

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) According to the text, the reason to study economics is 1) _____
A) to be an informed voter. B) to learn a way of thinking.
C) to understand society and global affairs. D) All of the above
- 2) You spent a total of \$5 buying songs for your MP3 player. After you buy one more song, your total 2) _____
cost rises to \$6. The marginal cost of the last song that you bought is _____.
A) \$0.50 B) \$1.00 C) \$5.00 D) \$6.00
- 3) The concept of opportunity cost 3) _____
A) can be applied to the analysis of any decision-making process.
B) is relevant only to economics.
C) refers only to actual payments and incomes.
D) applies to consumers but not to firms.
- 4) Opportunity cost is 4) _____
A) the additional cost of producing an additional unit of output.
B) a cost that cannot be avoided, regardless of what is done in the future.
C) that which we forgo, or give up, when we make a choice or a decision.
D) the additional cost of buying an additional unit of a product.
- 5) The _____ is NOT an opportunity cost of attending college. 5) _____
A) alternative uses of the time you spend studying
B) tuition you pay
C) cost of the food that you consume while you are attending college
D) income you could have earned if you didn't attend college
- 6) You own *The Wizard of Oz* on DVD. The opportunity cost of watching this DVD for the second time 6) _____
A) cannot be calculated.
B) is the value of the alternative use of the time you spend watching the DVD.
C) is one-half the cost of the DVD, as this is the second time you have watched it.
D) is zero.
- 7) The branch of economics that examines the functioning of individual industries and the behavior of 7) _____
individual decision-making units is
A) microeconomics. B) positive economics.
C) macroeconomics. D) normative economics.
- 8) _____ focuses on the prices of individual goods and services and _____ focuses on the rate of 8) _____
inflation.
A) Microeconomics; microeconomics B) Microeconomics; macroeconomics
C) Macroeconomics; microeconomics D) Macroeconomics; macroeconomics
- 9) One topic that microeconomics focuses on is 9) _____
A) total corporate profits. B) the minimum wage.
C) national income. D) total wages and salaries.

- 10) Positive economics is an approach to economics that 10) _____
A) seeks to understand behavior and the operation of systems while making judgments about their usefulness to society.
B) describes the economy and how it works.
C) prescribes roles for government in an economy.
D) analyzes outcomes of economic behavior, evaluates them as good or bad, and may prescribe preferred courses of action.
- 11) Normative economics is an approach to economics that 11) _____
A) would never prescribe a role for government in the economy.
B) describes the economy and how it works.
C) analyzes outcomes of economic behavior, evaluates them as good or bad, and may prescribe preferred courses of action.
D) seeks to understand behavior and the operation of systems without making judgments.
- 12) Which of the following is a positive question? 12) _____
A) Should the minimum wage be set at one-half the average manufacturing wage to guarantee individuals a decent standard of living?
B) Wouldn't it be more equitable if the minimum wage increased automatically with the cost of living?
C) Will the level of teenage unemployment increase if the minimum wage is increased?
D) Wouldn't it be better to try to increase people's wages through job-training programs than by requiring employers to pay minimum wages?
- 13) To isolate the impact of one single factor, economists invoke the assumption of 13) _____
A) Ockham's razor. B) post hoc, ergo propter hoc.
C) ceteris paribus. D) inductive reasoning.
- 14) Economists use the phrase "ceteris paribus" to express the assumption, 14) _____
A) "scarcity is a fact of life." B) "all else equal."
C) "there is no such thing as a free lunch." D) "everything affects everything else."
- 15) Empirical economists 15) _____
A) reason inductively to develop economic models.
B) reason deductively to develop economic theories.
C) collect and use data to test economic theories.
D) impose *ceteris paribus* conditions to conduct controlled experiments.