Review for Exam 1 “Chapter 1, Chapter 2 and Chapter 3”

1. Alexandra and Mark produce robots and pizza. Alexandra’s opportunity cost of producing a robot is lower than Mark’s opportunity cost of producing a robot. The

suggests that they can increase their total output of these two goods if Alexandra focuses her production on robots while Mark focuses his production on pizza.

A. Law of Absolute Advantage

B. Law of Comparative Advantage

1. Cost-Benefit Principle
2. Distributional decision
3. is the branch of economics which studies how individual decision- makers behave and interact with each other (often with a focus on how individual households and/or firms behave and interact with each other in markets).
   1. Comparative Economic Systems
   2. Macroeconomics
   3. Microeconomics
   4. Political Science
4. Economics is the
   1. social science that analyzes how societies allocate and transfer decision- making power, the roles/systems of governance, and political behavior.
   2. social science that studies patterns of social relationships, social interaction, and culture among individuals.
   3. social science that studies decision making in the face of scarcity, and the implications of such decisions on individuals and society.
   4. None of the above answers are correct.

# For Questions 4 consider a society facing the Production Possibilities Curve illustrated below:

Corn

2,800



A

1,800

1,580 B

C

970

0

0

22 30

35 42

Computer

1. If this society wanted to produce 33 Computer, then their maximum output of Corn would be
   1. less than 1,580 bushels of Corn.
   2. exactly 1,800 bushels of Corn.
   3. more than 970 but less than 1,580 bushels of Corn.
   4. exactly 2,800 bushels of Corn.
2. The present economic system of United Kingdom would be most accurately described as
   1. a pure Capitalist system.
   2. a pure Communist system. C. a Mixed Economy.

D. a pure Socialist system.

1. In which of the following country do individuals enjoy **the greatest** amount of Economic Freedom?
   1. Singapore.
   2. France.
   3. Mexico.
   4. Russia
2. Joshua bought a scientific calculator from Sam. Since this **voluntary trade** took place, we can infer that it made
   1. both Joshua and Sam better off.
   2. both Joshua and Sam worse off.
   3. Joshua better off, but Sam worse off.
   4. Sam better off, but Joshua worse off.
3. Consider a society consisting of only three people: Bea, Arthur, and Maude. Bea and Arthur spend all day producing robots and pizzas. At the start of each day Maude tells each worker precisely how many robots and pizza to the produce each day. The “fundamental economic question” that Maude is answering for this society is the

A. Distributional Decision. B. Production Decision.

1. Resource Use Decision.
2. Entrepreneurial Decision

# For Question 9, consider the continuum between the economic systems of Pure Socialism and Pure Capitalism illustrated below.



*North*

*Korea*

*Hong Kong*

*Switzerland*

*Poland*

*U.K.*

*Germany*

***Point D***

***Point C***

***Point B***

***Point A***

***Pure***

***Pure***

*Cuba*

1. Based upon the discussion in lecture, along the continuum illustrated above the economy of France currently would most accurately lie at
   1. Point A B. Point B
2. Point C
3. Point D
4. To say that “there is a scarcity of gasoline” means that
   1. gasoline prices will rise.
   2. there is not enough gasoline to satisfy people's demand for it at a zero price.
   3. there is very few substitutes for gasoline.
   4. gasoline is very expensive.
5. If you have a choice of consuming either Chinese food, Italian food, or Mexican Food, the opportunity cost of the Mexican food is
   1. Chinese food.
   2. Italian Food.
   3. Chinese food and Italian Food.
   4. Chinese food or Italian Food., whichever you value more.
6. You decide to take a vacation and the trip costs you $2,000. While you are on vacation, you do not report to work where you could have earned $750. The total cost of the vacation is

A. $2,000

B. $1,250 C. $2,750

D. None of the above is correct answer.

# For Questions 13-15, consider a society consisting of only two workers, Andy and Joe, who spend their workdays producing either baseballs or jeans. The productive ability of each worker for each task is summarized in the table below

|  |  |  |
| --- | --- | --- |
|  | ***baseballs*** | ***jeans*** |
| ***Andy*** | ***20 baseballs per day*** | ***10 jeans per day*** |
| ***Joe*** | ***5 baseballs per day*** | ***1 jeans per day*** |

1. has an **absolute advantage** in the production of baseballs; has an absolute advantage in the production of jeans.
   1. Andy; Andy.
   2. Andy; Joe.
   3. Joe; Joe.
   4. None of the above is correct answer.
2. Joe has a Comparative Advantage in
   1. the production of both baseballs and jeans
   2. the production of neither baseballs nor jeans
   3. the production of baseball (but not in the production of jeans).
   4. the production of jeans (but not in the production of baseball).
3. Joe’s Opportunity Cost for producing one unit of baseball is units of jeans.

A.0.20 = 1/5

1. 5

C. 0.50 =1/2

D.2

1. Jen has $120 to spend and wants to buy a new pair of wireless ear buds and an economic textbook. Each item costs exactly $120, so she can only purchase one of the two. This scenario directly illustrates the basic concept that
   1. most consumers are self-interested.
   2. society can produce more output when workers “specialize” in production.

C.

D.

irrational people never respond to incentives. when resources are scarce, people face tradeoffs.

1. Madison recently saw the Frozen show at the Cobb Energy Performing Arts Center in Marietta, GA. Her Total Benefits (TB) from seeing this show was $110, while her Total Costs (TC) was $160. From this information, it follows that her Economic Surplus
   1. from attending the show was ($160)+($110) = ($270).
   2. from attending the show was ($110)–($160) = ($–50) (i.e., negative $50).
   3. from attending the show was ($160)–($110) = ($50).
   4. would have been greater if s he had instead spent the $110 on Walt Disney Park – Magic Kingdom- in Orlando, FL
2. If you have a choice of consuming either two oranges, three apples, or one candy bar, the opportunity cost of the candy bar is
   1. two oranges.
   2. three apples.
   3. two oranges and three apples.
   4. two oranges or three apples whichever you value more.
3. Casper and Tiffany produce pears and oranges. In a single day, Casper can produce either 180 pears or 45 oranges. Based upon this information alone, we know that

A.

B.

Casper’s Opportunity Cost for producing a pear is “4 oranges.” Casper’s Opportunity Cost for producing an orange is “4 pears.”

1. in order to maximize total output, Casper should focus his production on

pears and Tiffany should focus her production on oranges.

1. More than one (perhaps all) of the above answers is correct.

# For Questions 20 consider a society facing the Production Possibilities Curve illustrated below:

Corn

2,500



A

1,800

1,580 B

C

970

0

0

22 30

35 42

Computers

1. If this society wanted to produce 25 computers, then their maximum output of Corn would be
   1. less than 1,580 bushels of Corn.
   2. exactly 1,580 bushels of Corn.
   3. more than 1,580 but less than 1,800 bushels of Corn.
   4. exactly 1,800 bushels of Corn.
2. Consider a society consisting of only three people: Savannah, Timothy and Omar. Savannah and Timothy spend all day producing bananas and apples. At the start of each day, Omar tellseach worker precisely how much time to devote to the production of each good. The “fundamental economic question” that Omar is answering for this society is the
   1. Distributional Decision.
   2. Production Decision.
   3. Resource Use Decision.
   4. Entrepreneurial Decision
3. Zeyna is concerned that her daughter Sarah is not performing up to her full potential in school. In order to give her an additional reason to bring up her grades, she offers to pay Sarah

$20 for every “A” that she gets on her next report card. Zeyna is trying to alter Sarah’s behavior by way of

* 1. command planning.
  2. coercion.
  3. a material reward.
  4. moral suasion.

1. Consider a society consisting of only three people: Sam, Parsa, and Chance.

Sam and Parsa spend all day producing clothing and food. At the end of each day Chance decides how much of their output each person in society gets to consume. The “fundamental economic question” that Donna is answering for this society is the

* 1. Distributional Decision.
  2. Production Decision.
  3. Resource Use Decision.
  4. Entrepreneurial Decision.

1. To better see a soccer game, one spectator stands. Assuming that everyone trying to get a good view of the game can also stand represents an example of the
   1. Fallacy of composition.
   2. Fallacy of truth
   3. Cost-Benefit Principle
   4. None of the above is correct answer
2. Which of the following country currently has an economic system which would be best described as “Pure Socialism”?
   1. Russia.
   2. China.
   3. Venezuela
   4. None of the above answers are correct
3. Which of the following country currently has an economic system which would be best described as “Pure Capitalism”?
   1. Singapore
   2. France
   3. New Zealand
   4. None of the above answers are correct
4. Because total debt in the United States has increased over time, everyone’s total debt has increased as well. This incorrect argument is an example of
   1. The Invisible Hand
   2. The fallacy of composition.
   3. The fallacy of truth
   4. association as causation
5. Positive statements can contain
   1. opinions and conditions. (value judgments)
   2. facts and predictions. (positive analysis, if-thenstatements, objective descriptions of the way things are)
   3. a mixture of facts and opinions (value judgments)
   4. logical arguments mixed with statements of opinion. (value judgments)
6. Which markets are represented in the simple “Circular Flow Diagram”?
   1. Markets for “Financial Assets” and markets for “Exports.”
   2. Markets for “Goods and Services” and markets for “Financial Assets.”
   3. Markets for “Imports” and markets for “Exports.”
   4. Markets for “Goods and Services” and Markets for “Factors of Production.”
7. Which of the following is a macroeconomic topic?

A. the reasons for a rise in the price of orange juice B. the reasons for the rise in average prices

1. why plumbers earn more than janitors
2. whether the army should buy more tanks or more rockets
3. The question, “Should Kennesaw State University offers more Econ 1000 courses or more Econ 2100 courses?” is an example of the

A How to produce it? (resource use decision)

**B. What to produce? (production decision)**

1. For whom to produce it? (distributional decision)
2. More than one (perhaps all) of the above answers is correct.
3. Which of the following statements is a “Positive Statement”?

e.

A.

B.

Muhammad Ali was the best professional boxer of all-tim Muhammad Ali passed away on 6/3/16 in Scottsdale, AZ.

1. Neither “A” nor “B” is a “Positive Statement.”
2. Both “A” and “B” are “Positive Statements.”
3. Kevin voluntarily bought a cup of coffee from McDonald’s. We can reasonably infer that this purchase
   1. made Kevin better off but made the owner of McDonald’s worse off.
   2. made Kevin worse off but made the owner of McDonald’s better off.
   3. made both Kevin and the owner of McDonald’s worse off.
   4. made both Kevin and the owner of McDonald’s better off.
4. Ken read two articles in the newspaper this morning which dealt with economic issues. “Article 1” focused on the choice of a local pizza restaurant owner to go out of business after operating his restaurant for over three decades. “Article 2” discussed recent trends in the unemployment rate of the United States during the past twelve months. Based upon these descriptions it appears as if the primary perspective of
   1. both articles was from a macroeconomics point of view.
   2. both articles was from a microeconomics point of view.
   3. “Article 1” was from a macroeconomics point of view, while “Article 2” was from a microeconomics point of view.

D. “Article 1” was from a microeconomics point of view, while “Article 2” was from a

macroeconomics point of view.

*Answer Questions 35 through 36 based upon the information conveyed in the following table, which states Samantha’s Total Benefits from consumption of latte each week (measured in dollars):*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Lattes Consumed*** | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| ***Total Benefits from Consumption*** | 0 | $10 | $18 | $25 | $31 | $36 | $40 | $43 | $45 | $46 | $47 |

1. Samantha’s Marginal Benefit of consuming a 2nd lattewould be .
   1. $8
   2. $9

C. $18

D. $28

1. If lattes costs $3.50 each, then Samantha should consume per week.
   1. 4
   2. 5
   3. 6
   4. 7
2. The provides a guide for allocating scarce productive resources to various tasks, which states that when increasing the production of a good, a society should do so by using the available productive resource with the lowest opportunity cost.
   1. Spontaneous Order Objective
   2. Law of Absolute Advantage C.Law of Comparative Advantage D.Indicative Planning Procedure
3. Consider the following two statements: (I) “Basketball player Michael Jordan scored a total of 32,292 points during his professional career in the NBA.” and (II) “Michael Jordan is the best player in the history of the NBA.” Statement (I) is a , and Statement (II) is a

.

* 1. Normative; Positive.
  2. Normative; Normative.
  3. Positive; Positive.
  4. Positive; Normative.

1. developed the notion of the “Invisible Hand” to describe how (under certain conditions) the behavior of self-interested decision makers interacting in free markets leads to outcomes which are good for all parties.
   1. Armen Alchain
   2. Adam Smith
   3. Sam Peltzman
   4. Karl Marx
2. Consider a society consisting of four people: Nicky, Ricky, Dicky, and Dawn. Nicky, Ricky, and Dicky spend all day producing clothing and food. At the end of each day the three workers bring their output to Dawn, and Dawn decides how much clothing and how much food each person gets to consume. The “fundamental economic question” that Dawn is answering for this society is the
   1. Resource Use Decision.
   2. Entrepreneurial Decision. C.Distributional Decision. D.Production Decision.