

1. Which of the following adjectives BEST describes human desires?
 - a. quantifiable
 - b. rational
 - c. insatiable
 - d. irregular
 - e. limited
2. Which of the following factors does NOT shift the demand curve?
 - a. number of buyers
 - b. price
 - c. expectations
 - d. income
 - e. tastes
3. Which of the following statements BEST describes the difference between positive and normative economic statements?
 - a. Positive economic statements are always factually correct, while normative economic statements are not.
 - b. Normative economic statements include value judgments, while positive economic statements do not.
 - c. Positive economic statements describe past events, while normative economic events make predictions.
 - d. Economic analysis can support normative economic statements but not positive economic statements.
 - e. Positive economic statements involve opinion, while normative economic statements do not.
4. Which of the following statements is a normative economic statement?
 - a. The Federal Reserve lowering the reserve ratio usually results in inflation.
 - b. An increased income tax rate would reduce economic inequality in the United States.
 - c. The Federal Reserve should raise interest rates to combat inflation.
 - d. A \$15 minimum wage would result in a 10% increase in unemployment.
 - e. Higher capital investment would likely increase United States GDP in the long run.
5. Categorizing an outcome as Pareto efficient is MOST likely to be a function of
 - a. behavioral economics
 - b. microeconomics
 - c. normative economics
 - d. positive economics
 - e. macroeconomics
6. Which of the following statements BEST reflects one of the core ideas of Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nation*?
 - a. A centrally planned economy maximizes net social benefit, even if it results in some inefficiencies.
 - b. Humans are inherently compassionate, and so they produce goods that maximize social benefit.
 - c. A successful free market economy can eliminate the scarcity common in planned economies.
 - d. A free market economy leads to relatively equal amounts of prosperity for all participants.
 - e. Producers provide goods and fulfill needs in an economy because of their own self-interest.
7. Which of the following statements regarding supply and demand is TRUE?
 - a. The law of supply reflects the inverse relationship between price and quantity supplied.
 - b. If the price of a good increases, the supply curve for that good usually shifts right.
 - c. To find the market demand curve, add all individual demand curves horizontally.
 - d. When someone's income increases, they usually purchase fewer normal goods.
 - e. Expectations for higher prices in the future may decrease demand in the short run.
8. Which of the following statements about perfect competition is FALSE?
 - a. The good or service being bought and sold is highly standardized.
 - b. The market contains a large number of buyers and sellers.
 - c. Most of the world's market are perfectly competitive.
 - d. The market's buyers and sellers cannot influence the price.
 - e. All buyers and sellers in the market are aware of the price.
9. Which of the following concepts is MOST important in gains from trade?
 - a. rationality
 - b. equilibrium
 - c. competition
 - d. taxation
 - e. specialization

10. Which of the following factors does NOT shift the supply curve?
- price of related goods
 - expectations
 - number of sellers
 - technology
 - input prices
11. Which of the following sentences is a positive economic statement?
- The United States should implement universal healthcare.
 - China should prioritize capital investment over government spending.
 - Taxes in Great Britain are too high at their current levels.
 - The United States has the lowest GDP in the world.
 - Venezuela's economy is currently the worst in the world.
12. Which of the following figures is CLOSEST to the number of items in the average supermarket, as of 2008?
- 53,000
 - 33,000
 - 47,000
 - 21,000
 - 37,000
13. The price of gasoline in San Francisco decreases by 10%. As a result, demand would
- stay the same
 - decrease by more than 10%
 - increase by less than 10%
 - decrease by less than 10%
 - increase by more than 10%
14. Which of the following events is MOST likely to occur if the price of steel increases by 20%?
- The supply of cars increases.
 - The demand for cars decreases.
 - The demand for and supply of cars remain the same.
 - The demand for cars increases.
 - The supply of cars decreases.
15. Which of the following types of economics deals with individuals and individual markets?
- microeconomics
 - behavioral economics
 - normative economics
 - macroeconomics
 - positive economics
16. An increased minimum wage would most likely have all of the following effects EXCEPT
- increased difficulty obtaining jobs covered by the law
 - decreased profits for employers depended on minimum wage labor
 - increased unemployment among minimum-wage workers
 - decreased well-being among some lower-income individuals
 - decreased prices of some goods and services
17. All of the following statements about Pareto efficiency are true EXCEPT
- every situation has one ideal Pareto-efficient distribution
 - it is a measure of a situation's efficiency
 - economist Vilfredo Pareto introduced it
 - economists use it to assess the use of scarce resources
 - it is useful in maximizing overall well-being
18. Todd's favorite T-shirt colors, in order from his least favorite to his favorite, are blue, pink, yellow, and brown. The opportunity cost of Todd buying a brown T-shirt is
- the pink T-shirt
 - the blue T-shirt
 - the yellow T-shirt
 - the blue, pink, and yellow T-shirts
 - the brown T-shirt
19. An economy of 5 people produces \$50 worth of goods and services. Which of the following distributions would NOT be Pareto efficient?
- One person receives \$30; four people receive \$5.
 - One person receives \$50; the others receive \$0.
 - Two people receive \$15; three people receive \$5.
 - Three people receive \$15; one person receives \$5; one person receives \$0.
 - Each person receives \$10.
20. Which of the following statements BEST explains economics?
- Economics is the study of decision-making and scarcity.
 - Economics is the study of money and inequality.
 - Economics is the study of maximizing consumer surplus.
 - Economics is the study of business and government policies.
 - Economics is the study of investing and the stock market.

21. Which of the following topics BEST relates to macroeconomics?
- the national price of steel in Germany
 - inflation rates in Venezuela
 - monopolies in the United States
 - a household's purchasing decisions
 - a firm's price maximization strategy
22. What would MOST likely happen if the price of hamburgers falls?
- The demand for hamburger buns increases.
 - The demand for hamburger buns remains the same.
 - The quantity demanded of hamburger buns decreases.
 - The demand for hamburger buns decreases.
 - The quantity demanded of hamburger buns increases.
23. The government published a report revealing that cigarettes increase the risk of cancer, causing the demand for cigarettes to fall. This decreased demand is a result of a change in
- tastes
 - substitutes
 - popularity
 - price
 - expectations
24. One day, Fred decides to go kayaking with his friend instead of working his usual job at the grocery store. Fred's forgone income can BEST be explained with reference to
- opportunity costs
 - scarcity
 - resource allocation
 - trade-offs
 - rationality
25. Which of the following topics BEST relates to microeconomics?
- oversupply of housing on the national level
 - a high interest rate on the national level
 - aggregate consumer spending in France
 - low unemployment in the United States
 - China's increasing Gross Domestic Product
26. Jasmine decides to buy a new pair of sneakers instead of a new backpack. The backpack is a(n)
- deadweight loss
 - gain from trade
 - normal good
 - trade-off
 - opportunity cost
27. The local gasoline market is closest to
- a monopoly
 - perfect competition
 - monopolistic competition
 - an oligopoly
 - a monopsony
28. Which of the following actions could NOT be rational?
- purchasing a product that is identical to but more expensive than another
 - choosing a lower-paying job over a higher-paying one
 - donating all disposable income to charity
 - buying a television instead of needed food
 - paying a premium for a certain brand of coffee
29. Which of the following reasons BEST explains why the advertised price of college might overstate the real economic cost?
- A college education is increasingly scarce and has thus been growing in value
 - Colleges often subsidize the purchase of books and other materials
 - Students would still have to pay for housing and food even if not in college.
 - The opportunity cost of attending college is much lower than the advertised price.
 - The skills learned in college may lead to higher wages in the future.
30. The economist who first used the concept of Pareto efficiency was
- English
 - Italian
 - Spanish
 - German
 - Swiss
31. Arnav must decide whether to spend his Saturday afternoon playing sports, with his family, or working. That he can choose only one option BEST reflects the economic concept of
- opportunity costs
 - gains from trade
 - elasticity
 - rationality
 - trade-offs
32. Traditional economics assumes that everyone acts
- cooperatively
 - illogically
 - selfishly
 - rationally
 - selflessly

33. In economics, what is a foundational feature of rationality?
- caring about self-interest over the lives of others
 - trying to feature opportunity costs
 - attempting to maximize monetary profit
 - focusing on improving society's total surplus
 - performing cost-benefit analysis to make decisions
34. The price of apples increases. According to the law of demand,
- quantity of apples demanded will increase
 - quantity of apples demanded will decrease
 - demand for apples will not change
 - demand for apples will decrease
 - demand for apples will increase
35. An outcome is Pareto efficient if
- no one can be made better without reducing another's well-being
 - marginal revenues are equal to marginal costs
 - opportunity costs are as low as possible
 - the happiness of all participants is maximized
 - goods and services are equally distributed among a society's members
36. Trade is mutually beneficial if
- no tariffs restrict the exchange
 - a third party regulates the exchange
 - both parties are equal in economic size
 - both sides hold absolute advantages
 - both sides voluntarily agree to the exchange
37. A table showing the relationship between price and quantity demanded is called
- a quantity demanded curve
 - a demand curve
 - a demand chart
 - a market graph
 - a demand schedule
38. Which of the following ideas is NOT a basic assumption of economics?
- competition
 - rationality
 - trade-offs
 - gains from trade
 - scarcity
39. All of the following economic resources are a direct part of the production of goods and services EXCEPT
- capital
 - money
 - work
 - energy
 - knowledge
40. Suppliers continue to supply as long as
- variable costs are greater than fixed costs
 - there is positive economic profit
 - the equilibrium price is above zero
 - price is greater than opportunity cost
 - marginal profit is still increasing
41. The United States federal government spends \$30 billion on its military. A possible opportunity cost of this choice is
- spending on educational programs
 - an increase in the likelihood of war
 - the cost of new tanks and battleships
 - increased national security
 - the \$30 billion spent on the military
42. Which of the following goods is MOST likely normal?
- used cars
 - instant noodles
 - frozen food
 - public transportation
 - television
43. The economic idea of scarcity ALWAYS exists in
- low-inflation economies
 - high-inflation economies
 - all economies
 - developed economies
 - poorer economies
44. All of the following statements are normative EXCEPT
- the United States government should increase the minimum wage
 - inflation is the largest problem in the U.S. economy
 - a tax on soda would likely disproportionately harm lower-income Americans
 - the free market is the best approach to achieving economic equality
 - the Federal Reserve should sell bonds to expand the money supply

45. Which of the following statements regarding markets is FALSE?
- a. Markets need an auctioneer to set the price.
 - b. Gas stations are sellers in a town's market for gasoline.
 - c. The New York Stock Exchange is an example of a market.
 - d. Some markets are informal.
 - e. A market is made up of buyers and sellers.
46. Which of the following events would MOST likely shift the supply curve for computers to the right?
- a. Computer producers expect higher prices in the future.
 - b. Consumers learn of the beneficial effects of computers.
 - c. A leading computer manufacturer goes out of business.
 - d. New technology makes the production process more efficient.
 - e. The price of display screens increases.
47. Which of the following statements regarding rationality is TRUE?
- a. Rational people often act without thinking carefully.
 - b. People cannot become better at acting rationally.
 - c. What people consider a benefit cannot vary from person to person.
 - d. Benefits in a cost-benefit analysis are always monetary.
 - e. Those who donate to social causes are usually irrational.
48. All of the following resources are scarce EXCEPT
- a. desires
 - b. water
 - c. oil
 - d. energy
 - e. knowledge
49. Which of the following statements regarding economic models is FALSE?
- a. They are usually fairly simplistic.
 - b. They include only the necessary details.
 - c. They are important in economic analysis.
 - d. They are best suited for use in macroeconomics.
 - e. They often feature mathematical formulas.
50. The most common opportunity cost of attending college is
- a. time
 - b. textbooks and supplies
 - c. tuition
 - d. forgone wages
 - e. room and board