

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) An example of people acting in their own self-interest would include: 1) _____
 - A) individuals joining a car pool to work when tolls are imposed on congested highways.
 - B) a teenager earns an A grade average in school in order to use his or her parent's car.
 - C) an adult, returning to college to pursue a degree to qualify for a promotion at work.
 - D) All of the above are examples of people acting in their own self-interest.

- 2) Macroeconomics is best described as the study of: 2) _____
 - A) the relationship between inflation and wage inequality.
 - B) the nation's economy as a whole.
 - C) very large issues.
 - D) the choices made by individual households, firms, and governments.

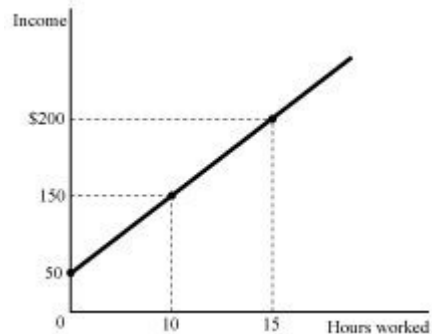


Figure 1.1

- 3) Refer to Figure 1.1. Slope of the relationship or the wage rate shown in Figure 1.1 is: 3) _____
 - A) \$5.15 per hour.
 - B) \$15 per hour.
 - C) \$10 per hour.
 - D) \$13.33 per hour.

- 4) Economics is the study of: 4) _____
 - A) the role of money in markets.
 - B) how society uses limited resources.
 - C) how to invest in the stock market.
 - D) how government officials decide which goods and services are produced.

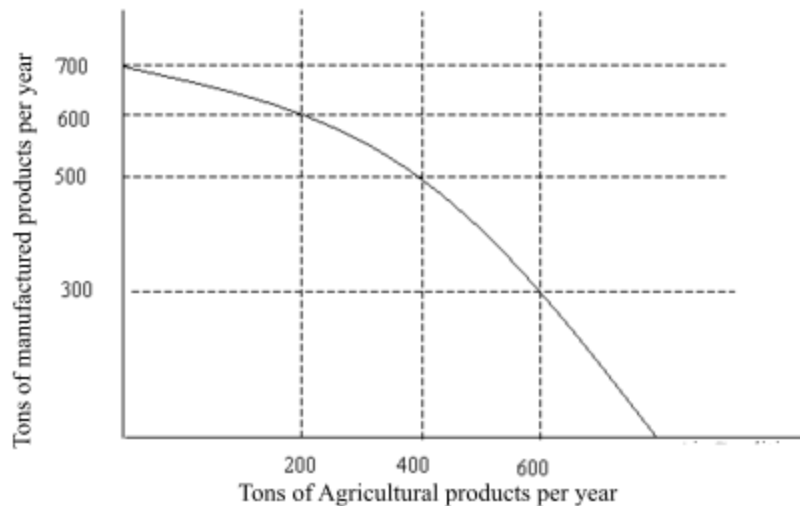


Figure 2.1

- 5) The production possibilities curve in Figure 2.1 illustrates the notion of: 5) _____
 A) increased farm produce production. B) opportunity cost.
 C) diminishing resources. D) increased factory goods production.
- 6) When deciding whether to engage in an activity or how much to do, people should follow: 6) _____
 A) the principle of macroeconomics. B) the law of supply and demand.
 C) the principle of microeconomics. D) the marginal principle.

Hours of operation	Marginal cost (\$)
1	4
2	8
3	12
4	16
5	20
6	24
7	28

Table 2.2

- 7) Julianne runs a business and needs to decide how many hours to stay open. Table 2.2 illustrates her marginal costs of staying open for each additional hour. Suppose that we observe Julianne staying open 3 hours per day. If she is following the marginal principle, what must her marginal benefit be? 7) _____
 A) \$12 B) \$24 C) \$16 D) \$18
- 8) A centrally planned economy has a planning authority that decides: 8) _____
 A) who receives the products. B) what products to produce.
 C) how the products are produced. D) all of the above.

- 9) An example of a public good is: 9) _____
A) space exploration.
B) national defense.
C) a levee.
D) All of the above are examples of public goods.
- 10) The more times a worker performs a particular task, the more proficient the worker becomes at that task. This is called: 10) _____
A) innovation. B) repetition. C) specialization. D) continuity.
- 11) Assume that tortilla chips and salsa are complements. When the price of tortilla chips decreases: 11) _____
A) the supply of salsa decreases. B) the demand for tortilla chips decreases.
C) the demand for salsa decreases. D) the demand for salsa increases.
- 12) The market supply curve is: 12) _____
A) upward sloping and is flatter than an individual's supply curve.
B) downward sloping and is flatter than an individual's supply curve.
C) downward sloping and is steeper than an individual's supply curve.
D) upward sloping and is steeper than an individual's supply curve.
- 13) A supply curve is defined as the relationship between: 13) _____
A) the income of consumers and the quantity of a product that consumers are willing to buy.
B) the income of consumers and the quantity of a product that producers are willing to sell.
C) the price of a good and the quantity that consumers are willing to buy.
D) the price of a good and the quantity that producers are willing to sell.
- 14) Which of the following is a nondurable good? 14) _____
A) washing machine B) food
C) laptop computer D) truck
- 15) Real GDP is gross domestic product measured: 15) _____
A) in current dollars.
B) at a constant output level but at current prices.
C) using the prices of a specified base year.
D) as the difference between the current year's GDP and last year's GDP.

Additional Application

NEETS ARE THE NEW DISCOURAGED WORKERS IN JAPAN

Who are the new discouraged workers in Japan?

In Japan, there is growing concern about young people who are not joining the labor force. Young workers who have given up looking for work and often receive support from their parents are known as *NEETs*—"not in education, employment, or training." Because Japan has an aging population and does not encourage immigration, it is concerned about labor shortages and has focused attention on the *NEETs*. Many in Japan are concerned over this phenomenon because it potentially signals a change in the strong Japanese work ethic.

However, the number of individuals in this category is quite small, only 2 percent of Japan's 33 million young people between the ages of 15 and 34. Nonetheless, the fact that the Japanese decided to name this group suggests that it is socially significant to them. In the United States, individuals not seeking work and supported by their parents would be out of the labor force and possibly marginally attached workers.

SOURCE: Ginny Parker Woods, "In Aging Japan, Young Slackers Stir Up Concerns" *Wall Street Journal*, December 29, 2005, p. A1.

- 16) If a person classified as NEET enters the labor market but could not find a job, the labor force: 16) _____
A) decreases. B) increases.
C) remains constant. D) becomes zero.
- 17) When people who were previously looking for jobs stop looking for jobs, they are classified as: 17) _____
A) in the labor force. B) unemployed.
C) not in the labor force. D) employed.

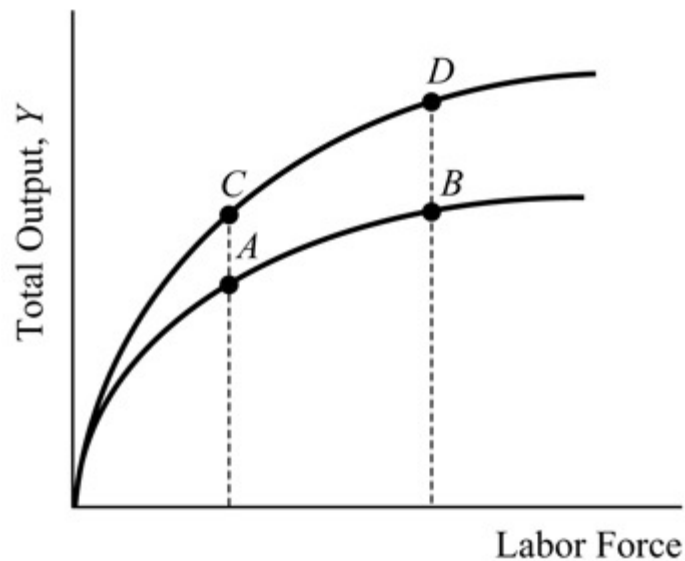


Figure 7.1

- 18) Please refer to Figure 7.1. Suppose the economy is at point A. An increase in the labor force will: 18) _____
A) move the economy to point B. B) move the economy to point C.
C) move the economy to point D. D) keep the economy at point A.

- 19) Another term for full-employment output is: 19) _____
 A) actual output. B) potential output.
 C) maximum output. D) perfectly competitive output.
- 20) If a county has a growth rate of approximately 0.7 percent each year, it will take about: 20) _____
 A) 100 years for its output to double, but only take about 23 years to double if its growth rate was 3 percent per year.
 B) 49 years for its output to double, but only take about 23 years to double if its growth rate was 3 percent per year.
 C) 49 years for its output to double, but only take about 10 years to double if its growth rate was 3 percent per year.
 D) 100 years for its output to double, but only take about 49 years to double if its growth rate was 3 percent per year.
- 21) Assuming a constant level of capital in the economy, a rapid increase in population is likely to: 21) _____
 A) lower both real GDP and real GDP per capita.
 B) raise both real GDP and real GDP per capita.
 C) lower real GDP, but increase real GDP per capita.
 D) raise real GDP, but lower real GDP per capita.
- 22) Allocating more hours toward studying for your economics exam gives you a higher grade. Based on this observation, hours and your economics grade exhibit: 22) _____
 A) a negative relationship. B) an unpredictable relationship.
 C) a positive relationship. D) no relationship.

Houses	Yards
0	21
1	20
2	18
3	15
4	11
5	6
6	0

Table 2.1

- 23) A group of people has formed a house cleaning and yard maintenance business. The number of houses or yards that they can clean or maintain in any given day is depicted in Table 2.1. The opportunity cost of cleaning the first house in a day is: 23) _____
 A) 2 yards maintained. B) 0 yards maintained.
 C) 1 yard maintained. D) 20 yards maintained.
- 24) For country A, an export is a good produced in: 24) _____
 A) country B and purchased by residents of country B.
 B) country B and purchased by residents of country A.
 C) country A and purchased by residents of country A.
 D) country A and purchased by residents of country B.

- 25) Suppose that consumers expect the price of a product to decrease in the future. The result is that: 25) _____
- A) the current demand for the product decreases.
 - B) the current supply of the product decreases.
 - C) the current supply of the product increases.
 - D) the current demand for the product increases.

	Production			Prices		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Good X	120	130	140	\$1.00	\$1.00	\$1.10
Good Y	100	200	250	\$0.80	\$1.00	\$1.00

Table 5.3

- 26) Refer to Table 5.3. Suppose this economy produces only the two goods X and Y. If year 1 is the base year, Real GDP in year 2 is: 26) _____
- A) \$222.
 - B) \$356.
 - C) \$180.
 - D) \$290.

Employed	11,000 people
Unemployed	2,500 people
Total Population 16 years of age and older	16,500 people

Table 6.5

- 27) Refer to Table 6.5. The labor-force participation rate is: 27) _____
- A) 81.81%.
 - B) 71.43%.
 - C) 136.36%
 - D) 90.91%.
- 28) The level of full-employment output in an economy increases as: 28) _____
- A) the supply of labor increases.
 - B) the natural rate of unemployment decreases.
 - C) the stock of capital increases.
 - D) all of the above.
- 29) If we calculate GNP per capita of all countries using a similar set of prices, the United States would rank _____ in 2011. 29) _____
- A) 6th highest
 - B) the second highest
 - C) the 14th highest
 - D) the highest
- 30) The worldwide recession in 2007 started from: 30) _____
- A) a large number of home purchasers who were unable to afford the homes.
 - B) easy access to credit in the U.S.
 - C) booming housing prices that ultimately dropped.
 - D) All of the above are correct.
- 31) The face value of money or income is called its _____ value. 31) _____
- A) real
 - B) external
 - C) marginal
 - D) nominal
- 32) When the government provides its citizens an unemployment insurance program, it is: 32) _____
- A) trying to increase economic uncertainty.
 - B) trying to create new jobs for the unemployed.
 - C) trying to reduce economic uncertainty.
 - D) encouraging workers to look for jobs in the government sector.

- 33) When a supply curve is drawn, which of the following is held constant? 33) _____
- A) prices of inputs
 - B) the amount of taxes or subsidies that a firm pays or receives
 - C) the number of sellers in a market
 - D) All of the above are held constant when constructing a supply curve.
- 34) In the product market of the circular flow diagram, households: 34) _____
- A) pay for goods and services supplied to these markets.
 - B) earn income for goods and services supplied to these markets.
 - C) pay for goods and services demanded from these markets.
 - D) earn income for goods and services demanded from these markets.
- 35) The economy attains full employment when the unemployment rate: 35) _____
- A) equals the structural rate of unemployment.
 - B) equals to seven percent or higher.
 - C) equals the natural rate of unemployment.
 - D) is equal to zero.

Answer Key

Testname: MIDTERM1OLD

- 1) D
- 2) B
- 3) C
- 4) B
- 5) B
- 6) D
- 7) A
- 8) D
- 9) D
- 10) B
- 11) D
- 12) A
- 13) D
- 14) B
- 15) C
- 16) B
- 17) C
- 18) A
- 19) B
- 20) A
- 21) D
- 22) C
- 23) C
- 24) D
- 25) A
- 26) D
- 27) A
- 28) D
- 29) A
- 30) D
- 31) D
- 32) C
- 33) D
- 34) C
- 35) C