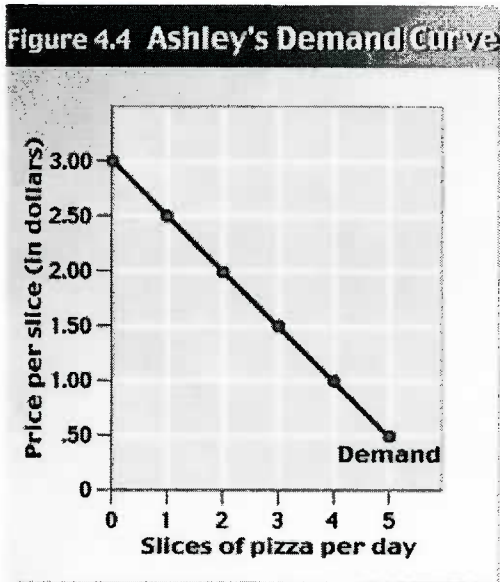


**Econ xmas quiz**

**Multiple Choice**

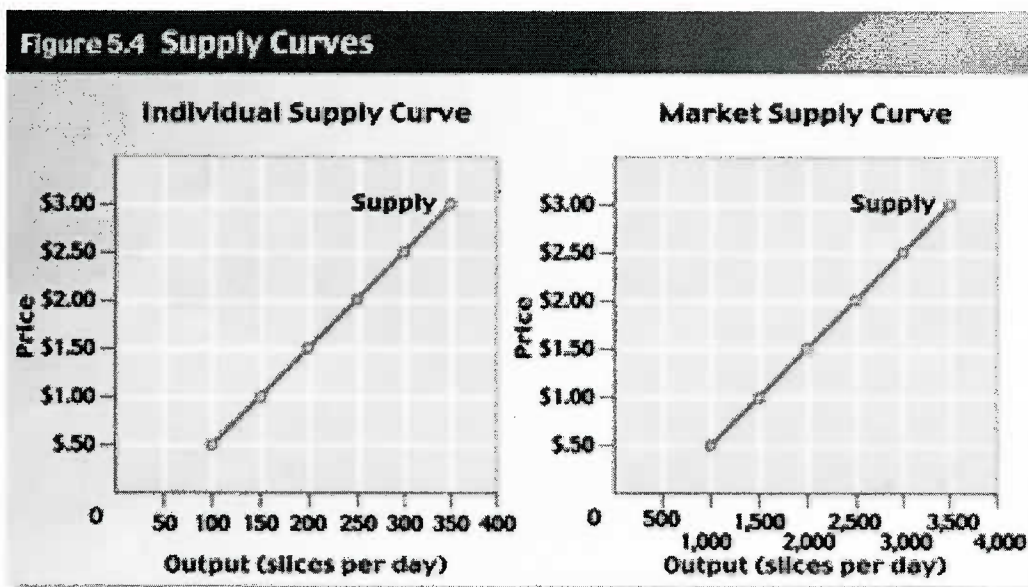
Identify the letter of the choice that best completes the statement or answers the question.

- \_\_\_\_\_ 1. Which of the following lists would an economist consider to be *land*?
- a. factories, office buildings, assembly lines, workers
  - b. farm fields, tractors, pesticides, fertilizers
  - c. dams, bridges, rock quarries, oil wells
  - d. iron ore, natural gas, fertile soil, water
- \_\_\_\_\_ 2. When movie rentals were \$2.95, Sara rented ten movies a month. The price of a rental increased by fifty cents and Sara decided to rent two fewer movies a month. When the price increased by one more dollar, Sarah decided to cut the number of movies she rented in half. What is her quantity demanded by month at the current price?
- a. five
  - b. one
  - c. four
  - d. two



- \_\_\_\_\_ 3. According to Figure 4.4, how many slices of pizza will Ashley buy if the price is \$1.00 per slice?
- a. one
  - b. two
  - c. three
  - d. four
- \_\_\_\_\_ 4. A new restaurant has opened. Ashley's demand for pizza has decreased and her demand curve has shifted. Based on Figure 4.4, which combination of price and quantity demanded would you expect to find on her new demand curve?
- a. \$1.50, three slices
  - b. \$2.00, three slices
  - c. \$2.00, one slice
  - d. \$1.00, five slices

- \_\_\_\_\_ 5. A slice of pizza costs \$4.00. Based on Ashley's demand curve in Figure 4.4, what is her quantity demanded of pizza at this price?
- one
  - zero
  - five
  - There is not enough information to answer the question.
- \_\_\_\_\_ 6. Complete the following sentence: At the most profitable level of production, a firm's marginal cost will be \_\_\_\_\_ the market price.
- equal to
  - set by
  - less than
  - greater than
- \_\_\_\_\_ 7. Which of the following is an example of government influence on supply?
- law of supply
  - subsidies
  - marginal costs
  - market supply curve



- \_\_\_\_\_ 8. According to Figure 5.4, how many slices of pizza will one pizzeria be willing to supply at a market price of \$1.50 a slice?
- 100
  - 200
  - 300
  - 1,000
- \_\_\_\_\_ 9. Which of the following statements is true?
- Money is a medium of exchange.
  - Money is a unit of account.
  - Money serves as a store of value.
  - all of the above
- \_\_\_\_\_ 10. What is an example of a positive external shock to aggregate supply?
- Good weather leads to an unusually productive harvest for corn farmers.
  - A popular new diet encourages consumers to buy more corn flakes.
  - Demand for new suburban houses increases the value of farmland.
  - China announces that it will import 50 percent more corn from the United States.

- \_\_\_\_\_ 11. What is the difference between a recession and a depression?
- A recession is a period of economic growth while a depression is a period of economic contraction.
  - A recession is more severe than a depression and lasts longer.
  - A depression is a particularly deep recession with high levels of unemployment.
  - Unlike a recession, a depression includes high levels of inflation.
- \_\_\_\_\_ 12. Which of these statements is a fundamental part of supply-side economics?
- The federal government should have a balanced budget every year to protect economic growth.
  - The economy will only reach equilibrium and prosperity through the self-regulation of the free market.
  - The government can use deficit spending to increase aggregate demand and pull the economy out of recession.
  - The government should reduce taxes to promote economic growth by increasing aggregate supply.
- \_\_\_\_\_ 13. The Laffer curve predicts the effects of changes in the tax rate on
- unemployment.
  - tax revenues.
  - real GDP.
  - aggregate supply.
- \_\_\_\_\_ 14. Which of the following is NOT shown on a production possibilities curve?
- all of the goods and services an economy has the ability to produce
  - the efficiency of an economy
  - whether an economy has grown or shrunk
  - the opportunity cost of a decision to produce more of one good or service
- \_\_\_\_\_ 15. Which of the following is an example of lower production costs brought about by the use of technology?
- the delivery costs of gasoline to the consumer by diesel trucks
  - the use of e-mail to replace slower surface mail
  - the making of breads and pastries in local shops rather than large bakeries
  - the importing of fresh vegetables from South America rather than using canned vegetables
- \_\_\_\_\_ 16. What do sellers do if they expect the price of goods they have for sale to increase dramatically in the near future?
- sell the goods now and try to invest the money instead of resupplying
  - sell the goods now but try to get the higher price for them
  - store the goods until the price rises
  - store the goods indefinitely regardless of when the price rises
- \_\_\_\_\_ 17. Which of the following is an example of a good with an inelastic supply?
- beanbags
  - toothbrushes
  - apples
  - hats
- \_\_\_\_\_ 18. What kind of market runs most efficiently when one large firm supplies all of the output?
- a natural monopoly
  - a network
  - perfect competition
  - imperfect competition
- \_\_\_\_\_ 19. What is a fringe benefit?
- a cash payment for casual work
  - a business other than sales or marketing
  - a payment other than wages or salaries
  - an accounting term meaning profits

- \_\_\_\_\_ 20. When you invest in a mutual fund,
- your money is invested in a variety of insurance policies.
  - you have easier access to your money than in a savings account.
  - your money is invested in a variety of stocks and bonds.
  - you are guaranteed a fixed return on your investment.
- \_\_\_\_\_ 21. All of the following are low-risk investments EXCEPT
- junk bonds.
  - treasury bonds.
  - municipal bonds.
  - savings bonds.
- \_\_\_\_\_ 22. What is the major source of tax revenue for local governments?
- inheritance taxes
  - income taxes
  - property taxes
  - sales taxes
- \_\_\_\_\_ 23. You bought two new CDs with the last \$30 in your checking account, and your next payday is on Monday. What is the opportunity cost of these CDs?
- the difference between the cost to produce the CDs and the price you paid for them
  - \$30
  - dinner and a movie with your friends this Saturday night
  - knowing you are the first of your friends to have these CDs
- \_\_\_\_\_ 24. Which of the following events could cause the demand curve for sports magazines to shift to the right?
- The publisher cuts the price of an issue from \$3.95 to \$2.50.
  - The price of an issue of a popular computer game magazine rises from \$2.95 to \$3.95.
  - A star basketball player interests thousands of people in professional sports for the first time.
  - A local library buys a subscription to the sports magazine for its reading room.
- \_\_\_\_\_ 25. If the supply of a good is inelastic,
- producers will not change their quantity supplied by much if the market price doubles.
  - a small increase in price will lead producers to sharply increase their quantity supplied.
  - producers have diminishing marginal returns of labor.
  - producers will increase their quantity supplied in response to sharp drops in the market price.
- \_\_\_\_\_ 26. Why do fads often lead to shortages, at least in the short term?
- Buyers and sellers are unable to agree on a price for the good.
  - Laws prevent stores from responding to excess demand in time to prevent a shortage.
  - Manufacturers charge extremely high prices for the goods that stores are unwilling to pay.
  - Demand increases so quickly and unexpectedly that time is needed for the quantity supplied and price to increase to reach a new equilibrium point.
- \_\_\_\_\_ 27. When you pay for a new CD with a debit card, you authorize the transfer of money from your account to the music store's account. In other words, a payment by debit card is the electronic form of a payment by
- money order.
  - credit card.
  - check.
  - cashier's check.

- \_\_\_\_\_ 28. If a bond from the franchise Greens Galore has a coupon rate of 5 percent, a par value of \$2000, and will mature in 5 years, what is its yield to maturity?
- a. \$2500
  - b. \$200
  - c. \$100
  - d. \$500
- \_\_\_\_\_ 29. Which of the following is an example of a final good or service?
- a. Wheat a bakery purchases to make bread
  - b. Coffee beans a coffee shop purchases to make coffee
  - c. Lumber purchased by a construction company to use in building houses
  - d. A cake purchased from a bakery for a wedding
- \_\_\_\_\_ 30. Any resources that are made by humans and used to create other goods and services are called
- a. services.
  - b. production.
  - c. capital.
  - d. labor.
- \_\_\_\_\_ 31. The resources used to make all goods and services are the
- a. production possibilities.
  - b. factors of production.
  - c. production trade-offs.
  - d. opportunity costs.
- \_\_\_\_\_ 32. All of the following are types of decisions that can be made at the margin EXCEPT
- a. whether to grow beans or corn on a large farm.
  - b. whether or not to hire 100 new workers.
  - c. whether to leave early in the morning or late in the day for a trip.
  - d. whether or not to go on a vacation.
- \_\_\_\_\_ 33. The purpose of a production possibilities graph is to
- a. enable a country to mobilize to win a war.
  - b. keep an economy from having nonproductive workers.
  - c. show alternative ways to use an economy's resources.
  - d. make it possible to increase an economy's output.
- \_\_\_\_\_ 34. An efficient economy is one that
- a. has very few people who do not work for a living.
  - b. makes the best use of all its goods and services.
  - c. uses its resources to make the most goods and services.
  - d. makes the least costly use of its resources.
- \_\_\_\_\_ 35. The law of increasing costs means that when an economy increases the production of one item
- a. the opportunity cost goes up.
  - b. the actual cost of making the item goes down.
  - c. the actual cost goes up but the opportunity cost goes down.
  - d. the production costs will increase also.
- \_\_\_\_\_ 36. The government of a country must make a decision between increasing military spending and subsidizing wheat farmers. This kind of decision is a
- a. guns or butter issue.
  - b. decision at the margin.
  - c. global trade-off.
  - d. basic economic decision.
- \_\_\_\_\_ 37. The opportunity cost of a decision can be examined by using a
- a. production possibilities graph.
  - b. factors of production chart.
  - c. global trade-off grid.
  - d. graph of increasing costs.
- \_\_\_\_\_ 38. Production possibilities frontiers curve when they are charted on a graph because they show
- a. the underutilization of resources.
  - b. the maximum output of goods and services.
  - c. the increasing costs resulting in increasingly less output.
  - d. the technological level of the economy's productivity.

- \_\_\_\_\_ 39. Why are all goods and services scarce?
- Some goods cost more than others.
  - All resources are scarce.
  - Some things are needs and others are wants.
  - Some people want to have more goods than others.
- \_\_\_\_\_ 40. What is the opportunity cost of a decision?
- the series of alternative decisions that could have been made
  - the best possible way the question could have been decided
  - the different ways that a different person might have made the decision
  - the most desirable alternative given up for the decision
- \_\_\_\_\_ 41. Which of the following is the kind of decision that can be made at the margin?
- whether or not to hire new workers
  - whether or not to go on a vacation
  - whether or not to build an extra room on a home
  - whether to have a dog or a cat as a pet
- \_\_\_\_\_ 42. What is a factory building an example of?
- human capital
  - physical capital
  - an economic trade-off
  - technology
- \_\_\_\_\_ 43. The government of a country must make a decision between spending money on a hospital or spending the same amount on border security. What kind of decision is this?
- guns or butter
  - decision at the margin
  - global trade-off
  - production efficiency decision
- \_\_\_\_\_ 44. How would you describe an economy that uses its resources to make the greatest possible number of goods and services?
- efficient
  - using opportunity cost well
  - globally aware
  - underutilized
- \_\_\_\_\_ 45. What does a production possibilities frontier show?
- scarce and less scarce resources
  - global trade-offs and costs of doing business
  - an economy that is producing but not at the maximum
  - the maximum amount that an economy can produce
- \_\_\_\_\_ 46. The lack of which of the following represents a scarcity?
- orange juice because the trucks carrying it are on strike
  - enough workers to finish two jobs because there's a limited supply of workers
  - enough workers to work at night because the pay is too low
  - grapefruit juice because very few people want to buy it
- \_\_\_\_\_ 47. Which of the following makes someone an entrepreneur?
- earning a lot of money as a computer programmer
  - becoming a highly paid dancer
  - running a service that hires people to install sprinkler systems in lawns
  - inventing and selling the rights to manufacture a computer game
- \_\_\_\_\_ 48. A country's production possibilities increase because the available workers become more skilled at using a computer. This is an example of growth caused by
- global resources
  - physical capital
  - technology
  - production opportunity

- \_\_\_\_\_ 49. A nation's automakers install new robotic machinery to build cars. Now, cars take only a day to make, and the factories can produce many more cars than before. This is an example of growth caused by
- land and natural resources.
  - human capital.
  - technology.
  - production possibility curves.
- \_\_\_\_\_ 50. One example of an entrepreneur is
- a writer who is hired by a film studio to adapt a novel into a screenplay.
  - a lawyer in a high-profile law firm that specializes in business law.
  - an Olympic ice skater who later decides to join a professional ice show.
  - an artist who runs a business painting murals in office buildings and restaurants.
- \_\_\_\_\_ 51. Which of the following is a "guns or butter" decision?
- A man must decide whether to install an alarm system in his house or buy new furniture for the living room.
  - A woman has to decide whether to replace her old car with a new sports car or a family sedan.
  - A country must decide whether to use its steel to build new fighter jets or new sports cars.
  - A school has to decide whether to build a new gym or renovate the auditorium.
- \_\_\_\_\_ 52. What can a decision-making grid do?
- tell you the right course of action
  - show you every possible consequence of your decision
  - help you determine some of the opportunity costs for your decision
  - show you every possible benefit of your decision
- \_\_\_\_\_ 53. One example of thinking at the margin is
- determining whether it is better to spend your savings on a new CD player or on a television.
  - deciding whether the benefit of working two extra hours per day is worth the sacrifice of study time.
  - putting all of your money in a savings account because the interest rates are so high.
  - deciding to buy a car you don't really like because it is significantly less expensive than the one you want.
- \_\_\_\_\_ 54. The community of Desertville traditionally produces a large number of tires and a small amount of kiwi fruit. Kiwis are become increasingly popular, and Desertville has decided to expand kiwi cultivation and decrease tire manufacturing. According to the law of increasing costs,
- the cost of producing tires will decrease while the cost of producing kiwis will increase.
  - the cost of producing kiwis will increase.
  - the cost of producing tires will decrease.
  - the cost of producing kiwis will decrease while the cost of producing tires will increase.
- \_\_\_\_\_ 55. Which of the following is an example of scarcity, rather than shortage?
- A popular toy is sold out during the busy holiday season.
  - You have spent your last penny and payday is a week away.
  - A person wants an endless supply of everything but cannot have it.
  - Gasoline was rationed in America during World War II.

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- \_\_\_\_\_ 56. The physical capital used by a woodworker to make furniture would include
- saws and drills.
  - wood and glue.
  - hard work and time.
  - a workshop and money.
- \_\_\_\_\_ 57. Human capital includes
- the salary paid to an accountant.
  - a taxi driver's knowledge of the city streets.
  - the machinery used to weave cloth.
  - the equipment used by a doctor to cure a patient.
- \_\_\_\_\_ 58. A company that makes baseball caps is underutilizing its resources. What does this mean?
- The company is running more efficiently than its competitors.
  - The company is paying its employees less than it should be.
  - The company is making caps when it could be making t-shirts instead.
  - The company is producing fewer caps than it could be.
- \_\_\_\_\_ 59. What could cause a production possibilities curve to move down and to the left?
- A nation loses land after being defeated in a war.
  - A baby boom 20 years ago resulted in a large number of young adults in the population today.
  - An increase in the use of computer technology speeds up production.
  - Thousands of investors from overseas invest money in a nation's economy.
- \_\_\_\_\_ 60. What can cause a production possibilities curve to move to the right?
- Thousands of people move out of the country.
  - A new invention lowers the cost of production.
  - An epidemic kills thousands of young men and women.
  - The population is growing increasingly old.

## Matching

### *Identifying Key Terms*

*Match each term with the correct statement below.*

- |                                   |                          |
|-----------------------------------|--------------------------|
| a. efficiency                     | g. shortage              |
| b. goods                          | h. opportunity cost      |
| c. trade-off                      | i. underutilization      |
| d. production possibilities graph | j. labor                 |
| e. scarcity                       | k. factors of production |
| f. services                       |                          |

- \_\_\_\_\_ 61. most desirable alternative given up when people choose one course of action over another
- \_\_\_\_\_ 62. limited quantities of resources to meet unlimited needs or desires
- \_\_\_\_\_ 63. representation of alternative ways to use an economy's resources
- \_\_\_\_\_ 64. use of fewer resources than the economy is capable of using
- \_\_\_\_\_ 65. actions or activities that one person performs for another
- \_\_\_\_\_ 66. physical objects that can be exchanged
- \_\_\_\_\_ 67. paid effort that people devote to a task
- \_\_\_\_\_ 68. use of resources in a way that maximizes output of goods and services

**Identifying Key Terms**

Match each term with the correct statement below.

- |                                      |                     |
|--------------------------------------|---------------------|
| a. factors of production             | g. growth           |
| b. production possibilities frontier | h. opportunity cost |
| c. production possibilities graph    | i. underutilization |
| d. trade-offs                        | j. efficiency       |
| e. shortage                          | k. services         |
| f. scarcity                          |                     |

- \_\_\_ 69. greatest output of goods and services through the best use of resources
- \_\_\_ 70. land, labor, and capital
- \_\_\_ 71. temporary lack of one or more goods
- \_\_\_ 72. the most attractive alternative that is given up when an economic decision is reached
- \_\_\_ 73. the line that shows different production possibilities for an economy
- \_\_\_ 74. all the possible alternatives that are rejected when a choice is made
- \_\_\_ 75. representation of the possible ways an economy could use resources
- \_\_\_ 76. the basic economic condition of all goods and services