

NOTE: Most of the questions here cover the material before the midterm because you have many practice questions about the material after the midterm anyway.

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

- 1) The branch of economics that examines the functioning of individual industries and the behavior of individual decision-making units is 1) _____
A) normative economics. B) microeconomics.
C) positive economics. D) macroeconomics.
- 2) If the price of a product falls, then the quantity demanded of that product will rise. This is best described as a _____ statement. 2) _____
A) positive B) Marxist ideology
C) descriptive economics D) normative
- 3) Which of the following is a normative question? 3) _____
A) Why do gasoline prices increase before holiday weekends?
B) How will oil exploration be affected if the government imposes price controls on gasoline?
C) What will happen to gasoline consumption if excise taxes on gasoline are increased?
D) To reduce the regressive nature of the gasoline excise tax, should a portion of the gasoline excise tax paid by low-income individuals be refunded to them?
- 4) Which of the following is a positive question? 4) _____
A) Will the level of teenage unemployment increase if the minimum wage is increased?
B) Wouldn't it be better to try to increase people's wages through job-training programs than by requiring employers to pay minimum wages?
C) Wouldn't it be more equitable if the minimum wage increased automatically with the cost of living?
D) Should the minimum wage be set at one-half the average manufacturing wage to guarantee individuals a decent standard of living?
- 5) Scientists should not create life in a laboratory is an example of a _____ statement. 5) _____
A) positive. B) descriptive
C) Marxist ideology D) normative
- 6) _____ focuses on the prices of individual goods and services and _____ focuses on the rate of inflation. 6) _____
A) Microeconomics; microeconomics B) Macroeconomics; microeconomics
C) Microeconomics; macroeconomics D) Macroeconomics; macroeconomics
- 7) One topic that microeconomics focuses on is 7) _____
A) total wages and salaries. B) the minimum wage.
C) total corporate profits. D) national income.
- 8) The process by which resources are transformed into useful forms is 8) _____
A) production. B) capitalization. C) consumption. D) allocation.
- 9) A(n) _____ is an input into the production process while a(n) _____ is a useable product. 9) _____
A) good or service; factor of production B) factor of production; output
C) resource; input D) factor of production; resource

- 10) Economists draw a production possibility frontier (ppf) to illustrate the concept of _____
 A) opportunity costs. B) market equilibrium.
 C) the laissez-faire economy. D) the law of demand.
- 11) A graph showing all combinations of two goods and services a society could produce if it used all of its resources efficiently is the _____
 A) circular-flow diagram. B) Lorenz curve.
 C) production possibility frontier. D) capital consumption frontier.

Refer to the information provided in Figure 2.1 below to answer the questions that follow.

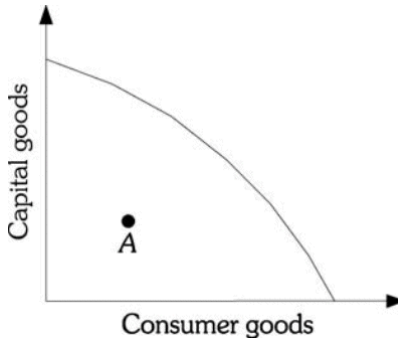


Figure 2.1

- 12) Refer to Figure 2.1. Macroland's _____ best explain(s) why it is currently operating at Point A. _____
 A) inefficiently used resources B) efficiently used resources
 C) poor technology D) few resources
- 13) If the unemployment rate decreases from 10% to 8%, an economy will move _____
 A) to a point where the economy specializes in producing only one product.
 B) from one point to a different point on its production possibilities frontier.
 C) toward its production possibilities frontier to a point closer to but not on the production possibilities frontier.
 D) away from its production possibilities frontier toward a point closer to the origin.

Refer to the information provided in Figure 2.4 below to answer the questions that follow.

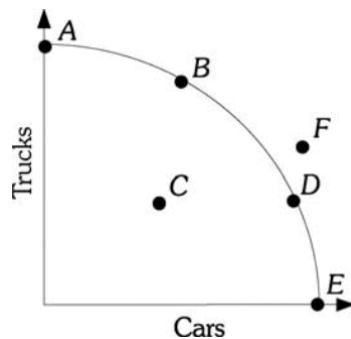


Figure 2.4

- 14) According to Figure 2.4, which point cannot be obtained with the current resources and state of technology?
- A) A B) B C) C D) F

14) _____

Refer to the information provided in Figure 2.5 below to answer the questions that follow.

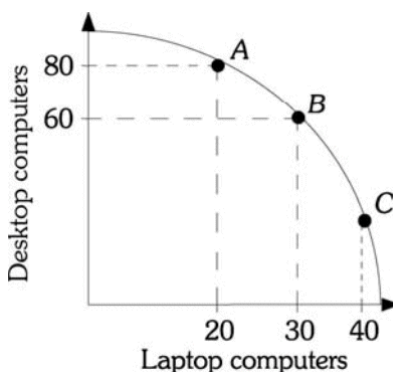


Figure 2.5

- 15) Refer to Figure 2.5. The economy is currently at Point A. The opportunity cost of moving from Point A to Point B is the _____ desktop computers that must be forgone to produce _____ additional laptop computers.
- A) 80; 20 B) 60; 10 C) 20; 10 D) 20; 30

15) _____

- 16) Which of the following explains the law of demand?
- A) A normal versus inferior good effect
B) A tastes and preferences effect
C) The law of diminishing marginal utility
D) The law of output increasing at a decreasing rate

16) _____

- 17) Demand curves
- A) increase at a decreasing rate. B) do not intersect either coordinate axis.
C) decrease at an increasing rate. D) have a negative slope.

17) _____

Refer to the information provided in Figure 3.2 below to answer the questions that follow.

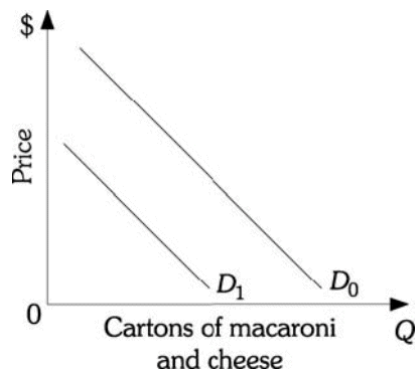


Figure 3.2

- 18) Refer to Figure 3.2. A decrease in _____ would most likely cause the demand for macaroni and cheese to shift from D_0 to D_1 ? 18) _____
- A) income, assuming macaroni and cheese is a normal good
 - B) the quantity demanded for macaroni and cheese
 - C) the price of macaroni and cheese
 - D) the price of flour used to make macaroni and cheese

Refer to the information provided in Figure 3.5 below to answer the questions that follow.

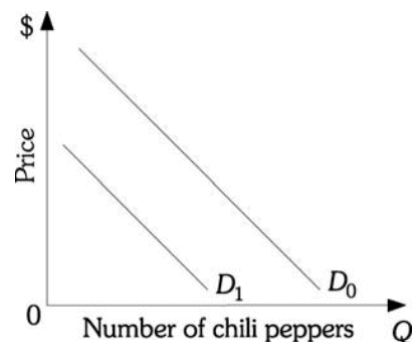


Figure 3.5

- 19) Refer to Figure 3.5. If consumer income increases, the demand for chili peppers shifts from D_0 to D_1 . This implies that chili peppers are a(n) _____ good. 19) _____
- A) inferior
 - B) substitute
 - C) complementary
 - D) normal
- 20) Suppose the demand for newspapers goes up when the price of coffee goes down. We can say that these two goods are 20) _____
- A) complements.
 - B) perfect substitutes.
 - C) normal goods.
 - D) substitutes.
- 21) For inferior goods, an increase in income will cause the 21) _____
- A) demand to increase.
 - B) demand to decrease.
 - C) quantity demanded to fall.
 - D) quantity demanded to increase.

- 22) Demand for one item goes down when the price of another item goes up. These items must be
 A) normal goods. B) inferior goods. C) complements. D) substitutes.

22) _____

Refer to the information provided in Figure 3.7 below to answer the following questions.

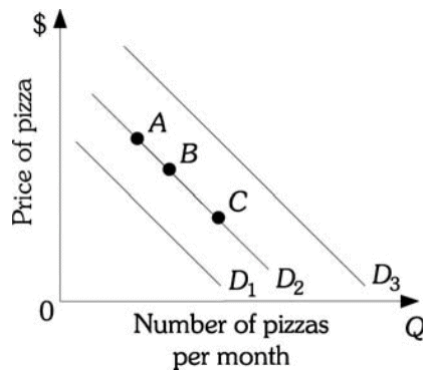


Figure 3.7

- 23) Refer to Figure 3.7. If pizza and hamburgers are substitutes, an increase in the price of hamburgers will cause a movement from Point B on demand curve D_2 to
 A) demand curve D_3 . B) Point A on demand curve D_2 .
 C) Point C on demand curve D_2 . D) demand curve D_1 .

23) _____

Refer to the information provided in Scenario 1 below to answer the following questions.

SCENARIO 1: Rented videotapes and movies shown in theaters are substitutes. Rented videotapes and big screen TVs are complements. Rented videotapes, big screen TVs, and movies shown in theaters are normal goods. People watch rented videotapes more often in the winter than in the summer.

- 24) Refer to Scenario 1. Most big screen TVs sold in the United States are imported from Japan. If the United States government reduces the number of big screen TVs that can be imported into the United States, ceteris paribus, the price of big screen TVs _____ the rental price of videotapes would _____.
 A) and; fall B) and; rise
 C) would rise and; fall D) would fall and; rise
- 25) The price of computer chips used in the manufacturing of personal computers rises. This will lead to a(n) _____ in the _____ of personal computers.
 A) decrease; quantity supplied B) decrease; supply
 C) increase; quantity supplied D) increase; supply
- 26) If the price of pizza sauce rises, there will be a(n) _____ of pizza.
 A) increase in the quantity supplied B) decrease in the supply
 C) increase in the supply D) decrease in the quantity supplied

24) _____

25) _____

26) _____

Refer to the information provided in Figure 3.11 below to answer the following questions.

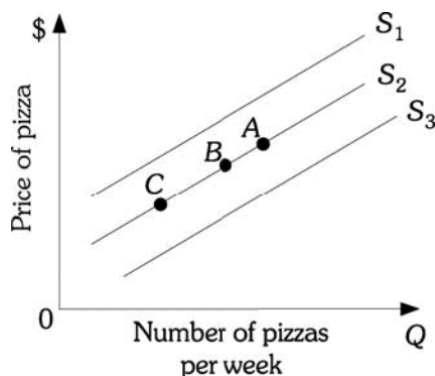


Figure 3.11

- 27) Refer to Figure 3.11. A decrease in the wage rate of pizza makers will cause a movement from Point B on supply curve S2 to _____ 27) _____
- A) supply curve S1. B) supply curve S3.
C) Point A on supply curve S2. D) Point B on supply curve S2.
- 28) Refer to Figure 3.11. An increase in supply is represented by the movement from _____ 28) _____
- A) Point B to Point A along supply curve S2.
B) S2 to S3.
C) Point B to Point C along supply curve S2.
D) S2 to S1.

Refer to the information provided in Table 3.1 below to answer the questions that follow.

Price per Pizza	Quantity Demanded (Pizzas per Month)	Quantity Supplied (Pizzas per Month)
\$4	1,000	700
6	900	750
8	800	800
10	700	850
12	600	900

- 29) Refer to Table 3.1. If the price per pizza is \$12, the price will _____ 29) _____
- A) rise because there is an excess demand in the market.
B) fall because there is an excess demand in the market.
C) remain constant because the market is in equilibrium.
D) fall because there is an excess supply in the market.

Refer to the information provided in Table 3.2 below to answer the questions that follow.

Table 3.2		
Price per Gardenburger	Quantity Demanded (Gardenburgers per Month)	Quantity Supplied (Gardenburgers per Month)
\$6	1,100	650
8	1,000	700
10	900	750
12	800	800
14	700	850

- 30) Refer to Table 3.2. If the price per gardenburger is \$6, there is an excess _____ of _____ gardenburgers. 30) _____
- A) demand; 150 B) supply; 150 C) demand; 450 D) supply; 50

Refer to the information provided in Figure 3.14 below to answer the questions that follow.

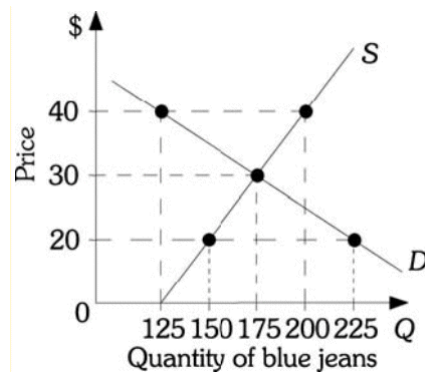


Figure 3.14

- 31) Refer to Figure 3.14. At a price of \$20, there is an excess _____ of _____ blue jeans. 31) _____
- A) demand; 75 B) supply; 50 C) demand; 25 D) demand; 50
- 32) When there is a shortage of a product in an unregulated market, there is a tendency for 32) _____
- A) price to fall. B) quantity supplied to decrease.
C) price to rise. D) quantity demanded to increase.
- 33) Presently the tire market is unregulated and characterized by excess supply. You accurately predict 33) _____
- that the price of tires will _____, the quantity demanded will _____, and the quantity supplied will _____.
- A) fall; rise; fall B) rise; rise; fall C) fall; fall; rise D) rise; fall; rise

Refer to the information provided in Figure 3.17 below to answer the questions that follow.

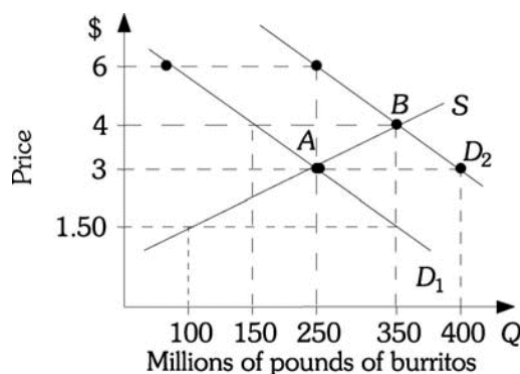


Figure 3.17

- 34) Refer to Figure 3.17. The market is initially in equilibrium at Point A. If demand shifts from D_1 to D_2 , the new equilibrium price will be _____ and the new equilibrium quantity will be _____.
 A) \$4.00; 350 B) \$6.00; 250 C) \$3.00; 250 D) \$4.00; 150

34) _____

Refer to the information provided in Figure 3.18 below to answer the questions that follow.

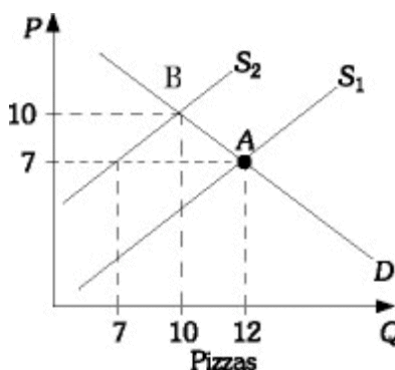


Figure 3.18

- 35) Refer to Figure 3.18. The market is initially in equilibrium at Point A. If supply shifts from S_1 to S_2 and the price of pizzas remains constant at \$7.00, there will be an excess _____ pizzas.
 A) demand of 7 B) supply of 5 C) supply of 2 D) demand of 5
- 36) The government wants to reduce the consumption of electricity by 5%. The price elasticity of demand for electricity is 4. The government should _____ the price of electricity by _____.
 A) raise; 2.0% B) raise; 0.08% C) lower; 0.4% D) raise; 1.25%
- 37) The government wants to reduce the consumption of electricity by 10%. The price elasticity of demand for electricity is -4. The government should _____ the price of electricity by _____.
 A) raise; 0.04% B) raise; 25.0% C) lower; 0.4% D) raise; 2.0%
- 38) The government wants to reduce the consumption of electricity by 5%. The price elasticity of demand for electricity is 4. The government should _____ the price of electricity by _____.
 A) raise; 0.08% B) raise; 2.0% C) raise; 1.25% D) lower; 0.4%

35) _____

36) _____

37) _____

38) _____

- 39) The government wants to reduce the consumption of electricity by 10%. The price elasticity of demand for electricity is -0.4 . The government should _____ the price of electricity by _____.
 A) raise; 25.0% B) raise; 2.0% C) lower; 0.4% D) raise; 0.04%

39) _____

Refer to the information provided in Figure 5.2 below to answer the questions that follow.

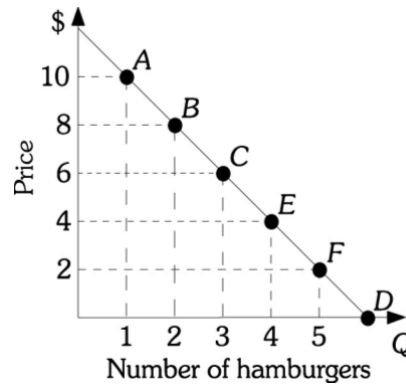


Figure 5.2

- 40) Refer to Figure 5.2. Using the midpoint formula, if the price of a hamburger is increased from \$8 to \$10, the price elasticity of demand equals _____
 A) -3.0 . B) -2.5 . C) 0.36 . D) 333 .
- 41) Refer to Figure 5.2. Using the midpoint formula, if the price of a hamburger is increased from \$6 to \$8, the price elasticity of demand equals _____
 A) 71.0 . B) -2.0 . C) 0.24 . D) -1.4 .
- 42) Refer to Figure 5.2. Using the midpoint formula, if the price of a hamburger is increased from \$2 to \$4, the price elasticity of demand equals _____
 A) -0.33 . B) -3.0 . C) -2.0 . D) -5.0 .
- 43) Assume you earn \$75,000 a year and your favorite entertainment magazine costs you \$25 a year. Your demand for the entertainment magazine is likely to be _____
 A) perfectly inelastic. B) elastic.
 C) inelastic. D) perfectly elastic.
- 44) Refer to Figure 6.8. The _____ movie rental has a marginal utility of zero.
 A) first B) second C) third D) fourth

40) _____

41) _____

42) _____

43) _____

44) _____

Refer to the information provided in Table 6.1 below to answer the questions that follow.

Table 6.1

Number of Hamburgers per Day	Total Utility	Marginal Utility
1	30	
2	52	
3	67	
4	76	
5		4
Number of Sodas per Day	Total Utility	Marginal Utility
1	20	
2	35	
3	47	
4	57	
5		7

- 45) Refer to Table 6.1. The marginal utility of the second soda per day is _____
 A) 10. B) 15. C) 35. D) 55.
- 46) A utility-maximizing consumer combines purchases in a way that makes _____
 A) $TU_x/P_x = TU_y/P_y$ for all pairs of goods.
 B) $MU_x = MU_y$ for all pairs of goods.
 C) $MU_x/MU_y = P_x/P_y$ for all pairs of goods.
 D) $P_x(MU_x) = P_y(MU_y)$ for all pairs of goods.
- 47) On which of the following goods would a price change have the largest income effect? _____
 A) A magazine B) A car
 C) Clothing D) A desktop computer
- 48) Assuming that charitable giving is a normal good, the income effect of a decrease in personal tax rates should lead to _____
 A) less giving because households would spend that money on luxury goods.
 B) less giving because giving to charity would become more expensive relative to other goods.
 C) more giving because giving to charity would become less expensive relative to other goods.
 D) more giving because households would have more disposable income.
- 49) Assume leisure is a normal good. The substitution effect of a wage decrease implies a _____ demand for leisure and a _____ labor supply. _____
 A) lower; higher B) lower; lower C) higher; lower D) higher; higher
- 50) If the substitution effect of a wage change outweighs the income effect of a wage change, the labor-supply curve is _____
 A) vertical. B) backward bending.
 C) horizontal. D) upward sloping.