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| 1. The economic way of thinking is   |  |  |  | | --- | --- | --- | |  | a. | a set of historical generalizations that indicates what goods should be produced. | |  | b. | a body of statistical data that indicates how an economy should be organized. | |  | c. | a set of basic concepts that helps one understand human choices. | |  | d. | a set of complex, highly abstract theories that provides persons skilled in statistics with the information necessary to tell others what choices they should make. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 2. Economic theory   |  |  |  | | --- | --- | --- | |  | a. | is a set of definitions, postulates, and principles assembled in a manner that helps make cause-and-effect relationships clear in economics. | |  | b. | is like a guidebook in that it points out what to look for. | |  | c. | provides economists with a common language and way of thinking about how the world works. | |  | d. | is all of the above. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 3. Which of the following is part of the economic way of thinking?   |  |  |  | | --- | --- | --- | |  | a. | Opportunity costs will always be incurred when scarce resources are used to produce a good. | |  | b. | When the cost of an option increases, individuals will be less likely to choose it. | |  | c. | In addition to their immediate direct effects, economic actions often generate secondary effects that are observable only after the passage of time. | |  | d. | All of the above are part of the economic way of thinking. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 4. Which of the following is part of the economic way of thinking?   |  |  |  | | --- | --- | --- | |  | a. | The accuracy of the assumptions is the best test of an economic theory. | |  | b. | When an option becomes more expensive, people will be less likely to choose it. | |  | c. | The value of a good can be determined objectively by measuring the amount of labor required for its production. | |  | d. | All of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 5. The expression "There's no such thing as a free lunch" means   |  |  |  | | --- | --- | --- | |  | a. | if one person gains, someone else must lose. | |  | b. | each person must pay for exactly what he or she receives. | |  | c. | the use of resources to produce a good has an opportunity cost because of scarcity. | |  | d. | you cannot have a free lunch at the expense of someone else. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 6. "There is no such thing as a free lunch." This statement best reflects the fact that   |  |  |  | | --- | --- | --- | |  | a. | consumers are unwilling to pay for a good unless it provides them with value. | |  | b. | an opportunity cost is always present when scarce resources are used to produce a good. | |  | c. | it generally requires enormous effort to search out the best place to eat lunch. | |  | d. | the value of a good to consumers will decrease as they have more of it. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 7. Which of the following statements is correct about the economic way of thinking?   |  |  |  | | --- | --- | --- | |  | a. | If the buyer of a good gains, the seller must lose an equal amount. | |  | b. | The value of goods is objective; it is equal to the cost of supplying the good. | |  | c. | Opportunity costs will always be incurred when scarce resources are used to produce a good. | |  | d. | Changes in incentives generally have no effect on human behavior. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 12/19/2016 8:17 PM | |

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| 8. Which of the following statements best describes the scientific method?   |  |  |  | | --- | --- | --- | |  | a. | The use of modern electronic testing equipment to understand the world. | |  | b. | The unbiased development and testing of theories about how the world works. | |  | c. | The use of controlled laboratory experiments to understand the way the world works. | |  | d. | Finding evidence to support preconceived theories about how the world works. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 9. Economists make assumptions in order 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. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 10. Rational choice requires that opportunity cost be   |  |  |  | | --- | --- | --- | |  | a. | ignored in making a decision. | |  | b. | considered for individual choices, but not for societal choices. | |  | c. | computed, but not actually used in making a decision. | |  | d. | considered as part of making a decision. | |  | e. | used as the sole decision criterion. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 11. During a war, governments will sometimes draft people, most of whom are presently employed, into the army. An economist, computing the real cost of the war, would be sure to include which of the following items?   |  |  |  | | --- | --- | --- | |  | a. | The value of the civilian goods no longer produced by the new soldiers. | |  | b. | The cost of feeding and clothing the new soldiers. | |  | c. | The dollar cost of the payroll. | |  | d. | The higher prices of civilian goods due to wartime shortages. | |  | e. | The cost of transporting the soldiers to combat. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Analysis | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 12/19/2016 8:19 PM | |

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| 12. Ethan washes and irons his own shirts. Sophia, his boss, sends her clothes to a laundry. Which is the most plausible economic explanation for this difference?   |  |  |  | | --- | --- | --- | |  | a. | Ethan must enjoy ironing more than Sophia does. | |  | b. | Ethan must be better at ironing than Sophia is. | |  | c. | The opportunity cost of ironing is greater for Ethan. | |  | d. | Sophia has a higher opportunity cost of laundering her clothes than Ethan does. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 13. The opportunity cost of an action is   |  |  |  | | --- | --- | --- | |  | a. | the monetary payment the action required. | |  | b. | the total time spent by all parties in carrying out the action. | |  | c. | the value of the best opportunity that must be sacrificed in order to take the action. | |  | d. | the cost of all alternative actions that could have been taken, added together. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 14. The highest valued alternative that must be given up in order to choose an option is called   |  |  |  | | --- | --- | --- | |  | a. | opportunity cost. | |  | b. | utility. | |  | c. | scarcity. | |  | d. | disutility. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 15. A tradeoff exists between a clean environment and a higher level of income in that   |  |  |  | | --- | --- | --- | |  | a. | studies show that individuals with higher levels of income actually pollute less than low-income individuals. | |  | b. | efforts to reduce pollution typically are not completely successful. | |  | c. | laws that reduce pollution raise costs of production and reduce incomes. | |  | d. | by employing individuals to clean up pollution, employment and income both rise. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 16. The opportunity cost of going to college is   |  |  |  | | --- | --- | --- | |  | a. | the total spent on food, clothing, books, transportation, tuition, lodging, and other expenses. | |  | b. | the value of the best opportunity a student gives up to attend college. | |  | c. | zero for students who are fortunate enough to have all of their college expenses paid by someone else. | |  | d. | zero, since a college education will allow a student to earn a larger income after graduation. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 17. For a college student who wishes to calculate the true costs of going to college, the costs of room and board   |  |  |  | | --- | --- | --- | |  | a. | should be counted in full, regardless of the costs of eating and sleeping elsewhere. | |  | b. | should be counted only to the extent that they are more expensive at college than elsewhere. | |  | c. | usually exceed the opportunity cost of going to college. | |  | d. | plus the cost of tuition, equals the opportunity cost of going to college. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Analysis | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 18. Which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | Human choice is generally not influenced by changes in incentives. | |  | b. | What is true for the individual must be true for the group as a whole. | |  | c. | Using scarce resources to meet one need reduces our ability to meet needs in other areas. | |  | d. | The economic way of thinking stresses that good intentions usually lead to sound economic policy. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 19. If the government provides free schooling for all students, an economist would say education is   |  |  |  | | --- | --- | --- | |  | a. | a free good, having no cost. | |  | b. | scarce even though its cost is paid by taxpayers rather than by students. | |  | c. | an example of a good that is no longer scarce. | |  | d. | all of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 20. "The resources now going into the War on Terrorism and into improved airport security would save more lives if they were invested in medical research." This statement most clearly reflects which of the following?   |  |  |  | | --- | --- | --- | |  | a. | The best test of an economic theory is its ability to predict. | |  | b. | There is no such thing as a free lunch--the use of scarce resources always has an opportunity cost. | |  | c. | selfishness; if people were not selfish, we could have more of everything. | |  | d. | The value of goods can be determined objectively. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 21. The benefit (or satisfaction) that an individual expects to derive from an activity is called   |  |  |  | | --- | --- | --- | |  | a. | opportunity cost. | |  | b. | utility. | |  | c. | marginal cost. | |  | d. | scarcity. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 22. In economics the term utility refers to   |  |  |  | | --- | --- | --- | |  | a. | the subjective benefit or satisfaction a person expects to receive from a choice or course of action. | |  | b. | the number of possible uses for a resource. | |  | c. | the fact that human desire for goods is unlimited while the resources available to meet those desires is limited. | |  | d. | the highest valued alternative that must be sacrificed when a choice is made. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 23. The economizing problem is essentially one of deciding how to make the best use of   |  |  |  | | --- | --- | --- | |  | a. | limited resources to satisfy limited wants. | |  | b. | unlimited resources to satisfy limited wants. | |  | c. | limited resources to satisfy virtually unlimited wants. | |  | d. | unlimited resources to satisfy unlimited wants. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 24. Deciding how to make the best use of limited resources to satisfy virtually unlimited wants is known in economics as   |  |  |  | | --- | --- | --- | |  | a. | economizing behavior. | |  | b. | the fallacy of composition. | |  | c. | *ceteris paribus.* | |  | d. | the fallacy that good intentions do not guarantee the desired outcome. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 25. When economists say an individual displays economizing behavior, they simply mean that she is   |  |  |  | | --- | --- | --- | |  | a. | making a lot of money. | |  | b. | buying only those products that are cheap and of low quality. | |  | c. | learning how to run a business more effectively. | |  | d. | seeking the lowest cost method to accomplish her objectives. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 26. Which of the following is most consistent with economizing behavior?   |  |  |  | | --- | --- | --- | |  | a. | If you derive the same satisfaction from eating pizza and eating ice cream, it makes no difference which one of the two you choose. | |  | b. | Before voting, you should invest the time and energy to become fully informed on all of the issues and candidates. | |  | c. | It never makes sense to hire someone to do something for you that you could do yourself. | |  | d. | If you get the same satisfaction from a chicken sandwich and a salad, you should purchase the one that costs the least. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Analysis | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 27. Which of the following is most consistent with economizing behavior?   |  |  |  | | --- | --- | --- | |  | a. | If you get the same satisfaction from a hamburger and a fish sandwich, you should purchase the one that costs the most. | |  | b. | Even if you know how to paint, hiring someone to do the job is consistent with economizing behavior, if your opportunity cost is high enough. | |  | c. | If the government provides a good free to citizens, the opportunity cost of the good is zero. | |  | d. | If you get the same satisfaction from going to the opera and going to an art museum, it makes no difference which you choose. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Analysis | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 28. When economists say an individual has made a rational choice, they mean the individual has   |  |  |  | | --- | --- | --- | |  | a. | made the choice by weighing their own subjective costs and benefits. | |  | b. | made a "good" decision, one that reasonable outside observers would have also made. | |  | c. | neglected to consider the unintended consequences arising from their decision. | |  | d. | ignored their own personal interests and made the choice that is best for society. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 29. Jim enjoys the feeling of wind in his hair enough to ride his motorcycle without a helmet, even though he fully realizes the potential for injury it creates by not wearing one in the unlikely event he is in an accident. To an economist, Jim is   |  |  |  | | --- | --- | --- | |  | a. | making an irrational choice. | |  | b. | making a rational choice. | |  | c. | not fully considering the personal costs and benefits of his decision. | |  | d. | not responding to the incentives he faces. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 30. A rational decision maker takes an action if and only if   |  |  |  | | --- | --- | --- | |  | a. | the marginal benefit of the action exceeds the marginal cost of the action. | |  | b. | the marginal cost of the action exceeds the marginal benefit of the action. | |  | c. | the marginal cost of the action is zero. | |  | d. | the opportunity cost of the action is zero. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 31. When economists say that people choose rationally, this means   |  |  |  | | --- | --- | --- | |  | a. | they gather all relevant information before making their purchases | |  | b. | once a pattern of behavior has been established, people tend to become set in their ways | |  | c. | people respond in predictable ways to changes in costs and benefits | |  | d. | people rarely make errors when they are permitted to make transactions | |  | e. | once made, decisions are never reversed |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 32. Which of the following is an example of a rational decision?   |  |  |  | | --- | --- | --- | |  | a. | DeShawn enjoys the feeling of wind in his hair enough to ride his motorcycle without a helmet, even though he fully realizes the potential for injury it creates by not wearing one in the unlikely event he is in an accident. | |  | b. | Jayla, a burglar who breaks into houses, decides to break into the house at 265 Elm Street, rather than the house next door because the house next door has a sign in the yard that says "home protected by a security system." | |  | c. | Nicolas, a drug user, chooses to buy his cocaine from Samuel, because Samuel's cocaine is as good as the cocaine from other dealers, but Samuel has lower prices. | |  | d. | All of the above are examples of rational choices. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 33. When an individual weighs her options and makes a choice that maximizes her benefit at the minimum cost, economists refer to this as a process of   |  |  |  | | --- | --- | --- | |  | a. | rational decision making. | |  | b. | objective decision making because the value of goods is determined objectively. | |  | c. | marginal management analysis. | |  | d. | random decision making. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 34. Which of the following is often referred to as the basic postulate of economics?   |  |  |  | | --- | --- | --- | |  | a. | Individuals act only out of selfish motives. | |  | b. | Incentives matter--individuals respond in predictable ways to changes in personal costs and benefits. | |  | c. | The accuracy of the assumptions is the best test of an economic theory. | |  | d. | The value of a good is objective; it is equal to the cost of producing the good. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 35. The economic way of thinking stresses that   |  |  |  | | --- | --- | --- | |  | a. | greed is the primary motivation for human action. | |  | b. | as the benefits of an option increase, people will be more likely to choose that option. | |  | c. | an objective value can be attached to physical goods. | |  | d. | as the cost of an option decreases, people will be less likely to choose that option. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 36. The most fundamental concept in economics is that   |  |  |  | | --- | --- | --- | |  | a. | changes in incentives influence behavior in a predictable way--people will be less likely to choose an option as it becomes more expensive. | |  | b. | changes in incentives generally do not influence human behavior. | |  | c. | goods that are provided by government are free for society. | |  | d. | individuals generally do not consider other alternatives when making a choice. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of incentives | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 37. Which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | Changes in personal costs and benefits will exert a predictable impact on the choices of human decision makers. | |  | b. | Only direct monetary costs matter in making decisions. | |  | c. | If a good is provided free to an individual, its production will not consume valuable scarce resources. | |  | d. | Secondary effects are seldom of importance in economics. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 38. The economic way of thinking stresses that   |  |  |  | | --- | --- | --- | |  | a. | changes in personal costs and benefits generally fail to exert much impact on behavior. | |  | b. | incentives matter--individuals respond in predictable ways to changes in personal costs and benefits. | |  | c. | if one individual gains from an economic activity, then someone else must lose and in the same proportion. | |  | d. | if a good is provided by the government, its production will not consume valuable scarce resources. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of incentives | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 39. Which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | Changes in personal costs and benefits will exert a predictable influence on the choices of people. | |  | b. | If one individual gains from an economic activity, then someone else must lose. | |  | c. | If a good is provided free to an individual by government, its production will not consume valuable scarce resources. | |  | d. | If the intentions behind a policy are good, you can be assured that the outcome will be desirable. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 40. Which of the following is ***not*** consistent with the basic postulate of economics that incentives matter?   |  |  |  | | --- | --- | --- | |  | a. | Farmers produce fewer bushels of wheat in response to an increase in the price of wheat. | |  | b. | A politician votes against a proposal because most of his constituents oppose it. | |  | c. | People drive less because of higher gas prices. | |  | d. | People buy more milk in response to a reduction in the price of milk. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of incentives | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 41. The economic way of thinking suggests that if the government imposed a $500 tax on owners of red automobiles,   |  |  |  | | --- | --- | --- | |  | a. | fewer red automobiles would be produced and sold. | |  | b. | more red automobiles would be produced and sold. | |  | c. | there would be no change in the number of red automobiles produced and sold. | |  | d. | red automobiles would cease to exist. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 42. If a college enforces a new policy where anyone caught cheating is immediately expelled, the basic postulate of economics suggests that   |  |  |  | | --- | --- | --- | |  | a. | cheating will be completely eliminated. | |  | b. | fewer students will attempt to cheat. | |  | c. | the amount of cheating will be unaffected. | |  | d. | any of the above is possible because student behavior is unpredictable. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 43. Which of the following groups would most likely benefit from a law that is extremely tough on those who drink and drive?   |  |  |  | | --- | --- | --- | |  | a. | truck drivers | |  | b. | taxi drivers | |  | c. | bartenders | |  | d. | doctors and nurses |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 44. Which one of the following statements most accurately indicates the basic motivation for behavior?   |  |  |  | | --- | --- | --- | |  | a. | Individuals are motivated primarily by selfish desires; thus, personal costs and benefits influence their actions. | |  | b. | Individuals are motivated primarily by humanitarian concerns; therefore, personal costs and benefits exert little influence on most of their actions. | |  | c. | Individuals are motivated by a variety of forces; however, changes in personal benefits and costs influence the choices of both selfish and humanitarian individuals. | |  | d. | Individuals are motivated by a variety of forces; however, changes in personal benefits and costs affect behavior only when individuals are motivated by selfishness. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 45. Economic analysis assumes that   |  |  |  | | --- | --- | --- | |  | a. | people act only out of selfish motives. | |  | b. | people are motivated by a variety of forces; however, changes in personal benefits and costs affect behavior only when individuals are motivated by selfishness. | |  | c. | people are basically unselfish, and their actions are, therefore, difficult to predict. | |  | d. | changes in the personal benefits and costs associated with an activity will exert a predictable influence on the behavior of both those who are selfish and those who are unselfish. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 46. In economics, the term marginal refers to   |  |  |  | | --- | --- | --- | |  | a. | the change or difference between two alternatives. | |  | b. | man-made resources as opposed to natural resources. | |  | c. | the satisfaction a consumer receives from a good. | |  | d. | holding everything else constant in the analysis. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 47. When deciding whether to buy a second car, the economic way of thinking indicates that the purchaser should compare   |  |  |  | | --- | --- | --- | |  | a. | the benefits expected from two cars with the cost of both. | |  | b. | the additional benefits expected from a second car with the cost of the two cars. | |  | c. | the dollar cost of the two cars with the potential income that the cars will generate. | |  | d. | the additional benefits of the second car with the additional cost of the second car. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 48. A marginal change usually is a   |  |  |  | | --- | --- | --- | |  | a. | change that involves little, if anything, that is important. | |  | b. | large, significant adjustment. | |  | c. | change for the worse, and so it is usually a short-term change. | |  | d. | small, incremental adjustment. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 49. People are willing to pay more for a diamond than for a bottle of water because   |  |  |  | | --- | --- | --- | |  | a. | the marginal cost of producing an extra diamond far exceeds the marginal cost of producing an extra bottle of water. | |  | b. | the marginal benefit of an extra diamond far exceeds the marginal benefit of an extra bottle of water. | |  | c. | producers of diamonds have a much greater ability to manipulate diamond prices than producers of water have to manipulate water prices. | |  | d. | water prices are held artificially low by governments, since water is necessary for life. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 50. Your professor loves her work, teaching economics. She has been offered other positions in the corporate world that would increase her income by 25 percent, but she has decided to continue working as a professor. Her decision would not change unless   |  |  |  | | --- | --- | --- | |  | a. | the marginal cost of teaching increased. | |  | b. | the marginal benefit of teaching increased. | |  | c. | the marginal cost of teaching decreased. | |  | d. | the marginal benefit of a corporate job decreased. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 51. If a decision maker uses marginal analysis, then the relevant costs are the   |  |  |  | | --- | --- | --- | |  | a. | full costs of a particular activity or product. | |  | b. | fixed costs which do not vary with the extra activity or output. | |  | c. | profits obtained on the activity or product. | |  | d. | average costs for a particular activity or product. | |  | e. | additional costs of a particular activity or product. |  |  |  | | --- | --- | | *ANSWER:* | e | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 52. Standby passengers on airlines who pay low rates for seats benefit from the low price. How are the airlines affected?   |  |  |  | | --- | --- | --- | |  | a. | They lose, because the standby passengers do not cover the full cost of the seats. | |  | b. | They gain, because the additional revenue covers the "fixed costs" of the flight. | |  | c. | They lose, because the gain of the passengers must necessarily come at the expense of the airline. | |  | d. | They benefit as long as the additional revenue from the passengers exceeds the marginal cost. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Analysis | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 53. If an airline company has several empty seats on a flight and the full price of an air ticket is $500 and the marginal cost per passenger is $100, then it will be profitable for the airline to   |  |  |  | | --- | --- | --- | |  | a. | charge a stand-by passenger no less than the full fare of $500. | |  | b. | charge a stand-by passenger less than $100. | |  | c. | charge a stand-by passenger more than $500. | |  | d. | charge a stand-by passenger more than $100. | |  | e. | fill the seats at the last minute for any price. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 54. To say that people make marginal decisions means that   |  |  |  | | --- | --- | --- | |  | a. | they usually wait until the last minute before making a decision to buy | |  | b. | they weigh the additional costs and additional benefits of various activities before they make a decision | |  | c. | most people just barely get by on the incomes they earn and live from day to day on the very edge of subsistence | |  | d. | they consider the total cost and benefit of various activities before they make a purchase |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 55. Andre, a wheat farmer, is deciding whether or not to add fertilizer to his crops. If he adds 1 pound of fertilizer per acre, the value of the resulting crops rises from $80 to $100 per acre. According to marginal analysis, Andre should add fertilizer if it costs less than   |  |  |  | | --- | --- | --- | |  | a. | $12.50 per pound. | |  | b. | $20 per pound. | |  | c. | $80 per pound. | |  | d. | $100 per pound. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 56. According to marginal analysis, you should spend more time studying economics if the extra benefit from an additional hour of study   |  |  |  | | --- | --- | --- | |  | a. | is positive. | |  | b. | outweighs the extra cost. | |  | c. | exceeds the benefits of the previous hour of study. | |  | d. | will raise your exam score. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 57. While waiting in line to buy two tacos at 80 cents each and a medium drink for 90 cents, Kayla notices that the restaurant has a value meal containing three tacos and a medium drink all for $3. For Kayla, the marginal cost of the third taco would be   |  |  |  | | --- | --- | --- | |  | a. | zero. | |  | b. | 50 cents. | |  | c. | 80 cents. | |  | d. | $1. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 58. While waiting in line to buy one cheeseburger for $1.50 and a medium drink for $1.00, Sally notices that she could get a value meal that contains both the cheeseburger and medium drink and also a medium order of fries for $2.75. She thinks to herself, "Is it worth the extra 25 cents to get the medium fries?" To an economist, Sally's decision is an example of   |  |  |  | | --- | --- | --- | |  | a. | marginal decision making. | |  | b. | basing decisions on total, rather than marginal, value. | |  | c. | an unintended consequence. | |  | d. | the fallacy of composition. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 59. Isabella wishes to buy gasoline and have her car washed. She finds that if she buys 9 gallons of gasoline at $1.50 per gallon, the car wash costs $1, but if she buys 10 gallons of gasoline, the car wash is free. For Isabella, the marginal cost of the tenth gallon of gasoline is   |  |  |  | | --- | --- | --- | |  | a. | zero. | |  | b. | 50 cents. | |  | c. | $1. | |  | d. | $1.50. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 60. Santiago wants to buy some milk and a box of cereal. If he buys 2 quarts of milk at $1 per quart, the box of cereal costs 75 cents. If he buys 3 quarts of milk at $1 per quart, the box of cereal is free. For Santiago, the marginal cost of the third quart of milk is   |  |  |  | | --- | --- | --- | |  | a. | zero. | |  | b. | 25 cents. | |  | c. | 75 cents. | |  | d. | $1. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 61. A firm producing cans buys three tons of aluminum per day at $200 per ton. If it buys four tons per day, it receives a quantity discount on all units and pays only $175 per ton. The marginal cost of the fourth ton per day is   |  |  |  | | --- | --- | --- | |  | a. | $100. | |  | b. | $175. | |  | c. | $700. | |  | d. | $225. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 62. A local restaurant offers an "all you can eat" buffet for $15. Mia eats four servings but leaves half of a fifth helping uneaten. Why?   |  |  |  | | --- | --- | --- | |  | a. | Her marginal value of a serving of brunch has fallen below $15. | |  | b. | Her marginal value of a serving has fallen below $3 ($15 divided by 5 servings). | |  | c. | Her marginal value of food has fallen to zero. | |  | d. | The total value she places on the buffet exactly equals $15. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 63. A restaurant offers an "all you can eat" meal for $9. Tyrone has eaten three servings and is trying to decide whether or not to go back for a fourth. The economic way of thinking suggests that Tyrone should go back for the fourth serving if and only if   |  |  |  | | --- | --- | --- | |  | a. | his marginal benefit of the additional serving is greater than zero. | |  | b. | his marginal benefit of the additional serving is at least $3. | |  | c. | his marginal benefit of the additional serving is $9 or more. | |  | d. | his total value from the meal exceeds $9. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 64. Because information is costly to acquire,   |  |  |  | | --- | --- | --- | |  | a. | people will rationally choose not to become fully informed when making decisions. | |  | b. | people will generally choose to become as fully informed as possible when making decisions. | |  | c. | people will generally choose to acquire no information that would be relevant to their decisions. | |  | d. | none of the above are true. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 65. People are more likely to purchase a consumer ratings magazine that reviews new automobiles before buying a new car than they are to purchase a consumer ratings magazine that reviews pens and pencils before buying a new pen or pencil. Which of the following best explains this behavior?   |  |  |  | | --- | --- | --- | |  | a. | Because the consumer ratings magazine must have a higher price for the issue reviewing pens and pencils. | |  | b. | Because the value of the information, in terms of avoiding a mistake on the purchase, is much higher for an automobile than for a pen or pencil, it is more worthwhile to gather this information. | |  | c. | Because people generally do not know which products are reviewed by these consumer magazines. | |  | d. | None of the above explain this behavior. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 66. Which of the following is consistent with the implications of the economic guidepost that information is costly to acquire?   |  |  |  | | --- | --- | --- | |  | a. | Most people do not know the names of their legislators in the U.S. Congress, but those same individuals are likely to know the names of all the cast members on a popular TV show. | |  | b. | In considering purchases, people are more likely to purchase a consumer ratings magazine that reviews new automobiles before buying a car, but are unlikely to purchase a consumer ratings magazine that reviews pens and pencils before buying a pen or pencil. | |  | c. | When shopping for something like a new calculator, people will generally not spend the time to do price comparisons at all of the stores in town that sell calculators. | |  | d. | All of the above are consistent with the economic way of thinking. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 67. Economic analysis is based on the premise that   |  |  |  | | --- | --- | --- | |  | a. | people act only out of selfish motives. | |  | b. | people are always fully informed when making choices. | |  | c. | changes in the personal benefits or costs of an action influence behavior in a predictable way. | |  | d. | most human behavior is unpredictable. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Utility and consumer choic - DISC: Utility and consumer choice | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 68. In economics, secondary effects refer to the   |  |  |  | | --- | --- | --- | |  | a. | best alternative that must be forgone as the result of a choice. | |  | b. | unintended consequences of a change that are not immediately identifiable but are felt only with time. | |  | c. | immediate and visible intended consequences of a change. | |  | d. | impact of the scarcity of resources on the scarcity of the goods that are produced with those resources. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 69. The unintended consequences of an economic change that are not immediately identifiable but are felt only with time are known in economics as   |  |  |  | | --- | --- | --- | |  | a. | opportunity costs. | |  | b. | marginal effects. | |  | c. | secondary effects. | |  | d. | scarcity constraints. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 70. Which of the following could be considered to be a secondary effect caused by making drugs such as cocaine illegal?   |  |  |  | | --- | --- | --- | |  | a. | The higher prices that result from making them illegal results in more property theft by users to afford the drugs. | |  | b. | The usage of police and law enforcement resources to enforce drug laws leads to lower enforcement (and thus a higher amount) of other crimes. | |  | c. | Without the ability to use the legal system to enforce contracts, violence often results when one party to a drug deal does not live up to their end of the bargain, thus the amount of violence increases by making drugs illegal. | |  | d. | All of the above would be considered secondary effects of making drugs illegal. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 71. Economists are generally opposed to tariffs or other restrictions on imported goods because of the negative secondary effects they create that more than offset the benefits to employment in the domestic industry. Which of the following could be considered a secondary effect of these trade restrictions?   |  |  |  | | --- | --- | --- | |  | a. | The price to consumers of the good in question will be higher as a result of the restriction, meaning consumers will be worse off. | |  | b. | As consumers must spend more money to purchase the good, there will be employment losses in other domestic industries as consumers cut back on their spending on other things. | |  | c. | Because there is a link between a country's imports and its exports, less imports from other countries will result in lower domestic employment in export industries. | |  | d. | All of the above. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 72. "Mediocre economists often consider only the immediate apparent effects of a change, whereas a good economist will also consider effects that may only become observable over time." This statement most clearly emphasizes   |  |  |  | | --- | --- | --- | |  | a. | the fallacy of composition. | |  | b. | economizing behavior. | |  | c. | the importance of secondary effects. | |  | d. | the fact that association is not causation. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 73. The value of a good   |  |  |  | | --- | --- | --- | |  | a. | depends on many factors, including who uses it and under what circumstances. | |  | b. | is determined by the cost of producing it. | |  | c. | depends on the labor necessary to supply the good. | |  | d. | can be measured objectively by a survey of manufacturers of the good. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 74. All but one of the following are elements of the economic way of thinking. Which one is ***not*** part of the economic way of thinking?   |  |  |  | | --- | --- | --- | |  | a. | Incentives matter. | |  | b. | The value of goods can be determined objectively. | |  | c. | Economic thinking is marginal thinking. | |  | d. | Information is scarce. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 75. What is the best test of an economic theory?   |  |  |  | | --- | --- | --- | |  | a. | The accuracy of the assumptions behind the theory. | |  | b. | The ability of the theory to predict real-world events. | |  | c. | The implications of the theory for current public policy. | |  | d. | How much mathematical detail is behind the theory. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 12/19/2016 8:23 PM | |

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| 76. What is the best test of an economic theory?   |  |  |  | | --- | --- | --- | |  | a. | Its eloquence. | |  | b. | The plausibility of its assumptions. | |  | c. | Its ability to predict real-world events, patterns, and changes. | |  | d. | Whether it produces implications that are favored by the researcher. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 12/19/2016 8:24 PM | |

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| 77. The expression "There's no such thing as a free lunch" means   |  |  |  | | --- | --- | --- | |  | a. | in an exchange, if one person gains, someone else must lose. | |  | b. | each person must pay for exactly what he or she receives. | |  | c. | the use of resources to meet one need means that those resources can no longer be used to meet another need. | |  | d. | in an exchange, if one person gains, someone else must lose and equal amount. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 78. The highest valued alternative option that must be given up in order to choose an action is called its   |  |  |  | | --- | --- | --- | |  | a. | utility. | |  | b. | opportunity cost. | |  | c. | capital. | |  | d. | *ceteris paribus* |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Knowledge | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 79. The economic way of thinking stresses that   |  |  |  | | --- | --- | --- | |  | a. | changes in personal costs and benefits generally do not influence human behavior. | |  | b. | incentives matter--when an option becomes less costly, people will be more likely to choose it. | |  | c. | if one individual gains from an economic activity, then someone else must lose. | |  | d. | goods provided by government do not consume valuable scarce resources since government activity is not part of the market economy. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of incentives | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 80. The consequences of an economic change that are not immediately identifiable but are felt only with the passage of time are known in economics as   |  |  |  | | --- | --- | --- | |  | a. | opportunity costs. | |  | b. | utility curves. | |  | c. | secondary effects. | |  | d. | comparative advantages. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |

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| 81. Liam wants to buy some milk and a box of cereal. If Liam buys 4 gallons of milk at $3.00 per gallon, the box of cereal costs $2.00. If he buys 5 gallons of milk, the box of cereal is free. For Liam, the marginal cost of buying a fifth gallon of milk is   |  |  |  | | --- | --- | --- | |  | a. | zero. | |  | b. | $1.00. | |  | c. | $2.00. | |  | d. | $3.00. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Marginal costs & benefits | | *TOPICS:* | The Economic Way of Thinking | | *KEYWORDS:* | Bloom's: Application | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:03 PM | | *DATE MODIFIED:* | 5/19/2016 3:03 PM | |