These are just a few practice multiple choice questions. There will be 15 MC questions as well as several short answer questions on the actual exam.

1. While pollution regulations yield the benefit of a cleaner environment and the improved health that comes with it, the regulations come at the cost of reducing the incomes of the regulated firms’ owners, workers, and customers. This statement illustrates the principle that

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| a. | trade can make everyone better off. |
| b. | rational people think at the margin. |
| c. | people face tradeoffs. |
| d. | people respond to incentives. |

1. Ellie decides to spend two hours taking a nap rather than attending her classes. Her opportunity cost of napping is

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| --- | --- |
| a. | the value of the knowledge she would have received had she attended class. |
| b. | the $24 she could have earned if she had worked at her job for those two hours. |
| c. | the value of her nap less the value of attending class. |
| d. | nothing, since she valued sleep more than attendance at class. |

1. Production possibilities frontiers are usually bowed outward. This is because

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| a. | the more resources a society uses to produce one good, the fewer resources it has available to produce another good. |
| b. | it reflects the fact that the opportunity cost of producing a good decreases as more and more of that good is produced. |
| c. | of the effects of technological change. |
| d. | resources are specialized; that is, some are better at producing particular goods rather than other goods. |

1. The country of Aceland produces two goods, televisions and computers. Last year, it produced 200 televisions and 500 computers. This year, it produced 250 televisions and 600 computers. Given no other information, which of the following events could ***not*** explain this change?

|  |  |
| --- | --- |
| a. | Aceland experienced a reduction in unemployment. |
| b. | Aceland experienced an improvement in computer-making technology. |
| c. | Aceland acquired more resources. |
| d. | Any of these events could, in fact, explain the change. |

Assume that Aruba and Iceland can switch between producing coolers and producing radios at a constant rate.

|  |  |
| --- | --- |
|  | Labor HoursNeeded to Make 1 |
| Cooler | Radio |
| Aruba | 2 | 5 |
| Iceland | 1 | 4 |

1. Which of the following represents Aruba's production possibilities frontier when 100 labor hours are available?

|  |  |  |  |
| --- | --- | --- | --- |
| a. |  | c. |  |
| b. |  | d. |  |

Assume that Falda and Varick can switch between producing wheat and producing cloth at a constant rate.

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| --- | --- |
|  | Quantity Produced in 1 Hour |
| Bushels of Wheat | Yards of Cloth |
| Falda | 8 | 12 |
| Varick | 6 | 15 |

1. Falda’s opportunity cost of one bushel of wheat is

|  |  |
| --- | --- |
| a. | 2/3 yard of cloth and Varick’s opportunity cost of one bushel of wheat is 2/5 yard of cloth. |
| b. | 2/3 yard of cloth and Varick’s opportunity cost of one bushel of wheat is 5/2 yards of cloth. |
| c. | 3/2 yards of cloth and Varick’s opportunity cost of one bushel of wheat is 2/5 yard of cloth. |
| d. | 3/2 yards of cloth and Varick’s opportunity cost of one bushel of wheat is 5/2 yards of cloth. |

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1. The movement from point A to point B on the graph shows

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| a. | a decrease in demand. |
| b. | an increase in demand. |
| c. | a decrease in quantity demanded. |
| d. | an increase in quantity demanded. |

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| --- | --- | --- | --- | --- |
| Price | William’sQuantityDemanded | Fergie’sQuantityDemanded | Taboo’sQuantityDemanded | apl.de.ap’sQuantityDemanded |
| $12 | 2 | 1 | 3 | 4 |
| $10 | 4 | 4 | 4 | 5 |
| $8 | 6 | 7 | 5 | 6 |
| $6 | 8 | 8 | 4 | 7 |
| $4 | 10 | 9 | 3 | 8 |
| $2 | 12 | 10 | 2 | 9 |

1. Whose demand does *not* obey the law of demand?

|  |  |
| --- | --- |
| a. | William’s |
| b. | Fergie’s |
| c. | Taboo’s |
| d. | apl.de.ap’s |



1. At the equilibrium price,

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| --- | --- |
| a. | 200 units would be supplied and demanded. |
| b. | 400 units would be supplied and demanded. |
| c. | 600 units would be supplied and demanded. |
| d. | 600 units would be supplied, but only 200 would be demanded. |

1. If consumers often purchase muffins to eat while they drink their lattés at local coffee shops, what would happen to the equilibrium price and quantity of lattés if the price of muffins rises?

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| a. | Both the equilibrium price and quantity would increase. |
| b. | Both the equilibrium price and quantity would decrease. |
| c. | The equilibrium price would increase, and the equilibrium quantity would decrease. |
| d. | The equilibrium price would decrease, and the equilibrium quantity would increase. |



1. Which of the following movements would illustrate the effect in the market for paper napkins as a result of a “Go Green” advertising campaign encouraging people to use cloth napkins?

|  |  |
| --- | --- |
| a. | Point A to Point B |
| b. | Point C to Point B |
| c. | Point C to Point D |
| d. | Point A to Point D |

|  |  |
| --- | --- |
| **Good** | **Price Elasticity of Demand** |
| A | 1.3 |
| B | 2.1 |

1. Which of the following is consistent with the elasticities given in the Table

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| --- | --- |
| a. | A is a luxury, and B is a necessity. |
| b. | A is a good several years after a price increase, and B is that same good several days after the price increase. |
| c. | A is a Kit Kat bar, and B is candy. |
| d. | A has fewer substitutes than B.13.) When a good is taxed,

|  |  |
| --- | --- |
| a. | both buyers and sellers of the good are made worse off. |
| b. | only buyers are made worse off, because they ultimately bear the burden of the tax. |
| c. | only sellers are made worse off, because they ultimately bear the burden of the tax. |
| d. | neither buyers nor sellers are made worse off, since tax revenue is used to provide goods and services that would otherwise not be provided in a market economy. |

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Multiple Choice Answers

1. C.
2. A.
3. D.
4. D.
5. C.
6. D.
7. D.
8. C.
9. B.
10. B.
11. B.
12. D.
13. A.