

1. Supply is a list of quantities that someone is willing and able to make available for sale at all possible prices at a particular point in time.	<b>a. True</b>	b. False			
2. The Law of Demand summarizes the relationship between price and quantity demanded as an inverse relationship, meaning that as the price increases buyers will consume less of the product if it is a normal good.	<b>a. True</b>	b. False			
3. The elasticity of demand measures how responsive consumers are to a change in price for a product.	<b>a. True</b>	b. False			
4. Supply could be increased by both a reduction in the cost of producing the product, and an improvement in the technology used to make the product.	<b>a. True</b>	b. False			
5. In order to calculate the break-even point of production a firm has to know the selling price per a unit, the fixed costs per a unit, and the variable costs per a unit.	<b>a. True</b>	b. False			
6. If supply is elastic, a slight change in price will cause the producer to make a comparatively larger percentage change in the quantity supplied.	<b>a. True</b>	b. False			
7. Equilibrium price is the price at which quantity supplied equals the quantity demanded.	<b>a. True</b>	b. False			
8. Both shortages and surpluses create inefficiencies in the market because the current price is not at equilibrium.	<b>a. True</b>	b. False			
9. Economic profit is typically higher than accounting profit.	a. True	<b>b. False</b>			
10. One characteristic of a perfectly competitive market is that the products of the firms are so similar that producers use brand names to enable customers to distinguish the products.	a. True	<b>b. False</b>			
11. In many cases the government is best suited to deal with negative externalities because it has the power to make and enforce laws that control the undesired behavior.	<b>a. True</b>	b. False			
12. During most of the last thirty years the Federal Government has had a deficit budget in that expenditures exceeded revenues.	<b>a. True</b>	b. False			
13. The National Debt is the sum of all previous borrowings of the Federal Government that remain unpaid.	<b>a. True</b>	b. False			
14. Part of the problem with protective tariffs is that they really do not protect domestic employment or industries in the long run.	<b>a. True</b>	b. False			
15. A country like the United States with its large amount of land, labor, and capital is unlikely to gain anything significant from trade with other less fortunate countries.	a. True	<b>b. False</b>			

16. NAFTA eliminated all trade barriers between the United States and all countries in North and South America.	a. True	<b>b. False</b>			
17. The European Economic Community has agreed to create and use a new currency, the Euro, among most of its members beginning January 1st, 1999.	<b>a. True</b>	b. False			
18. If the Federal Reserve Bank increases the reserve requirement, it will result in a decrease in the money supply.	<b>a. True</b>	b. False			
19. Contractionary monetary policy works better than expansionary monetary policy in modifying the economy.	<b>a. True</b>	b. False			
20. It is usually easier to sell stock in a large corporation than it is in a small one because small corporations do not issues shares of stock.	a. True	<b>b. False</b>			
21. The most common result of the collective bargaining process is each side gets part of what it wanted in the negotiations.	<b>a. True</b>	b. False			
22. The National Labor Relations Board is responsible for conducting the elections regarding the establishment of unions.	<b>a. True</b>	b. False			
23. The minimum wage law specifies the lowest wage that can be paid to workers is the same for all jobs in all states.	a. True	<b>b. False</b>			
24. It is the job of environmental economists to consider the connections among problems and to analyze the costs of proposed solutions in terms of resources, time, money, labor, any other resource that will be affected.	<b>a. True</b>	b. False			
25. When a corporation leaves the United States because the environmental laws are too costly to comply with, but it does not change any of its manufacturing procedures, it has not solved any environmental problems.	<b>a. True</b>	b. False			
26. Which of these selections is not a determinant of supply, or a factor that may change supply?	<b>a. The price charged for the product.</b>	b. The costs of the productive resources used in manufacturing the product.	c. The discovery of new technology that will allow the business to increase the rate of production.	d. Prices of other goods that may be substitutes or complements of the product for which the supply is being measured.	e. Significant events of nature such as a tornado or hurricane.

27. If you read that an increase in oil prices on the world market had caused a decrease in demand for oil, would you, as an economist applying standard definitions	a. Agree, that an increase in price decreases demand.	b. Disagree, because an increase in price causes an increase in demand.	<b>c. Disagree, because an increase in price causes a decrease in quantity demanded, but does not change demand.</b>	d. Disagree, because there is no foundation in theory between price and demand or quantity demanded.	e. Agree, because there is no difference between demand and quantity demanded.
28. Which of these selections is not a reason for the Law of Demand?	a. Diminishing Marginal Utility.	b. The Substitution Effect.	c. The Income Effect (The effect of changing prices on the purchasing power of limited income.)	<b>d. Diminishing Marginal Productivity.</b>	e. Buyers will substitute another product that works just as well if the price of their regular product increases.
29. Which of these selections is not a factor that influences the elasticity of demand?	a. The number of substitutes available for the product.	b. How soon the consumer has to make the purchase decision.	c. How much of the consumer's budget the purchase will take.	<b>d. A change in the tastes and preferences of the consumer.</b>	e. Whether the product is a necessity or a luxury.
30. If a seller wants to increase gross revenue for a product that has an inelastic demand she would	<b>a. increase price.</b>	b. decrease price.	c. increase price but at the same time decrease supply at rate greater than the increase in price.	d. do nothing the natural market forces would increase the gross revenues.	e. increase demand.
31. If the price of butter increases and, as a result, customers begin to purchase more margarine, this could be illustrated by	a. a shift in the demand curves for both butter and margarine.	b. a movement down the demand curves both for butter and for margarine.	<b>c. a movement up the demand curve for butter but a shift in the demand curve for margarine outward and farther to the right.</b>	d. a shift in the demand curve for butter inward and to the left, and movement up the demand curve for margarine.	e. a movement down the demand curve for butter and a movement up the demand curve for margarine.
32. The Principle of Diminishing Marginal Utility means	<b>a. that as a person consumes more of a good or service in a limited time period they get less and less satisfaction from it.</b>	b. that if a business expands it gets less output from the increase in inputs of production.	c. that if price increases we get less utility from the product.	d. that as variable costs increase the fixed costs per a unit decline.	e. that the profit margin declines as the supply increases.
33. It is reasonable to expect market demand to increase if	a. the future is expected to be very much like the present.	<b>b. the future is expected to be better than the present.</b>	c. unemployment is increasing.	d. inflation is increasing.	e. the total population is decreasing.

34. An example of elastic demand is found in	<b>a. consumer products such as clothing.</b>	b. medical care necessary for survival.	c. a husband buying his wife flowers on his way home from work on her birthday, when he has forgotten to get her another present.	d. the need for a tow truck when your car breaks down on the highway.	e. buying a pack of gum even if the price increases from 25 cents to 50 cents.
35. On a graph, Equilibrium Price can be located from	a. the top of the supply curve.	b. bottom of the supply curve.	<b>c. where the supply curve and the demand curve intersect.</b>	d. the top of the demand curve.	e. the bottom of the demand curve.
36. If there is an increase in the demand for a product, what would an economist expect to happen with equilibrium price and equilibrium quantity?	a. Increase Price; Decrease Quantity	<b>b. Increase Price; Increase Quantity</b>	c. Decrease Price; Increase Quantity	d. Decrease Price; Decrease Quantity	e. No change in Price; Increase Quantity
37. If the current market price being charged for a product is higher than the equilibrium price, then an economist would expect	a. businesses would keep the current price where it is and there would be no change in the market.	b. the government would force the price to come down, because it is illegal to charge more than the equilibrium price.	<b>c. the natural forces of the market would eventually bring the market price down to the equilibrium price if there is no interference in the market.</b>	d. the government would establish a price ceiling to protect the consumers from the abuses of the businesses.	e. a shortage would naturally develop in the market bringing the price down.
38. A price floor will create	a. a shortage.	<b>b. a surplus.</b>	c. excess demand.	d. a fair equilibrium price.	e. a balance between supply and demand.
39. The most likely result of a price ceiling that holds the price of a gallon of gasoline at \$1.00 per gallon when the market forces are causing the price to rise above that price is	a. more affordable gasoline for all consumers and more satisfaction by consumers because they can meet all their needs and wants.	b. an increase in the quantity supplied by refiners so they can take advantage of the increase in demand.	c. a decrease in the quantity demanded.	<b>d. long lines at gasoline stations as a shortage develops.</b>	e. an increase in the exploration for oil.
40. If a business has been able to create a niche market, then it	a. will charge the market price for its product.	<b>b. can charge a slightly higher price than the market price for its product.</b>	c. will probably reduce the price it charges because it wants to take care of their niche customer.	d. significantly raise the price it charges because the customer has no other alternative source for the product.	e. change its supply whenever the demand in the niche market changes.

41. Which of the following statements is not true about a surplus?	a. A surplus results whenever the current price is above equilibrium price.	b. In markets that are allowed to make price adjustments independently, surpluses will be eliminated by competition among the sellers.	c. A price floor that is above equilibrium price will create a surplus.	d. A surplus is calculated by subtracting the quantity demanded from the quantity supplied at the current market price.	<b>e. A surplus always results from a price ceiling.</b>
42. If the price of a product rises what would an economist expect to happen to the demand for a substitute product?	<b>a. Increase.</b>	b. Decrease.	c. Remain unchanged.	d. It could increase or decrease.	e. There is no relationship between the price of one product and the demand for another.
43. One way to distinguish a shortage of a product from scarcity is that	<b>a. a shortage can be eliminated by raising price, but scarcity cannot be eliminated by changing price.</b>	b. shortages result from price ceilings but scarcity comes from businesses refusing to make more of the product.	c. Shortages mean that we cannot have all that we want even at a very low price, but scarcity means that if we are willing to pay more we can have whatever quantity we want.	d. at a high enough price scarcity can be eliminated, but even at a high price shortages will continue to exist.	e. There really is no difference, scarcity and shortages are the same thing.
44. In which of the following circumstances would a businesses want to hire an additional worker?	a. The wage paid to the worker is greater than the value of the work performed.	b. The value of the additional worker's productivity is less than the wage paid.	<b>c. The value of the work performed by the additional worker is greater than the wage paid.</b>	d. There is a decrease in marginal productivity when the additional worker is hired.	e. There are negative returns to scale when the additional worker is hired.
45. Diminishing Marginal Productivity occurs when	a. too few workers are employed by the business to accomplish the work.	b. wages are increased.	<b>c. the addition of one of the factors of production crowds another factor of production that cannot be increased at the present time.</b>	d. the business increases its size, but the profit margin decreases.	e. a consumer gets less and less utility from consuming more of a product in a limited time period.

46. An economist would differ from an accountant in the calculation of a business's profit in that	<b>a. the accountant would not include opportunity cost in measuring the profit where the economist would.</b>	b. the accountant would measure profit as the difference between the average revenues earned minus all the direct costs of production.	c. the economist would not include the fixed costs in the calculation of profit.	d. there is no difference between the ways accountants and economists determine profit.	e. the economist would not include variable costs in the calculation of profit.
47. If the marginal cost of producing an additional product is \$40.00, this means	<b>a. the cost of producing the next item is \$40.</b>	b. the average cost of production is \$40.	c. the sum of the fixed and variable costs of production is \$40.	d. that if the next product produced is sold for more than \$40 it will not contribute to the profit of the business.	e. a manufacturer has to produce at \$40 per an item in order to meet the average cost of production of all other producers for that product.
48. If a business expands and its profit margin increases as a result, it has achieved	<b>a. increasing returns to scale.</b>	b. constant returns to scale.	c. decreasing returns to scale.	d. achieved a less profitable position unless it can increase its supply curve.	e. higher average costs of production.
49. Which of these statements is not true about fixed costs ?	a. Fixed costs remain the same regardless of the quantity of goods or services produced.	b. Fixed costs per unit produced decline as production increases.	<b>c. There is no such thing as fixed costs, because over time all costs can change.</b>	d. Fixed costs are part of the total costs of production.	e. Every business incurs fixed costs when it decides to open.
50. A firm's profit is most closely related to	a. producer surplus.	b. consumer surplus.	c. total revenue.	d. total cost.	<b>e. total revenue minus total costs.</b>
51. Which of these would not be an example of a direct cost?	a. Wages paid to production employees.	b. Cost of raw materials used to manufacture the product.	c. Cost of energy used in manufacturing.	<b>d. Wages the owner of a business could have earned by working for someone else.</b>	e. Cost of storage of inventory before it is shipped.
52. In a market economy, the purpose of profits is to	a. motivate the businesses to follow the government regulations.	<b>b. entice businesses to produce what consumers want.</b>	c. provide funds to pay for workers wages and benefits.	d. transfer income from the rich to the poor.	e. provide revenue for the government.
53. In which of these economic systems is the profit motive most important?	a. Command Economy.	b. Socialist or Mixed Economy.	<b>c. Capitalist or Market Economy.</b>	d. Traditional Economy.	e. The profit motive is equally important in all economic systems.

54. Which of these statements is not true about competition?	a. Competition is the rivalry between two or more parties to acquire benefits from a third party.	b. Competition can reduce the costs of production.	c. The Market Economy fosters more competition than the other types of economies.	d. Consumer benefits from competition include both lower prices and higher quality goods and services.	<b>e. Competition creates inefficiency and therefore should be avoided.</b>
55. Which of these types of markets would have the least amount of competition?	a. Pure competition	b. Monopolistic Competition	c. Oligopolies	<b>d. Monopolies</b>	e. Socialist Economies
56. Which of these selections is not a way for a business to achieve a competitive advantage over other businesses?	a. Produce the product at a lower cost.	b. Add something to its product that other competitor's products do not have.	c. Provide an additional service that other businesses do not.	d. Inform the customer base through various forms of advertising of the advantages of your product.	<b>e. Make sure to offer your product in the same way as all your competitors.</b>
57. In pure competition market price is determined by	a. the largest supplier in the market.	b. the seller with the best market niche.	c. the seller with the best product.	<b>d. the intersection of the supply and demand curves.</b>	e. the government agency that has been assigned the task of policing that market.
58. In an oligopoly if the price leader raises prices, other competitors	a. must do the same to gain market share.	<b>b. may choose to keep their price the same, and they will probably gain market share.</b>	c. will make more of a profit if they keep their price the same, since they will avoid incurring increased variable costs.	d. will lower their prices to show that they are a more responsible producer.	e. will increase their advertising to retain their customers.
59. Which of these selections is not a characteristic of monopolistic competition?	a. There are a large number of suppliers in the market each offering a slightly different product.	b. There are a large number of suppliers in the market but no one of them is large enough to have a significant effect on market price.	c. There is a great deal of competitive advertising in this market.	<b>d. It is very difficult for a new competitor to enter this market because there are significant barriers to entry.</b>	e. The products of each firm are similar and can be substituted for each other.
60. Which of these selections is not a way a firm can legally achieve a monopoly status in the United States?	a. Have a government grant it the authority to be the sole producer of the good or service in a particular geographical area.	b. Become the lowest cost producer and sell its product for less than all other competitors and as result have its competitors abandon the market.	<b>c. Pay bribes and kickbacks to eliminate all other competitors.</b>	d. Simply have the best product that defeats all the others in the market.	e. Have control over a patent or copyright that prevents other businesses from offering the product.

61. In the long run, producers in monopolistically competitive markets are able to earn	a. excess profits since they can keep other competitors from entering the market.	b. monopoly profits since they are very much like monopolies.	<b>c. average profits since any marginal advantage they have will be copied.</b>	d. reduced profits because the longer they are in business the more costs they will incur.	e. excess profits because they have been in business long enough to reduce their average costs.
62. Which of these selections is not a characteristic of an oligopoly?	a. There are only a few competitors that share the bulk of the market.	b. Products can be either similar or differentiated.	<b>c. It is very easy to enter this type of market as a new competitor. -</b>	d. There is a great deal of advertising in this market.	e. There is an interdependency among all the competitors in this market such that, any significant change in strategy by one of the competitors requires all of them to respond.
63. Which of these is not one of the roles of government in the market economy?	a. To provide a legal environment in which the private sector can function effectively.	b. To provide public institutions to regulate the private sector.	<b>c. To establish prices through price floors and price ceilings for most products.</b>	d. To purchase and administer public goods and services.	e. To provide equity in the economy through redistribution of income.
64. The government is best suited to redistributing income because	<b>a. it has the power to tax.</b>	b. it has enough money to give away.	c. it is concerned with the welfare of the lower income groups in the society.	d. businesses do not want to participate in this function of the economy.	e. businesses cannot accomplish this function efficiently.
65. A regressive tax is	<b>a. a tax that weighs more heavily on the low income groups than it does on the higher income groups.</b>	b. a tax that weighs more heavily on the high income groups than it does on the low income groups.	c. a tax that applies equally to both low and high income groups.	d. a tax that takes an increasingly higher percentage of income as tax as the income increases.	e. now unconstitutional.
66. If a tax on a product that has an inelastic demand is raised, then an economist would expect	a. the quantity demanded to drop sharply.	<b>b. the quantity demanded to drop slightly, but tax revenue to increase.</b>	c. the quantity demanded to remain stable but tax revenue to decrease.	d. tax revenue to remain the same as it was before the change.	e. tax revenue to increase and the quantity demanded to increase.
67. The largest source of revenue for the United States Federal Government is	a. taxes on corporate profits.	<b>b. individual income taxes.</b>	c. taxes on imports into the United States.	d. Social Security Taxes.	e. the national sales tax.
68. Of these Federal Government expenditures, which would be the largest?	a. International Foreign Aid.	b. Interest on the national debt.	<b>c. Social Security, Medicare, and Public Assistance.</b>	d. National Defense.	e. Law Enforcement.



69. If the United States were currently running a deficit budget and it wanted to pay off the National Debt it would have to	a. reduce the Gross Domestic Product.	<b>b. raise taxes.</b>	c. sell more government bonds to get the money to pay the debt.	d. increase the money supply.	e. raise Social Security.
70. According to Arthur Laffer's predictions regarding the Laffer Curve for the United States,	a. increasing income tax rates will cause tax revenues to increase.	<b>b. reducing income tax rates will cause tax revenues to increase.</b>	c. changing tax rates will not change overall tax revenues.	d. the demand for and the supply of labor in the US are relatively inelastic.	e. increasing sales tax rates will cause tax revenue to fall.
71. The Federal Budget of the United States is prepared for	a. a calendar year beginning January 1st and ending December 31st.	<b>b. a fiscal year beginning October 1st and ending September 30th.</b>	c. a four year period coinciding with the President's term of office.	d. a two year period coinciding with the term of office of the members of the House of Representatives.	e. a six year period coinciding with the term of office of the members of the Senate.
72. What type of economic system is most common in the world?	a. Capitalism	<b>b. Socialism or Mixed</b>	c. Command	d. Traditional	e. No system is dominant, they are all about equally divided.
73. If the United States eliminated all tariffs and other trade restrictions, an economist would expect	a. the US economic well-being would improve, but it would fall for smaller trading partners.	<b>b. the economic well-being of both the US and its smaller trading partners would improve.</b>	c. consumers in the US would benefit, but then the total number of jobs would decline and income would decline.	d. the economic well-being of the US and its trading partners would decline.	e. the economic well-being of the US would increase only if other countries also removed their tariffs and trade restrictions.
74. The International Monetary Fund operates like	<b>a. an international bank.</b>	b. a worldwide economic union.	c. a mutual fund that invests in developing nations.	d. a multinational corporation with operating divisions in many parts of the world.	e. an economic court that settles trade disputes between nations.
75. OPEC lost control over the price of oil in the mid 1980's for all the following reasons except	a. All the members of the cartel produced oil above their agreed quotas.	b. New energy sources replaced some of the oil demand in some oil importing nations.	c. New sources of oil were discovered and reduced OPEC's control of supply.	<b>d. Oil importing nations dramatically reduced their demand for oil.</b>	e. The OPEC members became dependent upon the oil income and increased supply to make up for falling prices.
76. Changes in exchange rates are likely to affect all of these transactions except.	a. Purchases by travelers and tourists.	b. An international company that makes sales and buys raw materials in several countries.	c. Corporations and countries who borrow money from foreign sources.	d. Banks who loan money to foreign corporations.	<b>e. A barter exchange made in a traditional economy in a rural village of Botswana.</b>

77. Which of these actions will not change the money supply of a country?	a. A decision to raise the Federal Funds Overnight Rate or the Discount Rate.	b. A decision to increase the purchase of US Government securities by the Federal Open Market Committee.	<b>c. A decision to buy one billion dollars of Treasury Bills in Utah and simultaneously sell them in Florida.</b>	d. Decreasing the Reserve Requirement.	e. A decision by a small town bank in Georgia to loan \$1,000,000 to a company to build a new factory.
78. If the Federal Reserve Bank tries to reduce the money supply, but at the same time monetary velocity increases, then an economist would expect	a. the money supply will be reduced too fast.	<b>b. the reduction may be offset by the change in velocity and the economy may not be affected as intended.</b>	c. the money supply will not be reduced.	d. the money supply will increase.	e. nothing will happen, the two variables are not related.
79. Which of these is not a true statement about the Federal Reserve Bank?	a. The FED has the responsibility to control the supply of money in the economy,	b. The Board of Governors, consisting of seven non elected individuals controls the FED.	c. The FED establishes the banking policy of the United States.	d. The US is divided into 12 regions each with its own District Bank.	<b>e. The members of the Board of Governors are strongly influenced in their decisions regarding the supply of money by the politicians in Washington.</b>
80. The long term goal of the government's Fiscal Policy is to	a. increase tax revenues.	b. raise taxes.	c. redistribute income evenly.	d. increase the supply of money.	<b>e. keep the economy stable.</b>
81. According to Keynesian Economic Fiscal Policy if a country is currently experiencing a recession or depression the Government should do all of these except	<b>a. Raise taxes.</b>	b. Increase government spending.	c. Reduce taxes on businesses.	d. Reduce taxes on workers.	e. Take steps to encourage businesses to hire more workers such as giving a tax credit for hiring long term unemployed persons.
82. Fiscal policy does not always work well because of all these reasons except.	a. The time it takes for the government to become aware of the problem.	b. The time it takes for the government to create a law to act on the problem.	c. The political problem of getting a majority of both houses of Congress to agree on a law.	<b>d. The time it takes to prepare the Federal Budget.</b>	e. The interference of the private agendas of each of the 536 people involved in the lawmaking process.

83. Assume the economy is described as follows: the federal budget is balanced; there is annual inflation of less than one percent; real GDP has fallen for the last three consecutive quarters and business investment is declining. Which of the following fiscal actions would a Keynesian economist recommend?	a. Increase in taxes on all levels of income.	<b>b. Increase government expenditures and transfer payments.</b>	c. Decrease Federal Government spending on highway programs.	d. Continue to balance the Federal Budget.	e. Urge citizens to save more and spend less.
84. If the primary goal is to reduce inflation, which of the following fiscal policy actions would be appropriate during a period of a rapidly increasing Consumer Price Index? I. Reduce government expenditures for defense and space research. II. Increase transfer payments to those who are most severely impacted by the rising prices III. Increase personal income tax rates.	a. I only	b. II only	c. III only	<b>d. I and III together</b>	e. II and III together
85. Which of these is the most common form of business organization used in the US?	<b>a. Proprietorship</b>	b. Partnership	c. Corporation	d. Cooperative	e. Limited Partnership
86. Disadvantages of a sole proprietorship as a type of business organization include all of the following except	a. Limited life.	<b>b. Heavy government regulation.</b>	c. Limited size.	d. Unlimited liability.	e. Limited Capital.
87. As compared to sole proprietorships, partnerships have all the following advantages except	a. Access to more capital and credit.	b. Better business decisions because more people may participate.	<b>c. The firm's limited liability protects the general partners' personal assets.</b>	d. More resources for expansion.	e. More people to work at the business.
88. If you are a general partner with \$50,000 of assets invested in the partnership and the other three general partners have only \$10,000 each invested, and the business suffers a \$50,000 loss, then	<b>a. you would probably lose \$20,000 of your investment.</b>	b. you would have to pay the entire \$50,000 individually.	c. you would have to pay only \$10,000 because any losses are shared equally.	d. you would not have to share in any of the loss since you are the most heavily invested partner.	e. you would not have to pay anything because every partnership is required to carry insurance to protect against these circumstances.
89. The Board of Directors of a corporation is	a. appointed by the state government.	b. elected by the officers of the corporation.	<b>c. elected by the stockholders of the corporation.</b>	d. responsible for the day to day management of the corporation.	e. hired by the managers of the corporation.
90. Corporations usually have more growth potential than do proprietorships or partnerships because	a. corporations do not have to pay taxes on their profits.	b. corporations can always get credit where banks usually will not loan to smaller businesses.	c. both partnerships and proprietorships have a legal limit as to how large they can expand.	<b>d. corporations can raise money by selling shares of stock to many investors.</b>	e. proprietors and partners usually do not work as hard as corporate managers do.

91. The main difference between mediation and arbitration is that	<b>a. a mediator helps the parties to communicate but does not make any formal recommendations.</b>	b. arbitrators are always court judges who know the labor laws.	c. an arbitration is always legally binding.	d. in mediation both parties willingly agree to accept the mediator's decision.	e. mediation is usually more effective than arbitration.
92. The difference between a closed shop and a union shop is	a. the closed shop does not allow new workers to be hired.	<b>b. a nonunion worker may be hired in a union shop, but then must join the union.</b>	c. the union shop is legal everywhere, but the closed shop is usually illegal.	d. the union shop guarantees any qualified worker the right to work.	e. in the closed shop most workers are not members of the union.
93. The main difference between a money market account and a passbook savings account is	a. money market accounts pay a lower rate of interest.	<b>b. money market accounts pay a higher rate of interest.</b>	c. money market accounts are not federally insured at any time.	d. money market accounts can be withdrawn only at the end of their maturity.	e. money market accounts are only available at brokerage firms.
94. A tax free municipal bond is an attractive investment for	<b>a. people who are in a high tax bracket.</b>	b. people who want a high rate of return.	c. people who want a risk free investment.	d. people who want their investment to be guaranteed by the government.	e. people who are retired and have no other source of taxable income.
95. In general the potential reward in a stock investment	a. is not connected with the degree of risk.	b. goes down as the risk increases.	<b>c. goes up as the risk increases.</b>	d. depends upon how high a return an investor is seeking.	e. is free of any risk if the stock is federally insured.
96. Which of these financial investments would have the least risk of loss for the principal?	a. \$10,000 invested in a startup company selling consumer goods on the Internet.	b. \$10,000 invested in a mutual fund specializing in junk bonds.	c. \$10,000 invested in a diversified mutual fund.	d. \$10,000 invested in common stock of Ford Motor Company.	<b>e. \$10,000 invested in a 90 day Treasury Bill.</b>
97. An example of a negative externality might be	a. when new neighbors buy the run down and abandoned house next to yours and fix it up.	<b>b. when a steel factory in your city bums high sulfur coal and pollutes the air.</b>	c. when a business expands and hires more people to work.	d. when a city requires a certain percentage of the taxi cabs to convert to burning natural gas instead of gasoline.	e. when you and your neighbors form a community watch group to reduce crime in your neighborhood.
98. The agency of the government that concerns itself with protecting the environment from abuse by businesses is the	a. Commerce Department.	b. Federal Reserve Board.	<b>c. Environmental Protection Agency.</b>	d. Labor Department.	e. Treasury Department.

99. Which of these problems would not be of concern to an environmental economist?	a. The economics of recycling glass and plastics from garbage.	b. The economics of developing alternative fuels from grains.	c. The environmental costs of clear cutting a forested hillside.	d. The impact on the environment of building a large shopping mall and parking lot near an animal sanctuary.	<b>e. There is no correct answer provided an environmental economist would be concerned with all these issues.</b>
100. Which of these would not be a result from an increase in oil prices?	a. Increased costs of electricity.	b. Increased prices for consumer goods.	c. Increases in the costs of plastics.	d. An effort to discover more oil resources.	<b>e. The traditional communal sharing of agricultural production in an isolated rural village in the Zaire Rainforest.</b>