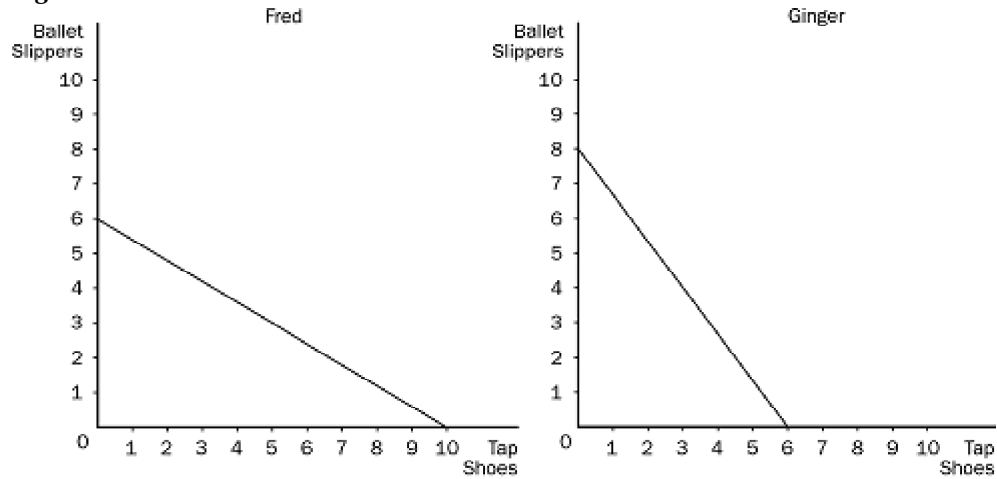


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·
- _____ 1. What is the opportunity cost of good Y for a consumer whose budget line is given by the equation $70X + 40Y = 300$
- $4/3$
 - 1
 - $1/4$
 - $4/7$
 - None of the above.
- _____ 2. Without trade
- a country can still benefit from international specialization.
 - a country's production possibilities frontier is also its consumption possibilities frontier.
 - a country is better off because it will become self-sufficient.
 - more product variety is available in a country.
- _____ 3. Mike and Sandy are two woodworkers who both make tables and chairs. In one month, Mike can make 4 tables or 20 chairs, where Sandy can make 6 tables or 18 chairs. Given this, we know that
- Mike has an absolute advantage in tables.
 - Mike has a comparative advantage in tables.
 - Sandy has an absolute advantage in chairs.
 - Sandy has a comparative advantage in tables.
- _____ 4. Canada can benefit from trade
- only with nations which can produce goods Canada cannot produce.
 - with any nation.
 - with any nation not in economic competition with Canada.
 - only with less developed nations.
- _____ 5. Suppose Tom's PPF equation is given by $4X + 3Y = 100$ and Jerry's PPF equation is $X + 10Y = 100$. Let P denote the relative price of good X (in terms of good Y). Which of the following values of P would lead to trade between Tom and Jerry?
- $3/4$
 - $1/2$
 - 1
 - All of the above prices.
 - Two of the above prices.
- _____ 6. Two goods are complements if a decrease in the price of one good
- reduces the quantity demanded of the other good.
 - increases the quantity demanded of the other good.
 - reduces the demand for the other good.
 - raises the demand for the other good.

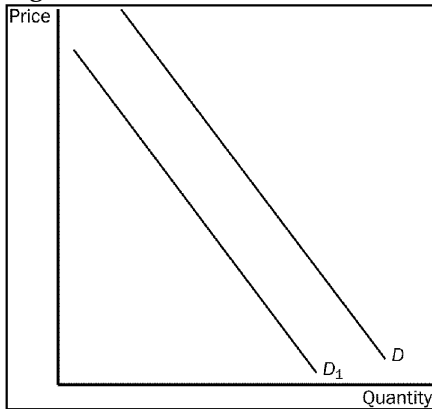
These graphs illustrate the production possibilities available for dancing shoes to Fred and Ginger with 40 hours of labour.

Figure 3-3



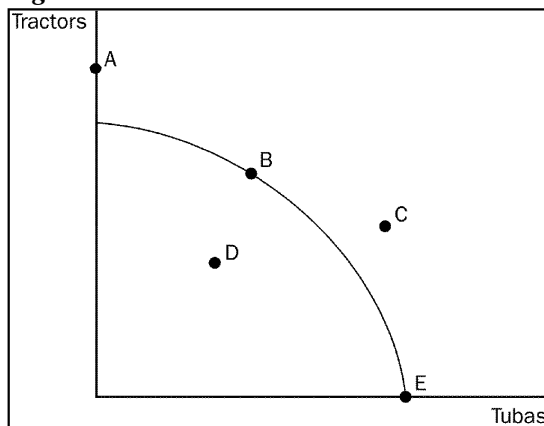
- _____ 7. **Refer to Figure 3-3.** If Fred and Ginger both specialize fully in the good in which they have a comparative advantage, total consumption of ballet slippers will be
- 6 and total consumption of tap shoes will be 6.
 - 8 and total consumption of tap shoes will be 10.
 - 4 and total consumption of tap shoes will be 6.
 - 8 and total consumption of tap shoes will be 8.
- _____ 8. **Refer to Figure 3-3.** Ginger should specialize in
- neither good and Fred should specialize in both goods.
 - tap shoes and Fred should specialize in ballet slippers.
 - both goods and Fred should specialize in neither good.
 - ballet slippers and Fred should specialize in tap shoes.
- _____ 9. **Refer to Figure 3-3.** Ginger has a comparative advantage in
- tap shoes and Fred has a comparative advantage in ballet slippers.
 - neither good and Fred has a comparative advantage in both goods.
 - both goods and Fred has a comparative advantage in neither good.
 - ballet slippers and Fred has a comparative advantage in tap shoes.
- _____ 10. Efficiency means that
- society is getting the most it can from its scarce resources.
 - society is conserving resources in order to save them for the future.
 - society has lessened its dependence on foreign energy sources.
 - society's goods and services are distributed fairly among society's members.
- _____ 11. Economists model a consumer's choice by taking to account the consumer's
- preferences and budget.
 - friends.
 - preferences.
 - budget.
 - relatives.

- _____ 12. Suppose Mary's supply equation is $Q_m=10P$ and Tom's supply equation is $Q_t=30P$, where P denotes the price of the good. If Mary and Tom are the only suppliers in the region, then the aggregate supply equation for the region is
- $Q=40P$
 - $Q=P/4$
 - $Q=P/3$
 - $Q=30P$
 - None of the above

Figure 4-2

- _____ 13. **Refer to Figure 4-2.** The movement from D to D_1 could be caused by
- a decrease in the price of a complement.
 - an increase in technology.
 - a decrease in the price of a substitute.
 - an increase in price.
 - only two of the above.
- _____ 14. New oak tables are normal goods. What would happen to the equilibrium price and quantity in the market for oak tables if the price of maple tables rises, the price of oak wood rises, more buyers enter the market for oak tables and the price of wood saws increased?
- Quantity will fall and the effect on price is ambiguous.
 - Price will fall and the effect on quantity is ambiguous.
 - Price will rise and the effect on quantity is ambiguous.
 - Quantity will rise and the effect on price is ambiguous.
- _____ 15. In the model of consumer choice where the consumer is interested in two goods, X and Y, if the price of good X increases and the consumer's Income increases, then the opportunity cost of one more unit of good X for the consumer
- 'there is not sufficient information to answer the question'.
 - decreases
 - stays the same
 - increases
- _____ 16. A weaker demand together with a stronger supply would necessarily result in
- a lower price.
 - a higher price.
 - an increase in equilibrium quantity.
 - a decrease in equilibrium quantity.

- _____ 17. Consider the market for new DVDs. If DVD players became cheaper, buyers expected DVD prices to fall next year, used DVDs became more expensive, and DVD production technology improved, then we could safely conclude that the equilibrium price of a new DVD would
- rise.
 - We couldn't be sure what it might do.
 - fall.
 - stay the same.
- _____ 18. Russell spends an hour studying instead of playing tennis. The opportunity cost to him of studying is
- the improvement in his grades from studying for the hour.
 - zero. Since Russell chose to study rather than to play tennis, the value of studying must have been greater than the value of playing tennis.
 - the difference between the improvement in his grades from studying minus the enjoyment of playing tennis.
 - the enjoyment and exercise he would have received had he played tennis.
- _____ 19. Suppose that demand increases AND supply decreases. What would happen in the market for the good?
- Equilibrium price would decrease, but the impact on equilibrium quantity would be ambiguous.
 - Both equilibrium price and quantity would decrease.
 - Both equilibrium price and quantity would increase.
 - Equilibrium price would increase, but the impact on equilibrium quantity would be ambiguous.

Figure 2-3

- _____ 20. Refer to Figure 2-3. Which point or points are inefficient?
- D, C
 - D
 - C
 - A, C
- _____ 21. A relatively steep demand curve means that
- the change in quantity demanded will exactly equal a change in price.
 - quantity demanded will adjust greatly to a price change.
 - quantity demanded will adjust slightly to a price change.
 - quantity demanded will not adjust to a price change.

- _____ 22. A microeconomist might study each of the following EXCEPT
- the effects of rent control on housing in New York City.
 - how a college student makes financial decisions.
 - how tariffs on shoes affects the shoe industry.
 - the effect on the economy when unemployment rates change.

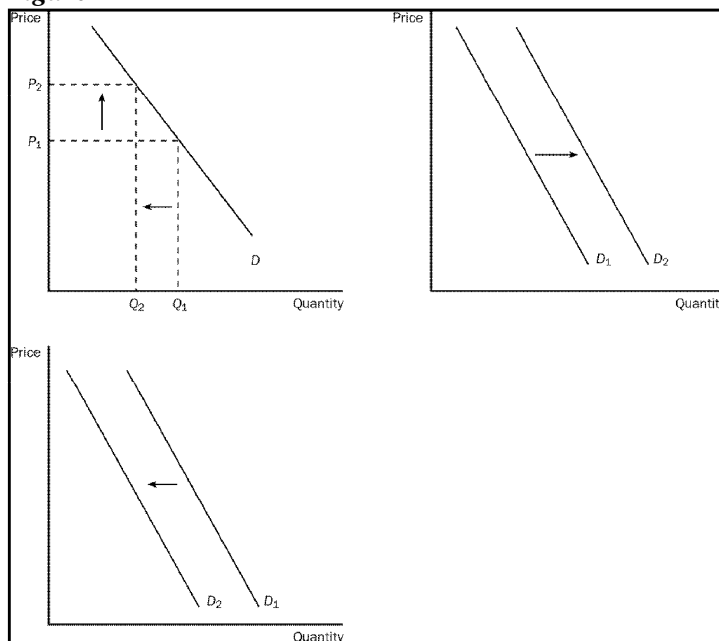
Table 4-3

	An Increase in Supply	A Decrease in Supply
An Increase in Demand	A	B
A Decrease in Demand	C	D

- _____ 23. **Refer to Table 4-3.** The space that would represent an increase in equilibrium price and an indeterminate change in equilibrium quantity would be
- A
 - D
 - C
 - B
- _____ 24. **Refer to Table 4-3.** The space that would represent a decrease in equilibrium quantity and an indeterminate change in equilibrium price would be
- D
 - B
 - A
 - C
- _____ 25. When the government implements programs such as progressive income tax rates, which of the following is likely to occur?
- Equity is increased and efficiency is decreased.
 - Equity is increased and efficiency is increased.
 - Equity is decreased and efficiency is decreased.
 - Equity is decreased and efficiency is increased.
- _____ 26. 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. 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. Then suppose that trade is initiated between the two countries, and Freedonia sends 30 units of corn to Sylvania in exchange for 30 units of wheat. Freedonia will now be able to consume a maximum of
- 60 units of corn and 30 units of wheat.
 - 30 units of corn and 30 units of wheat.
 - no corn and 60 units of wheat.
 - no corn and 30 units of wheat.
- _____ 27. Economists use models in order to
- make their profession appear more precise.
 - learn how the economy works.
 - make sure that all of the details of the economy are included in their analysis.
 - make economics difficult for students.

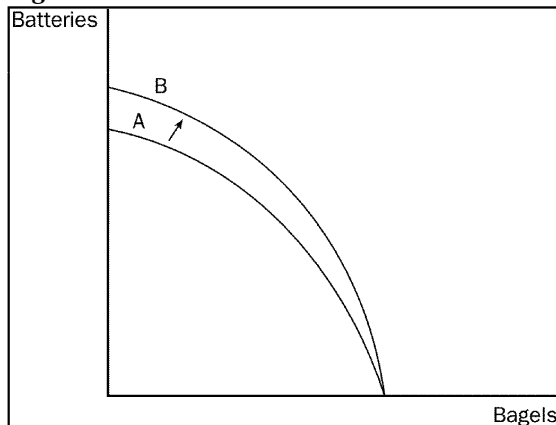
- _____ 28. In the income of the consumer and all goods' prices double, then the budget line will
- shift to the left.
 - pivot around the X_{max} point.
 - shift to the right.
 - pivot around the Y_{max} point.
 - stay the same.
- _____ 29. If Tom's demand equation is given by $Q_t=10-2P$ and Mary's demand equation is given by $Q_m=25-5P$, where P denotes the good's price, then Mary
- values the good less than Tom.
 - must be richer than Tom.
 - values the good more than Tom.
 - values the good as much as Tom does.
- _____ 30. An example of market power is
- a wheat farmer in Kansas.
 - a fast food restaurant in a college town.
 - a shoe store in Kentucky.
 - the last gas station in New Mexico for 100 miles.
- _____ 31. Suppose that the incomes of buyers in a particular market for a normal good decline and there is also a reduction in input prices. What would we expect to occur in this market?
- Equilibrium quantity would increase, but the impact on equilibrium price would be ambiguous.
 - The equilibrium price would decrease, but the impact on the amount sold in the market would be ambiguous.
 - Both equilibrium price and equilibrium quantity would increase.
 - The equilibrium price would increase, but the impact on the amount sold in the market would be ambiguous.
- _____ 32. What will happen to the equilibrium price of new textbooks if more students attend college, paper becomes cheaper, textbook authors accept lower royalties and fewer used textbooks are sold?
- The price change will be ambiguous.
 - Price will rise.
 - Price will fall.
 - Price will stay exactly the same.
- _____ 33. What would happen to the equilibrium price and quantity of coffee if the wages of coffee-bean pickers fell and the price of tea fell?
- Price will rise and the effect on quantity is ambiguous.
 - Quantity will rise and the effect on price is ambiguous.
 - Quantity will fall and the effect on price is ambiguous.
 - Price will fall and the effect on quantity is ambiguous.
- _____ 34. The opportunity cost of going to college is
- zero for students who are fortunate enough to have all of their college expenses paid by someone else.
 - zero, since a college education will allow a student to earn a larger income after graduation.
 - the value of the best opportunity a student gives up to attend college.
 - the total spent on food, clothing, books, transportation, tuition, lodging, and other expenses.

- _____ 35. Funsters, Inc., the largest toy company in the country, sells its most popular doll for \$15. It has just learned that its leading competitor Toysorama is mass producing an excellent copy and plans to flood the market with their \$5 doll in 6 weeks. Funsters should
- fight fire with fire and decrease supply for 6 weeks and then increase the supply of its doll too.
 - continue business as usual, since consumers will not buy the cheaper imitation.
 - discontinue this doll.
 - increase the supply of their doll now before the other doll hits the market.
- _____ 36. Suppose that Korea produces shoes and soccer balls. For Korea,
- it would be difficult to benefit from trade since Korea is efficient in the production of both goods.
 - it would be impossible to have an absolute advantage in both goods.
 - the opportunity cost of shoes will be the inverse of its opportunity cost of soccer balls.
 - it should specialize in the product in which it has an absolute advantage.

Figure 4-4

- _____ 37. **Refer to Figure 4-4.** Which graph could be used to show the result of 5 percent of the country's smokers deciding to stop smoking?
- A
 - Each graph could be used to show the result.
 - B
 - C
- _____ 38. If a surplus exists in a market we know that the actual price is
- below equilibrium price and quantity demanded is greater than quantity supplied.
 - above equilibrium price and quantity supplied is greater than quantity demanded.
 - above equilibrium price and quantity demanded is greater than quantity supplied.
 - below equilibrium price and quantity supplied is greater than quantity demanded.

- _____ 39. Suppose Mary's supply equation is $Q_m=2P$ and Tom's inverse supply equation is $P=4 Q_t$, where P denotes the price of the good. If Mary and Tom are the only suppliers in the region, then the aggregate supply equation for the region is
- $Q=4P$
 - $Q=6P$
 - $Q=9P/4$
 - $Q=8P/9$
 - None of the above.
- _____ 40. When we move up or down a given demand curve,
- all determinants of quantity demanded are held constant.
 - only price is held constant.
 - income and the price of the good are held constant.
 - all nonprice determinants of demand are assumed to be constant.
- _____ 41. Suppose when Y (on the vertical axis) is drawn against X (on the horizontal axis), we see an upward sloping line. Then we know that
- X and Y are not related.
 - None of the above.
 - X decreases as Y increases.
 - an increase in X will cause Y to increase.

Figure 2-5

- _____ 42. **Refer to Figure 2-5.** The shift of the frontier from A to B was most likely caused by which of the following?
- more capital available in the economy
 - a general technological breakthrough
 - technological improvement in the production of batteries
 - more labour available in the economy
- _____ 43. Suppose that the country of Xenophobia chose to isolate itself from the rest of the world. Its ruler proclaimed that Xenophobia should become self-sufficient, and so would not engage in foreign trade. From an economic perspective, this idea would
- not make sense as long as Xenophobia had an absolute advantage in at least half the goods traded.
 - make sense if Xenophobia had no absolute advantages in any goods.
 - make sense if Xenophobia had an absolute advantage in all goods.
 - not make sense as long as Xenophobia had a comparative advantage in any good.

- _____ 44. Suppose that a worker in Radioland can produce either 4 radios or 1 television per year, and a worker in Teeveeland can produce either 2 radios or 4 televisions per year. Each nation has 100 workers. Also suppose that each country completely specializes in producing the good for which it has a comparative advantage. If Radioland trades 100 radios to Teeveeland in exchange for 100 televisions each year, then each country's maximum consumption of new radios and televisions per year will be
- 300 televisions and 100 radios in Teeveeland and 300 radios and 100 televisions in Radioland.
 - 400 televisions and 100 radios in Teeveeland and 400 radios and 100 televisions in Radioland.
 - 300 televisions and 100 radios in Radioland and 300 radios and 100 televisions in Teeveeland.
 - 100 televisions and 200 radios in Radioland and 100 radios and 200 televisions in Teeveeland.
- _____ 45. Which of the following is an example of a positive statement?
- Prices rise when the government prints too much money.
 - If welfare payments increase, the world will be a better place.
 - The benefits to the economy of improved equity are greater than the costs of reduced efficiency.
 - Inflation is more harmful to the economy than unemployment.
- _____ 46. Two economists, Adam and Joan, are discussing the possibility of substantially reforming the current federal tax system. Adam thinks the current system is fine but Joan is in favour of reform. Which of the following is the least likely explanation for the disagreement?
- Adam and Joan have different values, and so have different normative views about policy.
 - Adam and Joan have different positive views about the effect of changing the tax system.
 - Adam is a positive economist and Joan is a normative economist.
 - Adam is better off under the current system and Joan would be better off if the reforms were implemented.
- _____ 47. Using all available resources, if a farmer can produce either 85 cantaloupes or 70 watermelons, then the opportunity cost of 1 cantaloupe to the farmer would be
- 15 watermelons.
 - There is not enough information given to answer this question.
 - 1.21 watermelons.
 - .82 watermelons.
- _____ 48. When quantity demanded has increased at every price, it might be because
- the consumer prefers another good more than this good.
 - income has increased and this good is an inferior good.
 - the price of a substitute good has increased.
 - the number of buyers in the market has decreased.
- _____ 49. Which chain of events occurs in the correct order?
- Demand increases, price increases, quantity supplied increases.
 - Price increases, demand increases, quantity supplied increases.
 - Quantity supplied increases, price increases, demand increases.
 - Any of the above could be correct.

Name: _____

ID: A

- ____ 50. Beef is a normal good. You observe that both the equilibrium price and quantity of beef has fallen over time. Which of the following would be most consistent with this observation?
- a. The price of chicken has risen and the price of steak sauce has fallen.
 - b. Consumers have experienced an increase in income and beef-production technology has improved.
 - c. The demand curve for beef must be positively sloped.
 - d. Consumer tastes have changed so as to prefer beef less than before.