

1. Suppose the quantity demanded of a good can be described by the equation  $Q_D = 560 - 10P$  and the quantity supplied can be described by the equation  $Q_S = 300 + 3P$ , where P is the equilibrium price. A market price set at \$35 will result in
  - a. excess quantity
  - b. excess supply
  - c. excess demand
  - d. demand shortage
  - e. supply shrinkage
2. Which of the following factors determines the short-run output in an economy?
  - a. potential output
  - b. aggregate demand
  - c. inflation
  - d. exports
  - e. unemployment rate
3. According to Okun's Law, a one percent deviation in the unemployment rate from the natural rate of unemployment corresponds to a
  - a. two percent deviation in the output gap
  - b. four percent deviation in the inflation rate
  - c. four percent deviation in the output gap
  - d. three percent deviation in the inflation rate
  - e. two percent deviation in the inflation rate
4. National savings in a closed economy total \$20 billion, Gross Domestic Product is \$90 billion, consumer spending is \$60 billion, and net taxes are \$5 billion. Based on these economic figures, over the long term, we would expect to see a(n)
  - a. overreliance on government spending in the economy
  - b. acceleration in investment spending in the economy
  - c. influx of foreign direct and indirect investment in the economy
  - d. reduced growth rate of living standards in the economy
  - e. slowly falling natural rate of unemployment rate in the economy
5. Which of the following actions is irrational?
  - a. choosing to vacation rather than work during a month in the summer
  - b. purchasing a cheaper car to save money for retirement
  - c. buying a comparatively expensive product because its producer is eco-friendly
  - d. preferring one product over another identical product
  - e. donating a third of your salary to a nonprofit you admire
6. The development of North and South Korea after World War II illustrates the importance of
  - a. natural resources to Gross Domestic Product growth
  - b. durable physical capital to creating sustained economic growth
  - c. early investment in human capital to creating cross-generational wealth
  - d. strong educational institutions to developing a dynamic and efficient workforce
  - e. robust political and legal environments to labor productivity
7. In 2020, Gibran purchased an old, domestically-produced used motorcycle in California. Does this expenditure contribute to the United States' Gross Domestic Product for 2020?
  - a. Yes, because the motorcycle was domestically produced.
  - b. No, because the motorcycle is an intermediary good.
  - c. No, because the motorcycle was not produced in 2020.
  - d. Yes, because the motorcycle was purchased in 2020.
  - e. No, because only companies contribute to the Gross Domestic Product.
8. If aggregate supply increases, in the short run, output will
  - a. decrease, and the price level will decrease
  - b. decrease, and the price level will increase
  - c. increase, and the price level will remain the same
  - d. increase, and the price level will increase
  - e. increase, and the price level will decrease

9. Acequias provided an important role in
- representing water rights owners to the state
  - distributing limited water resources
  - building hydroelectric dams
  - investing in water quality initiatives
  - setting up cap-and-trade markets
10. The Latin phrase “per capita” translates to
- “per head”
  - “per family”
  - “per person”
  - “per worker”
  - “per hat”
11. Suppose that, due to changes in government regulation, it is more difficult for suppliers to enter the market for pickup trucks. This change will cause the supply curve to
- shift rightwards
  - become more vertical
  - become more horizontal
  - become perfectly horizontal
  - become perfectly vertical
12. Arthur Okun was a chief economic advisor for President
- Nixon
  - Kennedy
  - Johnson
  - Reagan
  - Obama
13. Which of the following quantities must be maximized for an economic outcome to be Pareto efficient?
- total surplus
  - consumer surplus
  - income equality
  - producer surplus
  - wealth equality
14. Which of the following conditions occurs if the market price for a good or service is greater than the equilibrium price?
- excess supply
  - excess quantity
  - a shortage
  - excess demand
  - demand surplus
15. The Smith household notices that the price of butter has risen substantially and decides to purchase margarine instead. This example BEST illustrates the
- concept of consumer spending
  - principle of scarcity
  - substitution effect
  - interest rate effect
  - wealth effect
16. Increased government spending is an example of
- expansionary fiscal policy
  - inflationary monetary policy
  - expansionary monetary policy
  - contractionary fiscal policy
  - contractionary monetary policy
17. According to the law of demand, an increase in the price of peaches will lead to a(n)
- decrease in the quantity demanded of peaches
  - decrease in demand for peaches
  - increase in the demand for peaches
  - increase in the quantity demanded of peaches
  - increase in demand for peaches
18. Why PRIMARILY have water property rights systems failed to protect ecosystems?
- There are few environmental agencies that can enforce them.
  - Property rights to the environment are difficult to define.
  - Water rights belong to civil society.
  - It is difficult to assign costs to ecosystem pollution.
  - Firms cannot be held liable for failing to enforce property rights.
19. Frank owned a fox fur firm in a remote area of the Swiss Alps, but a dwindling fox population forced him permanently out of business. Frank is experiencing
- structural unemployment
  - frictional unemployment
  - underemployment
  - seasonal unemployment
  - cyclical unemployment
20. Which of the following statements is a positive economic statement?
- During recessions, firms tend to lay off workers.
  - The government should spend more money.
  - Canada should produce more raw materials.
  - China would be better off devaluing its currency.
  - Taxes in the United States are too high.

21. The study of economics examines how societies
- tend to naturally gravitate toward unequal outcomes
  - convert resources into desirable goods and services
  - trade with one another to maximize overall well-being
  - use their financial systems to generate wealth
  - use, write about, and regulate money
22. A small village situated on a riverbed has an existing market for water. If a water seller discovers that the price of water is higher in a nearby town, and the village's water suppliers begin selling in the town, the demand curve for water in the original village will
- become more vertical
  - shift left
  - become more horizontal
  - shift right
  - remain the same
23. In which situation is water an ecosystem service?
- A stream serves as the home to invasive species.
  - A stream removes pollutants from the environment.
  - A canal provides water to farms.
  - A wave propels a boat forward.
  - A canal increases the level of nutrients in the water.
24. What percentage of India's GDP is produced by groundwater irrigation?
- 8%
  - 10%
  - 5%
  - 12%
  - 15%
25. Iman lost her job 4 months ago. After 1 month of desperately searching for open opportunities, she stopped looking for another job. Iman is considered
- unemployed
  - out of the labor force
  - cyclically employed
  - underemployed
  - employed
26. An increase in the price of Pepsi will
- increase the demand for Coca-Cola
  - increase the supply of Coca-Cola
  - decrease the supply of Coca-Cola
  - not impact the supply or demand for Coca-Cola
  - decrease the demand for Coca-Cola
27. In a decreasing block rate system, water prices decrease as
- quality decreases
  - consumption increases
  - scarcity increases
  - infrastructure costs decrease
  - demand decreases
28. How is water typically classified?
- according to its source
  - by its polarity
  - according to its cost
  - according to its volume
  - by its nutrient composition
29. The market for water in San Francisco during the first several years of the 1900s was
- a government-created monopoly
  - perfectly competitive
  - a natural monopoly
  - a colluding oligopoly
  - monopolistically competitive
30. Which of the following categories is NOT a main category of economic water users?
- environmental
  - urban
  - infrastructural
  - agricultural
  - industrial
31. Which of the following government expenditures is NOT included in Gross Domestic Product?
- wages paid to teachers
  - wages paid to police officers
  - interest paid on government debt
  - the purchase of a new military tank
  - bridge construction
32. Which of the following types of irrigation is BEST for water conservation?
- surface irrigation
  - sprinklers
  - drop irrigation
  - flood irrigation
  - gravity irrigation
33. Most of the world's irrigated land is in
- Africa
  - North America
  - South America
  - Asia
  - Europe

34. Spanish irrigation works often included
- dikes
  - windmills
  - sea walls
  - dams
  - canals
35. Suppose the Federal Reserve sets the reserve ratio at 0.10. With each dollar of reserves, the banking sector generates
- \$10
  - \$1
  - \$20
  - \$5
  - \$100
36. Which of the following assets is in the M1 money supply?
- demand deposits
  - retail money funds
  - small denomination time deposits
  - credit cards
  - savings deposits
37. If an economy's velocity of money is equal to 30, its money supply is \$5 billion, and its price level is 1.2, then its real Gross Domestic Product is
- \$240 billion
  - \$64 billion
  - \$225 billion
  - \$125 billion
  - \$400 billion
38. Last year, Sally collected \$700 worth of seashells. She sold \$300 of them to consumers at her seaside seashell stand and used the remaining \$400 to produce jewelry, which she then sold for a total of \$5,000. Sally's total contribution to Gross Domestic Product last year was
- \$5,300
  - \$6,400
  - \$5,400
  - \$5,000
  - \$5,700
39. To find the market supply curve, we add individual supply curves
- vertically and individual demand curves horizontally to find the market demand curve
  - horizontally and individual demand curves horizontally to find the market demand curve
  - horizontally and individual demand curves horizontally to find the market demand curve
  - vertically and individual demand curves vertically to find the market demand curve
  - horizontally and individual demand curves linearly to find the market demand curve
40. Which of the following statements is a normative statement about a macroeconomic issue?
- The Federal Reserve should increase the money supply to increase inflation.
  - The United States experienced a negative supply shock after a global pandemic.
  - Company X should charge more for its services if it wants to be successful.
  - The United States' decision to raise taxes will likely increase unemployment.
  - The demand for walnuts should increase if walnut producers spend more on advertising.
41. Which river is the endpoint in the South-North Water Transfer project?
- Yellow
  - Amur
  - Huai
  - Mekong
  - Yangtze
42. In an economy, the real interest rate is 4%, and the inflation rate is 6%. The nominal interest rate must be
- 10%
  - 2%
  - 2%
  - 5%
  - 7%
43. Which legal concept governs MOST property rights of water?
- water quality trading
  - appropriative rights doctrine
  - Pigouvian taxes
  - equimarginal principle
  - grandfathering

44. If consumers' incomes fall, the equilibrium price of luxury cars will
- decrease, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will decrease
  - increase, and equilibrium quantity will decrease
  - remain the same, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will remain the same
45. New knowledge is
- non-rival in consumption but excludable
  - rival in consumption and excludable
  - rival in consumption but non-excludable
  - non-excludable, but the extent of rivalry in consumption varies
  - non-rival in consumption and non-excludable
46. In 2000, an economy produced 500 \$10-dollar water bottles and 90 \$80-dollar tablets. In 2020, the economy produced 700 \$20-dollar water bottles and 150 \$100-dollar tablets. If 2000 is the base year, the economy's nominal Gross Domestic Product in 2020 is
- \$17,400
  - \$31,200
  - \$29,000
  - \$19,000
  - \$12,200
47. With respect to common-pool resources, it is difficult to
- maintain high environmental standards
  - enact exclusionary criteria
  - assess marginal capital costs
  - establish property rights
  - regulate through a third party
48. Rafid goes to the grocery store and browses the aisles, comparing prices to determine which foods to buy. This example demonstrates money's function as a
- symbol of status
  - unit of account
  - store of value
  - transfer of capital
  - medium of exchange
49. Approximately how many years ago did sustainable economic growth begin in Western Europe and the United States?
- 200
  - 400
  - 150
  - 100
  - 300
50. A good with many close substitutes likely has a(n)
- price elasticity of supply of zero
  - high price elasticity of demand
  - low price elasticity of demand
  - n infinite price elasticity of demand
  - high price elasticity of supply

1. Which economist received the 1971 Nobel Prize in Economic Science?
  - a. Milton Friedman
  - b. Adam Smith
  - c. Simon Kuznets
  - d. John Maynard Keynes
  - e. Arthur Okun
2. A decrease in the price of milk will
  - a. not change the supply or demand curves for cereal
  - b. shift the supply curve for cereal to the right
  - c. shift the demand curve for cereal to the left
  - d. shift the demand curve for cereal to the right
  - e. shift the supply curve for cereal to the left
3. In which situation will water prices increase in a market?
  - a. The government enforces a riparian system.
  - b. Consumer demand for water decreases.
  - c. The water producer exports water at a higher price.
  - d. Consumers are charged for water based on a decreasing block rate schedule.
  - e. Water quality standards have been lowered.
4. Which outcome could be the result of low water quality standards?
  - a. high health care costs
  - b. high cap-and-trade costs
  - c. low elasticity of demand
  - d. high consumer costs
  - e. low private investments
5. In an economy, the real interest rate is 7%, and the inflation rate is 5%. The nominal interest rate must be
  - a. 2%
  - b. 6%
  - c. 12%
  - d. 5%
  - e. 7%
6. If aggregate supply and demand both increase, in the short run, output will
  - a. increase, and the price level may increase, decrease, or remain the same
  - b. decrease, and the price level will increase
  - c. increase, and the price level will increase
  - d. decrease, and the price level may increase, decrease, or remain the same
  - e. increase, and the price level will remain the same
7. The Boskin Commission studied
  - a. Gross Domestic Product
  - b. aggregate demand and supply
  - c. Gross Domestic Product Deflator
  - d. the unemployment rate
  - e. Consumer Price Index
8. Gross Domestic Product per capita differs from average labor productivity in that it measures economic output per
  - a. region, whereas average labor productivity measures economic output per worker
  - b. person, whereas average labor productivity measures economic output per worker
  - c. household, whereas average labor productivity measures economic output per company
  - d. capital city, whereas average labor productivity measures economic output per worker
  - e. person, whereas average labor productivity measures economic output per household
9. The efficient level of production occurs when
  - a. marginal social costs equal marginal control costs
  - b. marginal social costs equal demand
  - c. marginal social costs are greater than demand
  - d. marginal control costs are less than demand
  - e. marginal control costs equal social marginal damage
10. Most people perform cost-benefit analysis
  - a. irrationally
  - b. intuitively
  - c. poorly
  - d. conservatively
  - e. mathematically
11. In nineteenth-century America, Mormon settlers irrigated
  - a. Utah
  - b. Florida
  - c. Kentucky
  - d. Montana
  - e. Maine
12. Da'Vion earns \$500 from his summer job and places the money into a bank account. Two years later, he withdraws the money with the intention of buying a new computer. This example demonstrates money's function as a
  - a. store of value
  - b. medium of exchange
  - c. transfer of capital
  - d. symbol of status
  - e. unit of account

13. According to the law of demand, a decrease in the price of pencils will lead to a(n)
- decrease in the quantity demanded of pencils
  - increase in the demand for pens
  - decrease in the demand for ink
  - increase in the quantity demanded of pencils
  - decrease in demand for pencils
14. Suppose the M1 money supply increases by \$5 billion. In response, the M2 money supply will
- not change
  - decrease by \$10 billion
  - decrease by \$5 billion
  - increase by \$10 billion
  - increase by \$5 billion
15. Josh has started to purchase inferior goods. Which of the following explanations BEST describes his new spending habits?
- Josh is purchasing higher-quality consumer nondurables.
  - Josh is investing his money in a retirement savings account.
  - Josh found out that he has a secret trust fund.
  - Josh is now in college and has to pay for his own living expenses.
  - Josh moved to a new state with lower taxes.
16. Suppose the quantity demanded of a good can be described by the equation  $Q_D = 720 - 5P$  and the quantity supplied can be described by the equation  $Q_S = 600 + 3P$ , where P is the equilibrium price. A market price set at \$10 will result in
- demand shortage
  - supply shrinkage
  - excess quantity
  - excess demand
  - excess supply
17. If foreign residents purchase \$40 billion of the United States' financial assets, and United States residents purchase \$15 billion of foreign financial assets, then the United States' net capital outflow is
- \$25 billion
  - \$25 billion
  - \$55 billion
  - \$55 billion
  - \$22.5 billion
18. Why does the supply curve slope upward?
- Sellers face increasing opportunity costs when they increase quantity supplied.
  - Producer surplus is always positive.
  - There is positive relationship between price and quantity supplied.
  - The demand curve is downward sloping and the two need to intersect.
  - Sellers achieve positive economic profits when they sell more goods.
19. If the level of cyclical unemployment in an economy grows from 5 percent to 10 percent, Okun's Law predicts that the output gap will change from 10 percent to
- 2 percent
  - 20 percent
  - 15 percent
  - 5 percent
  - 40 percent
20. An increase in the price of flour will
- shift the supply curve for cakes to the right
  - shift the demand curve for cakes to the right
  - shift the supply curve for cakes to the left and the demand curve to the right
  - shift both the supply and demand curves for cakes to the left
  - shift the supply curve for cakes to the left
21. In 2000, an economy produced 30 \$25-dollar sweatshirts and 90 \$200-dollar computers. In 2020, the economy produced 80 \$50-dollar sweatshirts and 100 \$250-dollar computers. Using 2000 as a base year, the difference between the economy's nominal Gross Domestic Product real Gross Domestic Product in 2020 is
- \$6,500
  - \$9,000
  - \$1,500
  - \$6,500
  - \$2,500
22. Necessities tend to have
- low price elasticities of demand
  - infinite price elasticities of demand
  - high price elasticities of demand
  - high price elasticities of supply
  - price elasticities of supply of zero

23. If the price of wool decreases, the equilibrium price of wool sweaters will
- decrease, and equilibrium quantity will remain the same
  - decrease, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will decrease
  - remain the same, and equilibrium quantity will increase
  - increase, and equilibrium quantity will decrease
24. Which concept describes a market situation in which players on both sides of an exchange can exercise bargaining power?
- equimarginal principle
  - grandfathering
  - riparian system
  - bilateral monopoly
  - appropriative rights doctrine
25. Firms will pay Pigouvian taxes to
- raise water quality standards
  - export water out of a community
  - produce pollution
  - lower water costs
  - fund publicly owned water infrastructure
26. A government program to prevent alcohol abuse uses outreach campaigns in American high schools. How would the equilibrium price and quantity for alcohol shift in if the program is successful?
- Price falls and quantity falls.
  - Price falls and quantity rises.
  - Price rises and quantity falls.
  - Price rises and quantity rises.
  - Price falls and quantity remains the same.
27. In a cap-and-trade market, the regulator sets the
- total permissible amount of pollution
  - demand for pollution permits
  - price for each pollution permit
  - firms participating in the market
  - taxes on pollution trading
28. The Clean Water Act regulates
- wastewater plants
  - atmospheric deposits
  - stormwater runoff
  - urban runoff
  - farms
29. Susan and Michelle want to purchase tickets to the Olympics. Susan is willing to pay \$300. Michelle is willing to pay \$600. A ticket website, StubHarbor, has an opportunity cost of \$400 to sell tickets. If the market price is \$200, what is total surplus?
- \$100
  - \$500
  - \$1300
  - \$1100
  - \$700
30. Which of the following goods is a consumer durable?
- cereal
  - a house
  - a stock trading service
  - a dishwasher
  - private school education
31. Compared to the supply curve for beachfront vacation homes, the supply curve for all homes is
- narrower
  - more horizontal
  - longer
  - more vertical
  - shorter
32. Which example BEST demonstrates economic trade-offs?
- Susannah and Lauren improve their baking skills by working at a cake shop.
  - Susannah uses her time between classes to do math homework instead of watch TikTok videos.
  - Lauren tutors students in exchange for coffee at a local coffee shop.
  - Susannah is better at calculus and Lauren is better at debate, so they study those subjects together.
  - Lauren volunteers at a campaign office to advocate for social change.
33. Which of the following conditions occurs if the equilibrium price for a good or service is greater than the market price?
- supply shrinkage
  - excess quantity
  - excess supply
  - excess demand
  - demand shortage

34. Which of the following economic groups provides factors of production in the circular flow model of the economy?
- the financial sector
  - the capital sector
  - the government
  - firms
  - households
35. Who wrote *The General Theory of Employment, Interest, and Money*?
- Simon Kuznets
  - Vilfredo Pareto
  - John Maynard Keynes
  - Arthur Okun
  - Sir William Petty
36. Which of the following bonds would MOST likely pay lenders the highest interest rate?
- a 5-year bond issued by a financially shaky company
  - a 10-year bond issued by a financially shaky company
  - a 3-year bond issued by a financially stable company
  - a 10-year bond issued by a financially stable company
  - a 3-month bond issued by a financially shaky company
37. Banks and mutual funds are examples of
- international capital outlets
  - financial intermediaries
  - bond markets
  - financial markets
  - stock markets
38. Anais harvests \$100 worth of tomatoes. She sells \$40 worth of them to a tomato sauce manufacturer and \$60 worth to a local restaurant. Anais' total contribution to Gross Domestic Product is
- \$160
  - \$0
  - \$100
  - \$200
  - \$140
39. If the market demand curve shifts to the right, equilibrium price will
- decrease, and equilibrium quantity will remain the same
  - increase, and equilibrium quantity will decrease
  - remain the same, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will increase
  - increase, and equilibrium quantity will increase
40. If an economy's velocity of money is equal to 10, its money supply is \$90 billion, and its price level is 1.2, then its real Gross Domestic Product is
- \$750 billion
  - \$640 billion
  - 1.5 trillion
  - \$1.080 trillion
  - \$4.8 trillion
41. Country Y's imports total \$100 billion, and its exports total \$200 billion. Economists would say that Country Y is in a
- trade deficit
  - consumer surplus
  - trade surplus
  - trade debt
  - budget surplus
42. The 2017 tax cuts in the United States likely
- made the aggregate demand curve more vertical
  - made the aggregate demand curve more horizontal
  - did not shift the aggregate demand curve
  - shifted the aggregate demand curve right
  - shifted the aggregate demand curve left
43. Which of the following thinkers FIRST wrote works dealing with economics-related topics?
- Hayek
  - Marx
  - Aristotle
  - Thales
  - Smith
44. Which economic field uses value judgments to weigh the merits of economic outcomes?
- negative economics
  - macroeconomics
  - microeconomics
  - positive economics
  - normative economics

45. The labor force participation rate is CLOSEST to

- a. 40 percent
- b. 30 percent
- c. 50 percent
- d. 60 percent
- e. 70 percent

46. How do terminal saline lakes form?

- a. acidic rain falls into freshwater lakes
- b. watersheds drain into basins
- c. seawater enters aquifers
- d. rivers cut through pelagic sediment
- e. rivers blend with seawater in a delta

47. The irrigation efficiency paradox expresses the idea that increased water efficiency does NOT lead to

- a. higher costs for consumers
- b. substantial savings in water infrastructure
- c. fewer property rights disputes
- d. large increases in usable water
- e. higher water quality standards

48. Suppose the Federal Reserve sets the reserve ratio at 0.25. With each dollar of reserves, the banking sector generates

- a. \$4
- b. \$25
- c. \$125
- d. \$1
- e. \$75

49. Christopher and Katherine are splitting a double dip ice cream cone. Which situation is NOT Pareto efficient?

- a. Christopher eats both scoops.
- b. Christopher eats one scoop and Katherine eats half a scoop.
- c. Katherine eats both scoops.
- d. Both Christopher and Katherine eat one scoop.
- e. Christopher eats one and a half scoops and Katherine eats half a scoop.

50. Suppose oil prices drastically drop at a time of increased investment spending. A central government or bank worried about the new output and price level in the economy could

- a. raise the discount rate and buy government bonds
- b. raise the reserve requirement and sell government bonds
- c. buy government bonds and raise taxes
- d. lower taxes and lower the discount rate
- e. lower the reserve requirement and raise taxes

1. Which of the following results is MOST likely to occur if a price floor is removed?
  - a. Consumer surplus increases.
  - b. Producer surplus increases.
  - c. The market clears at the same price.
  - d. Demand increases.
  - e. The quantity supplied falls.
  
2. The Sherman Anti-Trust Act of 1890 had the same effect on monopolies as
  - a. foreign trade embargos
  - b. privatization of public utilities
  - c. merger and acquisition assistance
  - d. public ownership of local services
  - e. price discrimination
  
3. How much water do staple cereals require each year?
  - a. 450 – 700 mm per year
  - b. 1,000 – 1,200 mm per year
  - c. 300 – 500 mm per year
  - d. 1,500 – 1,700 mm per year
  - e. 100 – 200 mm per year
  
4. What does the height of the demand curve represent?
  - a. the buyers' willingness to pay
  - b. quantity demanded
  - c. consumer surplus
  - d. deadweight loss
  - e. the marginal seller's willingness to supply
  
5. Which of the following statements correctly relates an injection and withdrawal of the circular flow model?
  - a. decrease in investment > decrease in income > less savings
  - b. increase in investment > decrease in income > less savings
  - c. decrease in investment > increase in income > less savings
  - d. increase in investment > decrease in income > more savings
  - e. increase in investment > increase in income > more savings
  
6. Where does a profit-maximizing firm want its prices to be located?
  - a. where marginal cost equals marginal revenue
  - b. where producer surplus exceeds consumer surplus
  - c. where economic profits exceed zero
  - d. where diminishing returns to scale are smallest
  - e. where equilibrium supply and demand intersect
  
7. Which of the following consequences is NOT a negative result from inflation?
  - a. Inflation makes people uncertain about the value their money will have in the future.
  - b. Inflation reduces the value of certain stock, harming shareholders.
  - c. Inflation introduces distortions in pricing.
  - d. Inflation requires people to visit financial institutions more frequently.
  - e. Inflation makes firms have to adjust their prices more frequently.
  
8. The nominal GDP of Ghana is \$20 million. The real GDP of Ghana is \$10 million. What is Ghana's GDP deflator?
  - a. 225
  - b. 166.66
  - c. 150
  - d. 100
  - e. 200
  
9. What do economists call the sum of frictional and structural unemployment?
  - a. Okun's unemployment
  - b. underutilized unemployment
  - c. business cycle unemployment
  - d. the output gap
  - e. the natural rate of unemployment
  
10. Which of the following goods has the highest scarcity value?
  - a. houses
  - b. fast food burgers
  - c. batteries
  - d. antique stamps
  - e. water
  
11. Camden, an economist, makes a mistake while calculating GDP and does not include capital goods. How does this error impact his economic analysis?
  - a. A country that invested in capital equipment would appear to have lower GDP.
  - b. Goods with higher prices would contribute less to total output.
  - c. The materials in final goods are included more than one time.
  - d. A country that produced consumer goods would appear to have a lower GDP.
  - e. Goods that were sold in an earlier market period are included more than one time.

12. How does the market respond to a situation with excess supply?
- Consumers increase their consumption.
  - Sellers lower their prices.
  - Equilibrium quantity shifts left.
  - Consumers decrease their consumption.
  - Sellers increase their prices.
13. Nordic hammers have perfectly elastic demand and sell for \$47 apiece. What happens to demand when the price falls to \$20?
- Consumers buy Nordic hammers at the same rate.
  - Consumers buy slightly more Nordic hammers.
  - Consumers will stop buying Nordic hammers.
  - Consumers buy an infinite quantity of Nordic hammers.
  - Consumers buy fewer Nordic hammers.
14. Which user group consumes the MOST water?
- factory owners
  - bakeries
  - farmers
  - power plant operators
  - families
15. Which option would NOT explain why Peter's demand curve for notebooks shifted left?
- The price of pens increased.
  - Peter expects to get a pay raise any day now.
  - The price for iPads fell.
  - Peter was laid off from his job.
  - Notebooks damage the environment and Peter wants to be environmentally conscious.
16. Governments will NOT handle externalities through
- selling permits
  - subsidies
  - creating markets for special rights
  - taxes
  - private bargaining
17. Who invented the economic criterion of efficiency and what is that criterion called?
- Okun's Law; Arthur Okun
  - Pareto efficiency; Vilfredo Pareto
  - Creative destruction; Joseph Schumpeter
  - Wealth of Nations; Adam Smith
  - Coase Theorem; Ronald Coase
18. How do households receive income according to the circular flow model?
- paying for factors of production
  - getting rental payments from the government
  - providing factors of production to firms
  - purchasing goods and services
  - borrowing from financial markets
19. Where do the market supply and demand curves intersect?
- total price and total quantity
  - quantity supplied and quantity demanded
  - equilibrium price and equilibrium quantity
  - gross price and gross quantity
  - consumer surplus and producer surplus
20. A Wakandan vibranium firm faces a downward sloping demand curve. How will this firm price its vibranium supply?
- The firm will sell where economic profits equal zero.
  - The firm will select a price where total costs equal marginal revenue.
  - The firm will choose market prices.
  - The firm will sell vibranium at different prices to different people.
  - The firm will sell where market demand reaches equilibrium.
21. Why do people hold money rather than other assets?
- Money is a useful medium of exchange.
  - Money's value remains constant despite changes in real quantities.
  - Money is more convenient to use than credit cards.
  - Money is an effective form of commodity money in barter.
  - Money is not subject to inflation.
22. Which adjective describes economic models LEAST?
- mathematical
  - diagrammatic
  - realistic
  - simple
  - theoretical
23. The government lays off 1% of its workers during a global pandemic. How does the aggregate market respond to this change?
- Aggregate demand shifts right.
  - Aggregate demand shifts left.
  - Aggregate supply shifts right.
  - Aggregate price level shifts down.
  - Aggregate supply shifts left.

24. What is the most common cause of shifts in the aggregate supply curve?
- interest rate effects
  - wealth effects
  - aggregate supply shocks
  - changes in the expected price level
  - foreign exchange effects
25. Which entity provided San Francisco water's supply in the early 1900s?
- Dominion Energy
  - Spring Valley Water Works
  - Department of Environmental Quality
  - San Gabriel Valley Water Company
  - Environmental Protection Agency
26. How is the tragedy of the commons BEST addressed for water resources?
- lower the marginal control cost
  - establish cap-and-trade markets
  - fund large infrastructure projects
  - allocate water through institutions
  - revoke all property rights
27. The Green Revolution caused many farmers to adopt
- wind-based power mills
  - fuel-efficient machinery
  - desalinated water
  - biodegradable pesticides
  - high-yield seed varieties
28. The Aral Sea is located between
- Turkmenistan and Afghanistan
  - Turkey and Azerbaijan
  - Kazakhstan and Uzbekistan
  - Syria and Iraq
  - Iran and Pakistan
29. Spanish water law relies on a
- judicial system
  - constitutional approval
  - central regulator
  - set of customs
  - legal precedent
30. Thanks to low price levels, Malaysians have lots of cash on their hands. How does the Malaysian economy respond to this low price level?
- Aggregate supply shifts right.
  - Aggregate supply shifts left.
  - Aggregate demand shifts left.
  - Long-run aggregate supply shifts right.
  - Aggregate demand shifts right.
31. Which fact about United States employment in 2008 is TRUE?
- The labor force participation rate was 76 percent.
  - There were 154.6 million working-age persons in the United States.
  - The unemployment rate was 6.6 percent.
  - The unemployment rate was highest among teenagers.
  - 9.7 million people were unemployed.
32. In the 1970s, the Indian government provided energy subsidies to
- improve water filtration systems
  - access water for irrigation
  - raise water quality standards
  - lower electricity costs
  - build wastewater plants
33. Pierre spends \$100 on a gift instead of buying a new pair of sneakers. Economics would say that Pierre faced
- a trade-off
  - an opportunity cost
  - a loss from trade
  - a positive economic issue
  - a perfectly competitive market
34. What characteristic MUST differentiate two traders in order for gains from trade to occur?
- absolute advantage
  - efficiency
  - comparative advantage
  - consumer surplus
  - opportunity cost

35. Wanda no longer purchases inferior goods and now purchases normal goods. Which of the following explanations BEST accounts for her new spending habits?
- Wanda's tastes changed from inferior goods to normal goods.
  - Wanda earned a raise at work.
  - Inferior goods and normal goods are substitutes.
  - The price for the complements of normal goods decreased.
  - Wanda anticipated that inferior goods would no longer be available.
36. Appropriative water rights require that water use does NOT
- raise the cost of water
  - inflict injury to third parties
  - contaminate the environment
  - result in economic profit
  - challenge regulatory authority
37. Which of the following statements is a normative economic statement?
- Government spending is the largest driver of domestic inflation.
  - Korea experienced an inflation rate of 0.54% in 2020.
  - An increase in the price of milk will cause its quantity demanded to fall.
  - The United States spends too much money on infrastructure.
  - The United States' military spending is greater than all other countries'.
38. Both microeconomics and macroeconomics
- have roots in David Ricardo's classical treatises
  - share a set of assumptions about human behavior
  - are considered outdated by most modern economists
  - begin by scrutinizing individual decision-making
  - focus on quantitative metrics including GDP and CPI
39. Why do some businesses borrow money through banks instead of issuing bonds?
- Banks have greater risk for borrowers, but also greater rewards.
  - Banks connect businesses with financial advisers.
  - Banks are connected to the government financial market and incentivize borrowing.
  - Some businesses are too small to issue bonds.
  - It is safer to borrow from banks than sell bonds to the public.
40. A government puts a "sin-tax" on tobacco products. What economic concept does a "sin-tax" address?
- negative externalities
  - private property breakdown
  - rent seeking
  - price control
  - logrolling
41. What differentiates a monopolistic market from a monopolistically competitive market?
- government intervention
  - social inefficiency
  - barriers to entry
  - pricing where marginal cost equals marginal revenue
  - downward sloping demand curve
42. A nuclear power plant leaks radioactive waste into a local stream. How does the market respond when the power plant pays to fix this problem?
- The demand curve shifts down.
  - The demand curve shifts left.
  - The supply curve shifts down.
  - The supply curve shifts left.
  - The supply curve shifts up.
43. What effect does an anti-smoking advertising campaign have on the market for lung cancer treatment?
- Supply of medical practitioners rises.
  - Demand for treatment shifts left.
  - Demand for treatment shifts right.
  - Supply of medical practitioners falls.
  - The cost of lung cancer treatment falls.
44. Which of the following actions is MOST likely to cause demand for Starbucks' coffee to fall?
- The price of Duncan Donuts coffee falls.
  - Consumers want more pumpkin spice lattes.
  - The cost of coffee beans decreases.
  - The cost of milk and whipped cream falls.
  - Starbucks opens more locations in new cities.
45. Which relationship is the foundation of the law of supply?
- As demand falls, suppliers reduce quantity supplied.
  - If sellers leave the market, then the remaining sellers divide their surplus.
  - If suppliers have to purchase more things to supply a product, then quantity supplied falls.
  - As price rises, suppliers want to produce more goods
  - Changes in technology increase quantity supplied.

46. Why can ecosystem services cause market failure?

- a. They are unregulated.
- b. They are unpriced.
- c. They create monopolies.
- d. They cause inflation.
- e. They have exorbitant costs for consumers.

47. What is an argument against using monetary and fiscal policy to influence the economy?

- a. It is impossible to identify actual output precisely.
- b. GDP cannot fully capture the state of a country's economy, so it should not be used as a standard to interfere with the economy.
- c. Deviations between actual and potential output are best resolved without government intervention.
- d. By the time the government acts to make a change, the economy has already begun to recover.
- e. The government is better equipped to handle long-run fluctuations than short-run changes.

48. What type of good has a low rivalry and a low excludability?

- a. collective good
- b. club good
- c. common resource
- d. public good
- e. private good

49. A rational producer chooses to produce

- a. above the PPF
- b. along the PPF axes
- c. at or within the PPF
- d. at any point on the PPF
- e. within the PPF

50. The small isolationist country of Borginia sells pineapples for \$2. The world price for pineapples is \$5. What happens to the Borginian pineapple supply when Borginia opens up to global trade?

- a. Borginia becomes a pineapple importer.
- b. Net social welfare decreases in Borginia.
- c. Borginian producer surplus decreases.
- d. Borginian consumer surplus increases.
- e. Borginia becomes a pineapple exporter.

1. How many times do the supply and demand curves intersect?
  - a. three
  - b. zero
  - c. four
  - d. one
  - e. two
2. Which element MOST contributes to eutrophication?
  - a. sulfur
  - b. oxygen
  - c. phosphorus
  - d. hydrogen
  - e. carbon dioxide
3. In the circular flow model of the economy, governments interact with markets for goods and services through
  - a. consumer spending
  - b. government purchases
  - c. earned revenue
  - d. income
  - e. wages, rents, and profits
4. Which of the following goods has the HIGHEST elasticity of demand?
  - a. drinks
  - b. food
  - c. Oreos
  - d. cookies
  - e. snacks
5. Tom uses his paycheck to buy a new computer. This example demonstrates money's function as a
  - a. medium of exchange
  - b. symbol of status
  - c. transfer of capital
  - d. store of value
  - e. unit of account
6. Which of the following goods is an intermediate good?
  - a. the laptops an electronics company produces
  - b. the books a bookstore sells
  - c. the rubber a rubber company produces
  - d. the silicon a computer manufacturer purchases
  - e. the automobiles an auto manufacturer produces
7. Gasoline sellers expect prices to rise when consumers go on summer road trips. How do sellers react to this expectation in the short term?
  - a. Supply shifts left.
  - b. Supply shifts right.
  - c. Demand shifts up.
  - d. Supply shifts up.
  - e. Demand shifts right.
8. Suppose Amazon, based in the United States, purchases a new manufacturing center in China for \$20 million. This transaction
  - a. decreases the United States' net exports by \$20 million
  - b. increases the United States' net capital outflow by \$20 million
  - c. decreases the United States' Gross Domestic Product by \$20 million
  - d. increases the United States' net capital inflow by \$20 million
  - e. decreases the United States' net capital outflow by \$20 million
9. All else equal, increased government spending on transfer payments will
  - a. make the aggregate demand curve more horizontal
  - b. shift the aggregate demand curve left
  - c. shift the aggregate demand curve right
  - d. make the aggregate demand curve more vertical
  - e. not shift the aggregate demand curve
10. If the market supply curve shifts to the right, equilibrium price will
  - a. increase, and equilibrium quantity will increase
  - b. decrease, and equilibrium quantity will increase
  - c. decrease, and equilibrium quantity will remain the same
  - d. remain the same, and equilibrium quantity will increase
  - e. increase, and equilibrium quantity will decrease
11. Which of the following factors would NOT significantly shift the demand curve for oranges?
  - a. the price of oranges
  - b. consumers' income
  - c. the number of orange buyers
  - d. the price of apples
  - e. consumers' views of oranges

12. Of the 40 million people in Caladan, 15 million are employed, and 20 million are out of the labor force. The unemployment rate in Caladan is CLOSEST to
- 38%
  - 55%
  - 19%
  - 25%
  - 30%
13. Economists call a time period between an economic peak and trough a(n)
- deflationary period
  - expansion
  - recession
  - full employment period
  - inflationary period
14. Optimal regulation focused on pollution reduction will set the marginal control cost equal to
- Pigouvian taxes
  - export taxes
  - pollution external costs
  - social marginal damages
  - efficient product levels
15. If the level of cyclical unemployment in an economy falls from 8 percent to 4 percent, Okun's Law predicts that the output gap will change from 16 percent to
- 12 percent
  - 4 percent
  - 20 percent
  - 16 percent
  - 8 percent
16. The height of any point along a market demand curve indicates
- total consumer surplus
  - the marginal buyer's willingness to pay
  - all suppliers' willingness to sell
  - total surplus
  - all consumers' willingness to pay
17. Which of the following statements about the Consumer Price Index is FALSE?
- Social Security benefit payment amounts depend on it.
  - It is less volatile than the Gross Domestic Product deflator.
  - The United States Bureau of Labor calculates it.
  - It takes temporary discounts into account.
  - It utilizes a market basket of goods and services.
18. Which of the following statements about monetary and fiscal policy is TRUE?
- The vast majority of economists support activist monetary and fiscal policies.
  - Policymakers must have a complete understanding about the economic environment before acting.
  - Significant time delays are often associated with their use.
  - Fiscal and monetary policy are irrelevant in a capitalist system that automatically gravitates toward equilibrium.
  - They never successfully increase aggregate demand.
19. Which of the following statements about the Federal Reserve System is FALSE?
- The United States President appoints governors to the board of governors.
  - The board of governors features seven members.
  - There are twelve regional banks.
  - The Senate confirms appointments to the board of governors.
  - Governors on the board of governors serve twelve-year terms.
20. If aggregate supply increases and aggregate demand decreases, in the short run, output
- may increase, decrease, or remain the same, and the price level will decrease
  - will decrease, and the price level may increase, decrease, or remain the same
  - will increase, and the price level may increase, decrease, or remain the same
  - will increase, and the price level will remain the same
  - will increase, and the price level will increase
21. How can regulators prevent pollution hot spots?
- increasing the number of issued pollution permits
  - limiting the amount of pollution credits a firm can buy
  - reducing the permissible area for pollution
  - increasing environmental quality standards
  - raising the fine on excessive pollution
22. Natural flow systems ONLY permit water for
- industrial manufacturing
  - livestock cultivation
  - domestic purposes
  - crop raising
  - environmental services

23. An increase in the price of steel will shift the
- demand curve for cars made from steel to the right
  - supply and demand curves for cars made from steel to the left
  - supply curve for cars made from steel to the left and the demand curve to the right
  - supply curve for cars made from steel to the right
  - supply curve for cars made from steel to the left
24. Suppose that, in the aggregate, an economy's firms want to borrow more money to fund new capital purchases. The new quantity of saving in the economy will
- increase, while the interest rate will remain unchanged
  - decrease, as will the real interest rate
  - increase, while the interest rate will decrease
  - increase, as will the real interest rate
  - decrease, while the interest rate will increase
25. Sevon can sell a Furby for \$50. Madeleine can sell the same Furby for \$40. Silas can sell the Furby for \$20. Their opportunity cost of selling is \$30. What is the combined producer surplus?
- \$90
  - \$30
  - \$1100
  - \$50
  - \$10
26. Compared to individual stocks, mutual funds allow for
- greater diversification
  - higher returns
  - a more passive savings strategy
  - increased risk
  - the trading of fractional shares
27. A table showing the quantity demanded for a good at different prices is called a demand
- sheet
  - plot
  - table
  - curve
  - schedule
28. Of the following options, the MOST competitive market involves
- technology
  - labor
  - natural resources
  - management
  - currencies
29. If the real Gross Domestic Product in an economy is \$12 billion, the price level is equal to 1.25, and the money supply is \$4 billion, then a typical dollar bill is used an average of
- 3.75 times per year
  - 1.5 times per year
  - 15 times per year
  - 4 times per year
  - 6.5 times per year
30. Which of the following statements about bonds is FALSE?
- Purchasers of bonds can resell them to other individuals.
  - The United States federal government can issue bonds.
  - Corporations can issue bonds.
  - The risk associated with a particular bond depends on the bond issuer.
  - The value of a bond remains constant over time.
31. Which species was introduced to the Great Lakes in the 1980s?
- Karenia brevis*
  - Portuguese man o' war
  - swordfish
  - zebra mussel
  - colossal squid
32. Total revenue is equal to the product of
- price elasticity of demand and price elasticity of supply
  - equilibrium price and equilibrium quantity
  - equilibrium price and price elasticity of demand
  - equilibrium price and price elasticity of supply
  - equilibrium quantity and marginal revenue
33. During what decade did the United States begin consistently having a trade deficit?
- 1940s
  - 1990s
  - 1950s
  - 1980s
  - 1970s
34. In a riparian system, water is allocated to users who
- pay an established rate for water use
  - live along a water body's path.
  - register their property with a regulatory authority
  - need water for industrial purposes
  - maintain water quality standards

35. Why might some economists consider excluding national defense spending from Gross Domestic Product calculations?
- There is no market value for national defense spending.
  - National defense spending can be deployed in foreign countries.
  - National defense spending is not produced.
  - National defense can be an intermediate good in that it allows citizens to enjoy final goods and services.
  - National defense spending is produced by the government, not private companies.
36. One consequence of a higher discount rate is
- increased inflation
  - a reduced money supply
  - reduced unemployment
  - increased Gross Domestic Product
  - a lower federal funds rate
37. Microeconomists and macroeconomists share assumptions about
- the practical application of economic analysis
  - models of economic analysis
  - the role of government intervention
  - basic features of human behavior
  - interactions of supply and demand
38. An increased minimum wage may cause all of the following effects EXCEPT
- increased prices for some goods and services
  - job seekers unable to find jobs in minimum-wage industries
  - increased incomes for minimum-wage workers
  - a net rise in average family income
  - lay-offs for minimum-wage workers
39. How many items are in the average supermarket?
- 41,000
  - 33,000
  - 62,000
  - 47,000
  - 14,000
40. Which government group sets water quality standards in the United States?
- Department of the Interior
  - Department of Energy
  - Department of Commerce
  - Environmental Protection Agency
  - Food & Drug Administration
41. Suppose the quantity demanded of a good can be described by the equation  $Q_D = 900 - 10P$  and the quantity supplied can be described by the equation  $Q_S = 840 + 2P$ , where P is the equilibrium price. The equilibrium price and quantity in this market, respectively, are
- \$7.50 and 2,500 units
  - \$5 and 850 units
  - \$16 and 872 units
  - \$50 and 400 units
  - \$8.50 and 400 units
42. Which of the following explanations BEST summarizes Adam Smith's assertion that "it is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own interest"?
- Human resources are scarce, and individuals must face trade-offs when choosing between multiple potential actions.
  - Humans are motivated by incentives, the collective result of which is an economy that satisfies consumers' desires.
  - Well-designed economic institutions can encourage humans to work together to achieve shared prosperity.
  - The economy has evolved to produce increasingly specialized jobs, which in turn increase the efficiency of the economic system.
  - Unregulated trade produces benefits for all parties involved, so long as all transactions are voluntary and property rights are clearly defined.
43. Which question would a positive economist analyze?
- Should taxes be raised on imported wheat to promote the domestic wheat market?
  - If wages fall, should the government increase spending on poverty alleviation programs?
  - Should the government provide loans to impoverished wheat farmers?
  - By how many bushels would the wheat supply decrease after a famine?
  - Should federal spending be reduced to combat inflation?
44. Arrakis buys \$50 million worth of goods from foreign countries and sells \$100 million worth of goods overseas. Its net exports are
- \$150 million
  - \$50 million
  - \$150 million
  - \$0
  - \$50 million

45. If more sellers enter the market for pencils, the equilibrium price of pencils will

- a. decrease, and equilibrium quantity will decrease
- b. increase, and equilibrium quantity will decrease
- c. remain the same, and equilibrium quantity will increase
- d. decrease, and equilibrium quantity will remain the same
- e. decrease, and equilibrium quantity will increase

46. If a country's nominal Gross Domestic Product is \$750 billion, and its real Gross Domestic Product is \$500 billion, then its Gross Domestic Product deflator is

- a. 250
- b. 133
- c. 167
- d. 150
- e. 75

47. Why was third-party impairment NOT an issue before the 1950s?

- a. Water was considered a communal resource.
- b. Traded water stayed within the local community.
- c. Governments had not set water quality standards.
- d. Most water use was monitored by local regulators.
- e. Water prices remained near zero.

48. Where are acequias found?

- a. Maine
- b. New York
- c. Tennessee
- d. New Mexico
- e. Georgia

49. Suppose a drought drastically decreases agricultural production across a country. This event would shift the aggregate

- a. demand and aggregate supply curves right
- b. supply curve right
- c. demand curve right
- d. demand curve left
- e. supply curve left

50. Why does the Antofagasta Region have high water demand?

- a. It produces most of the wheat for South America.
- b. It has many power plants located in the valley.
- c. It is the world's largest copper producer.
- d. It experiences excessively high temperatures.
- e. It has extensive oil fracking operations.

1. If consumers expect to lose their jobs in the next month, one could expect the
  - a. supply curve for houses to shift right
  - b. supply curve for houses to shift up
  - c. demand curve for houses to shift left
  - d. supply curve for houses to shift left
  - e. demand curve for houses to shift right
2. Suppose Giedi Prime is plagued by an economic recession. Giedi Prime likely has
  - a. high unemployment and slow wage growth
  - b. high inflation and low population growth
  - c. high inflation and low unemployment
  - d. high interest rates and high population growth
  - e. slow wage growth and high inflation
3. Which of the following goods has the LOWEST elasticity of demand?
  - a. lemonade
  - b. Coca-Cola
  - c. Pepsi
  - d. beverages
  - e. sodas
4. Which of the following quantities is equal to national savings in a closed economy?
  - a.  $C + G + I - Y$
  - b.  $Y - C - G$
  - c.  $C + I + G$
  - d.  $Y + I + G$
  - e.  $NX + G - C - I$
5. If a country's nominal Gross Domestic Product is \$600 billion, and its Gross Domestic Product Deflator is 125, then its real Gross Domestic Product is
  - a. \$800 billion
  - b. \$400 billion
  - c. \$750 billion
  - d. \$480 billion
  - e. \$200 billion
6. Microeconomics and macroeconomics can BEST be differentiated by
  - a. market definitions and modes of analysis
  - b. models and scales
  - c. scales and modes of analysis
  - d. basic assumptions and market definitions
  - e. modes of analysis and basic assumptions
7. Economies of scale will result in
  - a. low marginal production costs
  - b. low gross domestic product
  - c. high opportunity costs
  - d. high elasticity of demand
  - e. low
8. The graphical representation of demand schedule is a
  - a. demand sheet
  - b. demand plot
  - c. demand graph
  - d. demand curve
  - e. demand line
9. The appropriative rights doctrine allocates water based on a
  - a. regulatory decision
  - b. market rate
  - c. seniority system
  - d. political law
  - e. common law precedent
10. Assume a city charges a yearly fee for water consumption. This city employs a(n)
  - a. riparian system
  - b. increasing block rate system
  - c. constant marginal price system
  - d. flat fee system
  - e. constant marginal price system
11. Country X has \$100 billion in consumer spending, \$50 billion in investment spending, \$30 billion in government spending, \$20 billion in exports, and \$60 billion in imports. Its total Gross Domestic Product is
  - a. \$200 billion
  - b. \$230 billion
  - c. \$140 billion
  - d. \$260 billion
  - e. \$160 billion
12. Which of the following goods is NOT an intermediate good?
  - a. the thread a bedding company purchases
  - b. the lumber a desk company purchases
  - c. the lightbulbs a lamp company purchases
  - d. the wire a jewelry company purchases
  - e. flowers a company buys to decorate its office

13. Which of the following thinkers wrote *An Inquiry into the Nature and Causes of the Wealth of Nations*?
- Plato
  - Ostrom
  - Smith
  - Keynes
  - Okun
14. If sellers leave the market for pool floats, the equilibrium price of pool floats will
- decrease, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will remain the same
  - remain the same, and equilibrium quantity will increase
  - increase, and equilibrium quantity will decrease
  - decrease, and equilibrium quantity will decrease
15. Suppose the quantity demanded of a good can be described by the equation  $Q_D = 500 - 50P$  and the quantity supplied can be described by the equation  $Q_S = 430 + 20P$ , where  $P$  is the equilibrium price. The equilibrium price and quantity in this market, respectively, are
- \$1 and 450 units
  - \$16 and 3,620 units
  - \$7.50 and 2,500 units
  - \$5 and 1,200 units
  - \$4 and 300 units
16. In the circular flow model of the economy, firms receive revenue from
- financial markets
  - government spending
  - markets for factors of production
  - capital markets
  - markets for goods and services
17. The demand curve for a particular good is nearly perfectly horizontal. If the good's price decreases, then
- marginal revenue will remain the same
  - total revenue will increase
  - total revenue will decrease
  - total revenue will remain the same
  - marginal profit will decrease
18. The United States government can borrow at relatively low interest rates because it
- does not need to compete with the stock market
  - is not likely to default
  - can compel lenders with force
  - receives taxpayer dollars
  - has no national bank
19. If the Federal Reserve wants to increase the money supply through open market operations, it can
- raise the reserve requirement
  - purchase United States government bonds
  - sell United States government bonds
  - lower the discount rate
  - lower the reserve requirement
20. Chris buys a new water bottle from the local outdoor store. This example demonstrates money's function as a
- symbol of status
  - unit of account
  - store of value
  - medium of exchange
  - transfer of capital
21. Which of the following transactions is counted in the United States' 2019 Gross Domestic Product?
- a family's 2009 purchase of new kitchen appliances
  - a German company's 2019 purchase of a factory in Chicago
  - the 2019 resale of a Rhode Island mansion originally built in 1880
  - the overseas production and sale of electronics by an American electronics firm
  - a hunter's 2019 sale of fur pelts to a high-end fashion designer in Los Angeles
22. Where is MOST of the world's irrigated land located?
- Africa
  - Asia
  - South America
  - North America
  - Europe
23. If aggregate supply decreases and aggregate demand increases, in the short run, output
- will increase, and the price level will increase
  - may increase, decrease, or remain the same, and the price level will increase
  - will increase, and the price level may increase, decrease, or remain the same
  - will increase, and the price level will remain the same
  - will decrease, and the price level may increase, decrease, or remain the same

24. Bilbo is going grocery shopping. Which of his purchases BEST demonstrates the effect of complements?
- Bilbo avoids purchasing non-organic fruits because he worries about pesticides.
  - Bilbo expects that wine prices will drop in an upcoming sale, so he does not purchase wine.
  - Bilbo buys some peanut butter go to with his jelly.
  - Blueberries are cheaper than raspberries, so Bilbo buys the blueberries.
  - Ice cream is on sale, so Bilbo buys waffle cones too.
25. Frank is willing to pay \$20 for an acapella concert, Bank is willing to pay \$60, and Sophia is willing to pay \$45. If the acapella tickets sell for \$30, consumer surplus is
- \$45
  - \$35
  - \$95
  - \$20
  - \$60
26. The price for potatoes is at an all-time high, so Sam wants to produce more potatoes. What economic concept does Sam's desire BEST represent?
- price discrimination
  - the law of demand
  - rationality
  - the law of supply
  - elasticity
27. If there is no inflation, nominal Gross Domestic Product
- and real Gross Domestic Product both decrease
  - is equivalent to real Gross Domestic Product
  - is greater than real Gross Domestic Product
  - and real Gross Domestic Product both increase
  - is less than real Gross Domestic Product
28. The Yellow River has experienced
- rampant flooding
  - catastrophic oil spills
  - invasive species introduction
  - high eutrophication incidents
  - extended dry periods
29. Which situation has the same effect on the supply curve as a breakdown of the national highway system?
- a government stipend supporting sellers
  - an increase of sellers in the market
  - an improvement in technology
  - sellers' expectations of higher prices
  - a decrease in input prices
30. Economist Vilfredo Pareto came from
- Brazil
  - France
  - Germany
  - Italy
  - Iran
31. Excess nitrogen runoff can lead to
- oxygen saturation
  - fish population collapse
  - water temperature decreases
  - water current increases
  - invasive species introduction
32. The local bank has \$30 million in assets and is solvent. The bank's liabilities could equal
- \$35 million
  - \$15 billion
  - \$25 million
  - \$75 million
  - \$100 million
33. If the market supply curve shifts to the left, equilibrium price will
- increase, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will remain the same
  - remain the same, and equilibrium quantity will increase
  - increase, and equilibrium quantity will decrease
  - decrease, and equilibrium quantity will increase
34. There are 50 million people in Country Y, and its labor force participation rate is 60%. If there are 24 million employed individuals in Country Y, then its unemployment rate is
- 27%
  - 10%
  - 20%
  - 48%
  - 52%
35. Which of the following examples demonstrates consumptive water use?
- a father flushing the toilet
  - a merchant spraying water on a storefront
  - a child washing the dishes
  - a farmer irrigating his crops
  - a mother washing many clothes in a bin

36. As Indian agriculture grew, what became more difficult?
- processing runoff for pollutants
  - irrigating arid areas
  - distributing water to urban areas
  - maintaining high crop yields
  - maintaining water meters
37. If the level of cyclical unemployment in an economy falls from 5 percent to 2.5 percent, Okun's Law predicts that the output gap will change from 10 percent to
- 10 percent
  - 25 percent
  - 2.5 percent
  - 7.5 percent
  - 5 percent
38. A country's government spends \$1 trillion on its military. A potential opportunity cost of this decision is the
- social services the government can no longer provide
  - total expense of all new weapons and personnel
  - additional lives lost because of the expanded military
  - large amounts of metal required for ships and weapons
  - cost of drafting more soldiers to serve in the military
39. If the real Gross Domestic Product in an economy is \$50 billion, the price level is equal to 1.8, and the money supply is \$6 billion, then a typical dollar bill is used an average of
- 50 times per year
  - 22.5 times per year
  - 15 times per year
  - 17.5 times per year
  - 40 times per year
40. Suppose Honda, based in Japan, purchases a new factory in the United States for \$100 million. This transaction is a
- portfolio investment and does not affect the United States' net capital outflow
  - foreign direct investment and increases the United States' net capital outflow by \$100 million
  - portfolio investment and decreases the United States' net capital outflow by \$100 million
  - foreign direct investment and decreases the United States' net capital outflow by \$100 million
  - portfolio investment and increases the United States' net capital outflow by \$100 million
41. The Green Revolution resulted in
- marine protection areas
  - food production increases
  - biofuel development
  - water quality standards
  - environmental agency establishment
42. Suppose that, in the aggregate, an economy's firms want to borrow less money. The new quantity of saving in the economy will
- increase, while the interest rate will decrease
  - increase, while the interest rate will remain unchanged
  - decrease, as will the real interest rate
  - decrease, while the interest rate will increase
  - increase, as will the real interest rate
43. In economics, interactions between buyers and sellers are called
- competitive equilibrium
  - economic trades
  - institutions
  - trading systems
  - markets
44. All else equal, increased government spending on interest payments on government debt will
- not shift the aggregate demand curve
  - shift the aggregate demand curve left
  - shift the aggregate demand curve right
  - make the aggregate demand curve more horizontal
  - make the aggregate demand curve more vertical
45. Which of the following goods is an intermediate good?
- a long-lasting washing machine a family purchases
  - a squash sold to consumers at a farmer's market
  - a tomato used to make a pizza company's sauce
  - a basketball purchased for the local youth sports league
  - production machinery a manufacturing company buys
46. Which good is NOT a normal good?
- luxury cars
  - 3D movie ticket
  - economy class seats
  - store-brand cookies
  - organic apples

47. What is the central topic of microeconomics?
- markets and market failures
  - the costs and benefits of trade
  - the behavior of perfectly competitive markets
  - the self-interested choices of consumers
  - the interaction of supply and demand in markets
48. A decrease in the price of plastic will shift the
- supply curve for plastic water bottles to the right
  - supply curve for plastic water bottles to the right
  - demand curve for plastic water bottles to the right
  - the supply and demand curves for plastic water bottles to the left
  - supply curve for plastic water bottles to the left
49. An example of an economic institution is a(n)
- legal system
  - homeless shelter
  - immigrant rights group
  - mutual-aid society
  - condominium association
50. Suppose an especially good harvest season increases agricultural production in the United States. This event would shift the aggregate
- supply curve right
  - supply curve left
  - demand and aggregate supply curves right
  - demand curve left
  - demand curve right

1. Country Y has \$30 billion in consumer spending, \$90 billion in investment spending, \$15 billion in government spending, \$55 billion in imports, and \$45 billion in exports. Its total Gross Domestic Product is
  - a. \$235 billion
  - b. \$185 billion
  - c. \$220 billion
  - d. \$125 billion
  - e. \$145 billion
2. By which percentage did irrigated acreage increase between 1940 and 1978 in the United States?
  - a. 80%
  - b. 100%
  - c. 160%
  - d. 140%
  - e. 120%
3. Steve's car breaks down. Which situation will have a similar impact on Steve's demand for windshield wiper fluid?
  - a. The cost of train tickets increases.
  - b. The cost of gasoline decreases.
  - c. Steve plans to go on a big road trip tomorrow.
  - d. Government PSAs encourage people to carpool to work.
  - e. Steve gets a pay raise.
4. Which of the following goods is MOST likely an inferior good?
  - a. televisions
  - b. luxury cars
  - c. suits
  - d. pens
  - e. public transportation
5. Ja'Kari is willing to pay \$400 for a new phone, Jay is willing to pay \$600, and Tomi is willing to pay \$900. If the phone sells for \$100, consumer surplus is
  - a. \$1,900
  - b. \$1,800
  - c. \$750
  - d. \$1,600
  - e. \$400
6. Which of the following qualities is NOT a characteristic of perfect competition?
  - a. colluding producers
  - b. large number of buyers
  - c. highly standardized good or service
  - d. large number of sellers
  - e. clear, well-known market price
7. How does the CWA regulate point sources?
  - a. It establishes pollutant reduction requirements.
  - b. It opens cap-and-trade markets.
  - c. It sets quotas on the permissible amount of pollution.
  - d. It sets a water usage fee.
  - e. It limits how much water can be extracted.
8. Suppose a major hurricane ravages large swaths of a small country. This event would shift the country's
  - a. aggregate demand curve right
  - b. long-run aggregate supply curves right
  - c. aggregate demand curve left
  - d. short-run aggregate supply curve right
  - e. short-run aggregate supply curve left
9. Los Angeles diverted all inflow from
  - a. Belvedere Park Lake
  - b. Debs Lake
  - c. Owens Lake
  - d. Silver Lake
  - e. Echo Park Lake
10. Which of the following situations will produce the LARGEST consumer surplus, if the cost of concert tickets were \$50?
  - a. Four people would buy tickets at \$50.
  - b. One person would buy a ticket at \$100.
  - c. Two people would buy tickets at \$90.
  - d. Six people would buy tickets at \$40.
  - e. Three people would buy tickets at \$70.
11. Tom spends 2 hours studying instead of spending time with family or working out. A possible opportunity cost of Tom's choice is the value of
  - a. the boost in Tom's test scores
  - b. working out
  - c. the 2 hours he spent studying
  - d. working out and spending time with family
  - e. Tom's education
12. The demand curve for a particular good is nearly perfectly vertical. If the good's price increases, then
  - a. marginal profit will decrease
  - b. total revenue will remain the same
  - c. total revenue will increase
  - d. marginal revenue will remain the same
  - e. total revenue will decrease

13. Pareto efficiency necessitates that
- no person can be made better off without detracting from another person's well-being
  - firms cannot increase output without altering their resources and labor supply
  - an economy is producing along or inside of its production possibilities frontier
  - there is no government corruption or waste that detracts from tax dollars' impact
  - resources are distributed as equitably as possible among an economy's actors
14. Technological advancements has made the production process for backpacks more efficient. This change in technology will shift the
- supply curve for backpacks to the left
  - demand curve for backpacks to the right
  - supply and demand curves for backpacks to the left
  - supply curve for backpacks to the right
  - supply curve for backpacks to the right
15. Which of the following outcomes is likely to occur if a country has a high unemployment rate?
- an increase in difficulty in increasing wages
  - a decrease in difficulty in finding a job
  - an increase in the size of the labor force
  - increasing interest rates
  - a decrease in difficulty in the promotions for those employed
16. Elinor Ostrom's research examines how users can
- combat market corruption
  - develop common law institutions
  - manage common-pool resources
  - engage with regulatory agencies
  - minimize inflation risks
17. The average worker in the economy produces \$40 worth of goods. If the labor force participation rate is 50%, then the economy's real Gross Domestic Product per capita is
- \$80
  - \$20
  - \$10
  - \$40
  - \$90
18. Which aspect of economics MOST involves studying cause-and-effect relationships and their sizes?
- microeconomics
  - economic theory
  - positive economics
  - normative economics
  - Pareto efficiency
19. A factory building is an example of a(n)
- capital good
  - consumer non-durable good
  - investment good
  - consumer durable good
  - intermediate good
20. Where is the Antofagasta Region located?
- Argentina
  - Uruguay
  - Paraguay
  - Brazil
  - Chile
21. The city of Flint, Michigan, changed its drinking water system in 2014 to
- modernize the acequia system
  - save money
  - incorporate wastewater facilities
  - comply with EPA regulations
  - increase water access for farmers
22. Suppose the price elasticity of demand for soccer balls is 0.2. A 20% increase in the price of soccer balls will lead to a
- 4% decrease in the quantity of soccer balls demanded
  - 40% decrease in the quantity of soccer balls demanded
  - 5% decrease in the quantity of soccer balls demanded
  - 9% decrease in the quantity of soccer balls demanded
  - 16% decrease in the quantity of soccer balls demanded

23. Which of the following statements about bank runs is FALSE?
- Both solvent and insolvent banks can experience bank runs.
  - The Federal Reserve acts as a lender of last resort to banks experiencing bank runs.
  - Bank runs have historically posed a major challenge to the financial system.
  - Bank runs are fairly frequent in the modern era.
  - Bank runs occur when depositors collectively suddenly want to withdraw large portions of money.
24. If a country's nominal Gross Domestic Product is \$40 billion, and its Gross Domestic Product Deflator is 160, then its real Gross Domestic Product is
- \$25 billion
  - \$47 billion
  - \$64 billion
  - \$101 billion
  - \$56 billion
25. Suppose a country experiences a nationwide drought at a time of improved consumer sentiment. Compared to the economic conditions before the drought and improved consumer spending, output
- will increase, and the price level will remain the same
  - will increase, and the price level may increase, decrease, or remain the same
  - will increase, and the price level will increase
  - may increase, decrease, or remain the same, and the price level will increase
  - will decrease, and the price level may increase, decrease, or remain the same
26. Financially-stable borrowers can charge relatively
- low interest rates
  - low principal rates
  - high default rates
  - high interest rates
  - high principal rates
27. If more consumers enter the market for chairs, equilibrium price will
- increase, and equilibrium quantity will decrease
  - increase, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will increase
  - remain the same, and equilibrium quantity will increase
  - decrease, and equilibrium quantity will remain the same
28. Which of the following equalities is always true in an open economy?
- $Y = C + I - G$
  - $S = C + G + Y$
  - $S = I$
  - $I = Y + C + G$
  - $G = I - S + C$
29. Suppose Amazon, based in the United States, purchases \$20 million of bonds issued by the Chinese government. This purchase is a
- foreign direct investment and increases the United States' net capital outflow by \$20 million
  - portfolio investment and decreases the United States' net capital outflow by \$20 million
  - foreign direct investment and decreases the United States' net capital outflow by \$20 million
  - portfolio investment and increases the United States' net capital outflow by \$20 million
  - portfolio investment and does not affect the United States' net capital outflow
30. There are 700 million people in Country A, and its labor force participation rate is 40%. If there are 28 million employed individuals in Country A, then its unemployment rate is
- 90%
  - 20%
  - 15%
  - 40%
  - 60%
31. Which country has developed a market to allocate scarce water?
- France
  - Australia
  - China
  - Japan
  - Italy
32. Suppose the quantity demanded of a good can be described by the equation  $Q_D = 1,200 - 10P$  and the quantity supplied can be described by the equation  $Q_S = 2P$ , where P is the equilibrium price. The equilibrium price and quantity in this market, respectively, are
- \$7.50 and 1,500 units
  - \$16 and 450 units
  - \$100 and 200 units
  - \$40 and 400 units
  - \$50 and 700 units

33. If Point A is located to the left of Point B on a given demand curve, then the price elasticity of
- supply at Point A is less than at Point B
  - demand at Point A is greater than at Point B
  - supply at Point A is greater than at Point B
  - demand at Point A is equal to that at Point B
  - demand at Point A is less than at Point B
34. In a cap-and-trade system, grandfathering is conducted to
- establish a pollution permitting system
  - calculate seniority ranking
  - determine historic polluting behavior
  - assess water rights valuation
  - resolve riparian system disputes
35. What are household purchases called?
- consumption expenditures
  - residential expenditures
  - household consumption
  - capital consumption
  - household spending
36. During the 1970s, the national inflation rate in the United States reached
- 3 percent
  - 9 percent
  - 5 percent
  - 7 percent
  - over 9 percent
37. Which of the following forms would an economic model MOST likely take?
- legislation
  - story
  - photograph
  - textbook
  - formula
38. If the Federal Reserve wants to decrease the money supply through open market operations, it can
- raise the discount rate
  - lower the discount rate
  - purchase United States government bonds
  - sell United States government bonds
  - raise the reserve requirement
39. Gibran spends his latest paycheck at the local bowling alley. This example demonstrates money's function as a
- medium of exchange
  - transfer of capital
  - symbol of status
  - store of value
  - unit of account
40. Suppose that a country's government institutes a policy that successfully encourages its citizens to save more. The new quantity of saving in the economy will
- decrease, while the interest rate will increase
  - increase, as will the real interest rate
  - increase, while the real interest rate will decrease
  - decrease, as will the real interest rate
  - increase, while the interest rate will remain unchanged
41. Pigouvian taxes will cause a firm to
- issue pollution permits
  - move to regulated markets
  - increase their cost of production
  - divest from fossil fuels
  - invest in water purification systems
42. How do private mitigation banks generate credits for sale?
- They tax consumers for water consumption.
  - They apply for regulatory approval.
  - They invest in wastewater plants.
  - They restore water bodies.
  - They build waterworks.
43. If the level of cyclical unemployment in an economy grows from 2 percent to 4 percent, Okun's Law predicts that the output gap will change from 4 percent to
- 16 percent
  - 20 percent
  - 4 percent
  - 12 percent
  - 8 percent
44. Which two factors does the market demand curve compare?
- demand schedule and price
  - revenue and costs
  - quantity supplied and costs
  - aggregate demand and aggregate supply
  - quantity demanded and price

45. Which of the following forces is MOST responsible for the diversity of products available to American consumers?
- individual choice
  - gains from trade
  - government intervention
  - collective bargaining
  - opportunity costs
46. All else equal, increased business spending on machinery will
- not shift the aggregate demand curve
  - shift the aggregate demand curve left
  - make the aggregate demand curve more horizontal
  - shift the aggregate demand curve right
  - make the aggregate demand curve more vertical
47. Your town installs a system of public teleportation booths. How does the market for bus rides react to this change?
- Supply shifts right.
  - Supply shifts down.
  - Demand shifts left.
  - Supply shifts left.
  - Demand shifts right.
48. In a country, a consumption bundle consists of 5 apples, 2 pairs of pants, and 1 computer. In 2000, apples cost \$2 each, pants cost \$20, and computers cost \$100. In 2020, apples cost \$4 each, pants cost \$35, and computers cost \$160. Using 2000 as the base year, the Consumer Price Index in 2020 is
- 60
  - 100
  - 250
  - 150
  - 140
49. If more consumers enter the market for plates, we can expect the
- demand curve for plates to shift right
  - supply curve for plates to shift left
  - supply curve for plates to shift right
  - supply curve for plates to shift up
  - demand curve for plates to shift left

1. The benefits of trade are greater than the costs so long as
  - a. the exchange is Pareto-efficient
  - b. there are no taxes on the exchange
  - c. both sides voluntarily choose to participate
  - d. both parties are roughly equal in size
  - e. the resource traded is not scarce
  
2. In an economy with price level  $P$ , consumers with \$1 can buy
  - a.  $P/M$  worth of goods and services
  - b.  $1/P$  worth of goods and services
  - c.  $P + 1$  worth of goods and services
  - d.  $10P$  worth of goods and services
  - e.  $P + 1/P$  worth of goods and services
  
3. The change to the Flint water system resulted in
  - a. salinization
  - b. oil leaks
  - c. sewage pollution
  - d. eutrophication
  - e. lead exposure
  
4. Mia is willing to pay \$250 for a rug, Keisha is willing to pay \$630, and Chase is willing to pay \$400. If the rug sells for \$130, consumer surplus is
  - a. \$670
  - b. \$1,280
  - c. \$490
  - d. \$400
  - e. \$890
  
5. How have individuals attempted to control Great Lakes invasive species?
  - a. decreasing the temperature of the water
  - b. catch them in large fishing nets
  - c. use chemicals to kill off the species
  - d. introducing artificial reefs
  - e. increasing the salinity of the water
  
6. If a country's nominal Gross Domestic Product is \$80 billion, and its Gross Domestic Product Deflator is 250, then its real Gross Domestic Product is
  - a. \$50 billion
  - b. \$84 billion
  - c. \$200 billion
  - d. \$32 billion
  - e. \$46 billion
  
7. If consumers leave the market for fax machines market for chairs, equilibrium price will
  - a. decrease, and equilibrium quantity will increase
  - b. decrease, and equilibrium quantity will decrease
  - c. remain the same, and equilibrium quantity will increase
  - d. decrease, and equilibrium quantity will remain the same
  - e. increase, and equilibrium quantity will decrease
  
8. Which piece of information is included on applications for transferring water rights in the United States?
  - a. water quality assessment
  - b. type of water right
  - c. water source classification
  - d. competing claims on the right
  - e. value of the right
  
9. Which two situations have the same cumulative effect on equilibrium price?
  - a. Supply shifts left and demand shifts left.
  - b. Supply shifts right and demand shifts left.
  - c. Supply shifts up and demand shifts left.
  - d. Supply shifts down and demand shifts right.
  - e. Supply shifts right and demand shifts right.
  
10. Theo is trying to determine if the market for records is perfectly competitive. Which piece of evidence would NOT prove that the market is perfectly competitive?
  - a. The market for records has many buyers.
  - b. The market for records has many sellers.
  - c. Records are highly standardized products.
  - d. Consumers are aware of the price of records.
  - e. Demand for records changes significantly with price.
  
11. The efficient level of production occurs at the point where
  - a. marginal social costs are greater than demand
  - b. marginal production costs equal demand
  - c. marginal social costs equal demand
  - d. marginal production costs are greater than demand
  - e. marginal production costs equal marginal social costs
  
12. Where is instream trading active?
  - a. Wyoming
  - b. Nebraska
  - c. Michigan
  - d. Oregon
  - e. New York

13. Which of the following goods is NOT included in a country's Gross Domestic Product?
- the value of pens a factory produces
  - the value of yarn a factory produces
  - the value of water bottles a factory produces
  - steel a car company purchases
  - the value of t-shirts a factory produces
14. Which of the following statements is NOT true about economic expansions?
- The unemployment rate can reach zero.
  - The unemployment rate decreases.
  - Some companies go bankrupt.
  - Some companies lay off their workers.
  - Real Gross Domestic Product per capita falls.
15. A decrease in the number of firms producing backpacks will
- shift the supply curve for backpacks to the right
  - shift both the supply and demand curves for backpacks to the left
  - shift the demand curve for backpacks to the right
  - shift the supply curve for backpacks to the right
  - shift the supply curve for backpacks to the left
16. Which of the following regulations is an example of a prescriptive regulation?
- an agency setting a pollution quota
  - a company purchasing a pollution permit
  - a firm measuring water quality levels
  - a government providing funding for infrastructure investment
  - a water-use association providing a bonus to users that save water
17. According to the law of supply, an increase in the price of computers will lead to a(n)
- decrease in the quantity demanded of computers
  - increase in the quantity supplied of computers
  - increase in the supply of computers
  - decrease in the supply of computers
  - increase in the supply of processing chips
18. Pierce recently graduated from college and is currently searching for a job. Economists would consider Pierce
- employed
  - cyclically unemployed
  - underemployed
  - frictionally unemployed
  - structurally unemployed
19. Victor purchases more designer handbags as his income increases. Which type of goods are designer handbags?
- normal goods
  - intermediate goods
  - inferior goods
  - rational goods
  - capital goods
20. The average worker in the economy produces \$400 worth of goods. If the labor force participation rate is 75%, then the economy's real Gross Domestic Product per capita is
- \$433
  - \$800
  - \$400
  - \$533
  - \$300
21. Suppose the price elasticity of supply for chickens is 0.9. A 50% increase in the price of chickens will lead to a
- 40% decrease in the quantity of chickens supplied
  - 40% increase in the quantity of chickens supplied
  - 70% increase in the quantity of chickens supplied
  - 15 % decrease in the quantity of chickens supplied
  - 45% increase in the quantity of chickens supplied
22. What event caused Los Angeles to reduce its diversions from Mono Lake?
- water quality standard degradation
  - salinization of Mono Lake
  - discovery of invasive species
  - litigation regarding minimum water delivery
  - eutrophication incidents
23. Which of the following assets is LEAST liquid?
- real estate
  - currency
  - mutual fund shares
  - checking deposits
  - savings deposits
24. Total income in a closed economy is \$40 billion. If consumer spending is \$15 billion, government spending is \$5 billion, and investment is \$20 billion, then national savings is equal to
- \$5 billion
  - \$40 billion
  - \$20 billion
  - \$35 billion
  - \$80 billion

25. How much has been invested in water pollution abatement under the CWA?
- \$2 trillion
  - \$1.2 trillion
  - \$1 trillion
  - \$1.4 trillion
  - \$800 million
26. Amanda is an economist whose work centers around the orange juice market. Amanda is MOST likely a
- macroeconomist
  - normative economist
  - microeconomist
  - Pareto economist
  - positive economist
27. All else equal, decreased consumer spending on clothing will
- not shift the aggregate demand curve
  - make the aggregate demand curve more vertical
  - shift the aggregate demand curve right
  - make the aggregate demand curve more horizontal
  - shift the aggregate demand curve left
28. How do Pareto efficiency and normative economics support each other?
- Pareto efficiency judgments serve as normative value judgments.
  - Pareto efficiency provides a scope beyond economic theory to normative economists.
  - Pareto efficiency is a requirement for normative economic judgments.
  - Normative economics can help decide which distribution of benefits is best.
  - Normative economics can suggest ways to allocate leftover resources.
29. Which of the following goods is MOST likely an inferior good?
- dishwashers
  - clothing
  - taxis
  - ramen noodles
  - watches
30. Suppose oil prices drastically drop at a time when firms become wary of taking on new capital projects. Compared to the economic conditions before the reduction in oil prices and firms' hesitancy to take on new capital projects, aggregate output in the economy
- will decrease, and the price level may increase, decrease, or remain the same
  - will increase, and the price level will remain the same
  - will increase, and the price level may increase, decrease, or remain the same
  - will increase, and the price level will increase
  - may increase, decrease, or remain the same, and the price level will decrease
31. Real Gross Domestic Product accounts for
- aggregate supply
  - unemployment
  - population size
  - inflation
  - fluctuating interest rates
32. By issuing bonds, Walmart is practicing
- equity finance
  - principal finance
  - debt finance
  - growth finance
  - investment finance
33. Which of the following organizations engages in open market operations?
- the United States Treasury
  - the National Bureau of Economic Research
  - the Federal Reserve
  - the World Bank
  - the Bureau of Labor Statistics
34. Human desires are always
- insatiable
  - normative
  - scarce
  - costly
  - rational
35. Suppose the price elasticity of demand for erasers is 1.2. A 30% increase in the price of erasers will lead to a
- 25% decrease in the quantity of erasers demanded
  - 36% decrease in the quantity of erasers demanded
  - 84% decrease in the quantity of erasers demanded
  - 72% decrease in the quantity of erasers demanded
  - 16% decrease in the quantity of erasers demanded

36. The term business cycle describes the
- pattern of expansions and recessions in an economy
  - stages of a firm's production process
  - tendency for market forces to catalyze innovation
  - way in which entrepreneurs develop and test new products
  - fluctuation of the inflation rate in capitalist economies
37. A country's Gross Domestic Product is \$500 billion. If its consumer spending is \$200 billion, government spending is \$75 billion, investment spending is \$35 billion, and imports are \$50 billion, the total value of its exports must equal
- \$860 billion
  - \$290 billion
  - \$240 billion
  - \$190 billion
  - \$50 billion
38. Common law relies on
- monarchical decree
  - religious doctrine
  - divine right
  - family customs
  - established precedent
39. Which of the following categories of goods is included in consumption expenditures?
- food consumption
  - household investment
  - consumer renewables
  - consumer expendables
  - consumer nondurables
40. In economics, the "short run" is roughly between
- 6 months and 1 year
  - 1 and 3 years
  - 3 months and 6 months
  - 3 years and 5 years
  - 5 years and 10 years
41. In a country, a consumption bundle consists of 30 bananas, 1 cell phone, and 5 jackets. In 2000, bananas cost \$5 each, cell phones cost \$200, and jackets cost \$50. In 2020, bananas cost \$15 each, cell phones cost \$300, and jackets cost \$90. Using 2000 as the base year, the Consumer Price Index in 2020 is
- 100
  - 220
  - 160
  - 600
  - 200
42. Which of the following goods is a capital good?
- the foam a mattress company purchases
  - the machinery a shoe-making company buys
  - the sweatshirts that a clothing company produces
  - the bedframes a mattress store buys
  - a washing machine that a household purchases
43. Suppose General Motors, based in the United States, buys a new factory in Canada for \$30 million and buys \$50 million worth of bonds issued by the Japanese government. General Motors' purchases
- increase United States Gross Domestic Product by \$50 million
  - decrease the United States Gross Domestic Product by \$20 million
  - increase United States Gross Domestic Product by \$80 million
  - decrease the United States Gross Domestic Product by \$80 million
  - increase United States Gross Domestic Product by \$20 million
44. How can a firm earn credits in a nutrient credit market?
- providing water to consumers
  - limiting agricultural water use
  - improving water quality
  - establishing low water prices
  - avoid exporting water out of the market

45. Why do farmers adopt BGH technology that decreases farm income?
- The federal government has subsidized the adoption of the technology to offset potential losses in farm income.
  - The federal government has imposed price controls that incentivize the adoption of the new technology.
  - Their foremost concern is improving market efficiency, and they are willing to make personal sacrifices in pursuit of this goal.
  - Farmers do not want neighboring farms to perceive them as technologically behind.
  - They cannot influence market prices, and individual farmers would be worse off not adopting the technology.
46. During a period of full employment, the unemployment rate in an economy is 4 percent. During a recession, the unemployment rate skyrockets from 5 to 20 percent. Assuming the recession is entirely responsible for the increase in unemployment rate, Okun's Law predicts that the output gap during the recession will be
- 20 percent
  - 25 percent
  - 30 percent
  - 27 percent
  - 32 percent
47. Which of the following situations is NOT Pareto-efficient?
- A country produces \$500 worth of goods, and 10 citizens receive \$50 while the other 90 receive nothing.
  - A country produces \$1 million worth of goods, and all one thousand citizens receive \$900.
  - A country produces \$3,000 worth of goods, and all 60 citizens receive \$50.
  - A country produces \$100 worth of goods, and 10 citizens receive \$5 each while the remaining 5 receive \$10.
  - A country produces \$5 million worth of goods, and all 5 million citizens receive \$1.
48. Suppose that a country's government institutes a policy that successfully encourages its citizens to spend a higher proportion of their paycheck. The new quantity of saving in the economy will
- increase, while the real interest rate will decrease
  - increase, while the interest rate will remain unchanged
  - decrease, as will the real interest rate
  - increase, as will the real interest rate
  - decrease, while the interest rate will increase
49. The gasoline market is closest to
- perfect competition
  - monopolistic competition
  - a monopoly
  - an oligopoly
  - a monopsony
50. Suppose the quantity demanded of a good can be described by the equation  $Q_D = 1,500 - 4P$  and the quantity supplied can be described by the equation  $Q_S = 900 + 8P$ , where P is the equilibrium price. The equilibrium price and quantity in this market, respectively, are
- \$50 and 1,300 units
  - \$40 and 1,340 units
  - \$200 and 2,500 units
  - \$16 and 4,500 units
  - \$100 and 1,100 units

1. Which example BEST describes an oligopoly?
  - a. One man owns 80% of a country's emerald supply.
  - b. A coffee shop chain sells similar but differentiated products.
  - c. Only three farmers sell apples to a small town.
  - d. A movie theater sells tickets at different prices to different people.
  - e. Four internet service providers collude to offer the same prices.
2. What type of service is national defense?
  - a. common resource
  - b. collective good
  - c. club good
  - d. private good
  - e. public good
3. Which product experiences an increase in demand if the price of bicycles decreases?
  - a. insurance
  - b. automobiles
  - c. backpacks
  - d. helmets
  - e. running shoes
4. Sellers in the bubble tea industry notice that their economic profits have fallen below zero. How do they respond?
  - a. Some sellers will leave the market.
  - b. Sellers lose some of their producer surplus.
  - c. Sellers will decrease their prices to attract more customers.
  - d. Sellers will be paid their opportunity wage.
  - e. Some sellers will merge with other sellers to survive.
5. The BEST way to understand the relationships between water price and quantity consumed is to
  - a. determine the marginal cost of production
  - b. calculate the efficient level of production
  - c. estimate the elasticity of demand
  - d. estimate the exportable amount of water
  - e. determine the price floor for water
6. The task of the Federal Open Market Committee is to
  - a. control the money supply
  - b. assess levels of unemployment
  - c. set the reserve ratio for banks
  - d. adjust the federal funds rate
  - e. measure inflation and consumer spending
7. A possible opportunity cost of buying a \$6 hamburger is the
  - a. total cost of the hamburger's ingredients
  - b. money you spent on the hamburger
  - c. transaction costs felt by the producers
  - d. salad you would have bought instead
  - e. toy you purchased the day before
8. Adam, Magnus, and Kyra all want to go to see the new Star Tours movie. Adam is willing to pay \$12, Magnus is willing to pay \$10, and Kyra is willing to pay \$5. Ticket prices are \$8. What is their combined consumer surplus?
  - a. \$3
  - b. \$6
  - c. \$27
  - d. \$9
  - e. \$22
9. The average daily earnings of a worker in Chile has increased by 45% in the last decade. Which of the following explanations is MOST likely?
  - a. a decline in structural unemployment
  - b. a rise in postgraduate education
  - c. a shift to capital-intensive goods output
  - d. greater labor productivity
  - e. a larger industrial workforce
10. Smeagol runs a small jewelry shop. His total revenue is \$2000. He pays \$50 for rent, \$400 for raw materials, and \$500 for equipment. If Smeagol worked as a cashier, he would make \$200. What is Smeagol's economic profit?
  - a. \$400
  - b. \$1050
  - c. \$850
  - d. \$1100
  - e. \$900
11. Which of the following people is not in the labor force?
  - a. Bilbo, a business executive currently on vacation
  - b. Arwyn, a professional babysitter
  - c. Gimli, a college student who decides not to apply for a job and focus on his studies
  - d. Gandalf, a college professor with tenure
  - e. Thorin, a recently laid-off miner who is searching for a new job

12. Which of the following goods has the LOWEST price elasticity of supply?
- a video camera
  - an airplane ticket
  - an ancient vase
  - a luxury car
  - an autograph
13. Which of the following options is NOT a way to get around a monopoly?
- entrepreneurial invention
  - externalities
  - regulation
  - public ownership
  - anti-trust laws
14. What does real GDP seek to subtract from GDP comparisons?
- foreign exchange effects
  - interest rates
  - inflation
  - wealth effects
  - the velocity of money
15. How do irrigation districts address organizational challenges?
- They run multi-state organizations.
  - They set up new agencies in the government.
  - They have elected boards.
  - They solicit capital from private investors.
  - They develop vertically integrated administrative structures.
16. Which of the following situations would cause the supply curve to shift left?
- improvements in technology
  - decrease in production costs
  - increase in the number of sellers
  - the expectation of higher figure prices
  - decrease in input prices
17. Which of the following examples BEST demonstrates unmeasured quality change in CPI calculations?
- Bifur purchases the same model of running shoes every year.
  - Bombur purchases a pair of overalls because they are on sale.
  - Raspberries are expensive, so Fili purchases blueberries instead.
  - Ori switches from using a landline to using a cell phone.
  - Kili's new computer can run intensive programs with ease.
18. How long is the lag in estimates of GDP?
- six months
  - one month
  - two years
  - three months
  - one year
19. A tax would MOST affect the market for a good with
- inelastic demand and elastic supply
  - elastic demand and elastic supply
  - perfectly inelastic demand and elastic supply
  - inelastic demand and inelastic supply
  - elastic demand and inelastic supply
20. When economists discuss water quantity, they are referring to
- investment
  - exportation
  - production
  - quality
  - allocation
21. The concept of appropriative rights requires that water is
- maintained at a specific quality level
  - distributed based on a customs system
  - given to the government at no cost
  - put into beneficial use
  - sold at below market rates
22. The government is running a large deficit, so it cuts back on government spending. What is the economic term for the subsequent reduction in private investment?
- default
  - dividends
  - open market operations
  - crowding out
  - recessionary markets

23. Why are diamonds valuable according to Adam Smith?
- They retain their value.
  - They are scarce.
  - They are economically productive.
  - They are a form of currency.
  - They support trading interactions.
24. Why do goods with close substitutes have high price elasticities of demand?
- The demand curve for substitutes is horizontal.
  - The market definition for substitutes is narrower.
  - Consumers are slow to change their habits when consuming substitutes.
  - Consumers can easily switch between products.
  - A reduction in the price of one substitute leads to increased demand for the other substitute.
25. Which economic concept is an important first step in maximizing overall well-being?
- efficiency
  - scarcity
  - self-preservation
  - gains from trade
  - trade-offs
26. Which of the following questions would a normative economist NOT analyze?
- Are governments obligated to intercede in times of economic depression?
  - Should the minimum wage be raised?
  - Should taxes on the wealthy increase?
  - If the economy goes into a recession, should the government provide stimulus relief?
  - If the cost of gasoline falls 15%, how much will consumer surplus change?
27. Which indigenous tribe built an extensive waterway system in the fifteenth century?
- Hohokam
  - Algonquin
  - Aztec
  - Navajo
  - Huron
28. Assume a city charges higher water prices for homes that have higher consumption amounts than others. This example demonstrates a(n)
- constant marginal price system
  - decreasing block rate system
  - increasing block rate system
  - flat fee system
  - riparian system
29. Which two unproductive government activities increase the cost of government?
- logrolling
  - levying taxes
  - purchasing defense goods
  - supplying education
  - implementing price ceilings
30. Which of the following countries has the lowest average output per person?
- Japan
  - Nigeria
  - United States
  - Mexico
  - China
31. Which of the following quantities would a change in the money supply affect?
- a bushel of strawberries
  - a kilo of rubber
  - ten dollars' worth of baseball cards
  - a pound of flesh
  - a ton of raw tuna
32. In one hour, Merry can produce 22 arrows or 17 quivers. In the same time, Pippin can produce 18 arrows or 30 quivers. Which answer choice BEST describes their comparative advantages?
- Merry has an absolute advantage in the production of quivers.
  - Pippin has a comparative advantage in the production of quivers.
  - Merry has an absolute advantage in the production of arrows.
  - Merry has a comparative advantage in the production of quivers.
  - Pippin has a comparative advantage in the production of arrows.
33. Why is the optimal level of a negative externality NOT zero?
- The social cost of reducing negative externalities is too great to be profitable.
  - The social value of the externality is inconsequential to economic analysis.
  - A small amount of a negative externality encourages market productivity.
  - If private agents can bargain, then they can partly resolve an externality between themselves.
  - The cost of completely eliminating the externality will outweigh the benefit.

34. Which of the following selections is NOT a category of economic water user groups?
- agricultural
  - environmental
  - athletic
  - industrial
  - urban
35. Pareto efficiency is MOST closely related to
- overall well-being
  - equality
  - redistribution
  - production
  - normative economics
36. The government reduces the capital tax on office space. How do price level and real output change?
- Price level and real output both rise.
  - Price level remains constant, real output rises.
  - Price level falls, real output rises.
  - Price level and real output both fall.
  - Price level falls, real output remains constant.
37. The country of Gondor's exports exceed its imports. What is the economic term for this situation?
- market power
  - trade surplus
  - trade deficit
  - production possibility frontier
  - positive externality
38. Why does the Fed rarely change reserve requirements?
- The Fed meets too infrequently to make accurate changes to bank reserves.
  - The Fed avoids making changes that are disruptive to the banking business.
  - The Fed does not like to interfere in relationships between banks.
  - The Fed prefers to deal in money instead of banking.
  - The Fed prefers to buy or sell bonds to adjust the monetary base.
39. Which of the following goods is a capital good?
- a Latin textbook
  - new software
  - headwear
  - steel
  - a factory
40. How do suppliers respond to short-run economic fluctuations?
- They sell their goods on the international market.
  - They amass goods in their inventory and save them for an expansion.
  - They adjust prices to new levels of inflation according to CPI.
  - They cut back on investment.
  - They fix prices for a short time, then gradually adjust prices.
41. Which of the following economic concepts is MOST closely associated with gains from trade?
- taxes
  - externalities
  - opportunity costs
  - trade-offs
  - specialization
42. The South-North Water Transfer Project is redirecting water from the
- Yangtze River
  - Yellow River
  - Salween River
  - Huai River
  - Amur River
43. How long does GDP have to decline before a recession is officially declared?
- a month
  - two years
  - one year
  - two weeks
  - six months
44. Which of the following definitions does NOT describe a perfectly competitive market?
- There are few buyers and sellers
  - No one buyer can influence the price.
  - Sellers do not hold a monopoly on the good.
  - The good being sold is highly standardized.
  - All participants are aware of the market price.

45. How do monopolies damage consumer welfare?
- Monopolies steal part of the consumer surplus by charging high prices.
  - Monopolies increase supply do above competitive capacity.
  - Monopolies make markets less competitive for sellers.
  - Monopolies are unchecked by the government.
  - Monopolies use their power to promote unproductive economic policies.
46. What is the point at which all forces in a system are balanced?
- the triple point
  - equilibrium
  - perfectly competitive point
  - stasis
  - market price
47. The United States government does NOT use its monopoly on the legal use of force to
- protect national security
  - collect taxes
  - restrain criminals
  - encourage participation in government
  - compel military service
48. Janja's income falls significantly. How do her spending habits change as a result?
- She purchases more normal goods.
  - She purchases more inferior goods.
  - Her demand curve shifts right.
  - She makes fewer trade-offs .
  - She buys substitutes instead of complements.
49. Smaug can provide heating services to Middle Earth at a lower cost than multiple firms. What type of monopoly does Smaug's firm represent?
- technological monopoly
  - cartel
  - government-created monopoly
  - geographical monopoly
  - natural monopoly
50. Which economic problem do property rights BEST address?
- inequality
  - government deficits
  - inflation
  - market failure
  - tragedy of the commons

1. Which of the following examples does NOT demonstrate a correlation between labor productivity and high living standards?
  - a. stable political systems
  - b. better healthcare
  - c. access to education
  - d. cleaner environment
  - e. longer lifespans
2. A shipwreck damages Jolly Roger's supply of doubloons. Where is the new equilibrium price and quantity located?
  - a. down and to the right
  - b. in the same place as the original equilibrium point
  - c. down and to the left
  - d. up and to the right
  - e. up and to the left
3. Dan can sell a textbook for \$50. Henry can sell the same textbook for \$40. Sophie can sell the textbook for \$20. Their opportunity cost of selling is \$30. What is the combined producer surplus?
  - a. \$90
  - b. \$1100
  - c. \$50
  - d. \$10
  - e. \$30
4. Which Federal Reserve tool can be used to adjust the interest rate that the Fed charges on loans it makes to other banks?
  - a. open market operations
  - b. discount rate
  - c. reserve requirements
  - d. federal funds rate
  - e. money multiplier
5. An investor is MOST likely to purchase bonds if she thinks
  - a. interest rates will fall in a few months
  - b. unemployment will fall
  - c. inflation will occur
  - d. interest rates will rise in a few months
  - e. unemployment will rise
6. Which of the following goods would contribute MOST to GDP?
  - a. a pair of sneakers
  - b. a high-fashion belt
  - c. a used hybrid car
  - d. a commemorative mug
  - e. a car insurance payment
7. Which situation will MOST likely lead to water price increases?
  - a. a city develops a constant marginal price schedule for water
  - b. a firm exports water to a market experiencing a water shortage
  - c. a regulator issues pollution permits in a market
  - d. a government sets up a new regulatory authority
  - e. an association discovers a new water source
8. Gasoline sellers expect prices to rise when consumers go on summer road trips. How do sellers react to this expectation in the short term?
  - a. Demand shifts right.
  - b. Supply shifts up.
  - c. Supply shifts right.
  - d. Supply shifts left.
  - e. Demand shifts up.
9. How many times do the supply and demand curves intersect?
  - a. four
  - b. zero
  - c. one
  - d. three
  - e. two
10. Where is the Great Salt Lake located?
  - a. Wyoming
  - b. Oregon
  - c. Utah
  - d. California
  - e. Colorado
11. Why does imposing a price floor interfere with productive market activities?
  - a. Consumers want to purchase goods at higher prices but are prevented from doing so.
  - b. Low elasticity in the short-term means that producers cannot adjust well to price changes.
  - c. Suppliers cannot sell all of their products because prices are too high.
  - d. Consumers take advantage of low prices, leading to excess demand.
  - e. Suppliers want to sell at higher prices but are prevented from doing so.

12. Which example BEST demonstrates logrolling?
- Two elected officials trade votes to support each other's projects.
  - The government levies high tariffs against imported grapes to protect the domestic grape market.
  - Politicians propose legislation that brings money to their own communities.
  - Multiple economic agents collude and behave like a monopoly.
  - Manufacturers must keep emissions below a target value to reduce pollution.
13. The opportunity cost of a choice is
- the value of the next-best option
  - the decision's monetary cost
  - the decision's explicit cost
  - the sum of all possible alternatives
  - the loss due to decision-maker irrationality
14. Of the following options, the MOST competitive market would involve
- management
  - currencies
  - labor
  - technology
  - natural resources
15. The Hoover Dam played a key role in
- drying out lakes in the Southern California area
  - expanding water access to indigenous populations
  - setting up water-use associations
  - improving water quality standards
  - expanding agriculture in arid areas
16. Which government organization calculates the Consumer Price Index?
- The Bureau of Labor Statistics
  - Congress
  - The National Bureau of Economic Research
  - The Federal Reserve
  - The Boskin Commission
17. Which power does government NOT have?
- enforcing contracts
  - limiting market competitiveness
  - taxing citizens
  - compelling military service
  - monopolizing the legitimate use of force
18. Why is the price elasticity of supply of online clothing stores greater than that of department stores?
- The market definition of online clothing stores is narrower.
  - Department store clothes use scarce resources.
  - Clothes from department stores have close substitutes on hand.
  - Department stores can increase production over a longer time horizon.
  - It is easier to enter and exit the online clothing store market.
19. In a cap-and-trade system, high MAC firms are better suited to
- manage water disputes
  - serve as regulatory authorities
  - set market water prices
  - issue appropriative water rights
  - purchase pollution permits
20. Microeconomists and macroeconomists share assumptions about
- government intervention
  - models of economic analysis
  - basic features of human behavior
  - interactions of supply and demand
  - the practical application of economic analysis
21. Effective prescriptive regulations require a regulator to
- raise water quality standards
  - permit pollution for economic growth
  - assess riparian rights systems
  - understand how firms operate
  - establish cap-and-trade markets
22. What are variable costs?
- costs that are constant in the long run
  - costs that depend on the quantity of goods produced
  - costs that occur when producing an additional unit of output
  - costs of labor, tools, and rent
  - costs that can change in the short run

23. Which of the following questions could positive economics answer?
- Should the government provide loans to impoverished wheat farmers?
  - By how many bushels would the wheat supply decrease after a famine?
  - Should federal spending be reduced to combat inflation?
  - If wages fall, should the government increase spending on poverty alleviation programs?
  - Should taxes be raised on imported wheat to promote the domestic wheat market?
24. Setting excessive water quality standards may result in
- environmental degradation
  - market failure
  - low-efficiency cap-and-trade markets
  - pollution hot spots
  - high costs for consumers
25. Susan opens a Cajun restaurant and wants to issue bonds, but her business is considered risky. How is Susan's risk reflected on the bonds she issues?
- The money issued to bond purchasers is smaller.
  - The date of maturity is longer.
  - The percentage of her shares is larger.
  - The interest rate she must pay is higher.
  - The principal is higher.
26. Which of the following facts about the United States' inflation rate is FALSE?
- Inflation was high during World War I.
  - Inflation was high during the 1970s.
  - Inflation was low in the 1960s.
  - Inflation was high during World War II.
  - Inflation has been low since the early 1980s.
27. In the Great Lakes, predatorial species have been used to control
- Asian carps
  - lionfishes
  - alewives
  - zebra mussels
  - sea lampreys
28. Which example describes a negative externality?
- Birds nest in roofed picnic shelters.
  - Taking public transportation to work increases your commuting time.
  - A person with a college degree must pay back student loans for many years.
  - Runoff from polluted rivers kills ocean life.
  - Bees from a local farm pollinate a neighborhood's flowers.
29. What motivates entrepreneurs to create new products, markets, or methods of production?
- economic profits
  - market power
  - creative destruction
  - barriers to entry
  - patents
30. The economy's output is below potential output. Which of the following situations is MOST likely to occur?
- Alina raises the cost of the goods sold at her bakery.
  - The value of Polina's home falls.
  - Evgeni buys a new Zamboni for his ice rink.
  - Anna's weekly groceries are now more expensive.
  - Makar is laid off from his job.
31. What does the Coase Theorem state?
- Governments must intervene when externalities become too large.
  - Private parties can resolve externalities through negotiation.
  - Individuals cannot understand the social costs of their actions.
  - Externalities can be resolved through taxation, subsidies, and quotas.
  - The private market can only resolve positive externalities.
32. The Federal Reserve decides to increase the money supply. How does the market for money react to this change?
- Demand increases and supply remains fixed.
  - Demand increases and supply increases.
  - Demand decreases and supply decreases.
  - Demand decreases and supply increases.
  - Demand increases and supply decreases.

33. Which economic principle is reflected in the 2019 New York traffic congestion pricing?
- gains from trade
  - negative externalities
  - tragedy of the commons
  - pork barrel politics
  - perfectly competitive markets
34. Which of the following examples does NOT describe imperfect competition?
- Elizabeth acquires a patent for her hot-dog cooking invention.
  - Cooper supplies cable TV to the entirety of Smalltown.
  - Arthur and Ford, the two major computer sellers in town, team up to charge the same prices.
  - Amanda and fifty of her friends become sellers for a leggings company.
  - Richard owns a plot of land where 90% of the global supply of rubies lies buried.
35. In the late nineteenth century, advanced irrigation development occurred in
- Colorado
  - Rhode Island
  - Louisiana
  - Florida
  - Mississippi
36. The Japanese government purchases government bonds from the Philippines. What type of investment does this purchase represent?
- foreign exchange effects
  - wealth effects
  - portfolio investment
  - net capital inflow
  - foreign direct investment
37. A country decides to stop producing consumer goods altogether and only focus on investment. Which consequence BEST describes the result of this decision?
- A black market for consumer goods would flourish in the absence of production.
  - Only workers in key industries would be able to find work, increasing unemployment.
  - The increased supply of savings would encourage consumer spending.
  - Technology would increase as extraneous industries are stripped away, improving average labor productivity.
  - There would be no goods and services to consume and diminishing returns to scale would discourage investment.
38. Economic models are usually
- realistic
  - unimportant
  - qualitative
  - normative
  - simplistic
39. What are profits?
- the difference between total revenue and accounting profits
  - the sum of a producer's marginal revenue and accounting wage
  - the difference between total revenue, fixed costs, and accounting costs
  - the sum of a producer's marginal profits
  - the difference between total revenue and total costs
40. Why are collective goods often natural monopolies?
- Collective goods are similar but differentiated products.
  - Companies can set prices as high as they want.
  - Collective goods are necessities, so they have low elasticity.
  - One person owned the majority of the resources for collective goods.
  - The cost of producing them is close to zero.
41. The aggregate price level in Siberia falls. How does the market react to this change?
- Aggregate demand shifts down.
  - Aggregate demand shifts right.
  - Aggregate supply shifts left.
  - Aggregate supply shifts right.
  - Aggregate demand shifts left.

42. Ami and Zai will trade as long as they each have
- goods with high price elasticity
  - high transaction costs
  - new products to develop
  - different opportunity costs of production
  - a comparative advantage
43. Which economist wrote *The General Theory of Employment, Interest, and Money*?
- Arthur Okun
  - Sir William Petty
  - Simon Kuznets
  - Joseph Schumpeter
  - John Maynard Keynes
44. Peter is designing a computer simulation where an economy's resources are always fully employed. Peter will need to make sure that
- expansionary fiscal policy immediately combats recessions
  - the government always maintains a trade surplus
  - consumers behave rationally for every decision they make
  - private property rights are established for all tragedy of the commons situations
  - prices adjust immediately to balance supply and demand
45. Which of the following questions is MOST relevant to microeconomics?
- How can the Federal Reserve combat rampant inflation?
  - What will be the impact of a drought on the United States economy?
  - Why does shopping at the supermarket cost more now than last decade?
  - Which country's economy is growing the fastest?
  - Why did housing prices increase last year nationwide?
46. Which trait is pizza and pay-per-view movies share?
- tragedy of the commons
  - low excludability
  - high rivalry
  - low rivalry
  - high excludability
47. A new technology promises to revolutionize the apple-picking industry. How does this change affect the market for savings?
- The new equilibrium occurs at a higher interest rate and higher level of savings.
  - The new equilibrium occurs at a higher interest rate and lower level of savings.
  - The new equilibrium occurs at a lower interest rate and higher level of savings.
  - The new equilibrium occurs at a higher interest rate and the same level of savings.
  - The new equilibrium occurs at a lower interest rate and lower level of savings.
48. In North Carolina water quality trading markets, polluters can trade
- algal bloom limits
  - nutrient allocations
  - pollution credits
  - carbon emissions
  - appropriative rights
49. Assume the city of Zooville is experiencing a drought and has an appropriative water rights system. How is water rationed?
- Individuals that will pay the most for water receive water first.
  - Individuals that have relationships with the government receive water first.
  - Individuals that pollute the least receive water first.
  - Individuals with the most pressing business rationale will receive water first.
  - Individuals with earliest claims on the water receive water first.
50. Which of the following goods is MOST elastic?
- potato chips
  - milk
  - bread
  - medication
  - gasoline

1. National savings in a closed economy total \$70 billion. If Gross Domestic Product is \$80 billion, consumer spending is \$50 billion, and net taxes are \$10 billion, then the country's government is running a
  - a. \$210 billion budget deficit
  - b. \$85 billion budget surplus
  - c. \$15 billion budget surplus
  - d. \$50 billion budget surplus
  - e. \$35 billion budget deficit
2. A blight destroys much of Wakanda's yam crop. Quantity supplied falls 75% and price halves. What is the price elasticity of supply?
  - a. -2
  - b. 6
  - c. 1.5
  - d. 3
  - e. 2/3
3. Camden has reduced his demand for peanut butter. Which example does NOT explain this reduction in demand?
  - a. The price of cookie butter increased.
  - b. The price of jelly increased.
  - c. Camden lost his job and needs to save money.
  - d. Camden is tired of eating peanut butter and wants to change his diet.
  - e. Camden read that peanut butter has salmonella.
4. If consumers' incomes rise, the equilibrium price of public transportation will
  - a. decrease, and equilibrium quantity will remain the same
  - b. increase, and equilibrium quantity will decrease
  - c. decrease, and equilibrium quantity will increase
  - d. remain the same, and equilibrium quantity will increase
  - e. decrease, and equilibrium quantity will decrease
5. The price elasticity of supply for Clorox is 0.1. What BEST explains this value?
  - a. Surge pricing is occurring.
  - b. The producers have no spare capacity.
  - c. The producers are not at full capacity.
  - d. There are negative externalities at play.
  - e. A monopoly exists.
6. How can a third party stop a water rights transfer in the United States?
  - a. alleging that the transfer is to a foreign entity
  - b. saying that the transfer violated riparian doctrine.
  - c. citing the seniority of the entity that is trading the rights
  - d. proving that the transfer will increase pollution
  - e. arguing that the transfer impairs water access
7. A perfectly elastic demand curve
  - a. slopes downward
  - b. is U-shaped
  - c. is completely flat
  - d. slopes upward
  - e. is completely horizontal
8. Suppose the quantity demanded of a good can be described by the equation  $Q_D = 480 - 8P$  and the quantity supplied can be described by the equation  $Q_S = 260 + 2P$ , where P is the equilibrium price. A market price set at \$25 will result in
  - a. excess supply
  - b. supply shrinkage
  - c. demand shortage
  - d. excess quantity
  - e. excess demand
9. Mikayla uses a \$5 bill to buy a bag of chips at the grocery store. This example demonstrates money's function as a
  - a. symbol of status
  - b. medium of exchange
  - c. store of value
  - d. transfer of capital
  - e. unit of account
10. Country Z's imports total \$100 billion, and the country is in a trade deficit. A possible value for its total exports is
  - a. \$500 billion
  - b. \$80 billion
  - c. \$100 billion
  - d. \$120 trillion
  - e. \$90 trillion
11. Binding price floors create
  - a. demand surplus
  - b. excess demand
  - c. equilibrium shortage
  - d. excess supply
  - e. excess quantity

12. Which three factors cause the Consumer Price Index to overstate the increase in cost of living?
- unemployment bias, basket composition bias, interest rate effect
  - unmeasured quality change, introduction of new goods and services, capital goods exclusion bias
  - foreign exchange effect, wealth effect, introduction of new goods and services
  - substitution bias, wealth effect, interest rate effect
  - substitution bias, unmeasured quality change, introduction of new goods and services
13. Lowering taxes is an example of
- contractionary fiscal policy
  - inflationary monetary policy
  - expansionary fiscal policy
  - expansionary monetary policy
  - contractionary monetary policy
14. Which of the following types of unemployment increases MOST during a recession?
- frictional unemployment
  - underemployment
  - cyclical unemployment
  - seasonal unemployment
  - structural unemployment
15. Which of the following methods can a firm use to change the price elasticity of its product?
- differentiating products from its competitors'
  - reducing its product line
  - making products that are necessities
  - diversifying its product range
  - making its products more generic
16. How many possible equilibrium quantities and prices are possible in the market for a particular good or service?
- 3
  - 4
  - 1
  - infinite
  - 2
17. Which water rate schedule is also known as conservation pricing?
- flat fee
  - increasing block rate
  - variable marginal price
  - constant marginal price
  - decreasing block rate
18. According to the law of demand, a decrease in the price of tables will lead to a(n)
- increase in the quantity of tables demanded
  - decrease in the demand for wood
  - increase in the demand for chairs
  - decrease in demand for tables
  - decrease in the quantity of tables demanded
19. Oregon is notable for enacting
- instream trading
  - cap-and-trade markets
  - communal use water systems
  - nutrient trading markets
  - invasive species importation bans
20. Typically, the most expensive cost associated with college is
- tuition and academic materials
  - the scholarship students miss out on
  - the wage-earning job a student forgoes
  - a student's room and board
  - the additional healthcare cost
21. All of the following currencies are possible examples of commodity money EXCEPT
- shells
  - cigarettes
  - tea
  - gold
  - the yen
22. Which of the following bonds would MOST likely pay lenders the lowest interest rate?
- a 9-month bond issued by a financially-shaky company
  - a 6-month bond issued by a financially-stable company
  - a 1-year bond issued by a financially-stable company
  - a 6-month bond issued by a financially-shaky company
  - a 3-year bond issued by a financially-stable company
23. If an economy is producing its potential output, we can conclude that there is no
- cyclical unemployment
  - structural unemployment
  - seasonal unemployment
  - underemployment
  - frictional unemployment

24. Economists usually measure Gross Domestic Product on an
- bi-annual or quarterly basis
  - annual or bi-annual basis
  - annual or semi-annual basis
  - semi-annual or quarterly basis
  - annual or quarterly basis
25. Suppose the Federal Reserve sets the reserve ratio at 0.20. With each dollar of reserves, the banking sector generates
- \$8
  - \$2
  - \$1
  - \$5
  - \$20
26. Positive economics does not require economists to use
- scarcity
  - theory
  - mathematics
  - values
  - inflation
27. In 2000, an economy produced 100 \$30-dollar sweatshirts and 50 \$50-dollar computers. In 2020, the economy produced 500 \$40-dollar sweatshirts and 40 \$100-dollar computers. Using 2000 as a base year, the economy's real Gross Domestic Product in 2020 is
- \$17,000
  - \$5,500
  - \$24,000
  - \$9,000
  - \$20,000
28. Which of the following spending scenarios would NOT qualify as investment?
- an investor trading 50 shares of a life sciences stock
  - empty-nesters purchasing a new home
  - a clothing company purchasing a new factory
  - an applesauce company purchasing new industrial apple corers
  - a couch company adding 25 new couches to its inventory
29. MOST freshwater withdrawals in the United States come from
- hydroelectric dams
  - desalination facilities
  - wastewater plants
  - surface water systems
  - aquifer pumps
30. Which of the following comparisons is TRUE?
- Barriers to entry have the same function in oligopolies and monopolies.
  - Oligopolies create more deadweight loss than monopolies.
  - Monopolistic competition enables more price discrimination than monopoly.
  - Economic profit at equilibrium in monopolistic competition is higher than in monopoly.
  - Economic profit at equilibrium is the same in perfect and monopolistic competition.
31. Jada owns an apple farm. Last year, she sold \$100,000 worth of apple picking tickets; \$20,000 worth of apples directly to consumers; and \$50,000 worth of apples to a nearby bakery, which used those apples to produce \$100,000 worth of apple pies. Jada's total contribution to Gross Domestic Product last year was
- \$70,000
  - \$220,000
  - \$170,000
  - \$250,000
  - \$120,000
32. Diversions in the Aral Sea watershed have led to
- oil leaks
  - invasive species introduction
  - algal blooms
  - salinity increases
  - temperature decreases
33. Compared to microeconomics, macroeconomics
- is less important
  - is larger in scope
  - is more reliant on models
  - focuses less on the overall economy
  - relies more on normative judgements
34. A complement to hot dogs is
- cheese
  - ketchup
  - hamburgers
  - vegan hot dogs
  - hamburger buns
35. National lockdowns at the start of the COVID-19 pandemic likely
- shifted the aggregate demand curve left
  - made the aggregate demand curve more horizontal
  - shifted the aggregate demand curve right
  - made the aggregate demand curve more vertical
  - did not shift the aggregate demand curve

36. Raj is on a month-long vacation from his corporate development job. Raj is considered
- underemployed
  - employed
  - temporarily unemployed
  - permanently unemployed
  - out of the labor force
37. What is the mean elasticity of urban water demand?
- 0.11
  - 0.31
  - 0.31
  - 0.41
  - 0.41
38. Where is the South-North Water Transfer Project based?
- Japan
  - China
  - Canada
  - Chile
  - United States
39. Which example BEST demonstrates a water market failure?
- Agricultural runoff seeps into a river.
  - Low water quality standards prevent water from being consumed.
  - Invasive species destroys local fish populations in a lake.
  - The government sets up a cap-and-trade system to manage pollution.
  - The price of water increases due to water exportation.
40. Since 1900, the United States' real Gross Domestic Product per capita has risen by a factor of nearly
- 8
  - 5
  - 9
  - 20
  - 12
41. If aggregate supply decreases, in the short run, output will
- decrease, and the price level will decrease
  - increase, and the price level will decrease
  - increase, and the price level will remain the same
  - increase, and the price level will increase
  - decrease, and the price level will increase
42. During a period of full employment, the unemployment rate in an economy is 9 percent. During a recession, the unemployment rate skyrockets from 15 to 30 percent. Assuming the recession is entirely responsible for the increase in unemployment rate, Okun's Law predicts that the output gap during the recession will be
- 45 percent
  - 28 percent
  - 56 percent
  - 42 percent
  - 27 percent
43. A benevolent social planner aims to maximize
- wealth equality
  - producer surplus
  - income equality
  - consumer surplus
  - total surplus
44. Why are monopolies cost-effective ways of managing water supplies?
- They can benefit from economies of scale.
  - They limit the need for regulatory authorities.
  - They promote low water prices.
  - They minimize external threats to the market.
  - They manage third-party disputes efficiently.
45. Suppose that, due to changes in government regulation, suppliers can more easily enter the market for chairs. This change will cause the supply curve to
- become more horizontal
  - shift upwards
  - shift to the left
  - become more vertical
  - become perfectly vertical
46. Henry Ford's moving assembly line is an example of
- technological knowledge
  - human capital
  - a natural resource
  - physical capital
  - a robust political environment
47. According to the law of supply, a decrease in the price of tortilla chips will lead to a(n)
- decrease in the quantity supplied of carrots
  - decrease in the supply of carrots
  - decrease in the quantity demanded of carrots
  - increase in the supply of salsa
  - increase in the quantity supplied of salsa

48. What serves as the price of a loan in the financial market?

- a. the inflation rate
- b. the interest rate
- c. the reserve requirement
- d. the money multiplier
- e. the federal funds rate

49. Riparian right systems will NOT define

- a. water allocation
- b. water-adjacent land
- c. seniority
- d. water users
- e. domestic use purposes

50. If an economy's velocity of money is equal to 40, its money supply is \$10 billion, and its price level is 1.6, then its real Gross Domestic Product is

- a. \$800 billion
- b. \$250 billion
- c. \$64 billion
- d. \$640 billion
- e. \$4 billion