

Mark your answers on a green Scantron. Have it in class at 5:30 PM. Late quizzes, even a minute or two late, will be penalized 5 points **or more** – depending on how late.

1. To say that something is scarce means that
 - A) it is no longer available in stores.
 - B) it must be conserved at any cost.
 - C) even the government cannot supply it.
 - D) sufficient amounts of it are available only at full employment and inflated prices.
 - E) not enough of it is available to satisfy people's wants at a zero price.

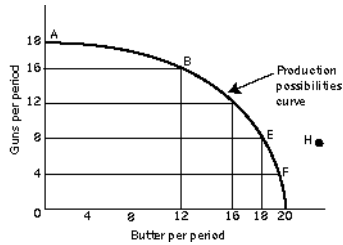
2. Opportunity cost is:
 - A) the costs of all possible options not chosen when a choice is made.
 - B) the highest valued other choice that could have been made.
 - C) the result of having made a bad choice.
 - D) the result of not making choices at the margin.

3. Macroeconomics deals with:
 - A) bits and pieces of the economy.
 - B) the question of how a business unit should operate profitably.
 - C) the working of the entire economy or large sectors of it.
 - D) ceteris paribus.

4. The set of acquired skills and abilities that workers bring to the production of goods and services is:
 - A) money.
 - B) wealth.
 - C) human capital.
 - D) natural ability.

5. Which of the following is an example of capital?
 - A) a gravel truck
 - B) a savings account
 - C) a share of General Motors stock
 - D) a lake

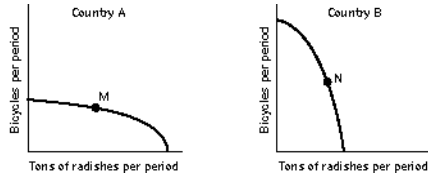
Use the following to answer questions 6-7:



6. (Exhibit: Guns and Butter) The combination of guns and butter at point H:
 - A) can be obtained, but would cost too much.
 - B) cannot be attained given the level of technology and the factors of production available.
 - C) has no meaning since it does not relate to the preferences of consumers.
 - D) is attainable but would increase unemployment.

7. (Exhibit: Guns and Butter) A movement from producing 12 units of guns and 16 units of butter per period to point B means a:
 - A) loss of 4 units of butter and a gain of 4 units of guns per period.
 - B) gain of 2 units of guns and a loss of 4 units of butter per period.
 - C) gain of 4 units of guns and a loss of 6 units of butter per period.
 - D) loss of 2 units of guns and a gain of 4 units of butter per period.

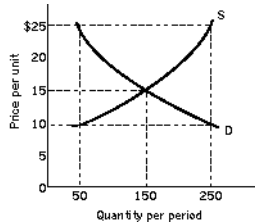
Use the following to answer question 8:



8. (Exhibit: Bicycles and Radishes 1) The exhibit shows production possibilities curves for two countries that produce only radishes and bicycles. The axes of both graphs are measured in equivalent units. Country A is now operating at point M, and Country B is now operating at point N. The opportunity cost of producing an additional bicycle would be greater in:
 - A) Country A.
 - B) Country B.
 - C) neither; the opportunity cost would be the same in both countries.
 - D) there is not enough information given to answer the question.

9. A decrease in the price of milk will result in a(n):
 - A) shift of the supply curve of ice cream to the right.
 - B) shift of the supply curve of ice cream to the left.
 - C) lower price of ice cream, and thus an increase in the demand for ice cream.
 - D) increase in the demand for ice cream and a decrease in the supply of milk.

Use the following to answer question 10:



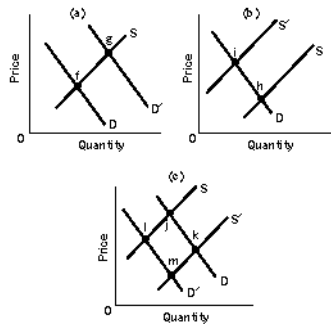
10. (Exhibit: Demand and Supply Curves) If there are no restrictions on the actions of buyers and sellers, the market price and quantity will tend toward _____ and _____ units, respectively.

- A) \$25; 50
- B) \$25; 250
- C) \$15; 150
- D) \$10; 50

11. A market shortage occurs if the:

- A) price is above the equilibrium price.
- B) price is equal to the equilibrium price.
- C) equilibrium price is above the market price.
- D) equilibrium price is below the market price.

Use the following to answer questions 12-13:



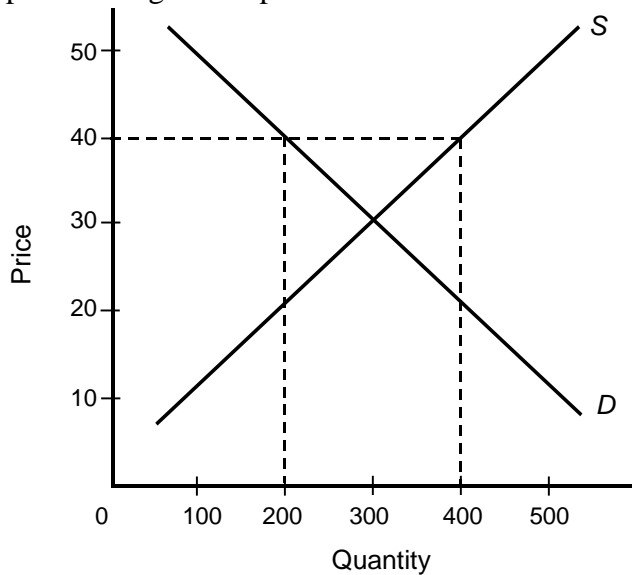
12. (Exhibit: The Market for Videotape Rentals) An increase in the wage rate paid to video rental store employees would result in a change illustrated by the move from:

- A) f to g in Figure (a).
- B) g to f in Figure (a).
- C) i to h in Figure (b).
- D) h to i in Figure (b).

13. (Exhibit: The Market for Videotape Rentals) A decrease in buyers' income, assuming videotape rentals are a normal good, would result in a change illustrated by the move from:

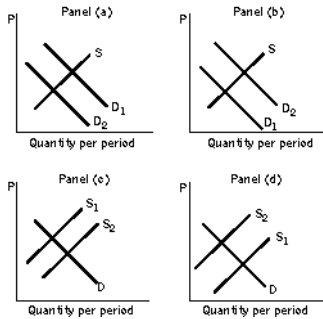
- A) f to g in Figure (a).
- B) g to f in Figure (a).
- C) i to h in Figure (b).
- D) j to m in Figure (c).

14. If demand and supply both decrease:
 A) both price and quantity will be less.
 B) both price and quantity will go up.
 C) price will fall but quantity will go up.
 D) quantity will go down but the effect on price is indeterminate.
15. Assume that the market described by the demand and supply curves in the figure is originally in equilibrium. What is the most likely consequence of a government-imposed price ceiling at \$10 per unit?



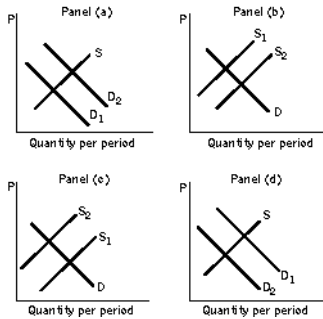
- A) Supply will decrease.
 B) Demand will increase.
 C) There will be a shortage of the good.
 D) There will be a surplus of the good.
 E) There will be no consequence at all.

Use the following to answer questions 16-18:



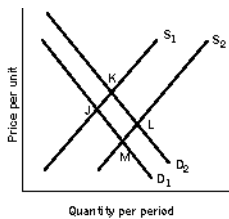
16. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose consumer incomes increase. Which panel best describes how this will affect the market for dress ties, a normal good?
- A) Panel (a)
 B) Panel (b)
 C) Panel (c)
 D) Panel (d)
17. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose a wet and sunny year increases the nation's sweet pea crop by 20 percent. Which panel best describes how this will affect the market for frozen sweet corn, a substitute for sweet peas?
- A) Panel (a)
 B) Panel (b)
 C) Panel (c)
 D) Panel (d)
18. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose half the people in San Diego move to Colorado Springs. Which panel best describes how this will affect the market for houses in Colorado Springs?
- A) Panel (a)
 B) Panel (b)
 C) Panel (c)
 D) Panel (d)

Use the following to answer question 19:



19. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose a spring frost destroys one-third of the nation's artichoke crop. Which panel best describes how this will affect the market for mayonnaise, which is a complement to artichokes?
- A) Panel (a)
 - B) Panel (b)
 - C) Panel (c)
 - D) Panel (d)

Use the following to answer question 20:



20. (Exhibit: Simultaneous Shifts in Demand and Supply) D_1 and S_1 are original supply and demand curves, and S_2 and D_2 are new curves. In this market for a normal good:
- A) supply has increased and price has increased.
 - B) demand has increased and price has increased.
 - C) demand has decreased and price has fallen.
 - D) demand has increased and price has fallen.
21. It's certain that the equilibrium price will fall when:
- A) the supply curve and the demand curve both shift to the right.
 - B) the supply curve shifts to the right and the demand curve shifts to the left.
 - C) supply and demand both increase.
 - D) supply decreases and demand stays the same.

22. If both demand and supply decreases, then
- A) equilibrium price must decrease, but equilibrium quantity may rise, fall, or remain unchanged.
 - B) equilibrium price and quantity must both go down.
 - C) equilibrium quantity must decrease, but equilibrium price may rise, fall, or remain unchanged.
 - D) equilibrium price and quantity must both go up.
 - E) None of these.