

Question 1

A system of laws and courts generates positive externalities because

- A) only governments are capable of creating such systems.
- B) people cannot choose whether or not to obey the law.
- C) people who disobey the law benefit from the existence and enforcement of rules applicable to all.
- D) such a system could not exist without the approval of a majority.

Answer: <https://biology-forums.com/index.php?topic=315385>

Question 2

Suppose Factory A emits 15,000 units of "Yuck" monthly, Factory B emits 30,000 units, and Factory C emits 45,000 units. Also suppose A's cost of reducing the emission is \$1 per unit, B's cost is \$2 per unit, and C's cost is \$3 per unit. If the EPA required each factory to pay a \$2.01 tax for each unit of yuck it emits monthly, what would be the new level of total monthly emissions, and what would be the total cost of cleanup?

- A) 45,000 units; \$75,000
- B) 45,000 units; \$90,000
- C) 45,000 units; \$105,000
- D) 45,000 units; \$120,000

Answer: <https://biology-forums.com/index.php?topic=315112>

Question 3

According to your text, controversies about negative externalities are almost always conflicts between the legitimate expectations of citizens and the

- A) desire of individuals for greater profits.
- B) desire of politicians to be reelected.
- C) legitimate expectations of other citizens.
- D) mindless urge for more material goods.
- E) strident demands of environmentalists.

Answer: <https://biology-forums.com/index.php?topic=315024>

Question 4

A legal ceiling set below the market-clearing interest rate would tend to

- A) create a surplus of loans.
- B) create a shortage of loans.
- C) increase the demand for loans.
- D) decrease the supply of loans.
- E) do none of the above.

Answer: <https://biology-forums.com/index.php?topic=313549>

Question 5

Suppose a bank wants a 5% real return on its loans, and contemplates a 1% annual inflation rate. The bank should therefore charge a nominal interest rate of

- A) 1%.
- B) 4%.
- C) 5%.
- D) 6%.

Answer: <https://biology-forums.com/index.php?topic=316100>

Question 6

Suppose attendance is required for a passing grade at Ultimatum University, and the professor repeatedly reminds students of the need to attend every day to survive the class. Nevertheless, we observe many students choosing to stop attending. The students who stop attending include some who even enjoy the class. Using the economic way of thinking, the choice to stop attending generally occurs because

- A) the students secretly despise the professor.
- B) the professor secretly despises the students.
- C) the students value other goods in addition to passing the class.
- D) the students feel the university has no right to impose such restrictions on their personal freedom.

Answer: <https://biology-forums.com/index.php?topic=311900>

Question 7

Inflation can be defined as

- A) a sustained rise in real output.
- B) a sustained rise in nominal wages.

- C) a sustained rise in the price level.
- D) a sustained rise in the purchasing power of money.

Answer: <https://biology-forums.com/index.php?topic=316023>

Question 8

Fill in the blanks: The _____ the proportion of one's budget spent on a good, the _____ the elasticity of demand.

- A) greater; lower
- B) greater; greater
- C) lower; greater
- D) lower; more responsive

Answer: <https://biology-forums.com/index.php?topic=312296>

Question 9

If land suitable for growing corn is also suitable for growing soybeans, and soybeans were found to prevent cancer,

- A) the demand for corn would decrease.
- B) there would be no effect on the cost of growing corn.
- C) the supply (curve) of soybeans would increase.
- D) the cost of growing corn would rise.
- E) the cost of growing corn would fall.

Answer: <https://biology-forums.com/index.php?topic=312473>

Question 10

An increase in the demand for a good will tend to bid up the cost of acquiring the good more

- A) if suppliers respond by quickly making larger quantities available.
- B) if the cost of transferring resources out of other uses into production are low.
- C) in the short run than in the long run.
- D) if the supply curve is highly elastic.

Answer: <https://biology-forums.com/index.php?topic=313788>

Question 11

Suppose a Chinese restaurant routinely provides free fortune cookies to its customers. The economic way of thinking suggests the restaurant is

- A) engaging in predatory pricing of its meals.
- B) attempting to increase its total profit.
- C) selling Chinese food below cost.
- D) doing all of the above.
- E) almost certainly doing none of the above.

Answer: <https://biology-forums.com/index.php?topic=314857>

Question 12

How does the economist's measure of profit differ from the accountant's measure?

- A) Economists subtract total revenue from total cost; accountants do the opposite.
- B) Economists subtract total costs from total revenue; accountants do the opposite.
- C) Economists consider more sources of monetary revenue than accountants do.
- D) Economists include all opportunity costs, accountants don't.
- E) There is no difference between the two measures.

Answer: <https://biology-forums.com/index.php?topic=313868>

Question 13

The more time gasoline consumers have to adjust to a price change,

- A) the lower their price elasticity of demand.
- B) the greater their price elasticity of demand.
- C) the less sensitive they will be to the price change.
- D) the less time they will have to seek out substitutes for gasoline.

Answer: <https://biology-forums.com/index.php?topic=312284>

Question 14

Which of the following purchases is included in gross domestic product account?

- A) Purchases of bibles from a Christian bookstore
- B) Purchases of how-to manuals from a local hardware store
- C) Purchases of anti-capitalist literature from a radical, student-managed bookstore

- D) All of the above.
- E) None of the above.

Answer: <https://biology-forums.com/index.php?topic=315894>

Question 15

The primary function of the reserve requirements imposed by the Fed upon commercial banks is to

- A) assure that Federal Reserve Banks will receive deposits with which they can purchase income-earning assets.
- B) enable the government to borrow in emergencies.
- C) protect the liquidity of the banking and monetary system.
- D) protect the solvency of the commercial banking system.
- E) serve as a control lever for central banking authorities.

Answer: <https://biology-forums.com/index.php?topic=316442>

Question 16

If the demand for a good were completely inelastic,

- A) the good is a basic necessity.
- B) the good is a luxury.
- C) there are no substitutes for the good.
- D) there had been a long period of time for people to adjust their behavior.
- E) people who own the good currently do not want to give it up except at much higher prices.

Answer: <https://biology-forums.com/index.php?topic=312314>

Question 17

Bongo plays drums in his parents' garage after school. What can we be sure of?

- A) Bongo's drumming imposes negative externalities on others.
- B) Bongo's drumming delivers positive externalities to others.
- C) Bongo expects to benefit while drumming.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=314926>

Question 18

When federal regulations protect birds, such as the spotted owl, lumber prices rise because

- A) there is less supply of available timber.
- B) there is less demand for available timber.
- C) there is more supply of available timber.
- D) there is more demand for available timber.

Answer: <https://biology-forums.com/index.php?topic=312812>

Question 19

There are very few, if any, farms within the city limits of Chicago because

- A) zoning laws have always prohibited them.
- B) the land under the city of Chicago is unfertile.
- C) Chicago is known for its butchers and freighters, not its farmers.
- D) the land is in extremely great demand for non-agricultural purposes.

Answer: <https://biology-forums.com/index.php?topic=313740>

Question 20

Freedom of entry into a market tends to preserve

- A) competition.
- B) abnormal profits.
- C) social justice.
- D) the gap between the price of a good and marginal cost.

Answer: <https://biology-forums.com/index.php?topic=314752>