

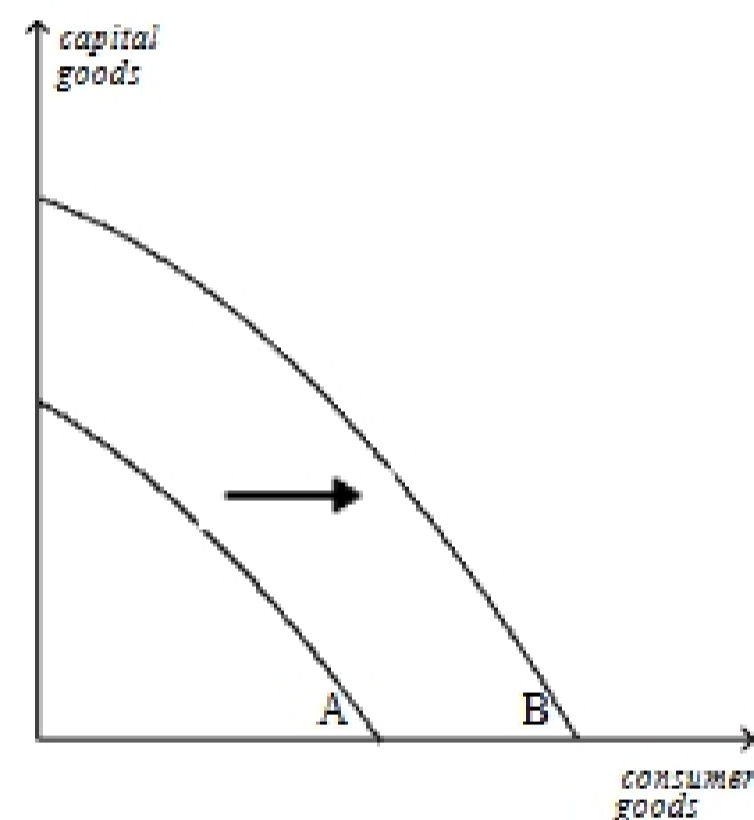
MULTIPLE CHOICE QUESTIONS

Choose the best answer to the following multiple choice questions. Also, be sure to answer all your questions on the scantron/answer sheet provided to you.

1. The adage, "There is no such thing as a free lunch," means
 - a. even people on welfare have to pay for food.
 - b. the cost of living is always increasing.
 - c. **people face tradeoffs.**
 - d. all costs are included in the price of a product.

2. Economists face an obstacle that many other scientists do not face. What is that obstacle?
 - a. It is often difficult to formulate theories in economics.
 - b. **It is often difficult and sometimes impossible to perform experiments in economics.**
 - c. Economics cannot be addressed objectively; it must be addressed subjectively.
 - d. The scientific method cannot be applied to the study of economics.

3. Which of the following would most likely have caused the production possibilities frontier to shift outward from A to B?
 - a. a decrease in unemployment
 - b. a technological advance that is specific to the consumer goods industries
 - c. an increase in the availability of capital-producing resources
 - d. **a general technological advance**



4. Suppose a gardener produces both green beans and corn in her garden. If the opportunity cost of one bushel of corn is $\frac{3}{5}$ bushel of green beans, then the opportunity cost of 1 bushel of green beans is
 - a. $\frac{3}{5}$ bushel of corn.
 - b. **$\frac{5}{3}$ bushels of corn.**
 - c. 3 bushels of corn.
 - d. 5 bushels of corn.

5. Trade can make everybody better off because it
 - a. **allows people to specialize according to comparative advantage.**
 - b. increases cooperation among nations.
 - c. requires some workers in an economy to be retrained.
 - d. reduces competition among domestic companies.

6. Suppose that a worker in Freedonia can produce either 6 units of corn or 2 units of wheat per year, and a worker in Sylvania can produce either 2 units of corn or 6 units of wheat per year. Each nation has 10 workers. For many years the two countries traded, each completely specializing according to their respective comparative advantages. Now, however, war has broken out between them and all trade has stopped. Without trade, Freedonia produces and consumes 30 units of corn and 10 units of wheat per year. Sylvania produces and consumes 10 units of corn and 30 units of wheat. The war has caused the combined yearly output of the two countries to decline by
- 10 units of corn and 10 units of wheat.
 - 20 units of corn and 20 units of wheat.**
 - 30 units of corn and 30 units of wheat.
 - 40 units of corn and 40 units of wheat.
7. The law of demand states that, other things equal,
- an increase in price causes quantity demanded to increase.
 - an increase in price causes quantity demanded to decrease.**
 - an increase in price causes demand to increase.
 - an increase in price causes demand to decrease.
8. Currently you purchase 6 packages of hot dogs a month. You will graduate from college in December, and you will start a new job (and have more money) in January. As such, you have no plans to purchase hot dogs in January. For you, hot dogs are
- a substitute good.
 - a normal good.
 - an inferior good.**
 - a complementary good.
9. Suppose that demand for corn increases and, at the same time, the supply of corn decreases. What would happen in the market for corn?
- Equilibrium price would decrease, but the impact on equilibrium quantity would be ambiguous.
 - Equilibrium price would increase, but the impact on equilibrium quantity would be ambiguous.**
 - Equilibrium quantity would decrease, but the impact on equilibrium price would be ambiguous.
 - Equilibrium quantity would increase, but the impact on equilibrium price would be ambiguous.
10. Which of the following would be true as the price elasticity of supply approaches infinity?
- Very small changes in price lead to very large changes in quantity supplied.**
 - Very large changes in price lead to very small changes in quantity supplied.
 - Very small changes in price lead to no change in quantity supplied.
 - Very large changes in price lead to no change in quantity supplied.

11. The current price of neckties is \$30, but the equilibrium price of neckties is \$25. As a result,
- the quantity supplied of neckties exceeds the quantity demanded of neckties at the \$30 price.
 - the equilibrium quantity of neckties (at \$25) exceeds the quantity demanded at the \$30 price.
 - there is a surplus of neckties at the \$30 price.
 - All of the above are correct.**
12. Suppose buyers of computers and printers regard those two goods as complements. Then an increase in the price of computers will cause
- a decrease in the demand for printers and a decrease in the quantity supplied of printers.**
 - a decrease in the supply of printers and a decrease in the quantity demanded of printers.
 - a decrease in the equilibrium price of printers and an increase in the equilibrium quantity of printers.
 - an increase in the equilibrium price of printers and a decrease in the equilibrium quantity of printers.
13. Which of the following events would cause the price of oranges to fall?
- There is a shortage of oranges.
 - The price of land decreases throughout Florida, where a significant proportion of the nation's oranges are produced.**
 - An article is published in which it is claimed that apples cause a serious disease in humans, and oranges and apples are substitutes.
 - All of the above are correct.
14. The smaller the price elasticity of demand, the
- steeper the demand curve will be at a given point.**
 - flatter the demand curve will be at a given point.
 - more strongly buyers respond to a change in price between any two prices P_1 and P_2 .
 - smaller the decrease in equilibrium price when the supply curve shifts rightward from S_1 to S_2 .

Price	Total Revenue
\$10	\$100
\$12	\$108
\$14	\$112

15. Refer to the table above. When price is between \$10 and \$14, demand is
- elastic.
 - unit elastic.
 - inelastic.**
 - There is not enough information given to determine (demand) elasticity.