Principles of Microeconomics 9th edition Mankiw Test Bank

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TRUE/FALSE

1 : Economists try to address their subject with a scientist’s objectivity.
A : true
B : false

Correct Answer : A

2 : Economists devise theories, collect data, and then analyze these data in an attempt to verify or refute their theories.
A : true
B : false

Correct Answer : A

3 : The scientific method is the dispassionate development and testing of theories about how the world works.
A : true
B : false

Correct Answer : A

4 : The scientific method can be applied to the study of economics.
A : true
B : false

Correct Answer : A

5 : While the scientific method is applicable to studying natural sciences, it is not applicable to studying a nation’s economy.
A : true
B : false

Correct Answer : B

6 : For economists, conducting experiments is often difficult and sometimes impossible.
A : true
B : false

Correct Answer : A

7 : Economists usually have to make do with whatever data the world happens to give them.
A : true
B : false

Correct Answer : A

8 : It is difficult for economists to make observations and develop theories, but it is easy for economists to run experiments to generate data to test their theories.
A : true
B : false

Correct Answer : B

9 : Since economists cannot use natural experiments offered by history, they must use carefully constructed laboratory experiments instead.
A : true
B : false

Correct Answer : B

10 : Historical episodes are not valuable to economists.
A : true
B : false

Correct Answer : B

11 : Historical episodes allow economists to illustrate and evaluate current economic theories.
A : true
B : false

Correct Answer : A

12 : Good assumptions simplify a problem without substantially affecting the answer.
A : true
B : false

Correct Answer : A

13 : Assumptions can simplify the complex world and make it easier to understand.
A : true
B : false

Correct Answer : A

14 : Economists often find it worthwhile to make assumptions that do not necessarily describe the real world.
A : true
B : false

Correct Answer : A

15 : Economists use one standard set of assumptions to answer all economic questions.
A : true
B : false

Correct Answer : B

16 : Economic models are most often composed of diagrams and equations.
A : true
B : false

Correct Answer : A

17 : Economic models omit many details to allow us to see what is truly important.

A : true
B : false

Correct Answer : A

18 : Economic models can help us understand reality only when they include all details of the economy.
A : true
B : false

Correct Answer : B

19 : An economic model can accurately explain how the economy is organized because it is designed to include, to the extent possible, all features of the real world.
A : true
B : false

Correct Answer : B

20 : All scientific models, including economic models, simplify reality in order to improve our understanding of it.
A : true
B : false

Correct Answer : A

21 : The circular-flow diagram explains, in general terms, how the economy is organized and how participants in the economy interact with one another.
A : true
B : false

Correct Answer : A

22 : A circular-flow diagram is a visual model of the economy.
A : true
B : false

Correct Answer : A

23 : The circular flow model is not used anymore because it fails to perfectly replicate real world situations.
A : true
B : false

Correct Answer : B

24 : In the circular-flow diagram, households and firms are the decision makers.
A : true
B : false

Correct Answer : A

25 : In the circular-flow diagram, firms produce goods and services using the factors of

production.
A : true
B : false

Correct Answer : A

26 : In the circular-flow diagram, factors of production are the goods and services produced by firms.
A : true
B : false

Correct Answer : B

27 : In the circular-flow diagram, factors of production include land, labor, and capital.
A : true
B : false

Correct Answer : A

28 : In the circular-flow diagram, firms own the factors of production and use them to produce goods and services.
A : true
B : false

Correct Answer : B

29 : In the circular-flow diagram, firms consume all the goods and services that they produce.
A : true
B : false

Correct Answer : B

30 : In the circular-flow diagram, the two types of markets in which households and firms interact are the markets for goods and services and the markets for factors of production.
A : true
B : false

Correct Answer : A

31 : In the markets for goods and services in the circular-flow diagram, households are buyers and firms are sellers.
A : true
B : false

Correct Answer : A

32 : In the markets for the factors of production in the circular-flow diagram, households are buyers and firms are sellers.
A : true
B : false

Correct Answer : B

33 : In the circular-flow diagram, one loop represents the flow of goods, services, and factors of production, and the other loop represents the corresponding flow of dollars.
A : true
B : false

Correct Answer : A

34 : In the circular-flow diagram, one loop represents the flow of goods and services, and the other loop represents the flow of factors of production.
A : true
B : false

Correct Answer : B

35 : In the circular-flow diagram, payments for labor, land, and capital flow from firms to households through the markets for the factors of production.
A : true
B : false

Correct Answer : A

36 : The production possibilities frontier is a graph that shows the various combinations of outputs that the economy can possibly produce given the available factors of production and the available production technology.
A : true
B : false

Correct Answer : A

37 :

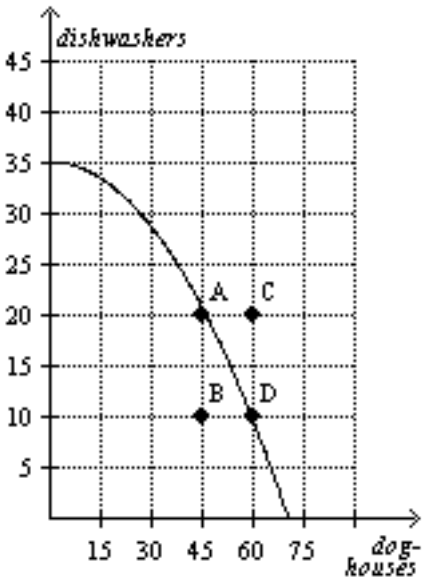


Figure 2-10???Refer to Figure 2-10. If this economy uses all its resources in the dishwasher industry, it produces 35 dishwashers and no doghouses.
A : true
B : false

Correct Answer : A

38 :

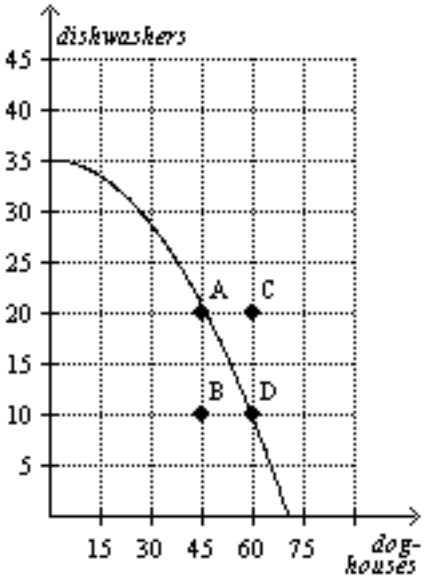


Figure 2-10???Refer to Figure 2-10. It is possible for this economy to produce 75 doghouses.
A : true
B : false

Correct Answer : B

39 :

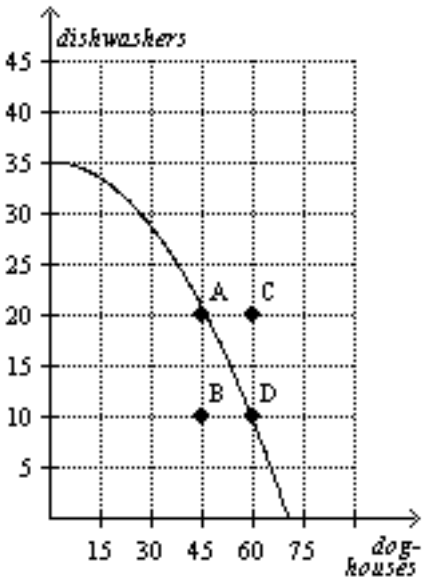


Figure 2-10???Refer to Figure 2-10. It is possible for this economy to produce 30 doghouses and 20 dishwashers.
A : true
B : false

Correct Answer : A

40 :

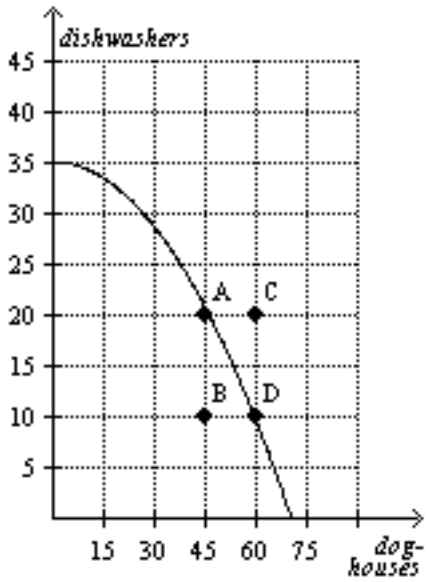


Figure 2-10???Refer to Figure 2-10. It is possible for this economy to produce 45 doghouses and 30 dishwashers.
A : true
B : false

Correct Answer : B

41 :

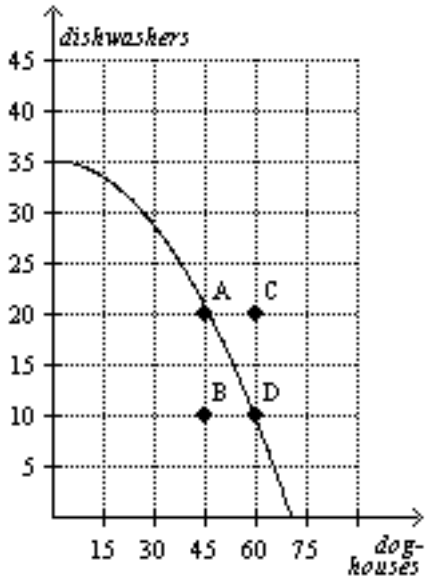


Figure 2-10???Refer to Figure 2-10. When this economy produces 30 doghouses and 25 dishwashers there is full employment.
A : true
B : false

Correct Answer : B

42 :

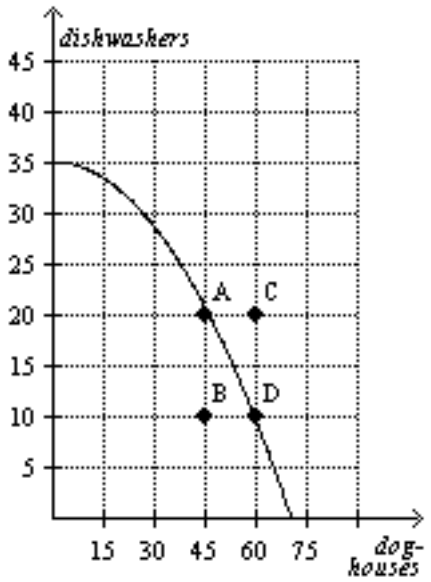


Figure 2-10???Refer to Figure 2-10. This economy fully employs its resources when it produces 35 dishwashers and zero doghouses.
A : true
B : false

Correct Answer : A

43 :

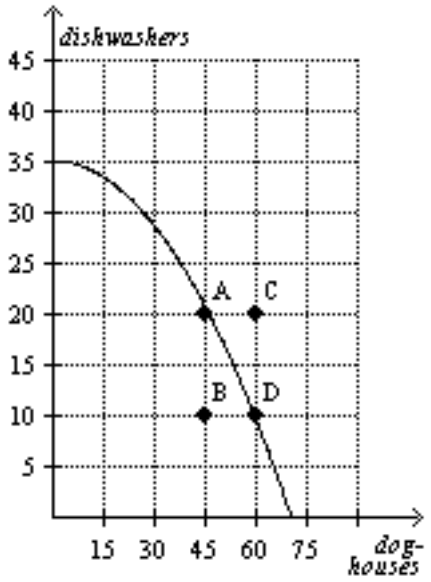


Figure 2-10???Refer to Figure 2-10. Given the technology available for manufacturing doghouses and dishwashers, this economy does not have enough of the factors of production to support the level of output represented by point C.
A : true
B : false

Correct Answer : A

44 :

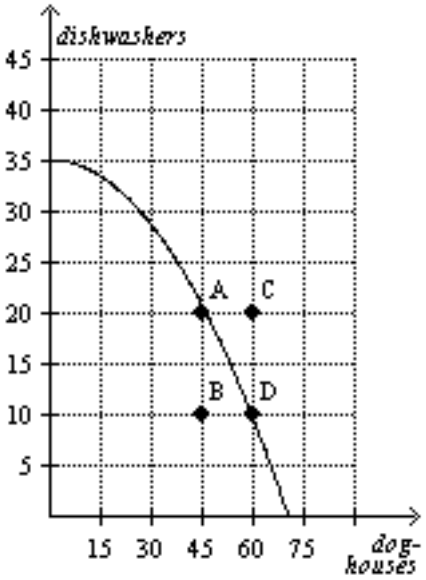


Figure 2-10???Refer to Figure 2-10. Points A, B, and D represent feasible outcomes for this economy.
A : true
B : false

Correct Answer : A

45 :

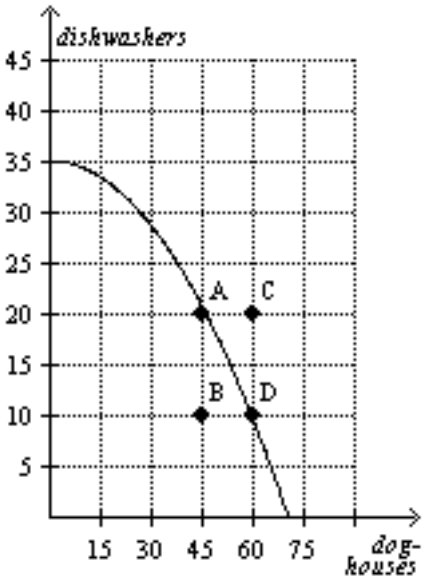


Figure 2-10???Refer to Figure 2-10. Points B and C represent infeasible outcomes for this economy.
A : true
B : false

Correct Answer : B

46 :

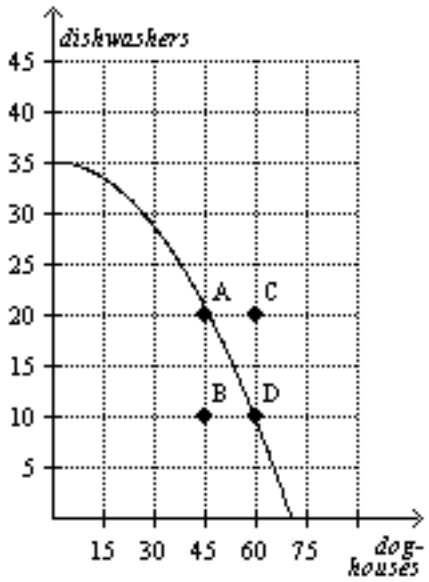


Figure 2-10???Refer to Figure 2-10. Points A, B, and D represent efficient outcomes for this economy.
A : true
B : false

Correct Answer : B

47 :

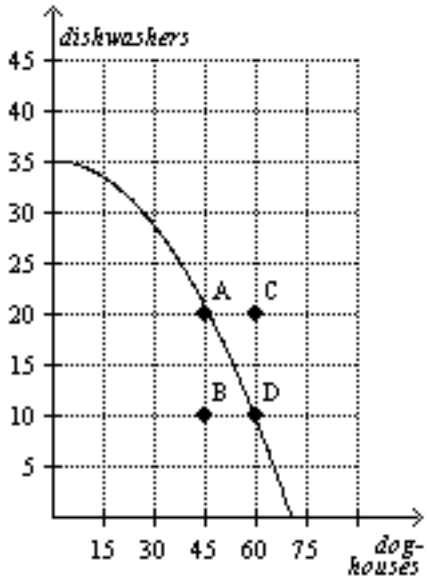


Figure 2-10???Refer to Figure 2-10. Point B represents an inefficient outcome for this economy.
A : true
B : false

Correct Answer : A

48 :

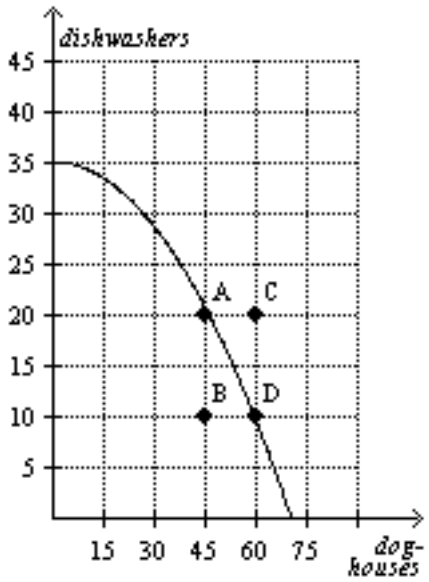


Figure 2-10???Refer to Figure 2-10. Unemployment could cause this economy to produce at point B.
A : true
B : false

Correct Answer : A

49 :

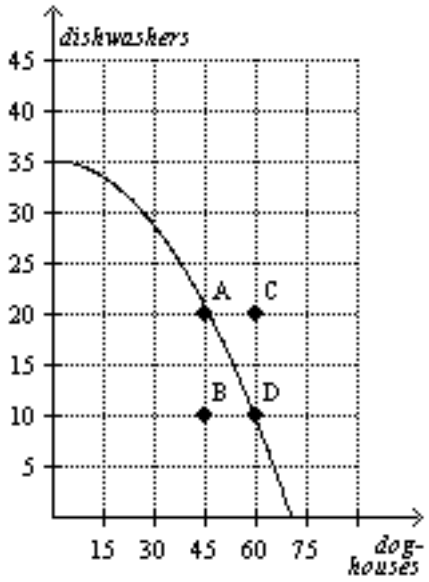


Figure 2-10???Refer to Figure 2-10. The opportunity cost of moving from point A to point D is 10 dishwashers.
A : true
B : false

Correct Answer : A

50 :

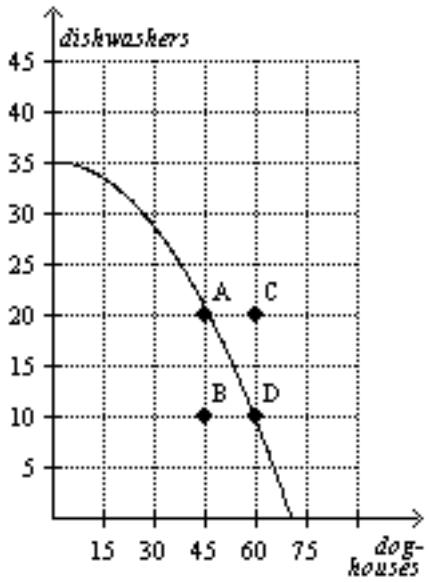


Figure 2-10???Refer to Figure 2-10. The opportunity cost of moving from point B to point D is 15 doghouses.
A : true
B : false

Correct Answer : B

51 :

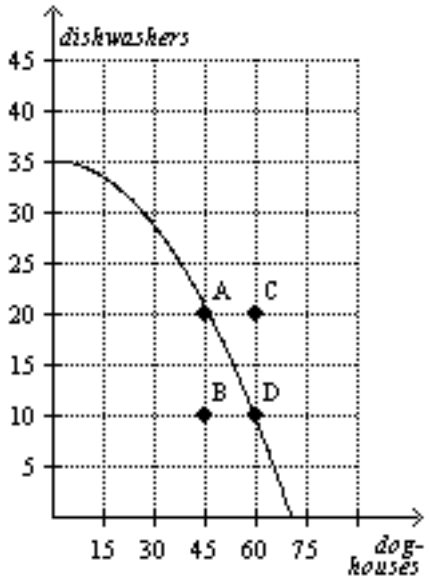


Figure 2-10???Refer to Figure 2-10. The opportunity cost of moving from point B to point A is zero.
A : true
B : false

Correct Answer : A

52 :

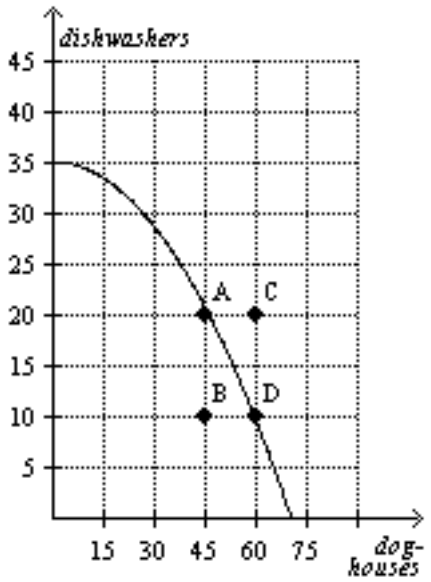


Figure 2-10???Refer to Figure 2-10. The opportunity cost of an additional doghouse increases as more doghouses are produced.
A : true
B : false

Correct Answer : A

53 :

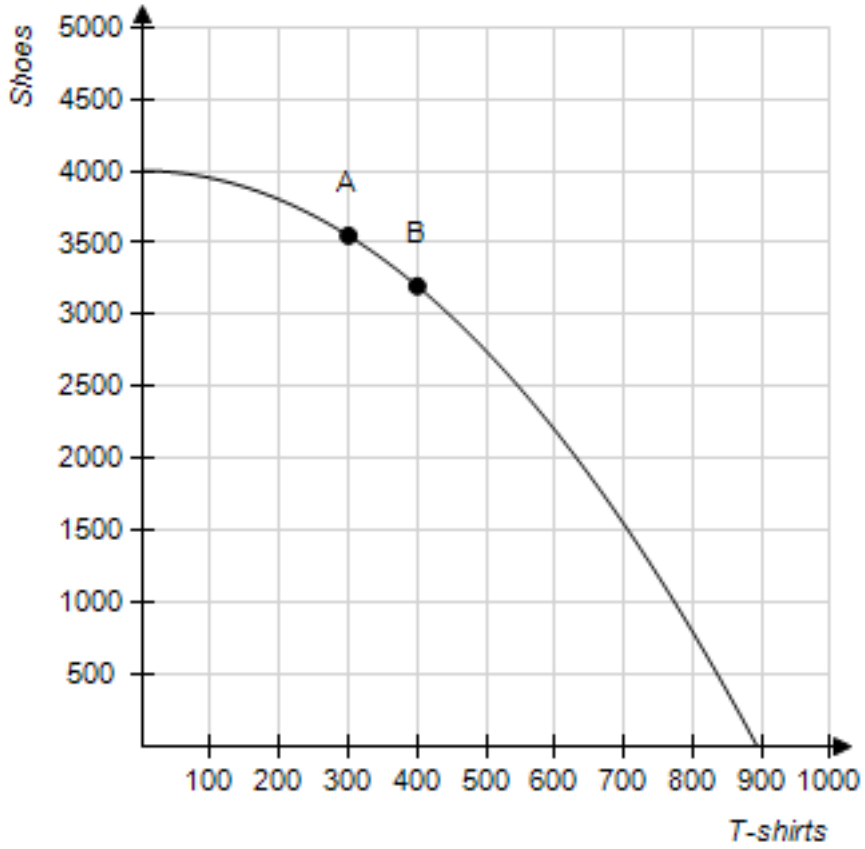


Figure 2-11Refer to Figure 2-11. Point B represents an inefficient outcome for this economy.
A : true
B : false

Correct Answer : B

54 :

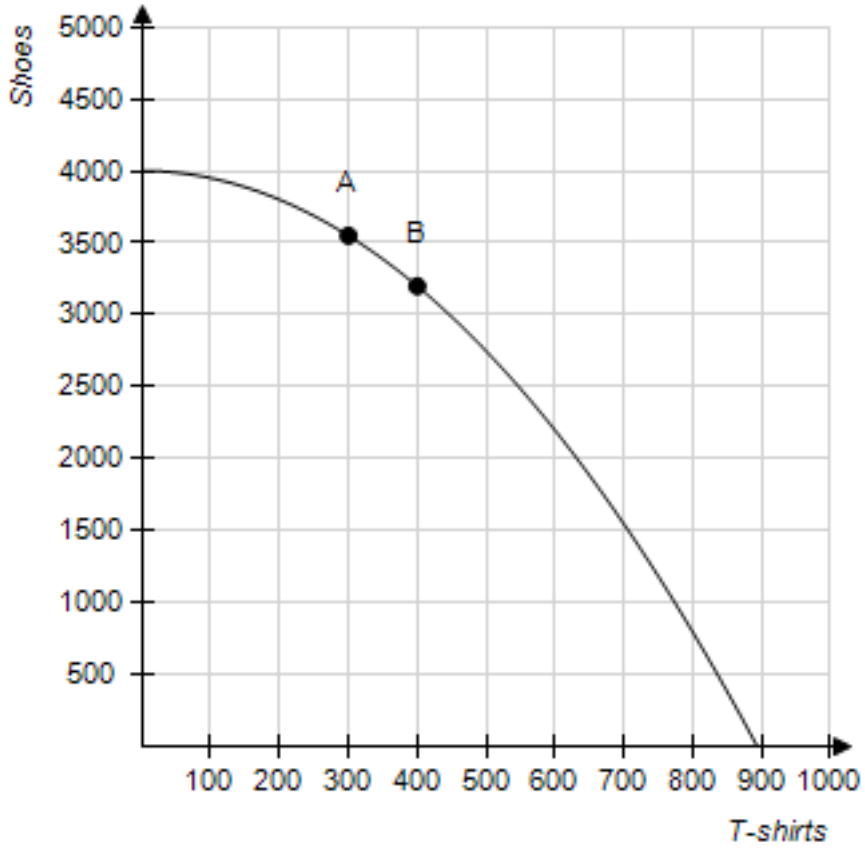


Figure 2-11Refer to Figure 2-11. The opportunity cost of moving from point A to point B is zero.
A : true
B : false

Correct Answer : B

55 :

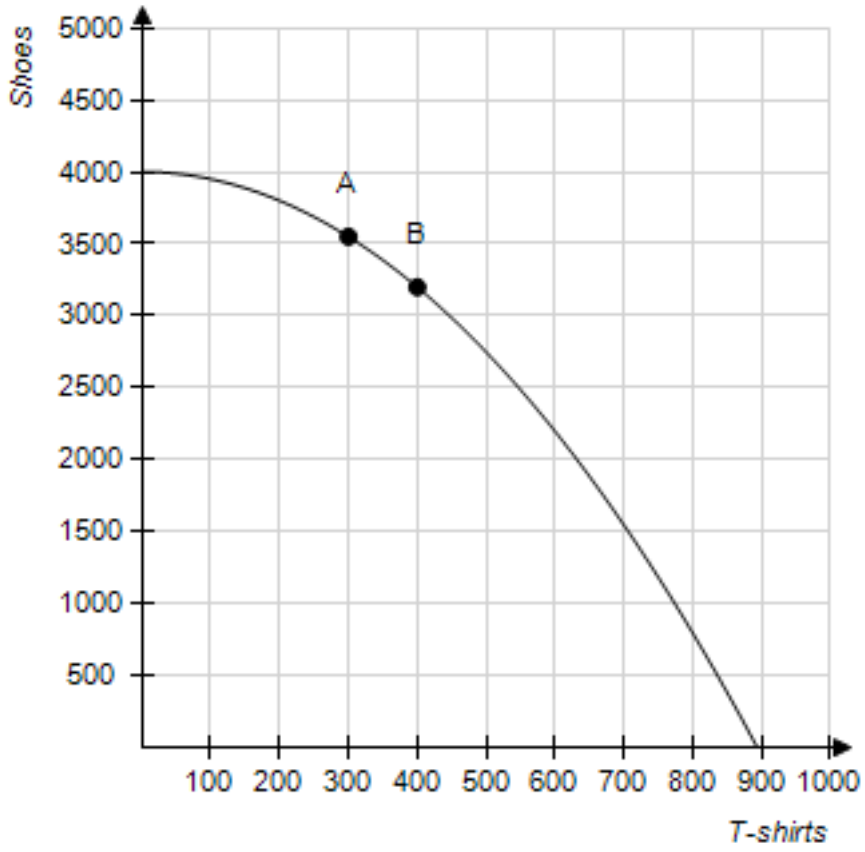


Figure 2-11Refer to Figure 2-11. The opportunity cost of producing an additional pair of shoes increases as more shoes are produced.
A : true
B : false

Correct Answer : A

56 :

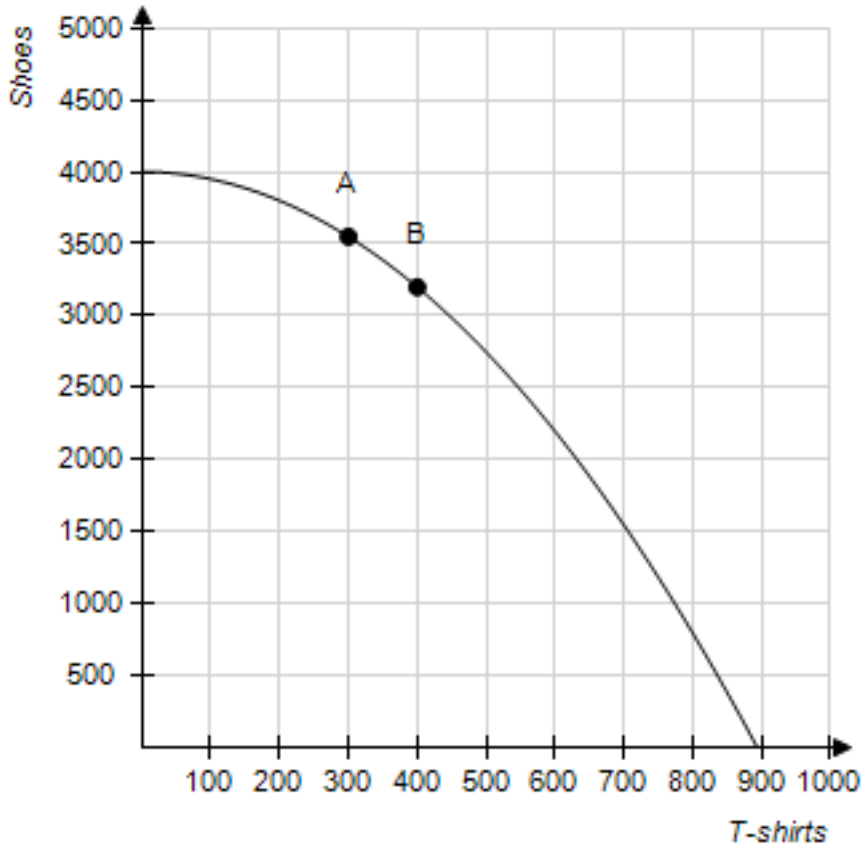


Figure 2-11Refer to Figure 2-11. This economy fully employs its resources when it produces 4000 shoes and zero t-shirts.
A : true
B : false

Correct Answer : A

57 :

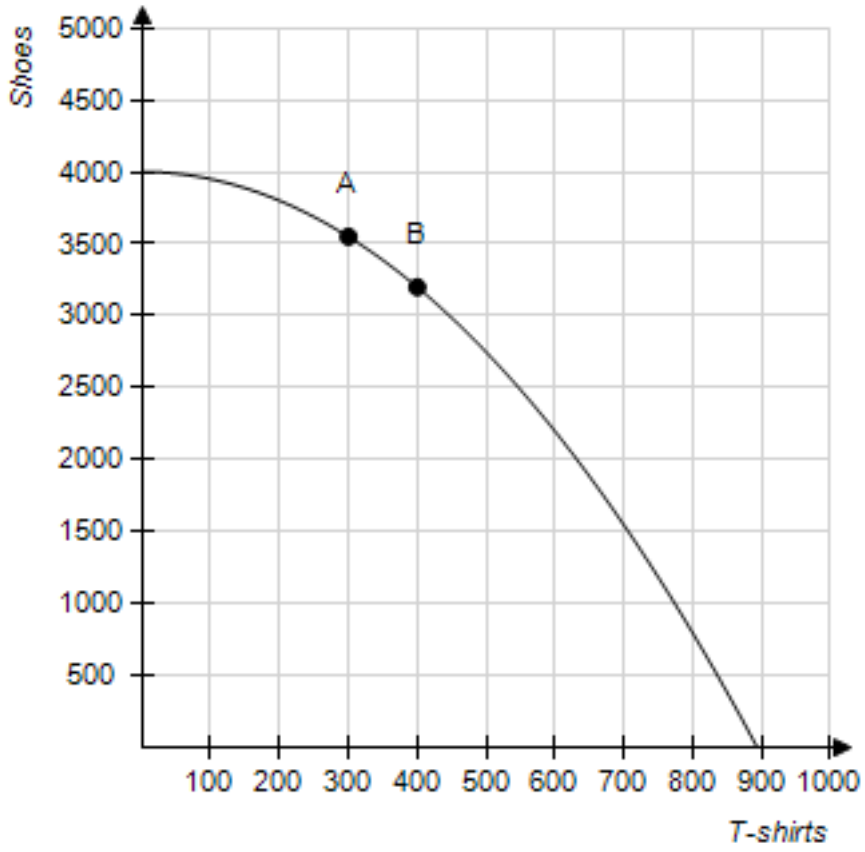


Figure 2-11Refer to Figure 2-11. It is possible for this economy to produce 1000 shoes.
A : true
B : false

Correct Answer : A

58 : With the resources it has, an economy can produce at any point on or outside the production possibilities frontier, but it cannot produce at points inside the frontier.
A : true
B : false

Correct Answer : B

59 : Points inside the production possibilities frontier represent feasible levels of production.
A : true
B : false

Correct Answer : A

60 : Points inside the production possibilities frontier represent inefficient levels of production.
A : true
B : false

Correct Answer : A

61 : Points on the production possibilities frontier represent efficient levels of production.
A : true

B : false

Correct Answer : A

62 : Points outside the production possibilities frontier represent infeasible levels of production.
A : true
B : false

Correct Answer : A

63 : If a major union goes on strike, then the country would be operating inside its production possibilities frontier.
A : true
B : false

Correct Answer : A

64 : An outcome is said to be efficient if an economy is getting all it can from the scarce resources it has available.
A : true
B : false

Correct Answer : A

65 : An outcome is said to be efficient if an economy is conserving the largest possible quantity of its scarce resources while still meeting the basic needs of society.
A : true
B : false

Correct Answer : B

66 : A production point is said to be efficient if there is no way for the economy to produce more of one good without producing less of another.
A : true
B : false

Correct Answer : A

67 : If an economy can produce more of one good without giving up any of another good, then the economy’s current production point is inefficient.
A : true
B : false

Correct Answer : A

68 : Unemployment causes production levels to be inefficient.
A : true
B : false

Correct Answer : A

69 : The opportunity cost of something is what you give up to get it.
A : true

B : false

Correct Answer : A

70 : The production possibilities frontier shows the opportunity cost of one good as measured in terms of the other good.
A : true
B : false

Correct Answer : A

71 : When a production possibilities frontier is bowed outward, the opportunity cost of one good in terms of the other is constant.
A : true
B : false

Correct Answer : B

72 : When a production possibilities frontier is bowed outward, the opportunity cost of one good in terms of the other depends on how much of each good is being produced.
A : true
B : false

Correct Answer : A

73 : When a production possibilities frontier is bowed outward, the opportunity cost of the first good in terms of the second good increases as more of the second good is produced.
A : true
B : false

Correct Answer : B

74 : When a production possibilities frontier is bowed outward, the opportunity cost of the second good in terms of the first good increases as more of the second good is produced.
A : true
B : false

Correct Answer : A

75 : A production possibilities frontier has a bowed shape if the opportunity cost is constant at all levels of output.
A : true
B : false

Correct Answer : B

76 : Economists believe that production possibilities frontiers rarely have a bowed shape.
A : true
B : false

Correct Answer : B

77 : A production possibilities frontier will be bowed outward if some of the economy’s

resources are better suited to producing one good than another.
A : true
B : false

Correct Answer : A

78 : The trade-off between the production of one good and the production of another good can change over time because of technological advances.
A : true
B : false

Correct Answer : A

79 : A technological advance in the production of the first good increases the opportunity cost of the first good in terms of the second good.
A : true
B : false

Correct Answer : A

80 : While the production possibilities frontier is a useful model, it cannot be used to illustrate economic growth.
A : true
B : false

Correct Answer : B

81 : Economic growth causes a production possibilities frontier to shift outward.
A : true
B : false

Correct Answer : A

82 : If new government regulations designed to protect wetlands remove very productive farmland from production, then the production possibilities frontier will shift inward.
A : true
B : false

Correct Answer : A

83 : Production possibilities frontiers can be used to illustrate scarcity, trade-offs, opportunity cost, efficiency, unemployment, technological advances, and economic growth.
A : true
B : false

Correct Answer : A

84 : Microeconomics is the study of how households and firms make decisions and how they interact in specific markets.
A : true
B : false

Correct Answer : A

85 : Macroeconomics is the study of economy-wide phenomena.
A : true
B : false

Correct Answer : A

86 : The effects of borrowing by the federal government would be studied by a microeconomist rather than a macroeconomist.
A : true
B : false

Correct Answer : B

87 : The effects of foreign competition on the U.S. textile industry would be studied by a microeconomist rather than a macroeconomist.
A : true
B : false

Correct Answer : A

88 : A macroeconomist, rather than a microeconomist, would study the effects on a market from two firms merging.
A : true
B : false

Correct Answer : B

89 : Microeconomics and macroeconomics are closely intertwined.
A : true
B : false

Correct Answer : A

90 : When economists are trying to explain the world, they are scientists, and when they are trying to help improve the world, they are policy advisers.
A : true
B : false

Correct Answer : A

91 : Economists acting as scientists make positive statements, while economists acting as policy advisers make normative statements.
A : true
B : false

Correct Answer : A

92 : Normative statements describe how the world is, while positive statements prescribe how the world should be.
A : true
B : false

Correct Answer : B

93 : Positive statements are descriptive, while normative statements are prescriptive.
A : true
B : false

Correct Answer : A

94 : Positive statements can be evaluated using data alone, but normative statements cannot.
A : true
B : false

Correct Answer : A

95 : Evaluating normative statements involves values as well as facts.
A : true
B : false

Correct Answer : A

96 : "Society would be better off if the welfare system were abolished" is a normative statement, not a positive statement.
A : true
B : false

Correct Answer : A

97 : "Other things equal, an increase in supply causes a decrease in price" is a normative statement, not a positive statement.
A : true
B : false

Correct Answer : B

98 : "Minimum wage laws result in unemployment” is a normative statement, while “the minimum wage should be higher” is a positive statement.
A : true
B : false

Correct Answer : B

99 : “The US should not restrict employers from outsourcing work to foreign countries” is a normative statement.
A : true
B : false

Correct Answer : A

100 : Trade-offs are involved in most policy decisions.
A : true
B : false

Correct Answer : A

101 : Since 1946, the president of the United States has received guidance from the Council of Economic Advisers.
A : true
B : false

Correct Answer : A

102 : The Council of Economic Advisers consists of thirty members and a staff of several dozen economists.
A : true
B : false

Correct Answer : B

103 : The duties of the Council of Economic Advisers are to advise the president of the United States and to determine U.S. monetary policy.
A : true
B : false

Correct Answer : B

104 : The Council of Economic Advisers' Economic Report of the President discusses recent developments in the economy and presents the council's analysis of current policy issues.
A : true
B : false

Correct Answer : A

105 : The President counts among his economic advisors the Congressional Budget Office.
A : true
B : false

Correct Answer : B

106 : Economists at the U.S. Department of the Treasury help design U.S. coins and paper money.
A : true
B : false

Correct Answer : B

107 : Economists at the U.S. Department of Justice help enforce the nation's antitrust laws.
A : true
B : false

Correct Answer : A

108 : Economists work both inside and outside the administrative branch of the U.S. government.
A : true
B : false

Correct Answer : A

109 : The Congressional Budget Office, which is staffed by economists, provides Congress with independent evaluations of policy proposals.
A : true
B : false

Correct Answer : A

110 : There is only one explanation for why economists give conflicting advice on policy issues, and it is that they have different values about what policy should try to accomplish.
A : true
B : false

Correct Answer : B

111 : Economists may disagree about the validity of alternative positive theories about how the world works.
A : true
B : false

Correct Answer : A

112 : Different values are not a reason for disagreement among economists.
A : true
B : false

Correct Answer : B

113 : In surveys of professional economists, fourteen propositions were endorsed by an overwhelming majority of respondents.
A : true
B : false

Correct Answer : A

114 : Because almost all economists oppose policies that restrict trade among nations, policymakers do not restrict imports of certain goods.
A : true
B : false

Correct Answer : B

115 : According to John Maynard Keynes, an economist must possess a rare combination of skills including being a mathematician, historian, statesman, and philosopher.
A : true
B : false

Correct Answer : A

116 : In economics, graphs serve two purposes: they offer a way to visually express ideas, and they provide a way of finding and interpreting patterns when analyzing economic data.
A : true

B : false

Correct Answer : A

117 : Examples of graphs of a single variable include pie charts, bar graphs, and time-series graphs.
A : true
B : false

Correct Answer : A

118 : A pie chart is a way to display information regarding two variables.
A : true
B : false

Correct Answer : B

119 : In the ordered pair (10,30), 10 is the y-coordinate and 30 is the z-coordinate.
A : true
B : false

Correct Answer : B

120 : In the ordered pair (10,30), 10 is the horizontal location of the point and 30 is the vertical location of the point.
A : true
B : false

Correct Answer : A

121 : Two variables that have a positive correlation move in the same direction.
A : true
B : false

Correct Answer : A

122 : Two variables that have a negative correlation move in opposite directions.
A : true
B : false

Correct Answer : A

123 : When two variables move in opposite directions, the curve relating them is upward sloping, and we say the variables are positively related.
A : true
B : false

Correct Answer : B

124 : When two variables move in the same direction, the curve relating them is downward sloping, and we say the variables are negatively related.
A : true
B : false

Correct Answer : B

125 : When a variable that is named on an axis of a graph changes, the curve shifts.
A : true
B : false

Correct Answer : B

126 : When a variable that is not named on either axis of a graph changes, we read the change as a movement along the curve.
A : true
B : false

Correct Answer : B

127 : The concept of slope can be used to answer questions about how much one variable responds to changes in another variable.
A : true
B : false

Correct Answer : A

128 : The slope of a line is equal to the change in the x-variable divided by the change in the y-variable.
A : true
B : false

Correct Answer : B

129 : The slope of an upward-sloping line is positive, and the slope of a downward-sloping line is negative.
A : true
B : false

Correct Answer : A

130 : The slope of a horizontal line is infinite, and the slope of a vertical line is zero.
A : true
B : false

Correct Answer : B

131 : The slope of a line is the ratio of the vertical distance covered to the horizontal distance covered along the line.
A : true
B : false

Correct Answer : A

132 : If a line passes through the points (20,5) and (10,10), then the slope of the line is 1/2.
A : true
B : false

Correct Answer : B

133 : If a line passes through the points (20,5) and (10,10), then the slope of the line is -2.
A : true
B : false

Correct Answer : B

134 : Changes in one variable on a graph might be caused by the other variable on the graph or by a third omitted variable.
A : true
B : false

Correct Answer : A

135 : Deciding that A causes B when in fact B causes A is a mistake called omitted variable bias.
A : true
B : false

Correct Answer : B

136 : The broken window fallacy states that when a window breaks and someone spends money to repair it, they have created new economic activity that would not have otherwise taken place.
A : true
B : false

Correct Answer : A

SHORT RESPONSE

137 : Like biologists and physicists, economists use the dispassionate development and testing of how the world works known as the

Correct Answer : scientific method.

138 : As a substitute for laboratory experiments, economists use evidence available through history’s

Correct Answer : natural experiments.

139 :

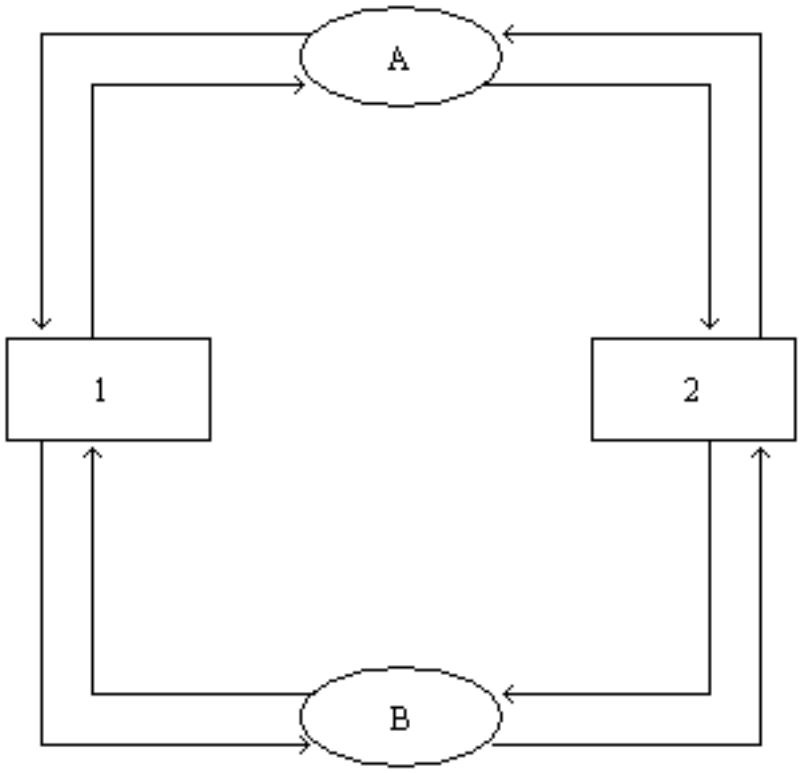


Figure 2-12??????Refer to Figure 2-12. What is the name of the model depicted in the figure?

Correct Answer : Circular Flow Model

140 :

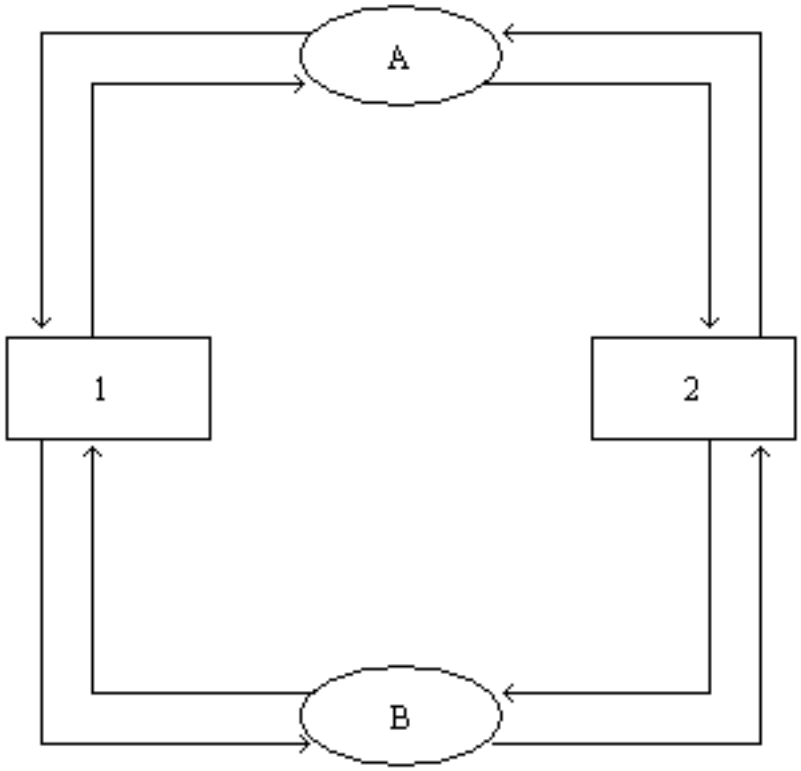


Figure 2-12??????Refer to Figure 2-12. What do the ovals represent in the figure?

Correct Answer : Market for Goods and ServicesMarket for Factors of Production

141 :

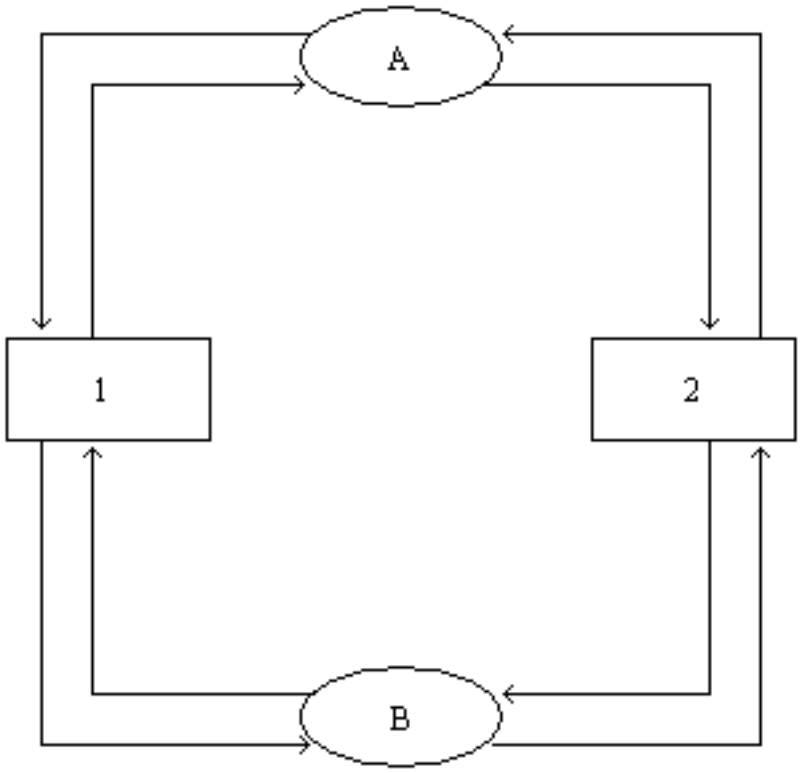


Figure 2-12??????Refer to Figure 2-12. What do the rectangles represent in the figure?

Correct Answer : FirmsHouseholds

142 :

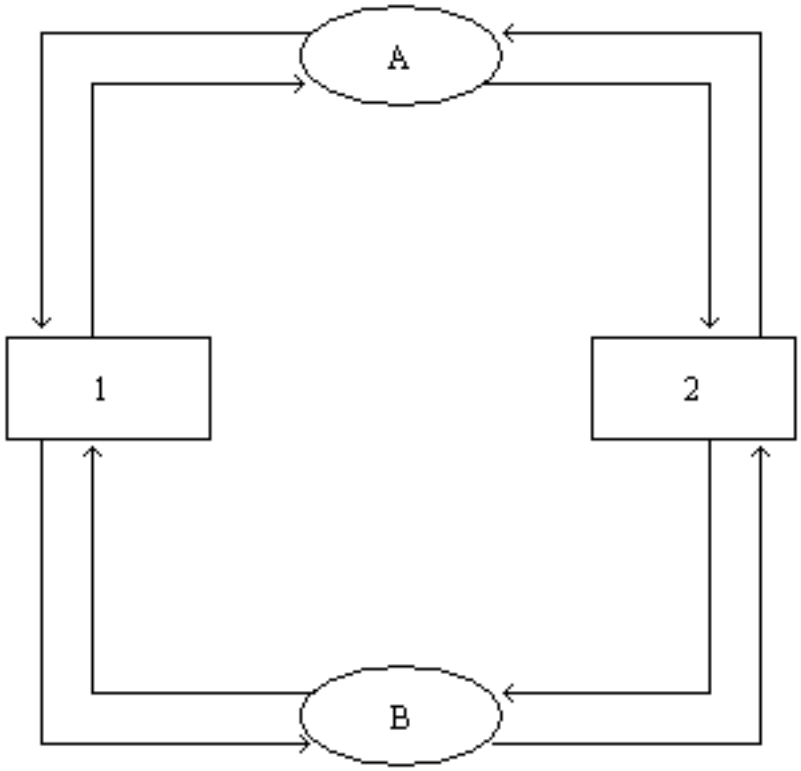


Figure 2-12??????Refer to Figure 2-12. What do the outer arrows represent in the figure?

Correct Answer : flow of dollars

143 :

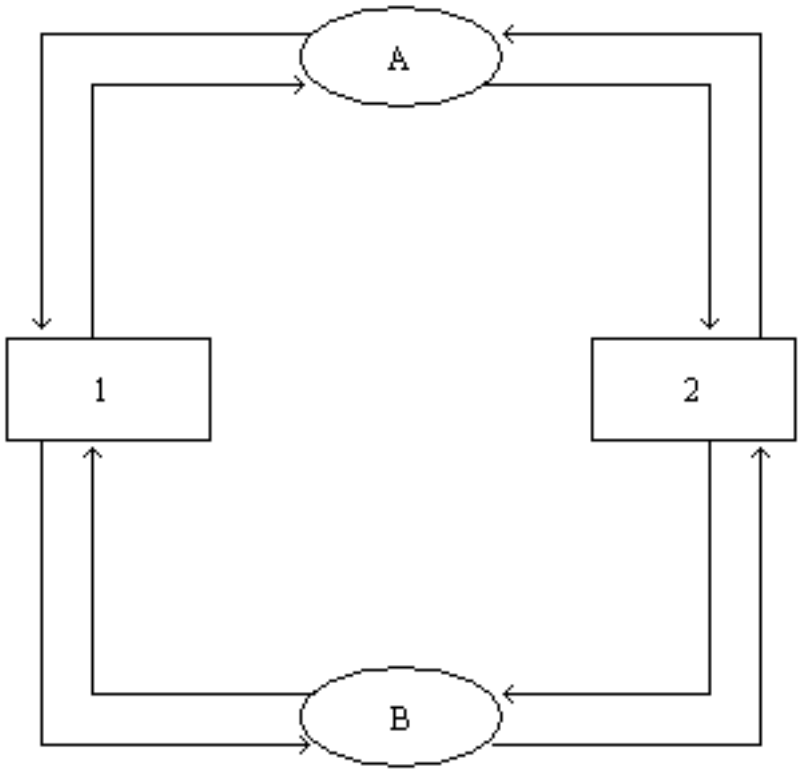


Figure 2-12??????Refer to Figure 2-12. What do the inner arrows represent in the figure?

Correct Answer : flow of inputs and outputs

144 :

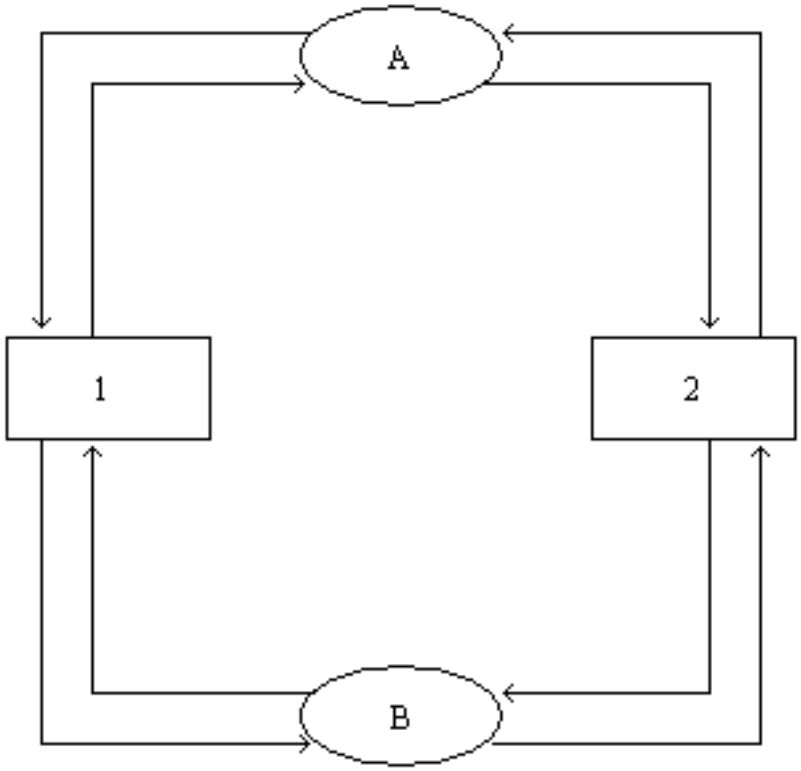


Figure 2-12??????Refer to Figure 2-12. What does the arrow going from oval A to rectangle 2 represent in the figure?

Correct Answer : goods and services bought

145 :

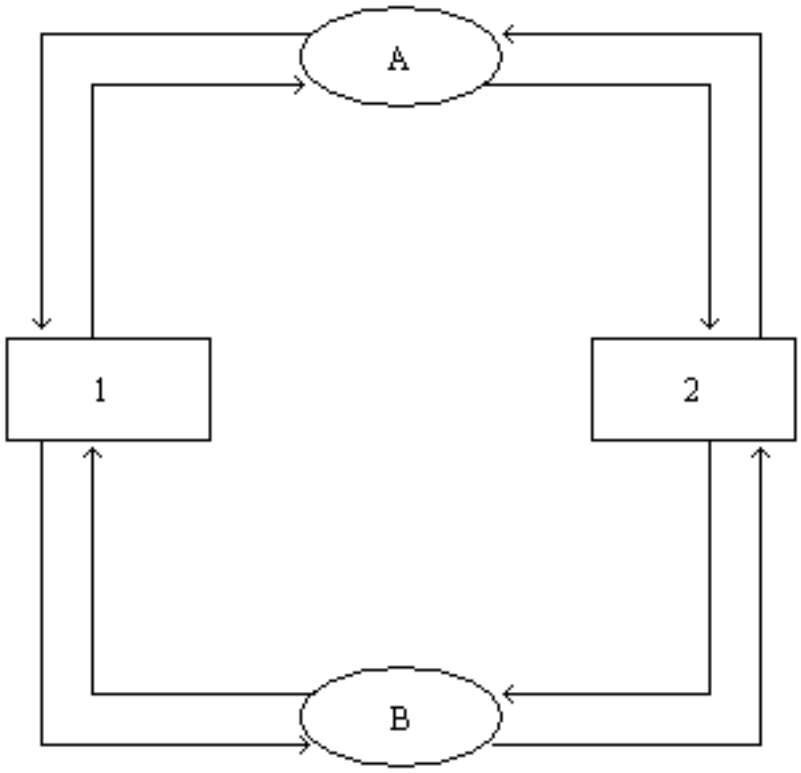


Figure 2-12??????Refer to Figure 2-12. What does the arrow going from oval B to rectangle 2 represent in the figure?

Correct Answer : income

146 :

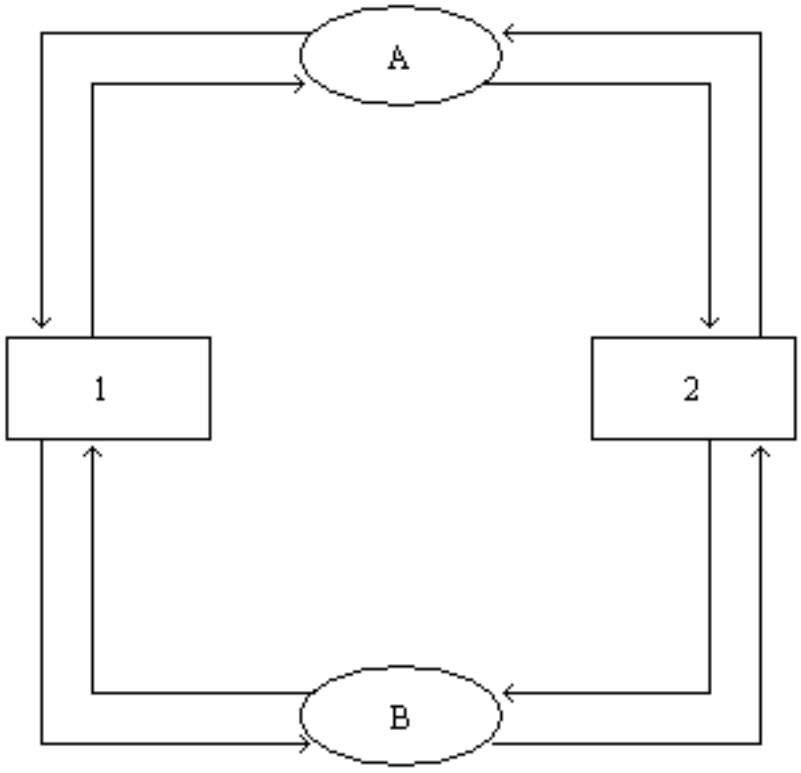


Figure 2-12??????Refer to Figure 2-12. What are two elements not included in this figure that could be included in a more complex model?

Correct Answer : governmentinternational trade

147 : Suppose a war in the Middle East interrupts the flow of crude oil and oil prices skyrocket around the world. For economists, this historical episode serves as a

Correct Answer : natural experiment.

148 : Just like other scientific models, economic models simplify reality using

Correct Answer : assumptions.

149 : The three main factors of production, or categories of inputs, used by firms to produce goods and services are

Correct Answer : land, labor, and capital.

150 : In the circular flow diagram, who owns the factors of production and consumes all of the goods and services produced?

Correct Answer : households

151 : In the circular flow diagram, when Brian provides labor through the markets for factors of production to ABC Company, the flow of money he receives in exchange is called

Correct Answer : income.

152 : In the markets for goods and services in the circular flow diagram, households act as

Correct Answer : buyers.

153 : In the circular flow diagram, when Daphne purchases a new mobile phone, she participates in the markets for

Correct Answer : goods and services.

154 : What you must give up to get something else is called the

Correct Answer : opportunity cost.

155 :

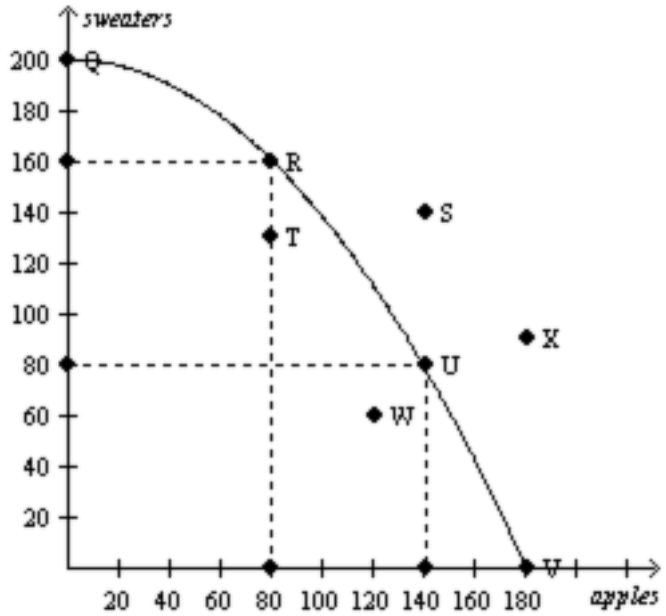


Figure 2-13?Consider the production possibilities curve for a country that can produce sweaters,

apples (in bushels), or a combination of the two.???Refer to Figure 2-13. The bowed outward shape of the production possibilities curve indicates that opportunity cost of apples in terms of sweaters is

Correct Answer : increasing.

156 :

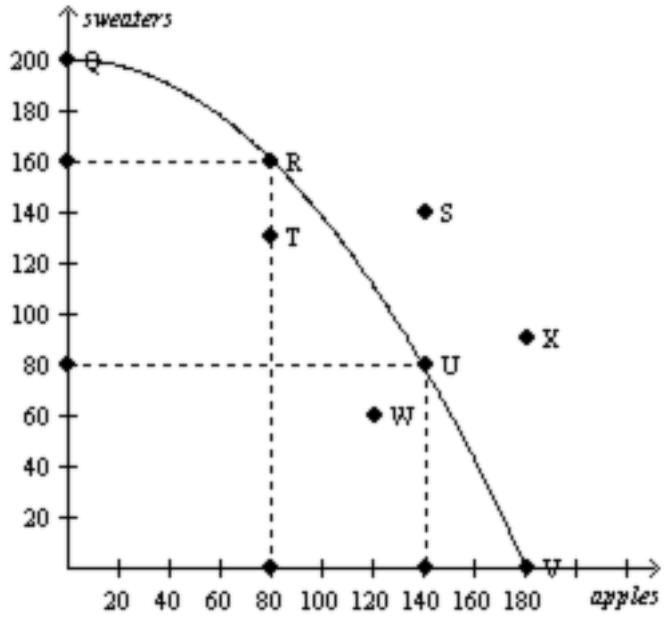


Figure 2-13?Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.???Refer to Figure 2-13. Which point(s) on the graph is(are) efficient production possibilities?

Correct Answer : Q, R, U, and V

157 :

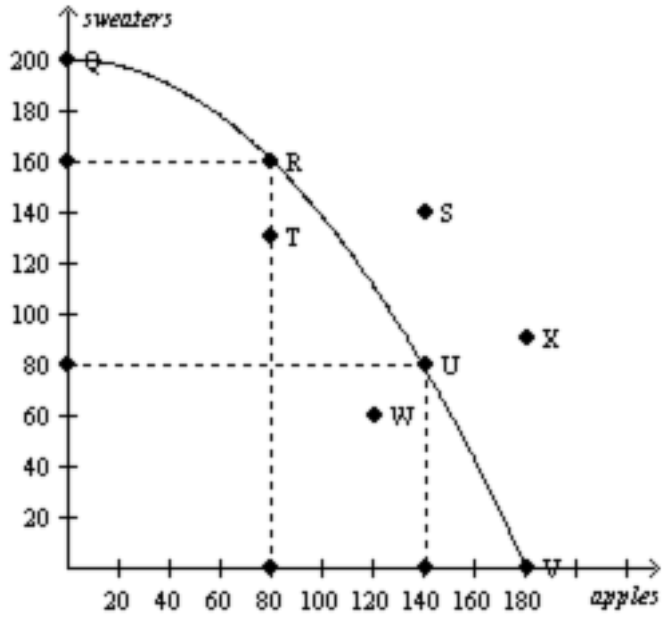


Figure 2-13?Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.???Refer to Figure 2-13. Which point(s) on the graph show unemployment of resources?

Correct Answer : T and W

158 :

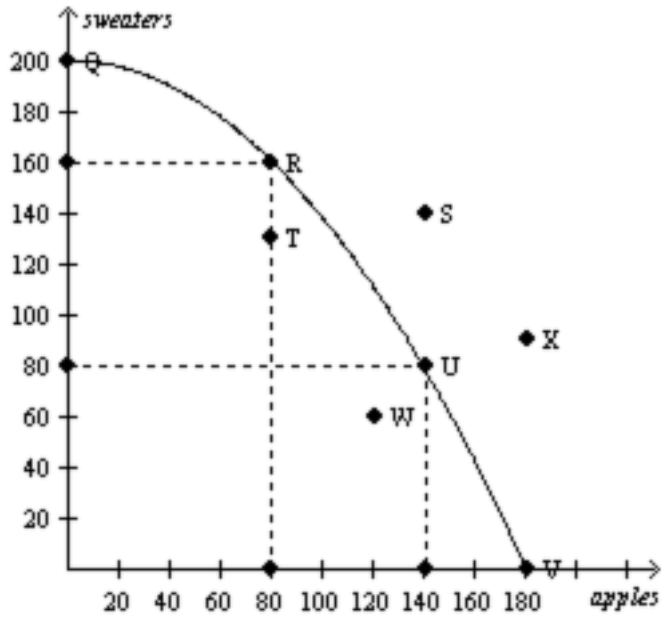


Figure 2-13?Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.???Refer to Figure 2-13. Which point(s) on the graph is(are) unattainable given current resources and technology?

Correct Answer : S and X

159 :

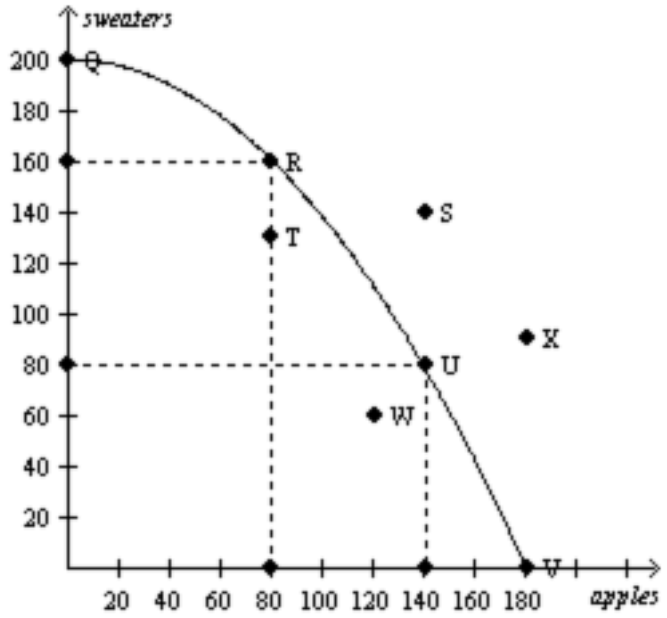


Figure 2-13?Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.???Refer to Figure 2-13. What is the opportunity cost of moving from point T to point R?

Correct Answer : zero

160 :

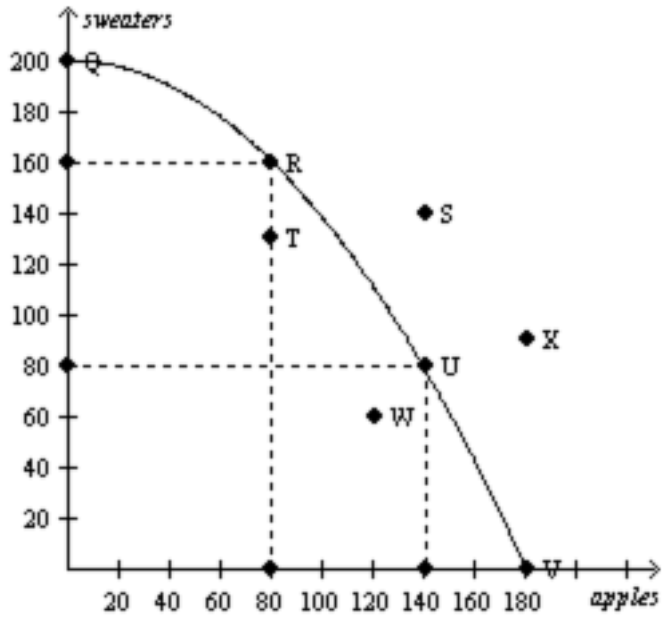


Figure 2-13?Consider the production possibilities curve for a country that can produce sweaters, apples (in bushels), or a combination of the two.???Refer to Figure 2-13. What is the opportunity cost of moving from point R to point Q?

Correct Answer : 80 bushels of apples

161 : sofas

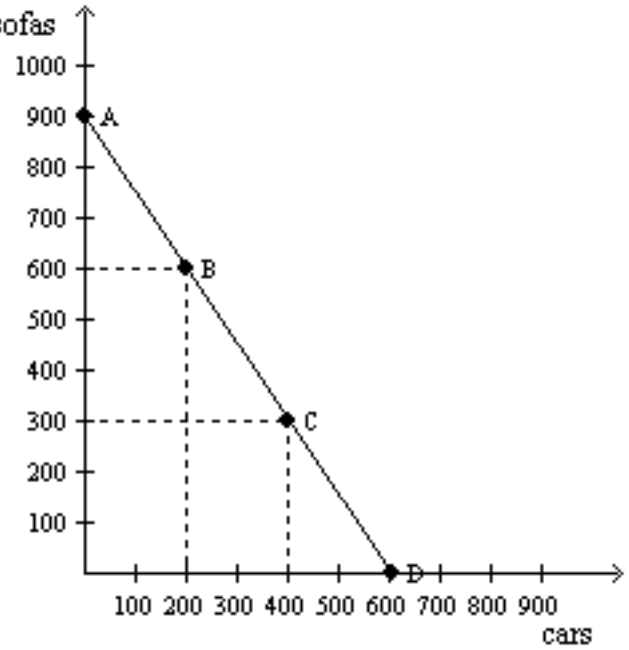


Figure 2-14??Refer to Figure 2-14. Consider the production possibilities frontier for an economy that produces only sofas and cars. As the economy moves from point A to point D, is the opportunity cost of cars increasing, constant, or decreasing?

Correct Answer : constant

162 :

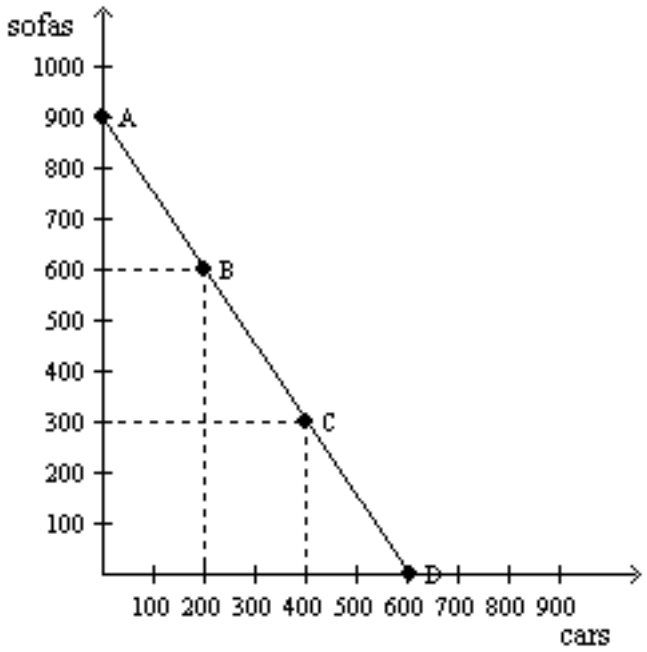


Figure 2-14??Refer to Figure 2-14. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one sofa is

Correct Answer : 2/3 of a car.

163 :

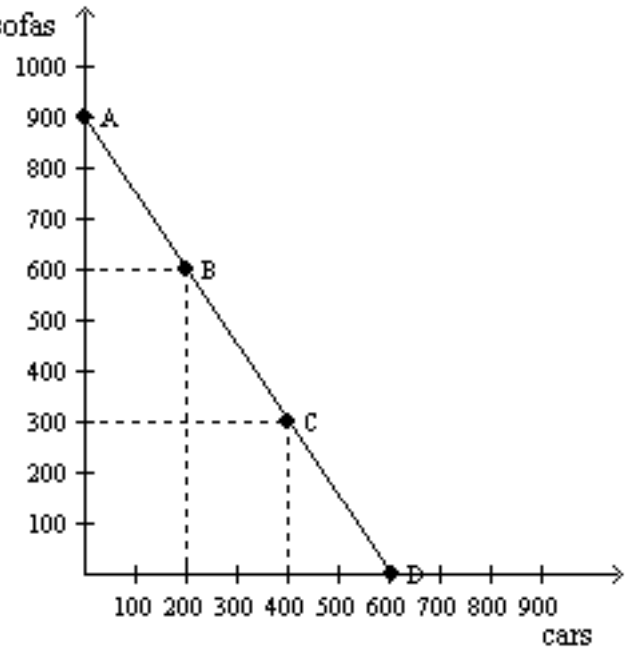


Figure 2-14??Refer to Figure 2-14. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : 3/2 sofas.

164 : Figure 2-14??Refer to Figure 2-14. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : 2,000 pizzas.

165 : Figure 2-14??Refer to Figure 2-14. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : 400 mobile phones.

166 : Figure 2-14??Refer to Figure 2-14. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of one car is

Correct Answer : bowed outward

167 : Who would be more likely to study the effects of government spending on the unemployment rate, a macroeconomist or a microeconomist?

Correct Answer : macroeconomist

168 : Who would be more likely to study the effects of foreign competition on the accounting industry, a macroeconomist or a microeconomist?

Correct Answer : microeconomist

169 : Who would be more likely to study the effects of rent control on housing in New York City, a macroeconomist or a microeconomist?

Correct Answer : microeconomist

170 : Who would be more likely to study the inflation rate in the United States, a macroeconomist or a microeconomist?

Correct Answer : macroeconomist

171 : When economists are trying to explain the world, they are scientists. When they are trying to improve it, they are

Correct Answer : policy advisers.

172 : What type of statement is a descriptive statement about how the world is?

Correct Answer : positive statement

173 : What type of statement is a prescriptive statement about how the world ought to be?

Correct Answer : normative statement

174 : Which type of statement - positive or normative - can be evaluated by analyzing data alone?

Correct Answer : positive

175 : Is the following a positive or normative statement? The federal minimum wage is lower than many state minimum wages.

Correct Answer : positive

176 : Is the following a positive or normative statement? The Federal Reserve should set an inflation target and employ policies to meet the target.

Correct Answer : normative

177 : Is the following a positive or normative statement? The United States government should mandate that every citizen purchases health insurance.

Correct Answer : normative

178 : Is the following a positive or normative statement? The unemployment rate in Nevada is higher than the unemployment rate in New York.

Correct Answer : positive

179 : Since 1946, the president of the United States has received guidance from a group comprised of three members and a staff of a few dozen economists known as the

Correct Answer : Council of Economic Advisers

180 : Economists at which administrative department help formulate spending plans and regulatory policies?

Correct Answer : Office of Management and Budget

181 : Economists at which administrative department help design tax policy?

Correct Answer : Department of the Treasury

182 : Economists at which administrative department analyze data on workers and those looking for work to help formulate labor-market policies?

Correct Answer : Department of Labor

183 : Economists at which administrative department help enforce the nation’s antitrust laws?

Correct Answer : Department of Justice

184 : The institution that sets the nation’s monetary policy is called the

Correct Answer : Federal Reserve.

185 : When economists disagree about whether the government should tax a household’s income or its consumption, they are expressing a difference in

Correct Answer : scientific judgment.

186 : When economists disagree about whether a policy is fair, they are expressing a difference in

Correct Answer : values.

187 : Most economists agree that a large federal budget deficit has what type of effect on the economy?

Correct Answer : adverse

188 :

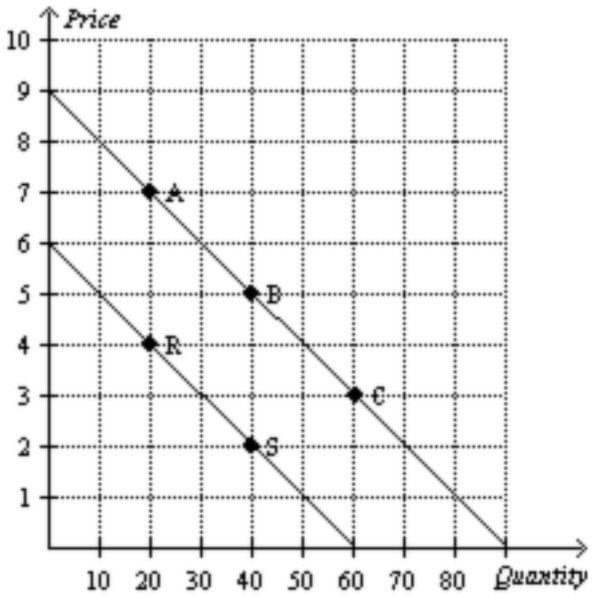


Figure 2-15??Refer to Figure 2-15. What are the coordinates of point C?

Correct Answer : (60,3)

189 :

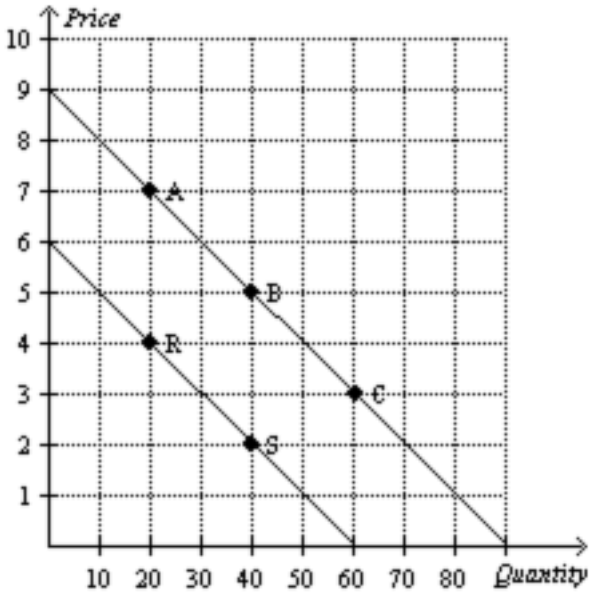


Figure 2-15??Refer to Figure 2-15. What is the x-coordinate of point R?

Correct Answer : 20

190 :

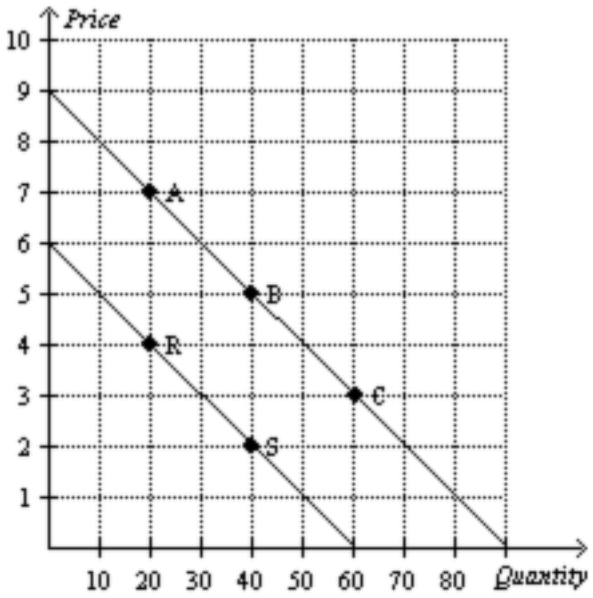


Figure 2-15??Refer to Figure 2-15. How are price and quantity related in this graph?

Correct Answer : negatively correlated

191 :

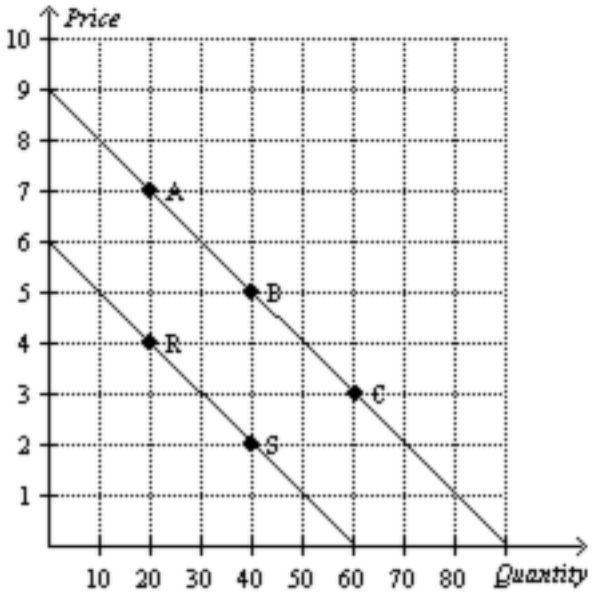


Figure 2-15??Refer to Figure 2-15. What is the slope of the line with points A, B, and C?

Correct Answer : -0.1

192 :

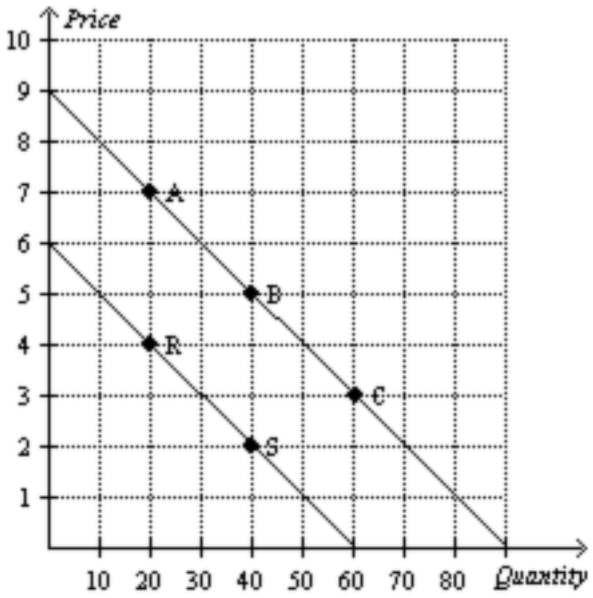


Figure 2-15??Refer to Figure 2-15. Is a move from point A to point B considered a shift of the curve or a movement along the curve?

Correct Answer : movement along the curve

193 :

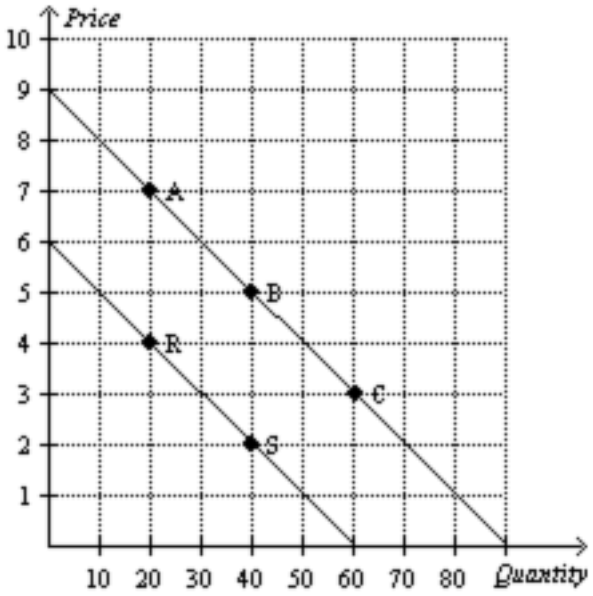


Figure 2-15??Refer to Figure 2-15. Is a move from point A to point R considered a shift of the curve or a movement along the curve?

Correct Answer : shift of the curve

194 :

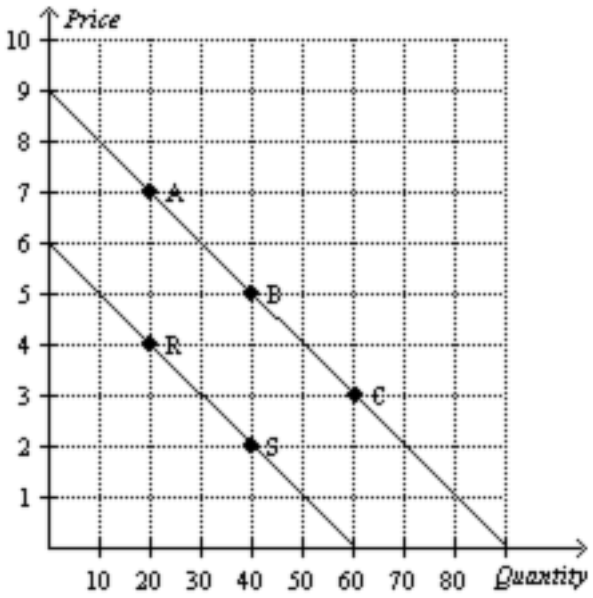
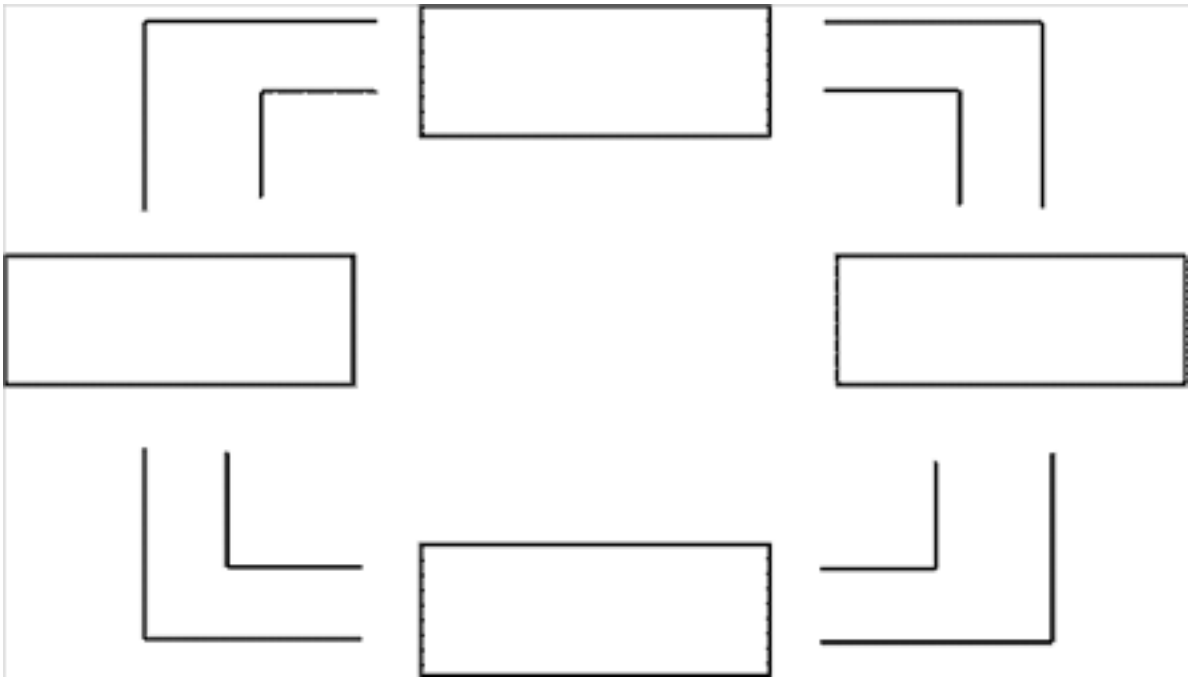


Figure 2-15??Refer to Figure 2-15. Given that price is measured on the vertical axis, quantity is measured on the horizontal axis, and that the curves are downward-sloping, what type of curves are depicted here?

Correct Answer : demand curves

195 :



Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.???

Correct Answer : ?This diagram should duplicate the essential characteristics of the diagram in the text, with an explanation of the meaning of each flow and each market. It is important that the student understands that the inner loop represents the flow of real goods and services and that the outer loop represents the corresponding flow of payments.??

196 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.???

Correct Answer : ?(a)(b)?(c)(d)?(e)???

197 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.???

Correct Answer : ?(a-c)(d)??

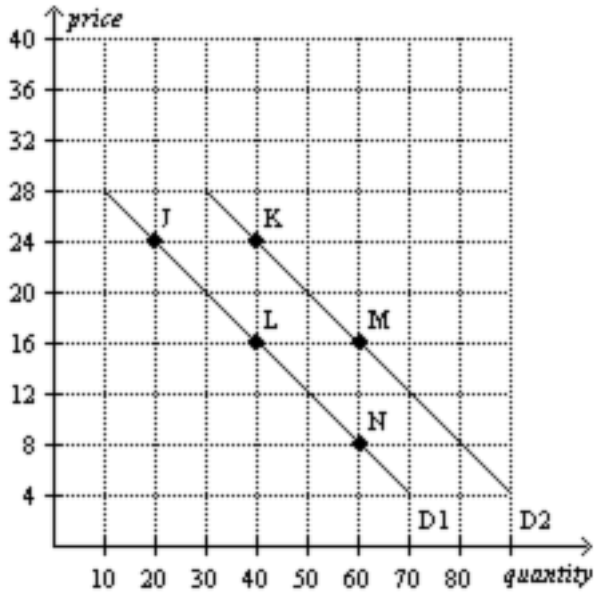
198 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.???

Correct Answer : a, b, e, g, h, and j are microeconomic topics. c, d, f, and i are macroeconomic topics.

199 : Using the outline below, draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.???

Correct Answer : a, c, e, f, and i are positive statements. b, d, g, h, and j are normative statements.

200 :



Use the following graph to answer the following questions.

a. How would point J be represented as an ordered p
b. What type of curve is this?
c. Does this curve show a positive or negative corre
d. Compute the slope of D1 between points J and L.
e. What is the slope of D1 between points L and N?
f. What is it called if we move from D1 to D2?
g. How do you know that the slope of D2 is the sam
?

Correct Answer : a.(20,24)b.a demand curvec.a negative correlation between price and quantityd.-8/20 or -2/5e.-2/5; because the slope of a straight line is constantf.an increase in demand.g.because the 2 lines are parallel

MULTIPLE CHOICE

201 : How are economists not like mathematicians, physicists, and biologists?

A : They use models to represent the real world.
B : They try to address their subject with a scientists objectivity.
C : They devise theories, collect data, and then analyze these data in an attempt to verify or refute their theories.
D : They cannot run lab experiments in the same way that other scientists can.

Correct Answer : D

202 : Which of the following steps does an economist not take when studying the economy?
A : Devise theories
B : Collect data
C : Analyze data
D : Publish theories before testing them

Correct Answer : D

203 : Suppose an economist develops a theory that higher food prices arise from higher gas prices. According to the scientific method, which of the following is the economist's next step?
A : Collect and analyze data
B : Go to a laboratory and generate data to test the theory
C : Publish the theory without testing it
D : Consult with other economists to see if they agree with the theory

Correct Answer : A

204 : The use of theory and observation is more difficult in economics than in sciences such as physics due to the difficulty in
A : performing an experiment in an economic system.
B : applying mathematical methods to economic analysis.
C : analyzing available data.
D : formulating theories about economic events.

Correct Answer : A

205 : Instead of conducting laboratory experiments to generate data to test their theories, economists often
A : ask winners of the Nobel Prize in Economics to evaluate their theories.
B : argue that data is impossible to collect in economics.
C : gather data from historical episodes of economic change.
D : assume that data would support their theories.

Correct Answer : C

206 : Economists make assumptions to
A : mimic the methodologies employed by other scientists.
B : minimize the number of experiments that yield no useful data.
C : minimize the likelihood that some aspect of the problem at hand is being overlooked.
D : focus their thinking on the essence of the problem at hand.

Correct Answer : D

207 : The art in scientific thinking—whether in chemistry, economics, or biology—is
A : the design and implementation of laboratory experiments.
B : knowing when to stop collecting data and when to start analyzing the data.

C : deciding which assumptions to make.
D : being able to mathematically model natural phenomena.

Correct Answer : C

208 : Which of the following statements about models is correct?
A : The more details a model includes, the better the model.
B : Models assume away irrelevant details.
C : Models cannot be used to explain how the economy functions.
D : Models cannot be used to make predictions.

Correct Answer : B

209 : A circular-flow diagram is a model that
A : helps to explain how consumers and the government interact with one another.
B : explains how countries trade with each other.
C : incorporates all aspects of the real economy.
D : helps to explain how the economy is organized.

Correct Answer : D

210 : In the simple circular-flow diagram, the participants in the economy are
A : firms and government.
B : households and firms.
C : households and government.
D : households, firms, and government.

Correct Answer : B

211 : In the circular-flow diagram, which of the following is not a factor of production?
A : Labor
B : Land
C : Capital
D : Money

Correct Answer : D

212 : Another term for factors of production is
A : inputs.
B : output.
C : goods.
D : services.

Correct Answer : A

213 : Which of the following is an example of a capital input?
A : A computer
B : A share of stock
C : An hour of a workers time
D : $50,000

Correct Answer : A

214 : In the simple circular-flow diagram, which of the following is not true.
A : Households own the factors of production.
B : Households buy all the goods and services that firms produce.
C : Land, labor, and capital flow from households to firms.
D : Firms own the factors of production.

Correct Answer : D

215 : In the circular-flow diagram, in the markets for
A : goods and services, households and firms are both sellers.
B : goods and services, households are buyers and firms are sellers.
C : the factors of production, households are buyers and firms are sellers.
D : the factors of production, households and firms are both buyers.

Correct Answer : B

216 : In the markets for goods and services in the circular-flow diagram,
A : households provide firms with savings for investment.
B : households provide firms with labor, land, and capital.
C : firms provide households with output.
D : firms provide households with profit.

Correct Answer : C

217 : Which of the following transactions does not take place in the markets for factors of production in the circular-flow diagram?
A : A landowner leases land to a farmer
B : A farmer hires a teenager to help with harvest
C : A construction company rents trucks for its business
D : A woman buys corn for dinner

Correct Answer : D

218 : The outer loop of the circular-flow diagram represents the flow of dollars in the economy. Which of the following is not measured in dollars and therefore does not appear on the outer loop?
A : Wages
B : Income
C : Capital
D : Rent

Correct Answer : C

219 : In the circular-flow diagram,
A : profit flows from households to firms.
B : labor flows from households to firms.
C : services flow from households to firms.
D : goods flow from households to firms.

Correct Answer : B

220 : In the circular-flow diagram, which of the following items flows from households to firms through the markets for goods and services?
A : Goods and services

B : Dollars paid to land, labor, and capital
C : Dollars spent on goods and services
D : Wages, rent, and profit

Correct Answer : C

221 : In the simple-circular flow diagram, the flow of money from the firms to the markets for factors of production is called
A : spending.
B : revenue.
C : income.
D : wages, rent, and profit.

Correct Answer : D

222 : According to the circular-flow diagram, if Jalyssa is a worker who delivers flowers for Happy Day Flower Company, she participates
A : in the markets for factors of production exchanging labor for income.
B : in the markets for factors of production exchanging flowers for revenue.
C : in the markets for goods and services exchanging flowers for wages, rent, and profit.
D : in the markets for goods and services exchanging labor for income.

Correct Answer : A

223 :

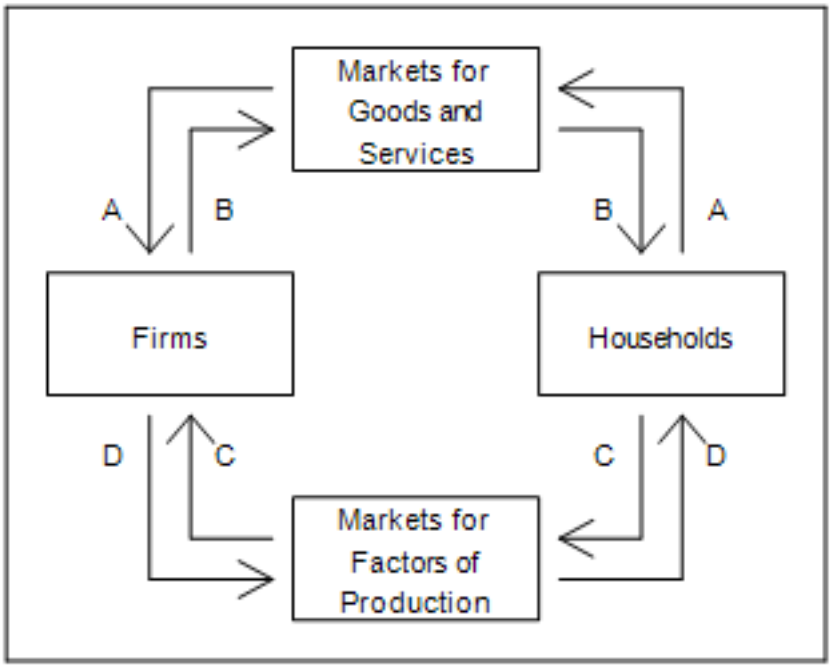


Figure 2-1Refer to Figure 2-1. Which arrow represents the flow of goods and services?
A : A
B : B
C : C
D : D

Correct Answer : B

224 :

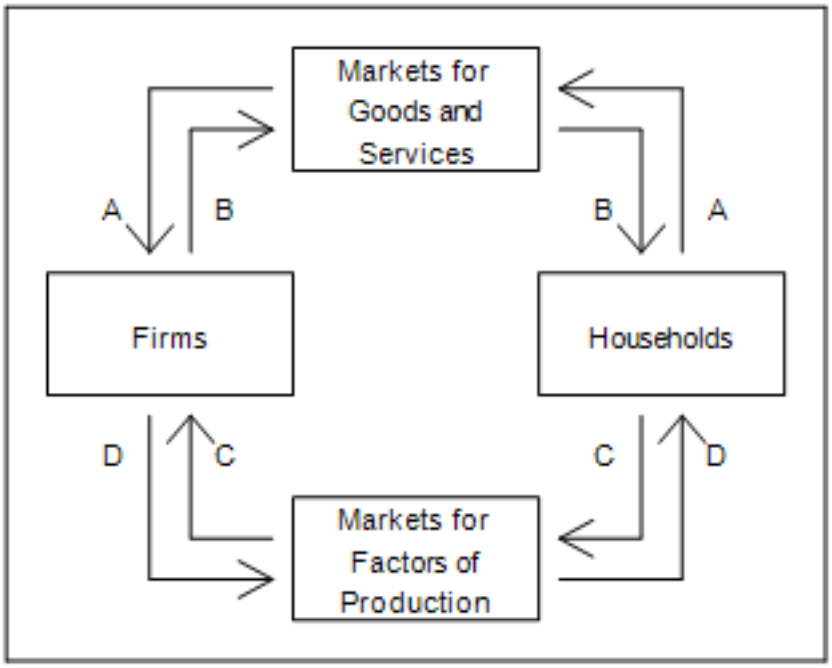


Figure 2-1Refer to Figure 2-1. Morgan buys a refrigerator for his new home. To which of the arrows does this transaction directly contribute?
A : A only
B : A and B
C : C only
D : C and D

Correct Answer : B

225 :

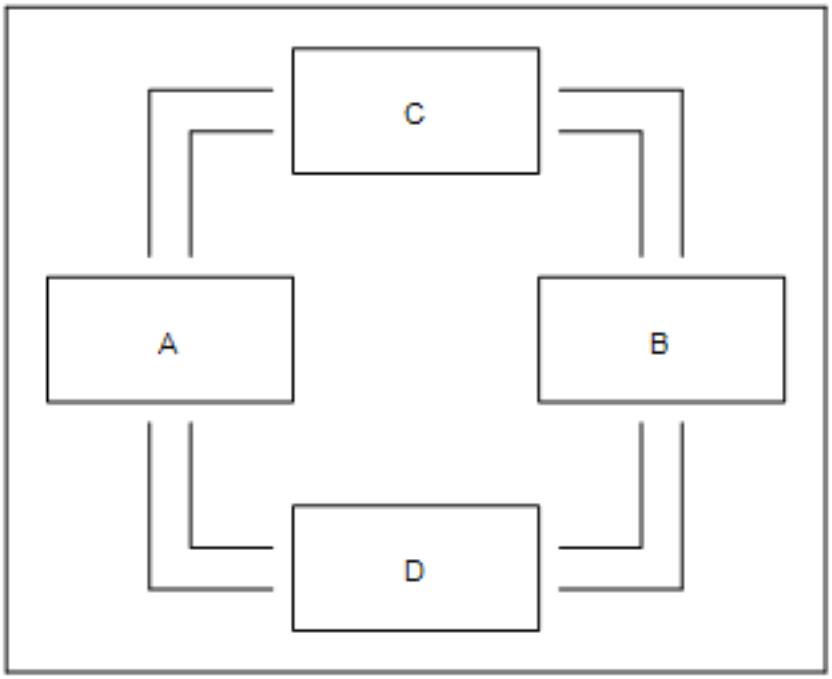


Figure 2-2Refer to Figure 2-2. If boxes A and B represent households and firms, then boxes C and D of this circular-flow diagram represent

A : government and foreigners.
B : consumers and producers.
C : the markets for goods and services and the markets for financial assets.
D : the markets for goods and services and the markets for factors of production.

Correct Answer : D

226 :

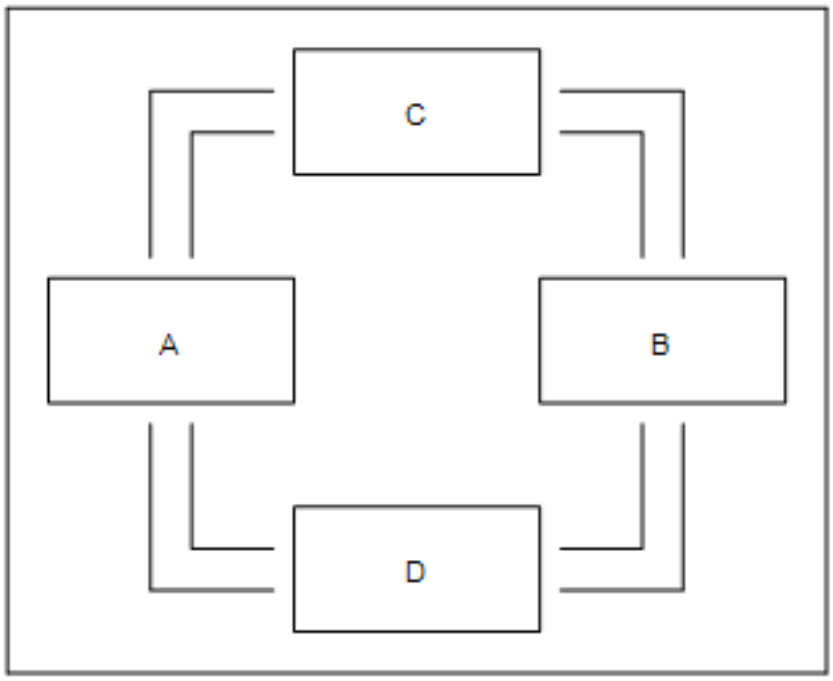


Figure 2-2Refer to Figure 2-2. Devin works as an attorney for a corporation and is paid a salary in exchange for the legal services he performs. If Devin's income is represented by a flow of dollars from Box D to Box B of this circular-flow diagram, then the revenue earned by a firm selling its product is represented by a flow of dollars
A : from Box A to Box C.
B : from Box C to Box A.
C : from Box B to Box C.
D : from Box C to Box B.

Correct Answer : B

227 : When constructing a production possibilities frontier, which of the following assumptions is not made?
A : The economy produces only two goods or two types of goods.
B : Firms produce goods using factors of production.
C : The technology available to firms is given.
D : The quantities of the factors of production that are available are increasing over the relevant time period.

Correct Answer : D

228 : Where can an economy not produce?
A : Inside its production possibilities frontier
B : On its production possibilities frontier
C : Outside its production possibilities frontier
D : At the endpoints of its production possibilities frontier

Correct Answer : C

229 : An economy's production of two goods is efficient if
A : all members of society consume equal portions of the goods.
B : the goods are produced using only some of societys available resources.
C : it is impossible to produce more of one good without producing less of the other.
D : the opportunity cost of producing more of one good is zero.

Correct Answer : C

230 : Suppose a nation is currently producing at a point inside its production possibilities frontier. We know that
A : the nation is producing beyond its capacity, so inflation will occur.
B : the nation is not using all available resources or is using inferior technology or both.
C : the nation is producing an efficient combination of goods.
D : there will be a large opportunity cost if the nation tries to increase production of any good.

Correct Answer : B

231 : The production possibilities frontier provides an illustration of the principle that
A : trade can make everyone better off.
B : governments can sometimes improve market outcomes.
C : people face trade-offs.
D : people respond to incentives.

Correct Answer : C

232 : The bowed-outward shape of the production possibilities frontier can be explained by the fact that
A : all resources are scarce.
B : economic growth is always occurring.
C : the opportunity cost of one good in terms of the other depends on how much of each good the economy is producing.
D : the only way to get more of one good is to get less of the other.

Correct Answer : C

233 : The bowed-outward shape of the production possibilities frontier can be explained by the fact that
A : 6,000.
B : 5,500.
C : 5,000.
D : 4,500.

Correct Answer : D

234 : Suppose an economy produces two goods, food and machines. This economy always operates on its production possibilities frontier. Last year, it produced 1,000 units of food and 47 machines. This year it experienced a technological advance in its machine-making industry. As a result, this year the society wants to produce 1,050 units of food and 47 machines. Which of the following statements is correct?
A : Because the technological advance occurred in the machine-making industry, it will not be possible to increase food production without reducing machine production below 47.

B : Because the technological advance occurred in the machine-making industry, increases in output can only occur in the machine industry.
C : In order to increase food production in these circumstances without reducing machine production, the economy must reduce inefficiencies.
D : The technological advance reduced the amount of resources needed to produce 47 machines, so these resources could be used to produce more food.

Correct Answer : D

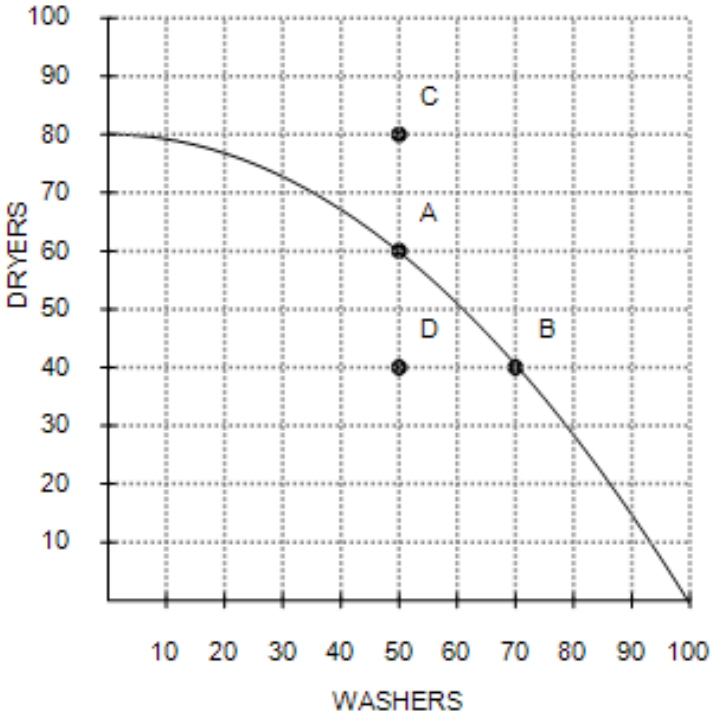
235 : Suppose an economy produces two goods, food and machines. This economy always operates on its production possibilities frontier. Last year, it produced 1,000 units of food and 47 machines. This year it experienced a technological advance in its machine-making industry. As a result, this year the society wants to produce 1,050 units of food and 47 machines. Which of the following statements is correct?
A : 400 socks
B : 300 socks
C : 200 socks
D : 100 socks

Correct Answer : B

236 : Suppose an economy produces two goods, food and machines. This economy always operates on its production possibilities frontier. Last year, it produced 1,000 units of food and 47 machines. This year it experienced a technological advance in its machine-making industry. As a result, this year the society wants to produce 1,050 units of food and 47 machines. Which of the following statements is correct?
A : The opportunity cost of an additional 200 shoes is constant at 200 socks.
B : The opportunity cost of an additional 200 shoes is constant at 300 socks.
C : Footvilles production possibilities frontier is a straight, downward-sloping line.
D : The opportunity cost of an additional 200 shoes increases as more shoes are produced.

Correct Answer : D

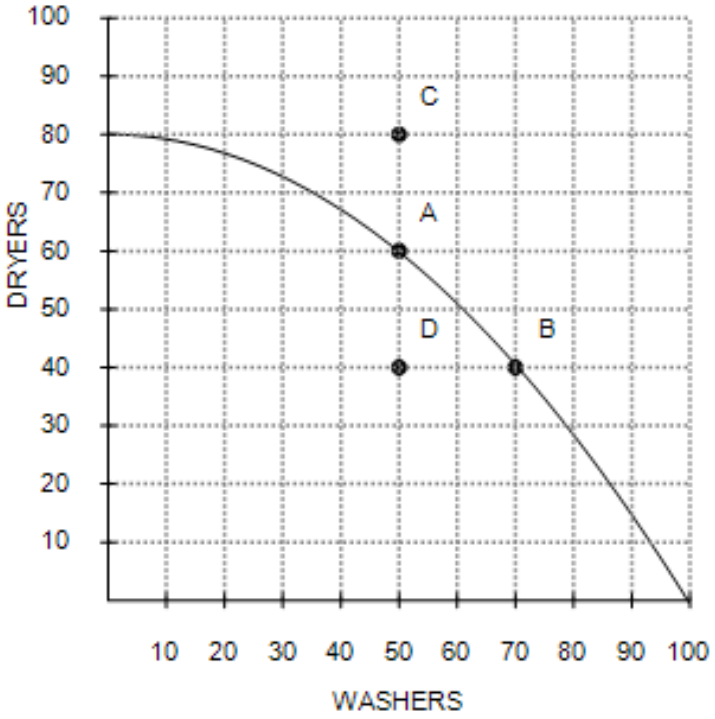
237 : Figure 2-3Refer to Figure 2-3



. If this economy devotes all of its resources to the production of dryers, then it will produce
A : 0 dryers and 100 washers.
B : 60 dryers and 50 washers.
C : 80 dryers and 0 washers.
D : 80 dryers and 50 washers.

Correct Answer : C

238 : Figure 2-3Refer to Figure 2-3



. It is not possible for this economy to produce at point
A : A.
B : B.
C : C.
D : D.

Correct Answer : C

239 :

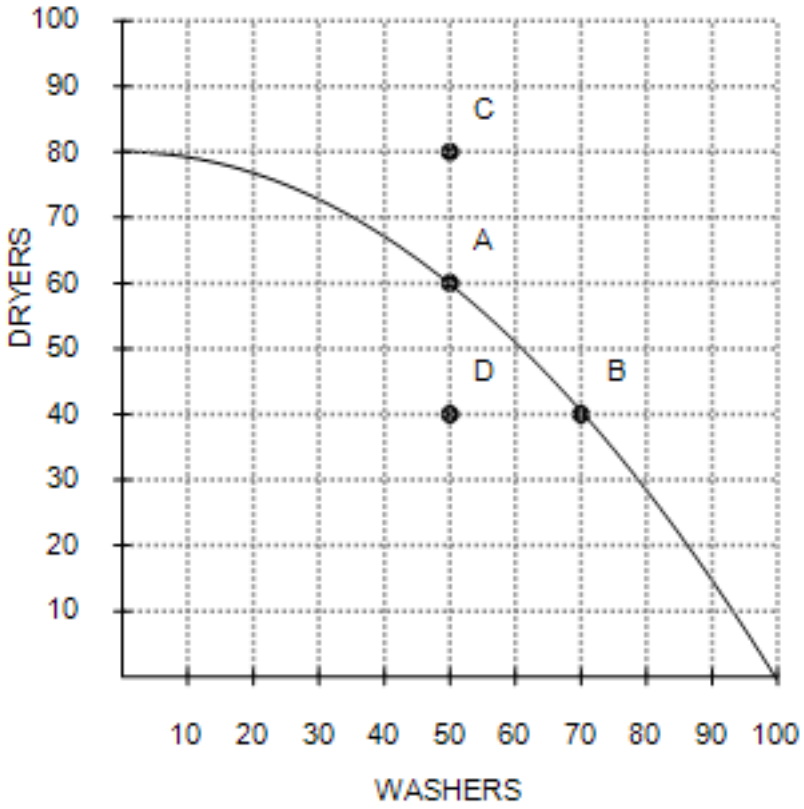


Figure 2-3Refer to Figure 2-3. This economy cannot currently produce 70 washers and 70 dryers because

A : it is not using all of its resources.

B : it is not using the most efficient production process.

C : it does not have the resources and technology to produce that level of output.

D : consumers dont want that many washers and dryers.

Correct Answer : C

240 :

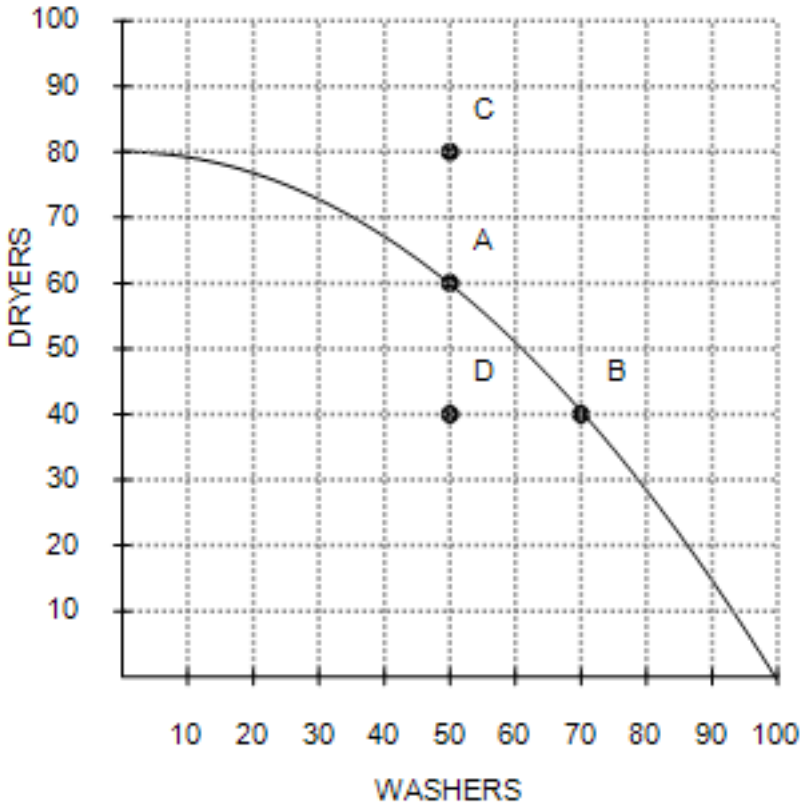


Figure 2-3Refer to Figure 2-3. Suppose this economy is producing at point D. Which of the following statements would best explain this situation?

A : The economy has insufficient resources to produce at a more desirable point.

B : The economys available technology prevents it from producing at a more desirable point.

C : There is widespread unemployment in the economy.

D : The economy is experiencing economic growth.

Correct Answer : C

241 :

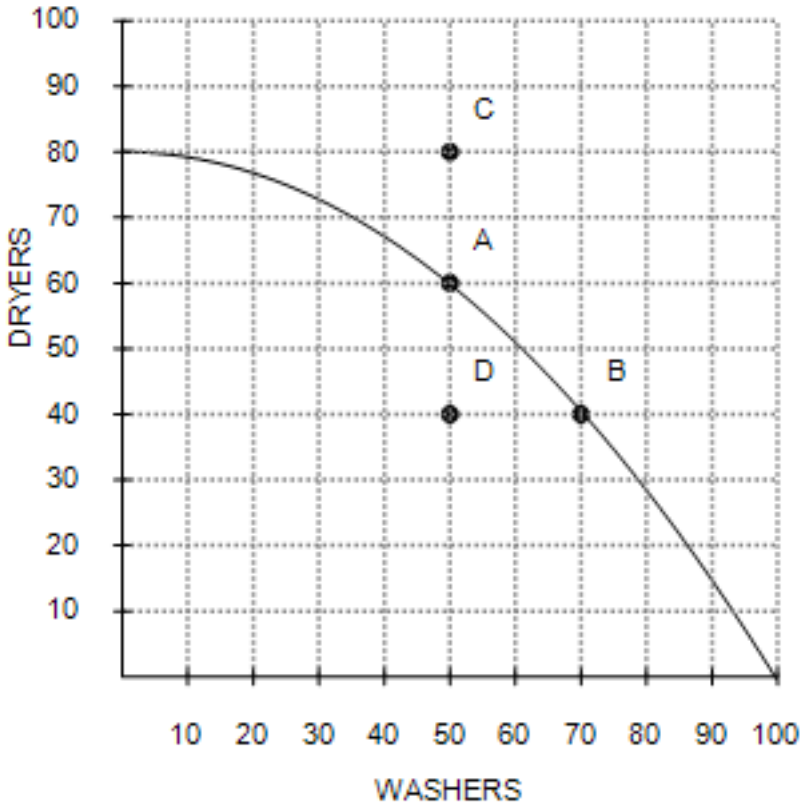


Figure 2-3Refer to Figure 2-3. Efficient production is represented by which point(s)?
A : A, B
B : A, B, and D
C : A, B, and C
D : C

Correct Answer : A

242 :

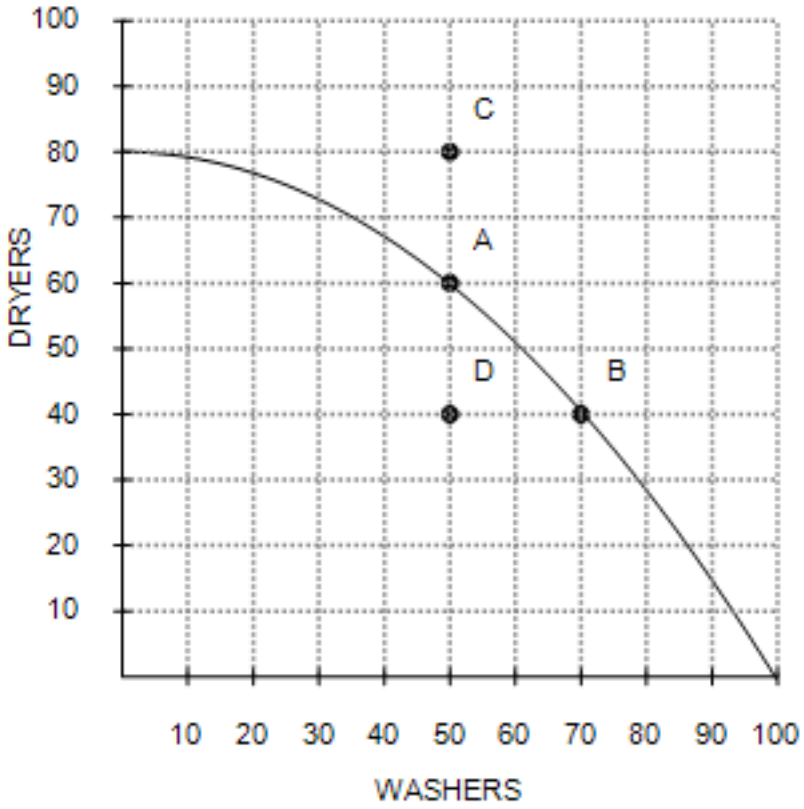


Figure 2-3Refer to Figure 2-3. The opportunity cost of obtaining 40 additional dryers by moving from point D to point C is

A : 0 washers.
B : 20 washers.
C : 40 washers.
D : impossible to calculate because the economy cannot move from point D to point C.

Correct Answer : D

243 : Figure 2-4Graph (a)  Graph (b)

???Refer to Figure 2-4, Graph (a). Production at point K is

A : possible and efficient.
B : possible but inefficient.
C : impossible but efficient.
D : impossible and inefficient.

Correct Answer : B

244 : Figure 2-4Graph (a)  Graph (b)

???Refer to Figure 2-4, Graph (a). Production is

A : possible at points J, K, L, and M, but efficient only at points J, L, and M.

B : possible at points J, K, L, and M, but efficient only at point K.
C : possible at points J, L, M, and N, but efficient only at points J, L, and M.
D : possible at points J, L, M, and N, but efficient only at point N.

Correct Answer : A

245 : Figure 2-4Graph (a)  Graph (b)

???Refer to Figure 2-4, Graph (a). The movement from point M to point K could be caused by
A : an advance in production technology.
B : an improvement in efficiency.
C : economic growth.
D : unemployment.

Correct Answer : D

246 : Figure 2-4Graph (a)  Graph (b)

???Refer to Figure 2-4, Graph (a) and Graph (b). A shift of the economy's production possibilities frontier from Graph (a) to Graph (b) could be caused by

A : unemployment.
B : an improvement in donut production technology.
C : an improvement in coffee production technology.
D : an improvement in both donut and coffee production technology.

Correct Answer : B

247 : Figure 2-4Graph (a)  Graph (b)

???Refer to Figure 2-4, Graph (a) and Graph (b). Which of the following is not a result of the shift of the economy's production possibilities frontier from Graph (a) to Graph (b)?

A : The trade-off between the production of donuts and coffee changes.
B : The opportunity cost of a cup of coffee is higher at all levels of coffee production.
C : Production of four donuts and two cups of coffee becomes possible.
D : Production of one donut and four cups of coffee becomes efficient.

Correct Answer : D

248 :

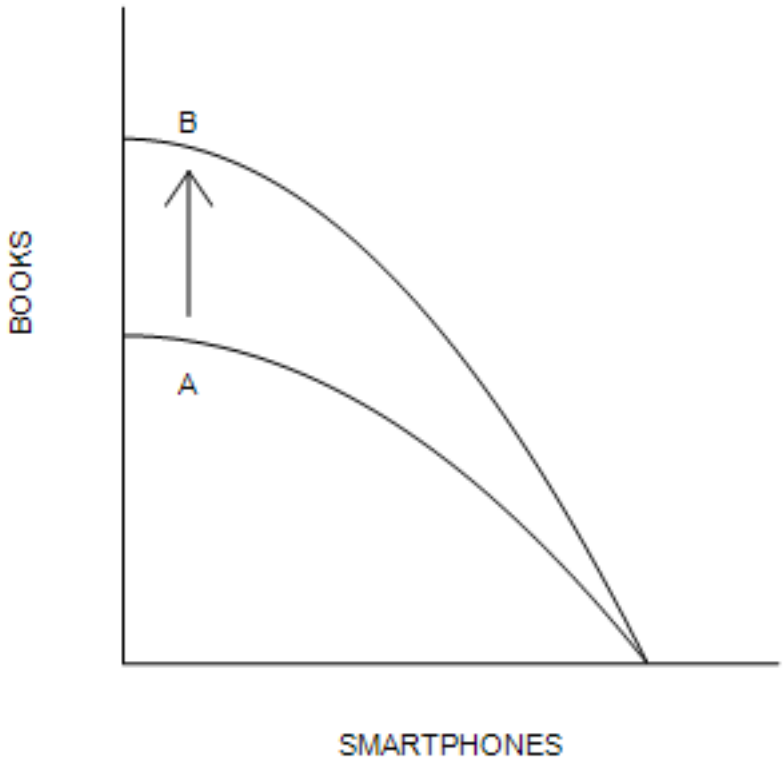


Figure 2-5Refer to Figure 2-5. Which of the following events would explain the shift of the production possibilities frontier from A to B?
A : The economys citizens developed an enhanced taste for books.
B : The economy experienced a technological advance in the production of books.
C : More capital became available in the economy.
D : More labor became available in the economy.

Correct Answer : B

249 : Figure 2-5Refer to Figure 2-5. Which of the following events would explain the shift of the production possibilities frontier from A to B?
A : 200 bushels of wheat
B : 400 bushels of wheat
C : 600 bushels of wheat
D : 800 bushels of wheat

Correct Answer : B

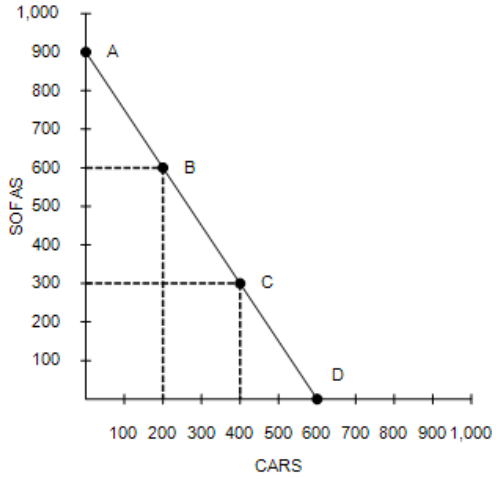
250 : Figure 2-5Refer to Figure 2-5. Which of the following events would explain the shift of the production possibilities frontier from A to B?
A : bowed outward indicating increasing opportunity costs.
B : bowed outward indicating decreasing opportunity costs.
C : a straight line indicating constant opportunity costs.
D : bowed inward indicating increasing opportunity costs.

Correct Answer : A

251 : Figure 2-5Refer to Figure 2-5. Which of the following events would explain the shift of the production possibilities frontier from A to B?
A : 1,600 bushels of corn and 300 bushels of wheat
B : 1,200 bushels of corn and 800 bushels of wheat
C : 1,000 bushels of corn and 2,200 bushels of wheat
D : 400 bushels of corn and 1,800 bushels of wheat

Correct Answer : C

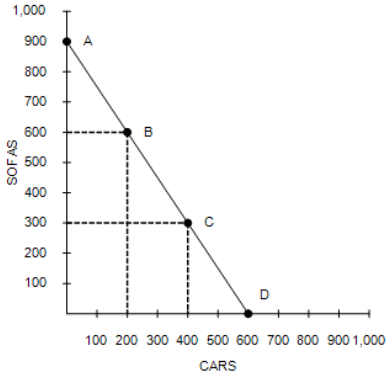
252 : Figure 2-6?Refer to Figure 2-6. Consider the production possibilities frontier for an economy that produces only sofas and cars. The opportunity cost of each car is



A : the slope of the production possibilities frontier, or 2/3 of a sofa.
B : the reciprocal of the slope of the production possibilities frontier, or 3/2 sofas.
C : the reciprocal of the slope of the production possibilities frontier, or 2/3 of a sofa.
D : the slope of the production possibilities frontier, or 3/2 sofas.

Correct Answer : D

253 : Figure 2-6?Refer to Figure 2-6. Consider the production possibilities frontier for an economy that produces only sofas and cars. When society moves from point A to point B,



A : the opportunity cost is the same as when society moves from point B to point C.
B : it is giving up cars to get sofas.
C : the opportunity cost is increasing.
D : it moves from an inefficient point to an efficient point.

Correct Answer : A

254 : Microeconomics is the study of
A : how money affects the economy.
B : how individual households and firms make decisions.
C : how government affects the economy.
D : how the economy as a whole works.

Correct Answer : B

255 : Which of the following would likely be studied by a microeconomist rather than a macroeconomist?
A : The effect of foreign direct investment on economic growth
B : The effect of a sales tax on the cigarette industry
C : The effect of an investment tax credit on the economys capital stock
D : The effect of a war on government spending

Correct Answer : B

256 : Which of the following areas of study typifies macroeconomics as opposed to microeconomics?
A : The effects of rent control on the availability of housing in New York City
B : The economic impact of tornadoes on cities and towns in Oklahoma
C : How tariffs on shoes affects the shoe industry
D : The effect on the economy of changes in the nations unemployment rate

Correct Answer : D

257 : Which of the following statements is correct about the roles of economists?
A : Economists are best viewed as policy advisers.
B : Economists are best viewed as scientists.
C : In trying to explain the world, economists are policy advisers; in trying to improve the world, they are scientists.
D : In trying to explain the world, economists are scientists; in trying to improve the world, they are policy advisers.

Correct Answer : D

258 : Positive statements are
A : prescriptive.
B : claims about how the world should be.
C : claims about how the world is.
D : made by economists speaking as policy advisers.

Correct Answer : C

259 : When recommending specific policies to undertake, economists make
A : claims about how the world is.
B : descriptive statements.
C : normative statements.
D : positive statements.

Correct Answer : C

260 : Which of the following is an example of a positive, as opposed to normative, statement?
A : Decreasing inflation should be a top priority since inflation is more harmful to the economy than unemployment.
B : Welfare payments should be increased because they lead to a better world for everyone.
C : Prices rise when the government prints too much money.
D : When public policies are evaluated, the benefits to the economy of improved equality should be considered more important than the costs of reduced efficiency.

Correct Answer : C

261 : Which of the following is an example of a normative, as opposed to a positive, statement?
A : Universal healthcare would be good for U.S. citizens.
B : An increase in the cigarette tax would cause a decrease in the number of smokers.
C : A decrease in the minimum wage would decrease unemployment.
D : A law requiring the federal government to balance its budget would increase economic growth.

Correct Answer : A

262 : Duties of the Council of Economic Advisers include
A : advising the president and writing the annual *Economic Report of the President*.
B : implementing the presidents tax policies.
C : managing of the nations money supply.
D : managing the Social Security program.

Correct Answer : A

263 : Economists at which of the following government offices help formulate spending plans and regulatory policies?
A : Office of Management and Budget
B : Department of the Treasury
C : Congressional Budget Office
D : The Federal Reserve

Correct Answer : A

264 : Economists at the Department of the Treasury

A : design U.S. currency and coins.
B : provide Congress with the annual budget.
C : enforce the U.S. antitrust laws.
D : provide advice on tax policy to the President.

Correct Answer : D

265 : Analysis of data on workers and those looking for work is conducted by economists at the
A : Office of Management and Budget.
B : Department of Labor.
C : Congressional Budget Office.
D : Department of the Treasury.

Correct Answer : B

266 : Economists at the Department of Justice
A : track the behavior of the nations money supply.
B : advise Congress on economic matters.
C : help enforce the nations antitrust laws.
D : prepare the federal budget.

Correct Answer : C

267 : Some, but not all, government economists are employed within the administrative branch of government. Which of the following government agencies employ economists outside of the administrative branch?
A : The Department of Labor
B : The Department of the Treasury
C : The Congressional Budget Office
D : The Council of Economic Advisers

Correct Answer : C

268 : Economists sometimes give conflicting advice because
A : graduate students in economics are encouraged to argue with each other.
B : economists have different values and scientific judgments.
C : economists acting as scientists do not like to agree with economists acting as policy advisers.
D : economics is more of a belief system than a science.

Correct Answer : B

269 : Sometimes economists disagree because their scientific judgments differ. Which of the following instances best reflects this source of disagreement?
A : One economist believes everyone should pay the same percentage of their income in taxes; another economist believes that wealthier citizens should pay a higher percentage of their income in taxes.
B : One economist believes that manufacturing firms should face greater regulation to preserve the environment; another economist believes the government should not intervene in free markets.
C : One economist believes that equality should be valued over efficiency in policy decisions; another economist believes that efficiency should be valued over equality in policy decisions.
D : One economist believes the government should tax a households income; another economist believes the government should tax a households consumption because it will cause households to save more.

Correct Answer : D

270 : Emily and Betsey are economists. Emily thinks that the wealthiest 10 percent of the U.S. population should be taxed a rate higher than the rest of society because they can better afford it. Betsey thinks that everyone should be taxed at the same rate because that is the fairest scenario and the wealthy should not be penalized for their success. In this example, Emily and Betsey
A : disagree about the validity of a positive theory.
B : have different normative views about tax policy.
C : must both be incorrect because tax policy is never that simple.
D : disagree because they have access to contradicting positive statements.

Correct Answer : B

271 : A survey of professional economists revealed that more than three-fourths of them agreed with fourteen economic propositions. Which of the following is not one of those propositions?
A : The United States should not restrict employers from outsourcing work to foreign countries.
B : The United States should withdraw from the North American Free Trade Agreement (NAFTA).
C : The United States should eliminate agricultural subsidies.
D : Local and state governments should eliminate subsidies to professional sports franchises.

Correct Answer : B

272 : Eva wants to create a graph containing the prices of concert tickets and the corresponding quantities of concert tickets demanded by customers. She should use a
A : pie chart.
B : bar graph.
C : time-series graph.
D : coordinate system.

Correct Answer : D

273 : The x-coordinate of an ordered pair specifies the
A : diagonal location of the point.
B : vertical location of the point.
C : horizontal location of the point.
D : quadrant location in which the point is located.

Correct Answer : C

274 : In the ordered pair (20, 30), 20 is the
A : the *x*-coordinate and the vertical location of the point.
B : the *y*-coordinate and the horizontal location of the point.
C : the *y*-coordinate and the vertical location of the point.
D : the *x*-coordinate and the horizontal location of the point.

Correct Answer : D

275 : The point where both x and y are zero is known as the
A : origin.
B : null.
C : zero coordinate.
D : center.

Correct Answer : A

276 : When two variables have a positive correlation,
A : they tend to move in opposite directions.
B : they tend to move in the same direction.
C : one variable will move while the other remains constant.
D : the variables values are never negative.

Correct Answer : B

277 :

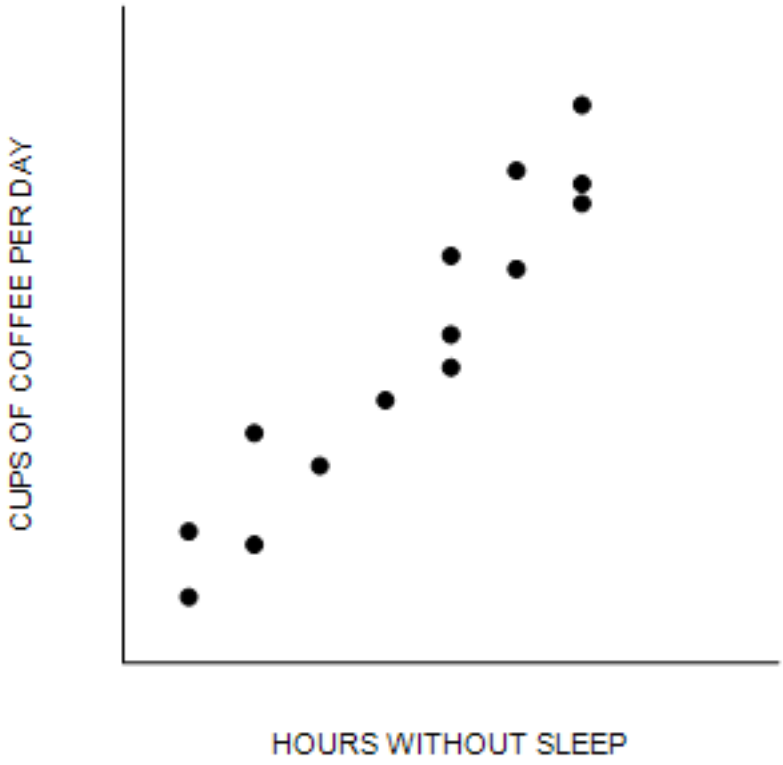


Figure 2-7Refer to Figure 2-7. The graph shown is known as a
A : time-series graph.
B : bar graph.
C : scatterplot.
D : pie chart.

Correct Answer : C

278 : Figure 2-7Refer to Figure 2-7. Taking cause and effect into account, which of the following interpretations would be most reasonable regarding the relationship between coffee and hours without sleep?

A : The less coffee a person drinks per day, the more time he can go without sleep.
B : There is no relationship between how much coffee per day a person drinks and how long he can go without sleep.
C : The more coffee a person drinks per day, the more time he can go without sleep.
D : The more coffee a person drinks per day, the less time he can go without sleep.

Correct Answer : C

279 : When two variables move in opposite directions, the curve relating them is
A : upward sloping, and we say the variables are positively related.
B : upward sloping, and we say the variables are negatively related.
C : downward sloping, and we say the variables are positively related.
D : downward sloping, and we say the variables are negatively related.

Correct Answer : D

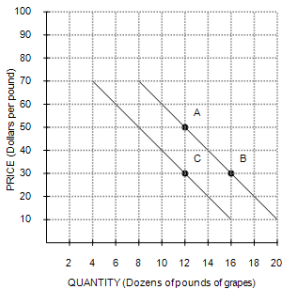
280 : When a relevant variable that is not named on either axis changes,
A : there will be a movement along the curve.
B : the curve will rotate clockwise.
C : the curve will be unaffected since only the variables on the axis affect the curve.
D : the curve will shift.

Correct Answer : D

281 : Suppose price is measured along the vertical axis on a graph. When price changes, there will be a
A : rotation of the curve.
B : shift of the curve.
C : movement along the curve.
D : change in the slope of the curve.

Correct Answer : C

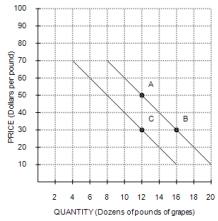
282 : Figure 2-8Refer to Figure 2-8. The movement from point A to point B is



A : a shift of the demand curve.
B : an indication of a change in preferences for grapes.
C : a movement along the demand curve.
D : an indication of an increase in income.

Correct Answer : C

283 : Figure 2-8Refer to Figure 2-8. The slope of the curve between points A and B is



A : -5.
B : -1/5.
C : 1/5.
D : 5.

Correct Answer : A

284 : Which of the following is correct?
A : A horizontal line has an infinite slope, and a vertical line has a zero slope.
B : A horizontal line has a slope of 1, and a vertical line has a slope of ?1.
C : A horizontal line has a zero slope, and a vertical line has an infinite slope.
D : A horizontal line has a slope of ?1, and a vertical line has a slope of 1.

Correct Answer : C

285 : The slope of a line that passes through the points (20, 30) and (40, 14) is
A : -5/4.
B : -4/5.
C : 4/5.
D : 5/4.

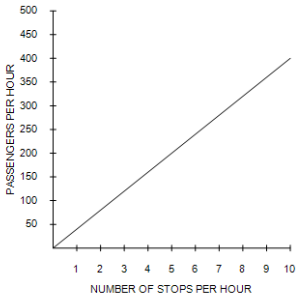
Correct Answer : B

286 : In the early 19th century, the Russian government sent doctors to southern Russian villages to provide assistance during a cholera epidemic. The villagers noticed that wherever doctors appeared, people died. Therefore, many doctors were chased away from villages, and some were even killed. This reaction to the correlation between doctors and deaths is most likely a problem of

A : omitted variables.
B : reverse causality.
C : government propaganda.
D : medical incompetence.

Correct Answer : B

287 : Figure 2-9?Commuter Rail Passengers by Frequency of Service?Refer to Figure 2-9.
Which of the following conclusions should not be drawn from observing this graph?



A : There is a positive correlation between the frequency of service and the number of passengers.
B : When there are five stops per hour, there are approximately 200 passengers.
C : More stops per hour is associated with more passengers per hour.
D : No other factors besides the frequency of service affect the number of passengers.

Correct Answer : D