

## EXAM 1

1. The study of economics is primarily concerned with:
  - Choices that are made in seeking to use scarce resources efficiently.
2. The term “ceteris paribus” means:
  - Other things equal.
3. Macroeconomics approaches the study of economics from the viewpoint of:
  - The entire economy.
4. A normative statement is one which:
  - Is based on value judgments.
5. A positive statement is one which is:
  - Objective and is based on facts.
  
6. Refer to the production possibilities frontier in the figure above. Which production point indicates that resources are NOT fully utilized or are inefficient?
  - Point C
7. Refer to the production possibilities frontier in the figure above. Which production point is unattainable?
  - Point E
8. In the figure above, moving from production at point D to production at point A requires:
  - Decreasing the output of consumer goods in order to boost the output of capital goods.
9. Refer to the production possibilities frontier in the figure above. If the country moves from point D to point A, the opportunity cost of the move is:
  - 10 million consumption goods.
10. Economic resources are also called:
  - Factors of production.
11. An improvement in production tech. will:
  - Shift the supply curve to the right.
12. Opportunity cost is best defined as:
  - The amount of one product that must be given up to produce one more unit of another product.
13. The law of demand states that:
  - Price and quantity demanded are inversely related.

14. In presenting the idea of a demand curve economists presume that the most important variable in determining the quantity demanded is:
- The price of the product itself.
15. Which of the following will not cause the demand for product K to change?
- A change in the price of K.
16. If two goods are complements:
- A decrease in the price of one will increase the demand for the other.
17. If the price of product L increases, the demand curve for close-substitute product J will:
- Shift to the right.
18. Which of the following will cause the demand curve for product A to shift to the left?
- An increase in money income if A is an inferior good.
19. If consumer income increase, the demand for product X:
- May shift either to the right or left.
20. The demand curve for a product might shift as the result of a change in:
- ATA: consumer tastes, consumer incomes, the price of related goods.
21. A decrease in demand is depicted by a:
- Shift from D2 to D1.
22. A decrease in quantity demanded (as distinct from a decrease in demand) is depicted by a:
- Move from point y to point x.
23. Refer to the above data. Equilibrium price will be:
- \$2.
24. Refer to the above data. If the price in this market was \$4:
- Farmers would not be able to sell all their wheat.

25. Refer to the above diagram. The equilibrium price and quantity in this market will be:
- \$1 and 200.
26. Refer to the above diagram. A surplus of 160 units would be encountered if price was:
- \$1.60.
27. A production possibilities curve shows:
- The maximum amounts of two goods that can be produced assuming the full and efficient use of available resources.
28. The nominal interest rate is the:
- The rate of interest that investors pay to borrow money.
29. Consider an economy with only two goods: bread and wine. In 1982, the typical family bought 4 loaves of bread at 50 cents per loaf and 2 bottles of wine for \$9 per bottle. In Year X, bread cost 75 cents per loaf and wine cost \$10 per bottle. The CPI for Year X (using a 1982 base year) is:
- 115.
30. Using the expenditure approach, GDP equals:
- $C + I + G + (X - M)$ .
31. The national income accounts identity, for an open economy, is:
- $Y = C + I + G + NX$ .
32. Assume that apples cost \$0.50 in 2002 and \$1 in 2007, whereas oranges cost \$1 in 2002 and \$0.50 in 2007. If 10 apples and 5 oranges were purchased in 2002, and 5 apples and 10 orange were purchased in 2007, the CPI for 2007, using 2002 as the base year, is:
- 1.25.
33. The total income of everyone in the economy adjusted for the level of prices is called:
- Real GDP.
34. Recessions are periods when real GDP:
- Decreases mildly.
35. A period of falling prices is called:
- Deflation.
36. Nominal GDP is based on:
- The existing prices at which final goods and services are actually sold.
37. Personal income minus personal taxes is:
- Disposable personal income.