

Name _____

ID: _____

Date _____

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

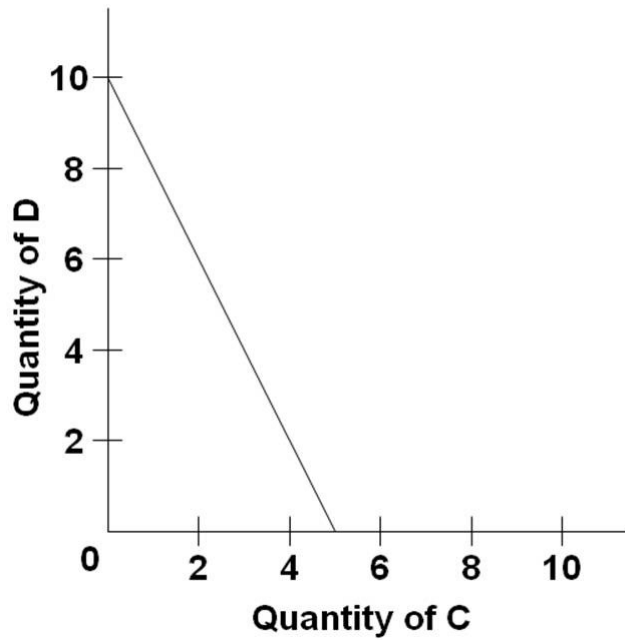
- 1) For economists, the word "utility" means: 1) _____
A) pleasure or satisfaction. B) purposefulness.
C) versatility and flexibility. D) rationality.
- 2) When economists say that people act rationally in their self-interest, they mean that individuals: 2) _____
A) are usually impulsive and unpredictable.
B) generally disregard the interests of others.
C) look for and pursue opportunities to increase their utility.
D) are mainly creatures of habit.
- 3) According to economists, economic self-interest: 3) _____
A) is usually self-defeating.
B) means that people never make wrong decisions.
C) has the same meaning as selfishness.
D) is a reality that underlies economic behavior.
- 4) A person should consume more of something when its marginal: 4) _____
A) cost equals its marginal benefit. B) cost exceeds its marginal benefit.
C) benefit is still better. D) benefit exceeds its marginal cost.
- 5) The study of economics is primarily concerned with: 5) _____
A) choices that are made in seeking the best use of resources.
B) keeping private businesses from losing money.
C) demonstrating that capitalistic economies are superior to socialistic economies.
D) determining the most equitable distribution of society's output.
- 6) The economic perspective entails: 6) _____
A) short-term but not long-term thinking.
B) irrational behavior by individuals and institutions.
C) a comparison of marginal benefits and marginal costs in decision making.
D) rejection of the scientific method.
- 7) Purposeful behavior means that: 7) _____
A) people are selfish in their decision making.
B) people weigh costs and benefits to make decisions.
C) decision makers do not make mistakes when weighing costs and benefits.
D) people are immune from emotions affecting their decisions.

- 8) Economics involves marginal analysis because: 8) _____
A) marginal benefits always exceed marginal costs.
B) most decisions involve changes from the present situation.
C) marginal costs always exceed marginal benefits.
D) much economic behavior is irrational.
- 9) Opportunity costs exist because: 9) _____
A) wants are scarce relative to resources.
B) most decisions do not involve sacrifices or trade-offs.
C) the decision to engage in one activity means forgoing some other activity.
D) households and businesses make rational decisions.
- 10) Consumers spend their incomes to get the maximum benefit or satisfaction from the goods and services they purchase. This is a reflection of: 10) _____
A) the trade-off problem that exists between competing goals.
B) resource scarcity and the necessity of choice.
C) marginal costs that exceed marginal benefits.
D) purposeful behavior.
- 11) Which one of the following expressions best states the idea of opportunity cost? 11) _____
A) "There is no such thing as a free lunch."
B) "He who hesitates is lost."
C) "All that glitters is not gold."
D) "A penny saved is a penny earned."
- 12) Which of the following most closely relates to the idea of opportunity costs? 12) _____
A) trade-offs. B) capitalism.
C) technological change. D) economic growth.
- 13) An economic hypothesis: 13) _____
A) is a possible explanation of cause and effect.
B) is a stronger generalization than an economic law.
C) has the same meaning as an economic principle or economic law.
D) is usually a normative statement.
- 14) A well-tested economic theory is often called: 14) _____
A) a principle. B) a prototype.
C) a hypothesis. D) an anomaly.
- 15) In constructing models, economists: 15) _____
A) attempt to duplicate the real world. B) include all available information.
C) must use mathematical equations. D) make simplifying assumptions.

- 16) The Latin term "ceteris paribus" means: 16) _____
A) prosperity inevitably follows recession.
B) that economics deals with facts, not values.
C) that if event A precedes event B, A has caused B.
D) other things equal.
- 17) Suppose an economist says that "other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that: 17) _____
A) one cannot generalize about the relationship between the price of bananas and the quantity purchased.
B) the quantity of bananas purchased determines the price of bananas.
C) all factors other than the price of bananas (for example, consumer tastes and incomes) are assumed to be constant.
D) economists can conduct controlled laboratory experiments.
- 18) Which of the following statements is true? 18) _____
A) Macroeconomics focuses on specific decision-making units of the economy; microeconomics examines the economy as a whole.
B) Every topic in economics is either a microeconomic or a macroeconomic issue; a topic cannot be both.
C) Topics in microeconomics have public policy implications; topics in macroeconomics do not.
D) Microeconomics focuses on specific decision-making units of the economy; macroeconomics examines the economy as a whole.
- 19) A normative statement is one that: 19) _____
A) applies only to macroeconomics. B) is based on the law of averages.
C) applies only to microeconomics. D) is based on value judgments.
- 20) A positive statement is one that is: 20) _____
A) derived by deduction.
B) objective and is based on facts.
C) derived by induction.
D) subjective and is based on a value judgment.

21)

21) _____

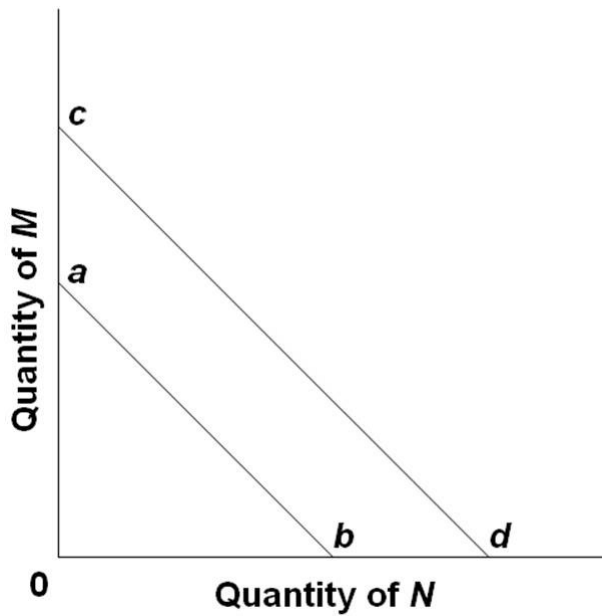


Refer to the budget line shown in the diagram. If the consumer's money income is \$20, the:

- A) price of C is \$4 and the price of D is \$2.
- B) consumer can obtain a combination of 5 units of both C and D.
- C) price of C is \$2 and the price of D is \$4.
- D) prices of C and D cannot be determined.

22)

22) _____

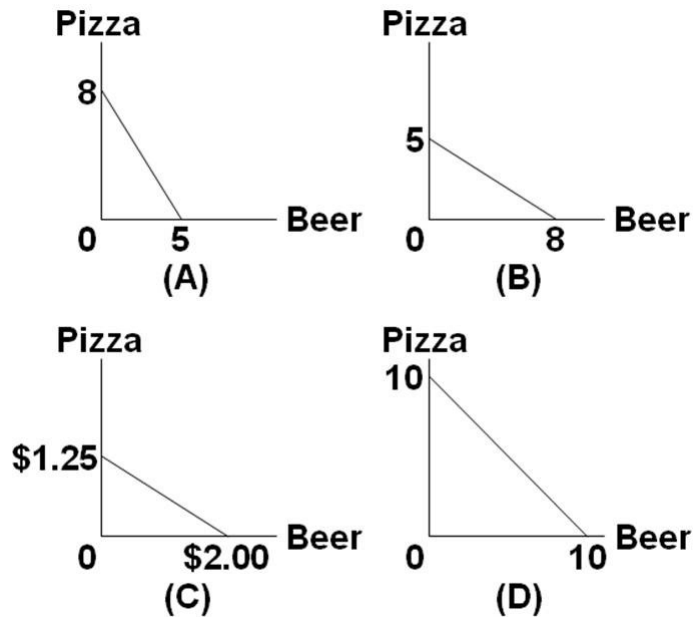


The shift of the budget line from *cd* to *ab* in the figure is consistent with:

- A) a decrease in money income.
- B) an increase in money income.
- C) decreases in the prices of both M and N.
- D) an increase in the price of M and a decrease in the price of N.

23)

23) _____



Refer to the graphs. Assume that pizza is measured in slices and beer in pints. In which of the graphs is the opportunity cost of a pint of beer the lowest?

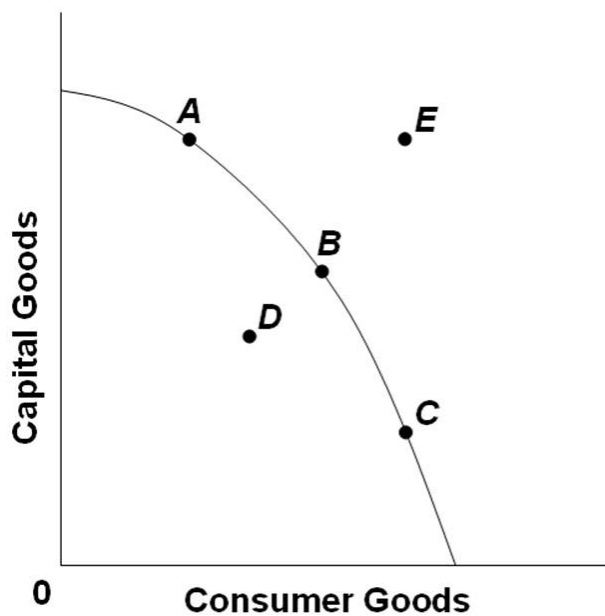
- A) Graph D.
- B) Graph B.
- C) Graph C.
- D) Graph A.

24) A production possibilities curve illustrates:

- A) consumer preferences.
- B) market prices.
- C) the distribution of income.
- D) scarcity.

24) _____

25)



25) _____

Refer to the diagram. This economy will experience unemployment if it produces at point:

- A) *A*.
- B) *B*.
- C) *D*.
- D) *C*.