producing scarves, compared to Bonnie.

Answer: <https://biology-forums.com/index.php?topic=311649>

Question 3

Is the following quote correct? "Here's the law of demand in a nutshell: The higher the price, the lower the demand."

- A) Yes, it is totally correct.
- B) No. It would be correct if it were to also say "other things constant."
- C) No, because it confuses demand and quantity demanded.
- D) No, because the law of demand does not apply to nutshells.

Answer: <https://biology-forums.com/index.php?topic=313828>

Question 4

According to your authors, a recessionary "bust" is

- A) an inherent part of any market economy.
- B) a correction of the mistakes generated during the prior expansionary "boom."
- C) an event that can be successfully recovered through fiscal "stimulus" policies.
- D) identified by a rise in real GDP.

Answer: <https://biology-forums.com/index.php?topic=316711>

Question 5

A stable rule of law

- A) invariably turns losses into profits.
- B) allows people to cooperate more effectively with one another.
- C) converts price searchers into price takers.
- D) renders the law of comparative advantage ineffective.

Answer: <https://biology-forums.com/index.php?topic=317041>

Question 6

A woman who decides to drive to work rather than take the bus

- A) is wasting scarce resources.
- B) is behaving inefficiently.
- C) thinks driving is more economically efficient for her.
- D) is probably paying attention to personal comfort and convenience rather than economic efficiency.

Answer: <https://biology-forums.com/index.php?topic=311443>

Question 7

State legislators who wanted to eliminate state regulation of the trucking industry would be most likely to find support among

- A) business owners who must pay higher prices for deliveries as a result of the regulations.
- B) owners and managers of large trucking concerns.
- C) owners of small trucking concerns.
- D) unions that represent truck drivers.

Answer: <https://biology-forums.com/index.php?topic=314614>

Question 8

Information is a scarce good because

- A) buyers typically know more than sellers about the products they are selling.
- B) competition encourages buyers and sellers to conceal a portion of what they know.
- C) its possession enables people to increase their wealth, and it cannot be acquired without cost.
- D) sellers typically know more than buyers about the products they are selling.

Answer: <https://biology-forums.com/index.php?topic=311757>

Question 9

Of the following, pick the year the U.S. enjoyed a budget surplus.

- A) 1970
- B) 1980
- C) 1990
- D) 2000
- E) 2010

Answer: <https://biology-forums.com/index.php?topic=316906>

Question 10

According to the textbook, people add to their stock of human capital by

- A) divesting of their personal assets.
- B) investing in their personal skills.
- C) rearranging their pension portfolios.
- D) attempting to systematically reduce, rather than expand upon, their human capabilities.
- E) engaging in all the above.

Answer: <https://biology-forums.com/index.php?topic=315609>

Question 11

Suppose Acme County Bank and Trust has \$1 million in total deposits and the required reserve ratio is 10%. How many dollars is Acme allowed to use to seek profits?

- A) 0
- B) \$100,000
- C) \$900,000
- D) \$1 million
- E) \$10 million

Answer: <https://biology-forums.com/index.php?topic=316460>

Question 12

The problem of "free riders" arises in a society when goods

- A) can't be provided exclusively to the people who pay for them.
- B) cease to be scarce.
- C) produced by government are provided to everyone.
- D) supplied by the private sector are paid for from tax revenue.
- E) wanted by everyone are priced too low.

Answer: <https://biology-forums.com/index.php?topic=315349>

Question 13

Consider a tragic and heart-wrenching case in which a cancer patient is told he needs chemotherapy in order to live three more years at best, but the patient's final three years will be filled with all the terrible side-effects of the treatment. Without it, he will surely die within a year, but his quality of life would be a better. Suppose he chooses to quit chemotherapy. The economic way of thinking would therefore conclude

- A) the patient made the wrong choice.
- B) the doctors were absolutely right—the patient needs chemotherapy.
- C) it is better to live longer than it is to die sooner.
- D) all of the above are true.
- E) none of the above is true.

Answer: <https://biology-forums.com/index.php?topic=311876>

Question 14

New airplanes, which normally consume less fuel per passenger-mile, become less efficient for commercial airlines to purchase and use as

- A) average flight distances lengthen.
- B) fewer non-stop flights are scheduled.
- C) fuel prices fall.

- D) the demand for airline travel increases.
E) the price of new airplanes falls.

Answer: <https://biology-forums.com/index.php?topic=311421>

Question 15

Rent controls carry long-run unintended consequences, such as

- A) a fairer price for people who can't afford market-determined rents.
B) improved quality of apartment units.
C) fewer apartment units as landlords seek substitute uses of their property.
D) an increase in rental price competition among landlords.

Answer: <https://biology-forums.com/index.php?topic=313501>

Question 16

Technical efficiency

- A) ignores the values of the chooser.
B) is a necessary precondition for the attainment of economic efficiency.
C) is always attained if economic efficiency is achieved.
D) is attained whenever the ratio of physical output to physical input is greater than unity.
E) is easier to achieve than economic efficiency.

Answer: <https://biology-forums.com/index.php?topic=311331>

Question 17

Other things constant, a rise in which of the following would tend to increase the nominal interest rate?

- A) The rate of time preference
B) The risk premium
C) The expected rate of inflation
D) Any of the above.

Answer: <https://biology-forums.com/index.php?topic=313388>

Question 18

What criticism does the textbook level against the cost-plus-markup theory of price setting?

- A) The theory does not agree with what businessmen say about price setting.
B) The theory does not account for vastly different percentage markups on different products.
C) The theory implies firms will sometimes want to set prices below average cost per unit.
D) The theory ignores sunk costs.
E) All of the above.

Answer: <https://biology-forums.com/index.php?topic=314197>

Question 19

Suppose the price level is unchanged and real GDP decreases. Then

- A) nominal GDP must decrease.
B) nominal GDP must remain unchanged.
C) nominal GDP must increase.
D) none of the above are true.

Answer: <https://biology-forums.com/index.php?topic=315978>

Question 20

Roughly how large is the difference between U.S. GDP and U.S. GNP?

- A) Less than 0.1%
B) About 10%
C) About 20%
D) About 25%
E) About 55%

Answer: <https://biology-forums.com/index.php?topic=315825>