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| 1. The problem of scarcity   |  |  |  | | --- | --- | --- | |  | a. | arises only in poor countries. | |  | b. | exists because the price of goods is too high. | |  | c. | exists because of limited resources. | |  | d. | will eventually be solved by better planning. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 2. If society is producing a combination of goods on its production possibilities frontier   |  |  |  | | --- | --- | --- | |  | a. | it must be employing all available resources. | |  | b. | it must be growing. | |  | c. | it is using all the available natural resources but may not be using all available labor resources. | |  | d. | Both a and b. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 3. The slope of the production possibility frontier shows   |  |  |  | | --- | --- | --- | |  | a. | how inputs must be changed to keep them fully employed. | |  | b. | the technically efficient combinations of the two goods. | |  | c. | how demanders are willing to trade one good for another. | |  | d. | the opportunity cost of one good in terms of the other. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | |

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| 4. If the prevailing price of shirts is $10 and at this price demanders demand 100 shirts while suppliers are willing to supply 110 shirts, there is a(n)   |  |  |  | | --- | --- | --- | |  | a. | shortage at the $10 price. | |  | b. | surplus at the $10 price. | |  | c. | equilibrium in this market. | |  | d. | shortage if price were to rise above $10. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 5. Positive economic analysis   |  |  |  | | --- | --- | --- | |  | a. | involves the study of firms with positive profits. | |  | b. | involves how resources are actually used in an economy. | |  | c. | involves judgments on how resources should be used in an economy. | |  | d. | is usually thought to be a waste of time. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 6. Normative economic analysis   |  |  |  | | --- | --- | --- | |  | a. | involves the study of what comprises a normal firm. | |  | b. | involves how resources are actually used in an economy. | |  | c. | involves judgments on how resources should be used in an economy. | |  | d. | is usually thought to be a waste of time. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 7. A major problem that may occur with models that predict the values of economic variables in the future is that   |  |  |  | | --- | --- | --- | |  | a. | researchers are pessimistic about the future. | |  | b. | the model may fail to acknowledge that economic actors will change their behavior in response to changing situations. | |  | c. | the model may make predictions that conflict with widely held opinions. | |  | d. | no one cares about these predictions. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 8. In the equation where *Y* is a function of *X*   |  |  |  | | --- | --- | --- | |  | a. | *Y* is the independent variable. | |  | b. | 38 is a variable. | |  | c. | the slope of the line is 38. | |  | d. | None of the above. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | |

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| 9. The Y-intercept of is   |  |  |  | | --- | --- | --- | |  | a. | 3/8. | |  | b. | 3. | |  | c. | 8. | |  | d. | –8/3. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 10. The X-intercept of is   |  |  |  | | --- | --- | --- | |  | a. | −3. | |  | b. | 3. | |  | c. | −1/3 | |  | d. | 12. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 11. If the Y-intercept of a linear function increases while the slope remains unchanged   |  |  |  | | --- | --- | --- | |  | a. | the graph must shift down in a parallel way. | |  | b. | the graph must rotate to the left about the X intercept. | |  | c. | the graph must shift up in a parallel. | |  | d. | the graph remains unchanged. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 12. If the slope of a linear function changes with no change in the Y-intercept   |  |  |  | | --- | --- | --- | |  | a. | the graph shifts either up or down in a parallel way. | |  | b. | the graph remains unchanged. | |  | c. | the graph rotates about its X-intercept. | |  | d. | the graph rotates about its Y-intercept. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | |

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| 13. The slope of a nonlinear function at some particular point   |  |  |  | | --- | --- | --- | |  | a. | is the slope of the straight line that is tangent to the function at that point. | |  | b. | is the slope of the straight line connecting the origin and the point. | |  | c. | cannot be determined. | |  | d. | is constant for the entire function. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 14. Given  which of the following are necessarily true?   |  |  |  | | --- | --- | --- | |  | a. | *Y* is a linear function. | |  | b. | *X, Z* are dependent variables. | |  | c. | A contour line of this function would keep *Y* constant. | |  | d. | An increase in *X* would increase *Y*. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 15. For the function , the equation  represents   |  |  |  | | --- | --- | --- | |  | a. | the X-intercept. | |  | b. | the Y-intercept. | |  | c. | a contour line. | |  | d. | a tangent line. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 16. For the equation , which of the following points lie on the  contour line?   |  |  |  | | --- | --- | --- | |  | a. | , . | |  | b. | . . | |  | c. | , . | |  | d. | Both a and c. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 17. For the equation  the point ,  ​   |  |  |  | | --- | --- | --- | |  | a. | yields a value of . | |  | b. | lies below the contour line that includes the point , . | |  | c. | lies on the same contour line as the point , . | |  | d. | Both a and b. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | |

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| 18. If , the contour lines   |  |  |  | | --- | --- | --- | |  | a. | are concentric circles. | |  | b. | are parabolas. | |  | c. | are hyperbolas. | |  | d. | intersect whenever either *X* or *Z* is zero. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 19. The solution to the simultaneous equations  and  is   |  |  |  | | --- | --- | --- | |  | a. | , . | |  | b. | , . | |  | c. | , . | |  | d. | None of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 20. Graphically, the solution to a system of two independent linear equations is usually   |  |  |  | | --- | --- | --- | |  | a. | the average of the slopes. | |  | b. | the average of the intercepts. | |  | c. | a single point. | |  | d. | None of the above. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 21. Let  and . Here equilibrium price and quantity are   |  |  |  | | --- | --- | --- | |  | a. | ; | |  | b. | ​; | |  | c. | ​; | |  | d. | ​ ; |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 22. If the production possibilities frontier can be expressed as   then the point ;  is   |  |  |  | | --- | --- | --- | |  | a. | outside the production possibilities frontier | |  | b. | on the production possibilities frontier | |  | c. | inside the production possibilities frontier | |  | d. | in the wrong quadrant to be on the graph |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 23. If the production possibilities frontier can be expressed as  then the point ;  is   |  |  |  | | --- | --- | --- | |  | a. | outside the production possibilities frontier | |  | b. | on the production possibilities frontier | |  | c. | inside the production possibilities frontier | |  | d. | in the wrong quadrant to be on the graph |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 24. Suppose a production possibilities frontier can be expressed as  what is the opportunity cost of going from 1 unit of X to 2 units of X (in terms of units of Y)?   |  |  |  | | --- | --- | --- | |  | a. | 45 | |  | b. |  | |  | c. |  | |  | d. | 1 |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 25. Suppose a production possibilities frontier can be expressed as  what is the opportunity cost of going from 2 units of X to 3 units of X (in terms of units of Y)?   |  |  |  | | --- | --- | --- | |  | a. |  | |  | b. |  | |  | c. | 1 | |  | d. | 0 |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 26. An increase in the technology used in the production of only one of the two goods in a society will   |  |  |  | | --- | --- | --- | |  | a. | eliminate scarcity | |  | b. | move the production possibilities frontier out in all directions | |  | c. | move the production possibilities frontier in all directions | |  | d. | leave one intercept of the production possibilities frontier fixed and swing out from the other |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | |

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| 27. Suppose  and . The equilibrium price is   |  |  |  | | --- | --- | --- | |  | a. | 7 | |  | b. | 8 | |  | c. | 9 | |  | d. | 10 |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 28. Suppose  and . The equilibrium quantity is   |  |  |  | | --- | --- | --- | |  | a. | 2 | |  | b. | 3 | |  | c. | 4 | |  | d. | 5 |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 29. Suppose . If taxes are progressive which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. |  | |  | b. |  | |  | c. |  | |  | d. |  |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 30. Suppose . If taxes are regressive which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. |  | |  | b. |  | |  | c. |  | |  | d. |  |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 31. Suppose . If taxes are proportional which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. |  | |  | b. |  | |  | c. |  | |  | d. |  |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |

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| 32. Suppose you can write generic supply and demand curves such that and . Equilibrium price is given by   |  |  |  | | --- | --- | --- | |  | a. |  | |  | b. |  | |  | c. |  | |  | d. |  |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 33. Suppose you can write generic supply and demand curves such that and . Equilibrium quantity is then given by   |  |  |  | | --- | --- | --- | |  | a. |  | |  | b. |  | |  | c. |  | |  | d. |  |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 34. Suppose you can write generic supply and demand curves such that and . If price must reach a certain level before firms supply anything,, A must be   |  |  |  | | --- | --- | --- | |  | a. | positive | |  | b. | negative | |  | c. | 0 |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 35. Suppose you can write generic supply and demand curves such that and . If firms produce more when price rises, B must be   |  |  |  | | --- | --- | --- | |  | a. | positive | |  | b. | negative | |  | c. | 0 |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 36. Suppose you can write generic supply and demand curves such that and . If consumers demand less as price rises, C must be   |  |  |  | | --- | --- | --- | |  | a. | positive | |  | b. | negative | |  | c. | 0 |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | |

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| 37. Suppose you can write generic supply and demand curves such that and . In the usual supply-demand configuration, D must be   |  |  |  | | --- | --- | --- | |  | a. | positive | |  | b. | negative | |  | c. | 0 |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | |

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| 38. The Ricardian notion that of diminishing returns implies that   |  |  |  | | --- | --- | --- | |  | a. | as more input is used more output will be made. | |  | b. | as more input is used less output will be made. | |  | c. | as more input is used the increase in output will increase. | |  | d. | ​as more input is used the increase in output will decrease. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | |

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| 39. Economists typically use \_\_\_\_ analysis, whereas clergy members typically use \_\_\_\_ analysis.   |  |  |  | | --- | --- | --- | |  | a. | positive; positive | |  | b. | normative; normative | |  | c. | positive; normative | |  | d. | normative; positive |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | |