1. Due to a severe drought that decreases the amount of cotton available, there is an increase in the price of cotton t-shirts. This is because of a shift of the \_\_\_\_\_\_\_\_\_\_\_ curve to the \_\_\_\_\_\_\_\_\_\_\_.
   1. supply; left
   2. supply; right
   3. demand; left
   4. demand right
2. At a price of​ $100, Beachside Canoe Rentals rented 11 canoes. When it increased its rental price to​ $125, 9 canoes were rented. Calculate the absolute value of the price elasticity of demand for canoe rentals using the midpoint formula.
   1. 1.25
   2. 2
   3. 0.9
   4. 0.75
3. Whenever the men's Texas Tech Basketball team wins more games, the price of a ticket goes up. This is because the \_\_\_\_\_\_\_\_\_\_\_\_ curve shifted \_\_\_\_\_\_\_\_\_\_.
   1. supply; left
   2. supply; right
   3. demand; left
   4. demand; right
4. A normal good is a good for which the demand increases as income decreases, holding everything else constant.
   1. TRUE
   2. FALSE

A table with numbers and text

Description automatically generated

1. The table above summarizes production at the Crunchy Apple Orchard for the month of April. What is the marginal product of the 4th​ worker?
   1. 230 bushels
   2. 57.4 bushels
   3. 50 bushels
   4. 12.4 bushels
2. Comparative advantage means the ability to produce a good or service
   1. at a lower opportunity cost than any other producer.
   2. at a lower selling price than any other producer.
   3. at a higher profit level than any other producer.
   4. of a higher quality than any other producer.

A white rectangular sign with black text

Description automatically generated

1. Refer to the table above. Consider the data above​ (in billions of​ dollars) for an​ economy: Gross domestic product​ (in billions of​ dollars) for this economy equals
   1. $2,000
   2. $1,400
   3. $2,200
   4. $1,600
2. The \_\_\_\_\_\_\_\_ effect of a price change refers to the impact of a change in the price of a good on a consumer's purchasing power.
   1. Substitution
   2. Demographics
   3. Ceteris paribus
   4. Income
3. Published in 1776, \_\_\_\_\_\_\_\_ was written by Adam Smith.
   1. "The Declaration of Economics"
   2. "The Communist Manifesto"
   3. "An Inquiry into the Nature and Causes of the Wealth of Nations"
   4. "The General Theory of Employment, Interest, and Money"

A number of numbers on a white background

Description automatically generated

1. Given the information​ above, what can we say has happened in the economy from 2019 to​ 2020?
   1. The price level has remained constant.
   2. The price level has risen.
   3. The price level has fallen.
   4. Not enough information is available to determine what has happened to prices.
2. To compare the economy of two different countries, you would use \_\_\_\_\_\_\_\_\_\_\_\_\_.
   1. National Income
   2. Nominal GDP
   3. Gross National Income
   4. Real GDP Per Capita

A table with numbers and labels

Description automatically generated

1. The table above refers to the relationship between the quantity of workers employed and the number of cardboard boxes produced per day by​ Manny's House of Boxes. The capital used to produce the boxes is fixed. The highest value of the average product is labor is​ \_\_\_\_\_\_\_\_ when Manny hires​ \_\_\_\_\_\_\_\_ workers.
   1. 100; 3
   2. 80; 3
   3. 100; 2
   4. 80; 4
2. The table above refers to the relationship between the quantity of workers employed and the number of cardboard boxes produced per day by​ Manny's House of Boxes. The capital used to produce the boxes is fixed. The average product of labor will equal 66 boxes when Manny hires
   1. the second worker.
   2. the third worker.
   3. the fourth worker.
   4. the fifth worker.
3. In the table above, the capital used to produce the boxes is fixed. Diminishing returns to labor are first observed in this example after Manny hires the​ \_\_\_\_\_\_\_\_ worker.
   1. 2nd
   2. 3rd
   3. 4th
   4. 5th
4. Which of the following is a normative economic statement?
   1. Foreclosures have increased with rising mortgage interest rates.
   2. Rising global demand for diesel and heating oil has led to increases in the price of crude oil.
   3. Fashion designers should be allowed to copyright designs to promote innovation.
   4. The federal government is considering raising the gasoline tax to promote the use of public transportation.
5. Whenever there is a national recall of goods like lettuce or meat, the price of the goods goes up. This is because the \_\_\_\_\_\_\_\_\_\_\_\_ curve shifted \_\_\_\_\_\_\_\_\_\_.
   1. Demand; right
   2. Supply; right
   3. Demand; left
   4. Supply; left
6. If the nominal GDP for a country is $5 trillion and the real GDP is $4 trillion, the GDP deflator is equal to:
   1. 12.5
   2. 125
   3. 800
   4. 80
7. If at a price of​ $24, Octavia sells 36​ home-grown orchids and at​ $30, she sells 24​ home-grown orchids, the demand for her orchids is
   1. perfectly elastic.
   2. inelastic.
   3. unit elastic.
   4. elastic.
8. Economists assume that rational people
   1. never use all available information as they act to achieve their goals.
   2. undertake activities that benefit others and hurt themselves.
   3. only weigh the benefits and costs of the most desirable alternative actions.
   4. respond to economic incentives.
9. Country XYZ had the following in 2017: $350 billion in consumption, $110 billion in investment spending, $210 billion in government expenditures, $15 billion in exports, and $45 billion in imports. What was the nominal GDP of this country in 2017?
   1. $640 Billion
   2. $610 Billion
   3. $450 Billion
   4. $580 Billion

A table with numbers and a number of items

Description automatically generated with medium confidence

1. Arnie sells basketballs in a perfectly competitive market. The table above summarizes Arnie’s output per day (Q), total cost (TC), average total cost (ATC) and marginal cost (MC). What will Arnie’s output be if the market price is $5?
   1. Q=3, profit = - $7.50
   2. Q = 0, profit = -$10.00
   3. Q = 1 ; profit = - $10
   4. Price and profit cannot be determined from the information given.
2. Which of the following is counted in GDP?
   1. the value of goods and services produced in the underground economy
   2. the value of do-it-yourself work
   3. the value of leisure
   4. the cost of a speed boat purchased by drug smugglers
3. Using "chain-weighted" prices to calculate real GDP remedies the distortions caused by changes in relative prices over time.
   1. TRUE
   2. FALSE

A table with numbers and words

Description automatically generated

1. A very simple economy produces three​ goods: movies,​ burgers, and bikes. The quantities produced and their corresponding prices for 2017 and 2020 are shown in the table. What is nominal GDP in​ 2020?
   1. $3,320
   2. $3,690
   3. $6,360
   4. $7,035
2. Accordinging to the chart above, what is real GDP in​ 2020, using 2017 as the base​ year?
   1. $3,320
   2. $3,690
   3. $6,360
   4. $7,035
3. According to a study of the price elasticities of products sold in supermarkets, the price elasticity of demand for toothpaste is estimated at. -0.45. Which of the following could explain why the price elasticity of demand for toothpaste is so low?
   1. There are few close substitutes for toothpaste.
   2. The toothpaste industry is highly competitive.
   3. Toothpaste is considered a luxury good.
   4. Toothpaste is a necessity.
4. Which of the following is a microeconomic question?
   1. What determines the average price level and inflation?
   2. What will the level of economic growth be in the entire economy?
   3. How much will be saved and how much will be produced in the entire economy?
   4. What factors determine the price of wheat?
5. If the market price is​ $25, the average revenue of selling five units is
   1. $25
   2. $5
   3. $125
   4. $12.50
6. An example of a transfer payment is
   1. a welfare payment.
   2. a teacher's paycheck.
   3. a paycheck for a member of the National Guard.
   4. a purchase of a new bridge in Alaska.
7. A perfectly competitive apple farm produces​ 1,000 bushels of apples at a total cost of​ $36,000. The price of each bushel is​ $50. Calculate the​ firm's short−run profit or loss.
   1. profit of​ $50,000
   2. profit of​ $14,000
   3. loss of​ $14,000
   4. There is insufficient information to answer the question.
8. Suppose you own a bookstore. You believe you can sell 40 copies per day of the latest John Grisham novel at​ $35. You are considering lowering the price to​ $25 and believe this will increase the quantity sold to 50 books daily. Compute the price elasticity of demand using the midpoint formula and these data and select the correct answer below.
   1. The demand for the John Grisham book is elastic. Revenue will fall if the price is lowered.
   2. The demand for the John Grisham book is elastic. Revenue will rise if the price is lowered.
   3. The demand for the John Grisham book is inelastic. Revenue will rise if the price is lowered.
   4. The demand for the John Grisham book is inelastic. Revenue will fall if the price is lowered.
9. The "underground economy" refers to:
   1. the government's production of goods and services for covert spy operations.
   2. the formal sector of the economy in developing countries.
   3. the buying and selling of goods that are concealed from the government.
   4. the sector of the economy that earns higher profits than average.
10. In​ 2020, Kendall​ Ford, an automobile​ dealership, spent​ $20,000 on a new car lift for its repair​ shop, $2,000 on a new copy machine for its sales​ division, and​ $600,000 on Ford Motor company stock. Unsold cars and trucks were valued at​ $400,000 on January​ 1, 2020, and unsold cars and trucks were valued at​ $900,000 on December​ 31, 2020. What is Kendall​ Ford's total investment spending in​ 2020?
    1. $22,000
    2. $1,022,000
    3. $322,000
    4. $522,000
11. Rank these three items in terms of the elasticity of the demand for them at any given​ price, from most elastic to least​ elastic: hot​ beverages, coffee, and​ Peets' Coffee.
    1. Peets' Coffee,​ coffee, hot beverages
    2. coffee, hot​ beverages, Peets' Coffee
    3. hot​ beverages, coffee,​ Peets' Coffee
    4. coffee, Peets'​ Coffee, hot beverages
12. Which of the following is a macroeconomic question?
    1. What determines the wage of auto workers?
    2. What determines the inflation rate?
    3. What factors determine the price of oil?
    4. What determines the production of DVDs?
13. Clothing is considered a durable good.
    1. TRUE
    2. FALSE
14. The United States has a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ economy.
    1. centrally planned
    2. market
    3. mixed
    4. traditional
15. The opportunity cost of college includes the lost wages that could be earned if a student were not enrolled in college.
    1. TRUE
    2. FALSE
16. All of the following characterize perfect competitioning except
    1. horizontal demand for individual sellers.
    2. homogeneous products.
    3. heavy advertising by individual sellers.
    4. sellers are price takers.
17. The price elasticity of demand for beef is estimated to be 0.60​ (in absolute​ value). This means that a 20 percent increase in the price of​ beef, holding everything else​ constant, will cause the quantity of beef demanded to
    1. decrease by 12 percent.
    2. decrease by 26 percent.
    3. decrease by 32 percent.
    4. decrease by 60 percent.