

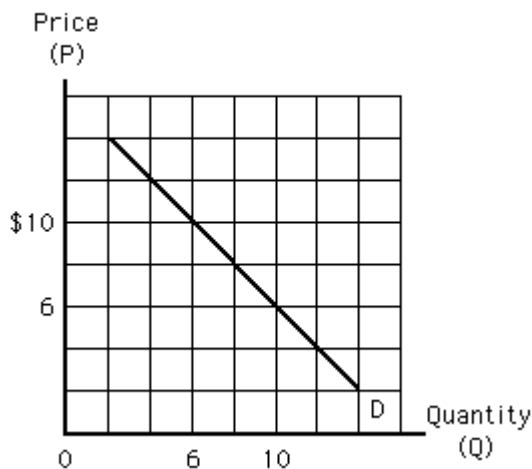
Econ Honors Micro Basics 1A (Practice)

Multiple Choice

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

1. In economics, "land" refers
 - a. only to plots of ground on the surface of the earth
 - b. to the specific area of the earth in a country or region
 - c. to rural regions as distinguished from urban areas
 - d. to the arrival, or coming to rest, of any vehicle
 - e. to any and all natural resources
2. In economics, "capital" refers to
 - a. money
 - b. stocks, bonds, and other financial assets
 - c. the seat of government
 - d. machines, buildings, tools, and knowledge
 - e. net worth (assets minus liabilities)
3. An entrepreneur is a(n)
 - a. individual who has more education
 - b. organizer who seeks profitable opportunities and is willing to accept risks
 - c. business organization involved in using inputs to produce output
 - d. administrator who runs an enterprise without accepting any risk of financial loss
 - e. depot or storehouse for commercial products

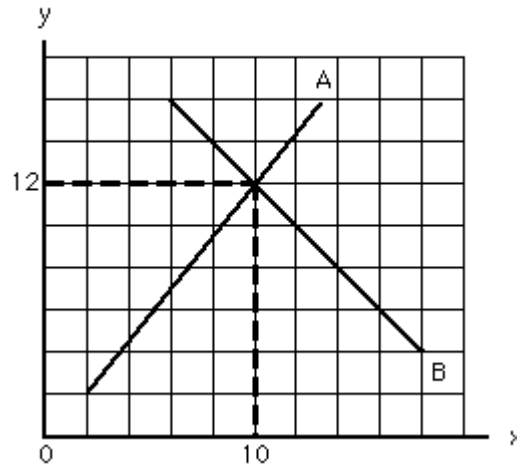
Exhibit 0004



4. According to the curve in Exhibit 0004,
 - a. if $P = \$8$, then $Q = 8$
 - b. if $P = \$10$, then $Q = 10$
 - c. Q increases as P increases
 - d. Q decreases as P decreases
 - e. there is a positive relation between Q and P
5. A graph is a
 - a. lengthy, inefficient, and inconvenient way to illustrate information
 - b. visual illustration of a relationship between variables

- c. method of proving causation
- d. tool for incorporating all major and minor variables in one illustration
- e. clear way to see how the fallacy of composition works

Exhibit 0002



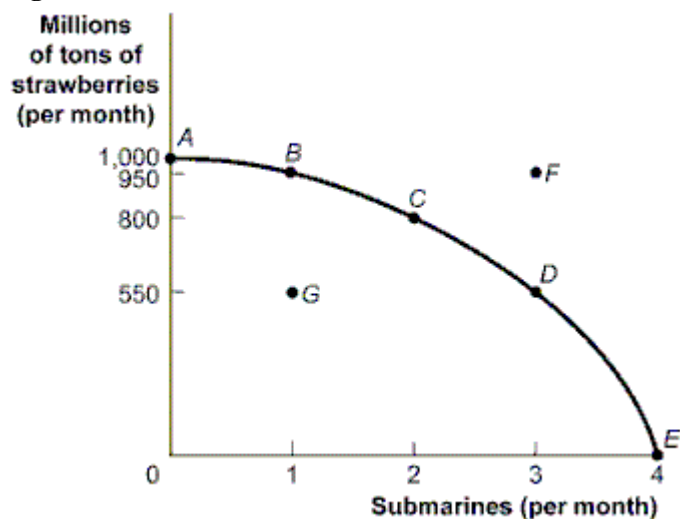
Both Lines A and B are straight

6. In Exhibit 0002, curve B has a _____ slope that is _____ at every point.
 - a. positive; constant
 - b. positive; changing
 - c. negative; constant
 - d. negative; changing
 - e. changing; constant
7. The statement that there is a positive relationship between x and y means that
 - a. x and y move in the same direction
 - b. x causes y
 - c. y causes x
 - d. either y causes x or x causes y
 - e. x and y move in the opposite direction
8. All are characteristics of a market economy except:
 - a. Consumers answer the question, 'What to produce?'
 - b. Producers answer the question, 'How to produce?'
 - c. Consumers and producers, through the price system, answer the question, 'For whom to produce?'
 - d. The government makes no economic decisions.
 - e. Failures never occur.
9. Which of the following government roles is fundamental for a free market economy?
 - a. Ensuring adequate competition in the market place
 - b. Provision of public goods
 - c. Ensuring freedom of expression
 - d. Protection of private property
 - e. Provision of public education
10. An economy is allocatively efficient if it is productively efficient AND which of the following:
 - a. distributing resources to earn the highest profits.
 - b. distributing income to ensure consumer equity.

- c. distributing products to ensure consumer equity.
 - d. distributing resources and products to best address consumer desires.
 - e. distributing resources and products to best address producer desires.
11. If resources are “scarce” it means that:
- a. they cannot provide enough goods or services to satisfy all human material wants and needs at zero cost.
 - b. they have no opportunity cost.
 - c. they are probably not valued by consumers.
 - d. they have an unlimited supply.
 - e. it is impossible to create a supply of, or demand for, these resources.
12. A key theme fundamental to all of economics is:
- a. there are limited wants.
 - b. we are a rich country but are simply not aware of it.
 - c. people have unlimited wants and face limited means to satisfy them.
 - d. there are unlimited resources.
 - e. income is evenly distributed to all persons in the economy.
13. When we are forced to make choices we are facing the concept of:
- a. *ceteris paribus*.
 - b. free goods.
 - c. scarcity.
 - d. the margin.
 - e. positive and normative analysis.
14. While eating pizza, you discover that the marginal benefit of eating one more slice is greater than the marginal cost of that slice. You then conclude:
- a. you will be better off if you eat one more slice.
 - b. you will be no better off and no worse off from eating one more slice.
 - c. you will be worse off if you eat one more slice.
 - d. the total cost of eating the pizza will be more than the total benefit of eating the pizza.
 - e. you should immediately stop eating to maximize your net benefit.
15. The _____ is the amount by which an additional unit of activity increases its cost.
- a. marginal cost
 - b. average cost
 - c. average profit
 - d. marginal benefit
 - e. marginal profit
16. According to the optimal output rule, if marginal benefit:
- a. exceeds marginal cost, an activity should be increased.
 - b. is less than marginal cost, an activity should be increased.
 - c. is equal to marginal cost, an activity should be increased.
 - d. exceeds marginal cost, net benefit is maximized.
 - e. is equal to marginal cost, an activity should be reduced.
17. Tara notices that one hour of studying causes her economics grade to improve by 11 points, while the second hour increases her average by 7 points, the third hour yields a 4-point gain and the fourth hour only 1 point. This means that the marginal _____ of studying decreases over time.
- a. cost
 - b. benefit
 - c. opportunity cost
 - d. time
 - e. revenue

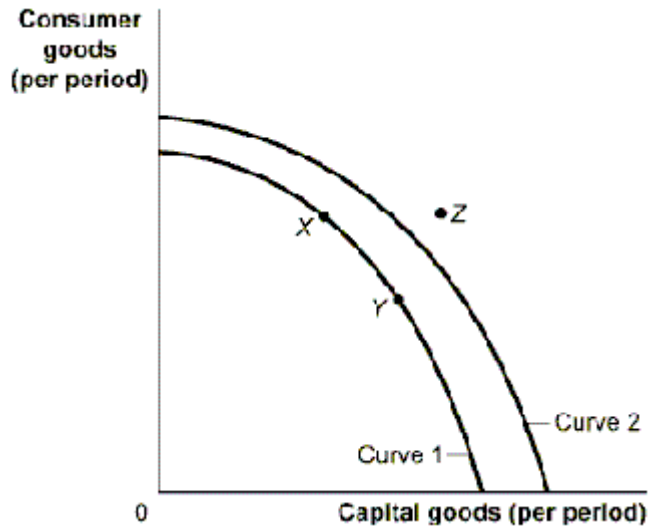
18. The principle of marginal analysis refers to:
 - a. a method of analysis that divides large problems into smaller, more manageable ones.
 - b. the notion that problems facing a group of individuals can be effectively analyzed by focusing on only a small subsample of the group.
 - c. the result that the optimal quantity of an activity is that at which marginal benefit is equal to marginal cost.
 - d. the result that the optimal quantity of an activity is that at which the total benefit of the individual is maximized.
 - e. the result that economic output can be increased with free trade between nations.

Figure 3-2: Strawberries and Submarines



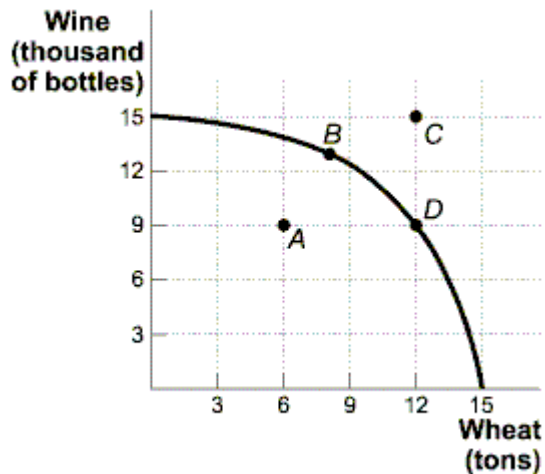
19. (Figure 3-2: Strawberries and Submarines) Suppose the economy is operating at point *G*. This implies that:
 - a. the economy can move to a point such as *C* only if it improves its technology.
 - b. the economy is experiencing unemployment and/or an inefficient allocation of resources.
 - c. the economy lacks the resources to achieve a combination such as *C*.
 - d. people in this economy don't really like strawberries and submarines.
 - e. the economy can move to point *B*, but must sacrifice submarine production to do so.
20. (Figure 3-2: Strawberries and Submarines) Suppose the economy is operating at point *C*. Moving to point *E* would require that the economy:
 - a. reduce employment and allow some resources to be idle.
 - b. eliminate its production of strawberries.
 - c. reduce its production of submarines.
 - d. improve its technology or increase the quantity of economic resources.
 - e. convert resources currently in submarine production to strawberry production.

Figure 3-3: Consumer and Capital Goods



21. (Figure 3-3: Consumer and Capital Goods) The movement from Curve 1 to Curve 2 indicates:
- economic growth.
 - change from unemployment to full employment.
 - a decrease in the level of technology.
 - instability.
 - the recovery from a recession.

Figure 3-5: Tom's Production Possibilities



22. (Figure 3-5: Tom's Production Possibilities) In the figure, which point or points would represent (an) efficient combination(s) of wine and wheat that Tom could choose to produce?
- A
 - B and D
 - B and C
 - D
 - C and D
23. (Figure 3-5: Tom's Production Possibilities) In the figure, which point or points would represent (an) inefficient combination(s) of wine and wheat if Tom made that choice?
- A

- b. A and B
 - c. C
 - d. B and D
 - e. C and D
24. At the point at which it is currently producing, the United States must give up the production of 500 bicycles to produce 20 additional tractors. The opportunity cost of producing 100 bicycles is _____ tractor(s).
- a. 1
 - b. 4
 - c. 25
 - d. 100
 - e. 5
25. Gains from trade exist for:
- a. individuals only.
 - b. states only.
 - c. countries only.
 - d. individuals, states, and countries.
 - e. states and countries only.
26. Specialization and trade should lead to all of the following *except*:
- a. individuals learning specific skills and earning a salary.
 - b. a decrease in total economic output.
 - c. higher living standards.
 - d. the exchange of goods and services in markets.
 - e. an increased flow of goods and services across national borders.
27. An economy that has the lowest opportunity cost for producing a particular good is said to have a(n):
- a. technological advantage.
 - b. comparative advantage.
 - c. production possibility curve.
 - d. increasing opportunity cost.
 - e. absolute advantage.
28. An economy is said to have a comparative advantage in the production of a good if it can produce that good:
- a. with more resources than another economy.
 - b. with a higher opportunity cost than another economy.
 - c. outside its production possibilities curve.
 - d. at a lower opportunity cost than another economy.
 - e. less efficiently than another economy.
29. An economy is said to have a comparative advantage in the production of a good if it can produce that good:
- a. with more resources than another economy.
 - b. with a higher opportunity cost than another economy.
 - c. outside its production possibility curve.
 - d. at a lower opportunity cost than another economy.
 - e. with a higher level of quality than another economy.

Sweden and Finland produce only two goods, herring and cell phones, and this table shows the maximum amount that each nation can produce of the two goods.

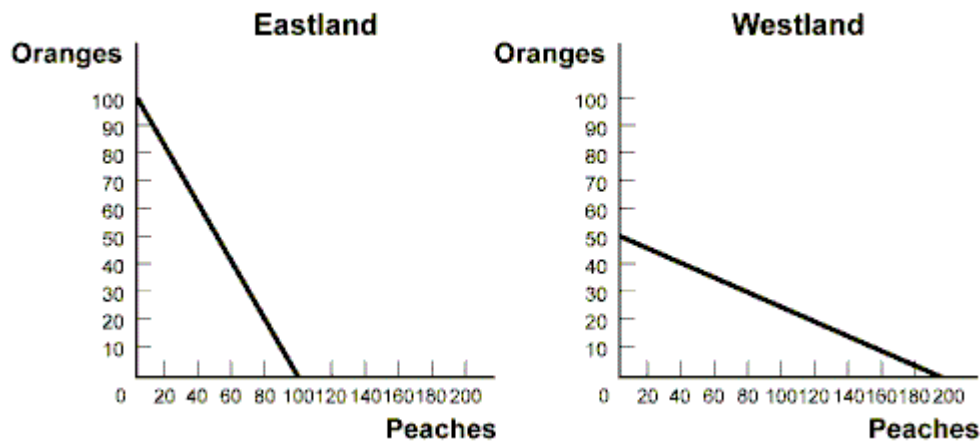
	<i>Sweden</i>	<i>Finland</i>
Herring	100,000	50,000
Cell phones	10,000	10,000

Table 4-3: Comparative Advantage I

30. **(Table 4-3: Comparative Advantage I)** Sweden has an absolute advantage in producing:
 - a. cell phones only.
 - b. a combination of cell phones and herring.
 - c. both cell phones and herring.
 - d. neither cell phones nor herring.
 - e. herring only.
31. **(Table 4-3: Comparative Advantage I)** Finland has a comparative advantage in producing:
 - a. cell phones only.
 - b. herring only.
 - c. both cell phones and herring.
 - d. neither cell phones nor herring.
 - e. a combination of cell phones and herring.
32. **(Table 4-3: Comparative Advantage I)** The opportunity cost of producing 1 unit of cell phones for Sweden is:
 - a. 10 units of herring.
 - b. 1/5 unit of herring.
 - c. 5 units of herring.
 - d. 1/10 unit of herring.
 - e. 10 units of cell phones.

Figure 4-2: Comparative Advantage

Eastland and Westland produce only two goods, peaches and oranges, and this figure shows each nation's production possibility curve for the two goods.



33. **(Figure 4-2: Comparative Advantage)** Eastland has an absolute advantage in producing:
 - a. oranges only.
 - b. peaches only.
 - c. both oranges and peaches.
 - d. neither oranges nor peaches.
 - e. a combination of oranges and peaches.
34. **(Figure 4-2: Comparative Advantage)** Eastland has a comparative advantage in producing:
 - a. oranges only.
 - b. peaches only.
 - c. both oranges and peaches.
 - d. neither oranges nor peaches.
 - e. a combination of oranges and peaches.
35. **(Figure 4-2: Comparative Advantage)** The opportunity cost of producing 1 unit of oranges for Eastland is:
 - a. 1 unit of peaches.

- b. $\frac{1}{4}$ unit of peaches.
- c. 4 units of peaches.
- d. 10 units of peaches.
- e. 100 units of peaches.

