

Print Name _____ Section _____

ID # _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Which of the following statements about economic models is true?
 - A) Every economic model is based on a set of assumptions.
 - B) Economic models are designed so that every detail of the real world can be analyzed.
 - C) Economic models are not empirically testable.
 - D) The predictive power of models is not important.

- 2) Which of the following questions is a microeconomic issue?
 - A) What is a business cycle?
 - B) What is the future growth prospect for an economy?
 - C) How many workers should the owner of a business hire?
 - D) How long will a recession last?

- 3) The fact that some people can afford to live in beautiful homes while others are homeless, is most directly an example of an economy facing the _____ question.
 - A) "for whom"
 - B) "how"
 - C) "when"
 - D) "why"

- 4) A student is studying for an exam two hours a day and is debating whether to study an extra hour. The student's marginal benefit
 - A) is greater than the student's marginal cost.
 - B) is the benefit the student receives from studying all three hours.
 - C) depends on the grade the student earns on the exam.
 - D) is the benefit the student receives from studying the extra hour.

- 5) _____ are (is) all the objects that we value and are willing to pay for.
 - A) Goods and services
 - B) Capital
 - C) Points along the production possibility frontier
 - D) Resources

- 6) Bill Bonecrusher graduates from college with a choice of playing professional football at \$2 million a year or coaching for \$50,000 a year. He decides to play football, but eight years later, though he could continue to play football at \$2 million a year, he quits football to make movies for \$3 million a year. His opportunity cost of playing football at graduation was _____ and eight years later the opportunity cost of making movies was _____.
 - A) \$50,000; \$2 million
 - B) \$50,000; \$50,000
 - C) \$2 million; \$3 million
 - D) \$2 million; \$2 million

- 7) A cost due to an increase in activity is called a(n)
 - A) total cost.
 - B) incentive loss.
 - C) marginal cost.
 - D) negative marginal benefit.

- 16) A positive statement is a statement about
- A) what is desirable.
 - B) what is.
 - C) what should be but is not.
 - D) what is and what should be.
- 17) In part, microeconomics is concerned with the study of
- A) the effect government regulation has on the price of a product.
 - B) the general price level.
 - C) total output and the money supply.
 - D) inflation, unemployment and economic growth.
- 18) The study of the choices made by individuals is part of the definition of
- A) macroeconomics.
 - B) normative economics.
 - C) positive economics.
 - D) microeconomics.
- 19) The amount of money that it takes to buy the goods and services that a typical family consumes is
- A) entrepreneurship.
 - B) scarcity.
 - C) the cost of living.
 - D) the standard of living.
- 20) The statement "Unemployment should be kept at or below a level of 6 percent" is
- A) an assumption.
 - B) a prediction.
 - C) a positive statement.
 - D) a normative statement.