

1. Who wrote *The Wealth of Nations*?
 - a. John Keynes
 - b. Milton Friedman
 - c. Adam Smith
 - d. Vilfredo Pareto
 - e. Arthur Okun
2. Economics is MOST concerned with the tension between
 - a. self-interest and altruism
 - b. consumption and savings
 - c. wants and resources
 - d. labor and capital
 - e. efficiency and equality
3. Scarcity implies
 - a. gains from trade
 - b. Pareto efficiency
 - c. rationality
 - d. inefficient markets
 - e. trade-offs
4. Opportunity cost could be BEST described as the
 - a. monetary price paid
 - b. incremental benefit received from an action
 - c. utility sum of all possible actions
 - d. maximum willingness to pay
 - e. value of the next best alternative
5. Which of the following costs are LEAST likely to be considered part of the cost of college?
 - a. tuition
 - b. room and board
 - c. university fees
 - d. foregone labor income
 - e. books
6. If consumers select the action that produces the greatest benefit, they are said to be
 - a. benevolent
 - b. efficient
 - c. cost-minimizers
 - d. rational
 - e. practical
7. Gains from trade arise MOST directly from different
 - a. trade-offs
 - b. opportunity costs
 - c. beliefs
 - d. wants
 - e. wealth levels
8. Sophie can either babysit for \$10, mow the lawn for \$15, or drive her brother to soccer practice for \$12. What is Sophie's opportunity cost if she chooses to mow the lawn?
 - a. \$5
 - b. \$10
 - c. \$15
 - d. \$35
 - e. \$20
9. Which of the following issues BEST represents the concept of scarcity?
 - a. Individuals must pay to do the things they like.
 - b. Individuals choose to specialize in the things they do best.
 - c. Individuals have twenty-four hours in a day.
 - d. Individuals differ in their abilities and resources.
 - e. Individuals can only perform one activity at any given time.
10. The number of items in an average supermarket is CLOSEST to
 - a. 30,000
 - b. 115,000
 - c. 370,000
 - d. 10,000
 - e. 75,000
11. What MUST be true if two consumers voluntarily trade with each other?
 - a. The goods being traded are indivisible.
 - b. The exchange is Pareto efficient.
 - c. They have similar resources.
 - d. They have the same opportunity costs.
 - e. The benefits outweigh the costs for both people.

12. Jasmine went to a movie with her friends instead of taking a shift at work. Which economic concept does this situation involve?
- a. scarce resources
 - b. gains from trade
 - c. unlimited wants
 - d. trade-offs
 - e. rationality
13. Benjamin received a free ticket to a baseball game. What is his opportunity cost for going to the game?
- a. the time not spent doing something else
 - b. the time spent at the game and the cost of the ticket
 - c. the cost of the ticket
 - d. the cost of the ticket minus the time spent at the game
 - e. the time spent at the game minus the cost of the ticket
14. Langston is experienced in catching fish, while Brandon bakes exceptional bread. They decide to specialize. Which economic concept does this situation involve?
- a. perfect competition
 - b. trade-offs
 - c. equilibrium
 - d. Pareto efficiency
 - e. gains from trade
15. People who engage in mutually beneficial trade are LEAST likely to have different
- a. wants
 - b. abilities
 - c. interests
 - d. resources
 - e. opportunity costs

1. Economic analysis LEAST relies on
 - a. theory
 - b. speculation
 - c. description
 - d. observation
 - e. measurement
2. Economic models could be BEST described as
 - a. qualitative
 - b. detailed
 - c. realistic
 - d. simplistic
 - e. intuitive
3. Positive economics is MOST concerned with
 - a. identifying cause-and-effect relationships
 - b. allocating goods in a fair manner
 - c. improving the well-being of one or more people
 - d. specifying what should happen
 - e. expressing opinions about the relative merits of different choices
4. Unlike positive economics, normative economics combines economic analysis with
 - a. economic phenomena
 - b. simplifying assumptions
 - c. objective predictions
 - d. quantitative models
 - e. value judgments
5. Which of the following questions would be BEST suited for a normative economist?
 - a. "How much will unemployment increase if interest rates rise by 1%?"
 - b. "What will happen to GDP if the dollar depreciates by 10%?"
 - c. "How much will gasoline demand decrease if oil prices rise by \$1?"
 - d. "How much of a discount should movie theaters offer to students?"
 - e. "How will raising the minimum wage affect small businesses?"
6. Pareto efficiency requires that
 - a. the utility of all participants is maximized
 - b. there is no way to improve at least one person's well-being without reducing another person's well-being
 - c. each citizen receives the same amount of goods and services
 - d. some goods and services are not allocated to market participants
 - e. redistribution of wealth is balanced with the health of the overall economy
7. Leticia, Jose, and Maya are sharing a pizza with 9 slices. Which of the following arrangements is NOT Pareto efficient?
 - a. Jose eats 2 slices, while Leticia and Maya eat 3 slices each.
 - b. Leticia eats all 9 slices.
 - c. Leticia, Jose, and Maya each eat 3 slices.
 - d. Maya eats 5 slices, while Jose and Leticia eat 2 slices each.
 - e. Leticia eats 6 slices and Jose eats 3 slices.
8. Which branch of economics can we use to determine which distribution of goods is best?
 - a. positive economics
 - b. value economics
 - c. normative economics
 - d. Pareto economics
 - e. negative economics
9. Microeconomics is MOST concerned with
 - a. unemployment
 - b. individual behavior
 - c. national output
 - d. interactions between small industries
 - e. inflation
10. What would a macroeconomist MOST likely study?
 - a. price of gasoline
 - b. gross domestic product
 - c. income distribution
 - d. municipal regulations
 - e. world trade

11. Microeconomics and macroeconomics are MOST similar in their
- legislative applications
 - modes of analysis
 - use of value judgments
 - assumptions about human behavior
 - scale of analysis
12. How would a positive economist respond to a proposal to raise the minimum wage?
- Higher wages may cause some minimum-wage employees to lose their jobs.
 - Low wages are an artifact of artificial scarcity.
 - Lower-income people should earn more money.
 - Business executives should redistribute their compensation to lower-level employees.
 - Wages should be proportional to labor productivity.
13. A university has \$100,000 in scholarship funds. Which of the following situations is Pareto efficient?
- One student receives \$40,000, another receives \$30,000, and another receives \$20,000.
 - Four students receive \$20,000.
 - One student receives \$40,000, and two students receive \$25,000 each.
 - One student receives \$100,000.
 - Ten students receive \$5,000 each.
14. Which of the following situations would a microeconomist study?
- Nike and Adidas competing for customers
 - the performance of the S&P 500
 - the monthly readings of the Consumer Price Index
 - changes in potential GDP
 - the United States' trade deficit with China
15. Of what nationality was Vilfredo Pareto?
- English
 - French
 - Russian
 - Italian
 - German

1. What is the central topic of microeconomics?
 - a. the interaction of supply and demand
 - b. the relationship between interest rates and inflation
 - c. changes in gross domestic product
 - d. the overall performance of the economy
 - e. shifts in aggregate demand and aggregate supply
2. A market consists of all
 - a. buyers of a good
 - b. sellers of a good
 - c. buyers and sellers of a particular good
 - d. buyers and sellers in the economy
 - e. companies in a specific industry
3. Which of the following characteristics is NOT present in a perfectly competitive market?
 - a. There are a large number of sellers.
 - b. Buyers are well informed about the market price.
 - c. Sellers have market power.
 - d. No single buyer can influence the price.
 - e. The good is standardized.
4. The BEST example of a perfectly competitive market is the market for
 - a. gasoline
 - b. cereal
 - c. tennis shoes
 - d. electricity
 - e. cell phones
5. What is the law of demand?
 - a. Demand shifts to the right when more buyers enter the market.
 - b. Quantity demanded rises as income rises.
 - c. Quantity demanded falls as a good's price rises.
 - d. Demand shifts to the left as a good's price rises.
 - e. Quantity demanded falls as a substitute good's price falls.
6. To which economic concept is the law of demand MOST directly related?
 - a. opportunity cost
 - b. rationality
 - c. gains from trade
 - d. scarcity
 - e. Pareto efficiency
7. The table that shows the quantity demanded at each price is called the
 - a. equilibrium calendar
 - b. price bulletin
 - c. demand schedule
 - d. own-price graph
 - e. market table
8. How do we obtain the market demand curve?
 - a. plotting a horizontal line at the market price
 - b. plotting a vertical line at the equilibrium quantity
 - c. adding individual demand curves horizontally
 - d. plotting the maximum willingness to pay for each individual buyer
 - e. adding individual demand curves vertically
9. Goods for which quantity demanded falls as income rises are called
 - a. inferior goods
 - b. luxury goods
 - c. complementary goods
 - d. normal goods
 - e. substitute goods
10. If the decline in the price of one good causes a decrease in quantity demanded of another good, these goods are considered
 - a. luxuries
 - b. substitutes
 - c. necessities
 - d. complements
 - e. normal

11. Which of the following pairs of goods are substitutes?
- a. pencils and notebooks
 - b. tea and coffee
 - c. automobile insurance and cars
 - d. movies and popcorn
 - e. peanut butter and jelly
12. Suppose Steve expects the price of gasoline to increase next month. What can we say about his demand curve today?
- a. It shifts downward.
 - b. It shifts to the left.
 - c. It shifts upward.
 - d. It stays constant.
 - e. It shifts to the right.
13. All of the following goods could be considered inferior goods EXCEPT
- a. instant ramen
 - b. bologna
 - c. bus rides
 - d. electronics
 - e. fast food
14. Changes in all of the following factors would cause the demand curve to shift EXCEPT
- a. the prices of related goods
 - b. tastes
 - c. expectations
 - d. a good's own price
 - e. the income of buyers
15. If the price of Coke increases, it is MOST likely that the
- a. quantity demanded of Coke increases
 - b. demand curve for juice shifts to the right
 - c. quantity demanded of Pepsi decreases
 - d. price of soda tumblers increases
 - e. demand curve for Coke shifts to the left

1. What is the law of supply?
 - a. Quantity supplied increases as price increases.
 - b. Supply shifts to the right when price increases.
 - c. Supply shifts to the left when price increases.
 - d. Quantity supplied decreases as price increases.
 - e. Supply stays constant as price increases.
2. Suppliers will stop supplying a good when
 - a. the price exceeds the opportunity cost
 - b. input prices exceed the opportunity cost
 - c. marginal revenue exceeds marginal cost
 - d. the opportunity cost exceeds the marginal cost
 - e. the opportunity cost exceeds the price
3. How do we obtain the market supply curve?
 - a. plotting a horizontal line at the market price
 - b. plotting the minimum willingness to sell for each individual seller
 - c. plotting a vertical line at the equilibrium quantity
 - d. adding individual supply curves horizontally
 - e. adding individual supply curves vertically
4. Changes in all of the following factors cause the supply curve to shift EXCEPT
 - a. technology
 - b. input prices
 - c. a good's price
 - d. expectations
 - e. the number of sellers
5. All of the following costs are input costs for gasoline EXCEPT
 - a. the real estate costs for the land on which the gas station is located
 - b. the labor costs of workers who build the gas station
 - c. the price that gasoline stations pay their suppliers
 - d. the price that gasoline stations charge customers
 - e. utilities to operate the gas station
6. The x and y axes of a supply curve, respectively, show
 - a. price and quantity supplied
 - b. quantity demanded and price
 - c. price and quantity demanded
 - d. quantity supplied and price
 - e. quantity supplied and quantity demanded
7. How does the market for calculators change when the price of processor chips, an input, increases?
 - a. Quantity demanded decreases.
 - b. Quantity supplied remains the same.
 - c. Quantity demanded increases.
 - d. Quantity supplied decreases.
 - e. Quantity supplied increases.
8. How does the market for cell phones change when a new technology makes production more efficient?
 - a. Quantity supplied increases.
 - b. Supply shifts to the left.
 - c. Quantity demanded decreases.
 - d. Quantity supplied remains the same.
 - e. Demand shifts to the right.
9. If suppliers of gasoline expect prices to rise in the future, they are MOST likely to
 - a. lay off workers today
 - b. empty their inventories today
 - c. decrease production today
 - d. reduce quantity supplied today
 - e. decrease prices today
10. Which of the following scenarios would NOT cause the quantity supplied of cell phones to increase?
 - a. The price of lithium batteries, an input, decreases.
 - b. Apple, a major cell phone supplier, decides to close a production facility.
 - c. LG, a cell phone supplier, expects prices to decrease in the future.
 - d. Orange, a new cell phone supplier, enters the market.
 - e. Microsoft, a cell phone supplier, discovers a new technology that increases productivity.

11. In which of the following scenarios does the supply curve for wine shift to the left?
- The price of grapes increases.
 - The price of wine increases.
 - A wine producer develops a new technology to squeeze grapes more efficiently.
 - A wine producer expects the price of wine to decrease in the future.
 - A new vineyard starts producing wine.
12. What type of relationship exists between quantity supplied and input prices?
- negative
 - spurious
 - hyperbolic
 - positive
 - tangential
13. Quantity supplied refers to the amount of a good
- that will minimize deadweight loss
 - produced by sellers
 - demanded by buyers
 - that will maximize seller profit
 - held in commercial inventories
14. Which of the following factors affect BOTH quantity demanded and quantity supplied?
- expectations
 - technology
 - prices of related goods
 - tastes
 - input prices
15. What happens to the market for football tickets if their price increases?
- Supply shifts to the left.
 - Quantity supplied decreases.
 - Quantity supplied increases.
 - Demand shifts to the right.
 - Quantity demanded increases.

1. The market equilibrium occurs where
 - a. seller profit is maximized
 - b. deadweight loss is minimized
 - c. consumer surplus is maximized
 - d. supply and demand intersect
 - e. seller profit is minimized
2. Suppose the equilibrium price of apples is \$4. If the current price of apples is \$5, we could MOST confidently conclude that
 - a. the market is in equilibrium
 - b. quantity demanded is zero
 - c. there is excess demand
 - d. quantity supplied exceeds quantity demanded
 - e. input prices have increased
3. How would a supplier MOST likely react in a situation where the current market price is above the equilibrium price?
 - a. The supplier would lower its price.
 - b. The supplier would request government intervention.
 - c. The supplier would build up its inventory.
 - d. The supplier would exit the market.
 - e. The supplier would increase output.
4. Shortages are MOST associated with
 - a. excess demand
 - b. low demand
 - c. equilibrium
 - d. high supply
 - e. excess supply
5. Suppose the equilibrium price of Oreos is \$2.50. At which of the following prices would we MOST likely see excess demand?
 - a. \$2.50
 - b. \$2
 - c. \$4
 - d. \$2.75
 - e. \$3.50
6. Which of the following statements LEAST describes market equilibrium?
 - a. It results in a stable position.
 - b. The market has an automatic tendency to gravitate toward it.
 - c. It is the point where the market settles.
 - d. At it, participants may have an incentive to alter their behavior.
 - e. It is a unique point on a diagram.
7. Suppose the current quantity supplied of grapes is 500. At what level of quantity demanded would sellers have an incentive to lower prices?
 - a. 600
 - b. 1,000
 - c. 500
 - d. 550
 - e. 450
8. Which of the following statements is NOT true at equilibrium?
 - a. Quantity supplied equals quantity demanded.
 - b. Suppliers can sell as much of the good as they would like at that price.
 - c. Everyone wants the price to remain the same.
 - d. Excess supply equals excess demand.
 - e. Consumers can buy as much of the good as they would like at that price.
9. Suppose that at the current price of avocados of \$2, quantity supplied is 9,000 and quantity demanded is 8,500. The equilibrium price of avocados is MOST likely
 - a. \$1.50
 - b. \$3
 - c. \$0.50
 - d. \$2.50
 - e. \$2

10. Suppose the inverse demand function is represented by $P = 45 - 5Q$ and the inverse supply function is represented by $P = 5 + 3Q$. What is the equilibrium price?
- \$5
 - \$10
 - \$15
 - \$20
 - \$8
11. What is the equilibrium quantity if inverse demand is given by $P = 74 - 4Q$ and inverse supply is given by $P = 14 + 6Q$?
- 6
 - 8
 - 32
 - 50
 - 15
12. Suppose the inverse demand function is $P = 10 - Q$ and the inverse supply function is $P = 4 + 2Q$. At what price would excess demand equal 3?
- \$4
 - \$10
 - \$2
 - \$8
 - \$6
13. At how many points do the demand and supply curve intersect?
- zero
 - infinite
 - at least four
 - maximum two
 - one
14. Suppose the inverse demand function is $P = 20 - Q$ and the inverse supply function is $P = 5 + 2Q$. If the market price is currently \$11, it is MOST likely that
- excess supply equals 4
 - quantity demanded equals 11
 - quantity supplied equals 27
 - excess demand equals 6
 - the market is in equilibrium
15. When the market price of Mickey Mouse ears is lower than the equilibrium price, the market price will increase due to
- a lack of Pareto efficiency in Mickey Mouse ear distribution
 - the perception of Mickey Mouse ear scarcity
 - increased demand for Mickey Mouse ears
 - an increase of supply of Mickey Mouse ears from Disney
 - excess supply of Mickey Mouse ears

1. Competitive markets do NOT
 - a. allocate resources effectively
 - b. create one-way information flows
 - c. allocate goods to the buyers who value them the most highly
 - d. convey to suppliers the value consumers place on the good
 - e. gravitate toward equilibrium quantity and price
2. What does the price reveal to consumers in competitive markets?
 - a. the minimum willingness to supply by the most efficient producer
 - b. the value placed on the good by the highest bidder
 - c. the opportunity cost of supplying that good
 - d. the monetary costs of the externalities associated with the good
 - e. the importance of the good to society
3. The competitive market equilibrium maximizes
 - a. deadweight loss
 - b. government revenue
 - c. producer surplus
 - d. total surplus
 - e. consumer surplus
4. Consumer surplus equals
 - a. opportunity cost minus market price
 - b. equilibrium price minus market price
 - c. market price minus willingness to pay
 - d. market price minus opportunity cost
 - e. willingness to pay minus market price
5. The market price of Ohio State football tickets is \$500. Suppose Jake values the ticket at \$600, Yolanda values the ticket at \$650, and Emily values the ticket at \$400. What is the combined consumer surplus?
 - a. \$0
 - b. \$100
 - c. \$250
 - d. \$150
 - e. \$350
6. At any point along a demand curve, the height measures
 - a. sellers' willingness to supply
 - b. buyers' willingness to pay
 - c. the opportunity cost of buying the good
 - d. average revenue
 - e. consumer surplus
7. Where is consumer surplus located on a price-quantity graph?
 - a. below the market price and to the left of the demand curve
 - b. above the market price and to the right of the demand curve
 - c. below the market price and to the right of the demand curve
 - d. all area below the demand curve
 - e. above the market price and below the demand curve
8. Which of the following situations results in positive producer surplus?
 - a. Quantity supplied exceeds quantity demanded.
 - b. Suppliers' willingness to supply exceeds buyers' willingness to pay.
 - c. Marginal cost exceeds market price.
 - d. Market price exceeds opportunity cost.
 - e. Revenue exceeds consumer surplus.
9. On a price-quantity graph, producer surplus is the area
 - a. below the market price and to the right of the supply curve
 - b. below the market price and above the supply curve
 - c. above the market price and to the left of the supply curve
 - d. below the market price
 - e. above the market price

10. How do market participants determine the value each consumer places on the good in competitive markets?
- collective altruism
 - government intervention
 - price signals
 - econometric modelling
 - field surveys
11. What is total surplus?
- consumer surplus plus producer surplus
 - producer surplus minus consumer surplus
 - consumer surplus minus producer surplus
 - the total area below the demand curve
 - consumer surplus plus producer surplus plus deadweight loss
12. Miguel is willing to sell iPhones for \$500 each, Angel is willing to sell iPhones for \$200 each, Jenna is willing to sell iPhones for \$800 each, and John is willing to sell iPhones for \$600 each. The price of iPhones is \$700. What is the total producer surplus?
- \$1,400
 - \$800
 - \$100
 - \$900
 - \$700
13. The market price for televisions is \$400. If Bob's benefit is \$100, then his willingness to pay is CLOSEST to
- \$300
 - \$200
 - \$400
 - \$500
 - \$100
14. The market price for MacBooks is \$1,200. Suppose Maya, a supplier, has a surplus of \$200. At what price is she willing to sell?
- \$200
 - \$1,000
 - \$1,600
 - \$1,200
 - \$1,400
15. At a quantity less than the equilibrium quantity, it is MOST likely that
- value to consumers exceeds producers' cost
 - consumer surplus is maximized
 - willingness to supply is greater than willingness to pay
 - deadweight loss is minimized
 - producer surplus is maximized

1. An increase in the supply of football tickets causes
 - a. quantity demanded to decrease
 - b. consumer surplus to decrease
 - c. the demand curve to shift to the right
 - d. equilibrium price to decrease
 - e. producer surplus to increase
2. Public education campaigns about tobacco affect the cigarette market by
 - a. increasing producer surplus
 - b. increasing supply
 - c. lowering demand
 - d. lowering deadweight loss
 - e. increasing tax revenue
3. If input prices to gasoline rise, then
 - a. quantity supplied increases
 - b. equilibrium price increases
 - c. the demand curve shifts to the left
 - d. consumer surplus increases
 - e. the supply curve shifts to the right
4. The supply curve of ice cream will increase if
 - a. suppliers expect the price of ice cream to decrease in the future
 - b. the price of milk increases
 - c. a milk shortage occurs
 - d. the price of cookies increases
 - e. the number of buyers increases
5. Which of the following events will NOT cause the equilibrium price of coffee to increase?
 - a. Suppliers discover a new coffee-grinding technology.
 - b. Buyers expect the price of coffee to increase in the future.
 - c. Consumers' income increases.
 - d. The price of tea increases.
 - e. The price of milk increases.
6. In which of the following scenarios is the change in producer surplus ambiguous?
 - a. Consumers' income decreases.
 - b. Input prices decrease.
 - c. The price of a substitute good increases.
 - d. The price of a complement good increases.
 - e. The price of a substitute good decreases.
7. An increase in the price of laptops causes the market equilibrium for tablets to
 - a. shift down and to the left
 - b. shift down and to the right
 - c. shift up and to the left
 - d. shift up and to the right
 - e. remain the same
8. The price for blended coffee drinks will increase if
 - a. the minimum wage decreases
 - b. coffee drinkers switch to soda
 - c. the price of tea decreases
 - d. dairy prices increase
 - e. the company opens more locations
9. Suppose consumers AND producers expect the price of gasoline to rise in the future. The MOST likely result is an increase in
 - a. consumer surplus
 - b. equilibrium price
 - c. supply
 - d. deadweight loss
 - e. equilibrium quantity
10. Which of the following events is LEAST likely to increase producer surplus for video game suppliers?
 - a. Game developer wages increase.
 - b. Gamers earn more money.
 - c. The number of buyers increases.
 - d. The price of video game consoles decreases.
 - e. The price of board games increases.
11. What is the effect of an advertising campaign that illustrates the negative health effects of fast food?
 - a. The price of fast food increases.
 - b. Demand for fast food decreases.
 - c. The price of fast food remains unchanged.
 - d. Fast food restaurants open more stores.
 - e. Fast food ingredients become more expensive.

12. Consumer surplus is MOST likely to increase unambiguously if
- supply decreases and demand increases
 - supply decreases and demand decreases
 - demand increases
 - supply increases
 - demand decreases
13. In which of the following scenarios is the effect on equilibrium quantity ambiguous?
- Demand decreases and supply decreases.
 - Supply increases and demand remains unchanged.
 - Demand increases and supply remains unchanged.
 - Demand decreases and supply remains unchanged.
 - Demand increases and supply decreases.
14. The price of apples decreases when
- supply decreases
 - supply decreases and demand increases
 - supply and demand decrease
 - supply increases
 - demand increases
15. In which of the following scenarios does the equilibrium price of Oreos decrease?
- The price of Chips Ahoy increases.
 - Buyers expect the price of Oreos to increase in the future.
 - The price of milk increases.
 - The price of the creme in the Oreos increases.
 - The supply of Oreos decreases.

1. Price elasticity of demand is calculated as
 - a. change in quantity demanded divided by change in quantity supplied
 - b. change in quantity demanded divided by change in price
 - c. percentage change in quantity demanded divided by percentage change in quantity supplied
 - d. change in price divided by change in quantity demanded
 - e. percentage change in quantity demanded divided by percentage change in price
2. For a downward-sloping demand curve, price elasticity of demand is ALWAYS
 - a. zero
 - b. constant
 - c. negative
 - d. inelastic
 - e. unit elastic
3. What does price elasticity of demand measure?
 - a. consumers' maximum willingness to pay
 - b. price changes over a time period
 - c. consumers' responsiveness to price fluctuations
 - d. suppliers' responsiveness to demand
 - e. the degree of stability of market equilibrium
4. Demand is inelastic when a 1% change in price results in a
 - a. 1% decrease in demand
 - b. drop in demand to zero
 - c. 3% decrease in demand
 - d. 3% increase in demand
 - e. 0.5% decrease in demand
5. High price sensitivity is MOST associated with
 - a. a relatively flat demand curve
 - b. fluctuating elasticity along the demand curve
 - c. low price elasticity of demand
 - d. a vertical demand curve
 - e. an inelastic demand curve
6. Which of the following characteristics leads to a higher price elasticity of demand?
 - a. The good has no close substitutes.
 - b. The good is defined in terms of a broad market.
 - c. The good is produced by a monopoly.
 - d. The good is a necessity.
 - e. The good is considered a luxury item.
7. Which of the following explanations BEST describes why Coke would have a high price elasticity of demand?
 - a. Coke is produced by a large company.
 - b. Coke is marketed toward younger audiences.
 - c. Coke is a necessity.
 - d. Coke is very cheap.
 - e. Coke tastes very similar to Pepsi.
8. A 10% change in the price of movie tickets results in a 20% change in demand. What is the price elasticity of demand?
 - a. 10
 - b. 20
 - c. 1/2
 - d. 2
 - e. 4
9. If quantity demanded does not depend on price at all, we say that the good is
 - a. Pareto optimal
 - b. a public good
 - c. perfectly elastic
 - d. perfectly inelastic
 - e. unit elastic
10. Why is the supply of airline flights relatively elastic?
 - a. scarce resources
 - b. close substitutes
 - c. ease of entry
 - d. short time horizon
 - e. broad market definition

11. Which of the following goods is MOST likely considered to have perfectly inelastic supply?
- Monet paintings
 - Chevron gasoline
 - Tesla vehicles
 - Disney children's books
 - De Beers diamonds
12. Total revenue equals
- price elasticity of demand times price elasticity of supply
 - consumer surplus plus producer surplus
 - consumer surplus minus producer surplus
 - marginal cost times marginal revenue
 - price times quantity
13. If demand is elastic, then
- price elasticity of supply will be greater than 1
 - the demand curve will have a steep slope
 - total revenue will increase if price decreases
 - price elasticity of demand will be equal to 1
 - expenditure will decrease if price decreases
14. Why did dairy farmers adopt Bovine Growth Hormone?
- It imposed a positive externality on other farm products.
 - They were able to charge higher prices.
 - The technology increased farm income.
 - The government subsidized the cost of the technology.
 - They had no choice in a competitive market.
15. Suppose that quantity supplied of apples increases from 200 to 250 as the price increases from \$2 to \$3. What is the price elasticity of supply?
- 50
 - 4
 - 1
 - 5
 - 1/2

1. A minimum wage BEST exemplifies a
 - a. negative externality
 - b. pork-barrel policy
 - c. price ceiling
 - d. social tax
 - e. price floor
2. What must be true in order for a price ceiling to be effective?
 - a. It must be set to the left of the supply curve.
 - b. It must be set to minimize consumer surplus.
 - c. It must be set to maximize total surplus.
 - d. It must be set to maximize the deadweight loss.
 - e. It must be set below the equilibrium price.
3. Which of the following effects does rent control cause?
 - a. The price of apartments increases.
 - b. All renters receive an increase in surplus.
 - c. Barriers to mutually beneficial transactions are eroded.
 - d. The quantity supplied of apartments increases.
 - e. Producer surplus decreases.
4. Price controls ALWAYS result in
 - a. a shift to equilibrium
 - b. increase in supply
 - c. government revenue
 - d. demand surplus
 - e. decreased total surplus
5. Which of the following statements BEST describes a long-run effect of rent controls?
 - a. Apartments become rationed by price.
 - b. Communities undergo gentrification.
 - c. Landlords increase tenant improvements.
 - d. Apartments are added to the available housing stock.
 - e. Low prices attract more residents to the city.
6. Suppose the existing equilibrium price of wheat is \$5. An effective price floor would set the price of wheat at
 - a. \$5
 - b. \$0
 - c. \$6
 - d. \$4
 - e. \$3
7. Price floors are MOST associated with
 - a. excess supply
 - b. indirect taxes
 - c. negative externalities
 - d. rent controls
 - e. excess demand
8. If the government imposes a \$0.10 tax per avocado on consumers, then the
 - a. demand curve shifts down by \$0.10
 - b. tax revenue equals \$0.10 times the original equilibrium quantity
 - c. new market equilibrium occurs at a higher quantity
 - d. suppliers do not bear any cost of the tax
 - e. demand curve becomes more elastic
9. Where can we find the new equilibrium quantity graphically after the government imposes a tax?
 - a. where demand becomes elastic
 - b. where producer surplus is reduced by half of the tax
 - c. where total surplus is reduced by the amount of the tax
 - d. where the vertical distance between demand and supply equals the tax
 - e. where the elasticity of demand equals the elasticity of supply

10. Where is the deadweight loss that results from a government tax located on a supply and demand graph?
- above the old equilibrium price
 - between the supply curve and the market price
 - below the supply curve
 - to the right of the new equilibrium quantity
 - below the area representing consumer surplus
11. A new tax is placed on a good. Under which of the following situations would buyers MOST likely bear a greater share of the tax?
- The supply curve is steep.
 - The good is a luxury item.
 - The tax is assessed on consumers.
 - Demand is inelastic.
 - The good uses scarce resources.
12. In which of the following scenarios will a tax LEAST impact the equilibrium quantity?
- perfectly elastic demand and perfectly inelastic supply
 - perfectly inelastic demand and perfectly elastic supply
 - inelastic demand and inelastic supply
 - elastic demand and inelastic supply
 - elastic demand and elastic supply
13. A tax creates a price wedge between
- the tax amount and the tax collected
 - marginal revenue and marginal cost
 - consumer surplus and producer surplus
 - tax revenue and income receipts
 - what consumers pay and what suppliers receive
14. Tax revenue ALWAYS equals
- the deadweight loss
 - the new equilibrium quantity times the tax
 - half the loss in producer surplus
 - the loss in total surplus
 - the change in equilibrium quantity times the tax
15. During the 1979 oil crisis, the federal government imposed a price ceiling to protect
- low-income consumers
 - oil refineries
 - tax revenue
 - domestic exporters
 - intermediaries

1. A production possibility frontier BEST illustrates the concept of
 - a. elasticity of supply
 - b. trade-offs
 - c. Pareto efficiency
 - d. cross-price elasticity of demand
 - e. gains from trade
2. The point at which the production possibility frontier intersects the x-axis represents the
 - a. opportunity cost of consuming instead of saving
 - b. elasticity of demand for the good labeled on the x-axis
 - c. amount of a good an individual can make if they devote their entire time to producing that good
 - d. optimal location for a utility-maximizing consumer
 - e. consumption bundle that can only be achieved through trade
3. Which coordinates on a production possibility frontier graph are efficient?
 - a. all points on the production possibility frontier
 - b. all points contained inside the production possibility frontier
 - c. all points beyond the production possibility frontier
 - d. the point on the production possibility frontier where the x-coordinate equals the y-coordinate
 - e. the two points where the production possibility frontier intersects the x- and y-axes
4. What does the slope of a production possibility frontier represent?
 - a. the elasticity of demand for the y-axis good
 - b. autarky price of one good in terms of another
 - c. terms of trade between two goods
 - d. producer surplus as a function of production
 - e. the opportunity cost of producing one good in terms of another
5. Sophie and Lily are two individuals on Paradise Island. If Sophie has an absolute advantage, then
 - a. Sophie's production possibility frontier will have a steeper slope than Lily's
 - b. the two production possibility frontiers will overlap
 - c. the two production possibility frontiers will intersect at a unique point
 - d. Sophie's production possibility frontier will be upward sloping
 - e. Sophie's production possibility frontier will be above and to the right of Lily's
6. What PRIMARILY determines the point a producer chooses on their production possibility frontier?
 - a. intersection with axes
 - b. producer's expected surplus
 - c. interaction of supply and demand
 - d. producer's preference
 - e. producer's market share
7. Two producers will MOST likely have production possibility frontiers with the same slope if
 - a. one producer has a comparative advantage
 - b. they live in isolated economies
 - c. they share the same preferences
 - d. they face the same opportunity cost
 - e. one producer has an absolute advantage
8. Gains from trade ALWAYS exist when
 - a. one trading partner has an absolute advantage
 - b. the two trading partners have different comparative advantages
 - c. one trading partner has more capacity than the other
 - d. the two trading partners have identical production possibility frontiers
 - e. neither trading partner has an absolute advantage

9. Which of the following statements BEST describes the effects of free trade?
- Total surplus increases.
 - Gains from trade decrease as the markets become more extensive.
 - The overall size of the economy shrinks.
 - Everyone is made better off.
 - The costs exceed the benefits.
10. Suppose an isolated economy has an equilibrium price that is less than the world price. If the economy opens to trade, then
- the country will stop producing
 - the country will become an exporter
 - consumer surplus will increase
 - the world price will decrease to the economy's equilibrium price
 - domestic consumers will increase consumption
11. Which of the following effects does NOT occur when a country becomes an exporter?
- Consumer surplus decreases.
 - Deadweight loss increases.
 - Producer surplus increases.
 - Domestic production increases.
 - Social welfare increases.
12. If a country is an importer, quantity demanded can be found where the
- supply curve is tangent to the production possibility frontier
 - demand curve crosses the x-axis
 - demand curve intersects the world price
 - demand curve intersects the supply curve
 - supply curve intersects the world price
13. Suppose Marco can produce 8 loaves of bread or 24 bottles of lemonade in one day. What is his opportunity cost of producing 1 loaf of bread?
- 24 bottles of lemonade
 - 3 bottles of lemonade
 - 1 bottle of lemonade
 - 8 bottles of lemonade
 - 6 bottles of lemonade
14. If a production possibility frontier intersects the x-axis at 10 units and intersects the y-axis at 5 units, then the
- producer should only consume the x-axis good
 - producer has an absolute advantage in producing the y-axis good
 - slope of the production possibility frontier is -2
 - producer is more efficient at producing the x-axis good
 - producer prefers to produce the x-axis good
15. Suppose the United States' grain prices are higher than world prices when it is isolated. Opening to trade would cause
- lower world grain prices
 - higher domestic production
 - decreased social welfare
 - decreased producer surplus
 - lower domestic consumption

1. What economic actor supplies goods and services in the economy?
 - a. free trade
 - b. capital
 - c. the government
 - d. the firm
 - e. the market
2. A firm's goal is to
 - a. maximize social welfare
 - b. maximize revenue
 - c. maximize profits
 - d. minimize costs
 - e. minimize deadweight loss
3. Accounting costs do NOT include
 - a. input costs
 - b. opportunity costs
 - c. capital costs
 - d. fixed costs
 - e. labor costs
4. Suppose Jackson is the owner of a local ice cream shop. His economic profit is \$100 per day, and he could earn \$100 per day working at another store in town. What is Jackson's accounting profit?
 - a. \$0
 - b. \$1,000
 - c. \$100
 - d. \$500
 - e. \$200
5. Ursula runs a bread shop. Which of the following costs are NOT fixed?
 - a. the insurance premiums on her shop
 - b. the rental cost of her shop
 - c. the cost of her equipment
 - d. the opportunity cost of her time
 - e. the wages of her employees
6. Marginal cost is calculated as
 - a. total fixed costs divided by quantity produced
 - b. total variable costs divided by quantity produced
 - c. change in total costs divided by change in quantity produced
 - d. total variable costs divided by change in quantity produced
 - e. total fixed costs less total variable costs
7. Why PRIMARILY is it common to see increasing marginal costs as output increases?
 - a. In the short run, some factors of production are fixed.
 - b. The fixed costs are spread over more units of production.
 - c. Marginal revenue decreases as output increases.
 - d. An increase in demand for inputs results in higher input prices.
 - e. As producers buy in bulk, the per unit price increases.
8. Bob's sandwich shop operates in a perfectly competitive market. What MUST be true?
 - a. Bob faces a perfectly elastic demand curve.
 - b. Bob faces increasing returns to scale.
 - c. Bob's marginal cost is constant.
 - d. Bob's supply curve is downward sloping.
 - e. Bob's marginal revenue is decreasing.
9. A coffee shop faces diminishing returns to scale. If marginal revenue is \$6 and marginal cost is \$4, the coffee shop should
 - a. lay off workers
 - b. maintain output
 - c. lower fixed costs
 - d. shut down operations
 - e. increase coffee production
10. An upward sloping supply curve is MOST associated with
 - a. decreasing marginal revenue
 - b. decreasing marginal costs
 - c. negative economic profits
 - d. diminishing returns to scale
 - e. a horizontal demand curve

11. Benjamin's lemonade store operates in a perfectly competitive market. Suppose his marginal revenue is \$4 and his marginal cost is \$4. It is MOST likely that Benjamin is
- facing increasing returns to scale
 - producing at the profit-maximizing quantity
 - facing a downward sloping demand curve
 - earning a positive economic profit
 - earning zero accounting profit
12. Employing more workers at a potato chip factory is an example of
- increasing fixed costs
 - increasing social welfare
 - increasing variable costs
 - diminishing returns to scale
 - increasing marginal revenue
13. Which of the following conditions is MOST likely true if a firm has negative accounting profit in a competitive market?
- Total cost exceeds total revenue.
 - Marginal revenue is greater than marginal cost.
 - Marginal cost exceeds total cost.
 - New firms are entering the market.
 - Economic profit is zero.
14. Suppose a firm operates in a perfectly competitive market. Which of the following variables is LEAST likely to vary with output?
- total cost
 - consumer surplus
 - total revenue
 - marginal revenue
 - variable cost
15. Suppose when Ursula increases her production from 75 loaves to 100 loaves, her total costs increase from \$472 to \$622. Of the \$622, \$250 comes from fixed costs. What is the marginal cost?
- \$2.50
 - \$6
 - \$7.50
 - \$6.22
 - \$10

1. Unlike firms in perfectly competitive markets, firms in imperfectly competitive markets
 - a. face a downward sloping demand curve
 - b. earn positive accounting profit
 - c. attempt to maximize economic profits
 - d. face diminishing returns to scale
 - e. take prices as given
2. Market power is BEST defined as the ability to
 - a. influence input costs
 - b. increase production without affecting prices
 - c. push competitors out of the market
 - d. choose market prices
 - e. allocate resources between different activities
3. Which of the following factors MOST enables monopolies to arise?
 - a. price discrimination
 - b. increasing marginal costs
 - c. Pareto inefficiency
 - d. barriers to entry
 - e. deadweight loss
4. How did DeBeers become a monopoly?
 - a. It outperformed all of its competitors.
 - b. It secured ownership of a key resource.
 - c. It patented its product.
 - d. It engaged in horizontal integration.
 - e. It purchased exclusive rights from the government.
5. A copyright would MOST likely protect the product of a(n)
 - a. supplier of electricity
 - b. independent author
 - c. law firm
 - d. e-commerce conglomerate
 - e. diamond company
6. Patents granted to new inventions expire after
 - a. fifty years
 - b. twenty years
 - c. one hundred years
 - d. five years
 - e. ten years
7. Which of the following markets is MOST prone to natural monopoly?
 - a. the railroad industry
 - b. the diamond industry
 - c. the cereal industry
 - d. the Hollywood film industry
 - e. the book industry
8. Natural monopolies are MOST associated with
 - a. a small group of suppliers
 - b. large fixed costs
 - c. intellectual property protections
 - d. price discrimination
 - e. increasing average costs
9. The profit-maximizing quantity for monopolies is located at the point at which
 - a. marginal revenue equals zero
 - b. total revenue equals total cost
 - c. marginal revenue equals marginal cost
 - d. demand intersects marginal cost
 - e. demand intersects supply
10. The price that monopolies charge in equilibrium is
 - a. equal to average cost
 - b. greater than marginal revenue
 - c. equal to marginal cost
 - d. the price that maximizes revenue
 - e. less than marginal cost
11. Compared to perfect competition, monopolies supply
 - a. a lower quantity at a higher price
 - b. a lower quantity at a lower price
 - c. a higher quantity at a higher price
 - d. the same quantity at a higher price
 - e. a higher quantity at a lower price

12. NewMedia Co. operates in a monopoly. It is MOST likely that
- NewMedia experiences decreasing marginal costs
 - NewMedia's marginal revenue is decreasing
 - NewMedia's economic profit is zero
 - NewMedia charges a price equal to marginal revenue
 - NewMedia is regulated by the government
13. Suppose a monopoly decides to increase output. What MUST be true?
- Price decreases.
 - Change in revenue equals price times additional demand.
 - Consumer surplus decreases.
 - Barriers to entry decrease.
 - Deadweight loss increases.
14. A monopoly's total revenue increases from \$4,800 to \$7,500 when it lowers prices from \$16 to \$15. What is the marginal revenue per new customer?
- \$16
 - \$13.50
 - \$15
 - \$11
 - \$20
15. Cable television is an example of a
- government-created monopoly
 - natural monopoly
 - copyright monopoly
 - social monopoly
 - quasi-monopoly

1. Which company did United States antitrust regulators break up in 1984?
 - a. Apple
 - b. AT&T
 - c. Microsoft
 - d. General Mills
 - e. Intel
2. Microsoft's bundling of its Internet browser with the Windows operating system could be BEST described as a(n)
 - a. merger
 - b. form of price discrimination
 - c. anti-trust
 - d. anti-competitive practice
 - e. natural monopoly
3. Requiring public oversight agencies to approve utility rates is a form of
 - a. price discrimination
 - b. market manipulation
 - c. anti-trust review
 - d. regulation
 - e. public ownership
4. Which entity typically operates local water and sewer services?
 - a. homeowner associations
 - b. municipal governments
 - c. non-profit organizations
 - d. for-profit firms
 - e. self-regulatory organizations
5. Which of the following statements BEST describes a consequence of perfect price discrimination?
 - a. Social welfare decreases.
 - b. The marginal cost curve shifts to the right.
 - c. The marginal revenue curve overlaps market demand.
 - d. Equilibrium quantity decreases.
 - e. Consumer surplus increases.
6. Financial aid for university tuition is an example of
 - a. perfect competition
 - b. rent-seeking behavior
 - c. price discrimination
 - d. regulation
 - e. social taxation
7. Price discrimination does NOT increase
 - a. prices for eager customers
 - b. monopoly profits
 - c. social welfare
 - d. equilibrium quantity
 - e. deadweight loss
8. Industries that resemble oligopolies produce all of the following goods EXCEPT
 - a. aircraft
 - b. breakfast cereal
 - c. washing machines
 - d. gasoline
 - e. cigarettes
9. How are oligopolies different than monopolies?
 - a. They have fewer sellers.
 - b. They charge higher prices.
 - c. They must consider the choices of other suppliers.
 - d. They do not result in reduced social welfare.
 - e. They are less competitive.
10. An agreement in which suppliers cooperate and behave like a monopolist is called a(n)
 - a. limited liability company
 - b. quasi-monopoly
 - c. subsidiary
 - d. cartel
 - e. anti-trust
11. What is the MOST common form of imperfect competition?
 - a. quasi-monopoly
 - b. monopolistic competition
 - c. cartel
 - d. oligopoly
 - e. monopoly

12. Monopolistic competition BEST describes markets where firms
- a. operate as subsidiaries to monopolies
 - b. have the ability to behave like a monopolist
 - c. incur significant fixed costs
 - d. lack market power
 - e. produce similar but differentiated products
13. Unlike a firm in perfect competition, a firm in monopolistic competition
- a. earns positive economic profits
 - b. faces a horizontal demand curve
 - c. charges a price above marginal revenue
 - d. produces where marginal revenue equals marginal cost
 - e. has no barriers to entry
14. Why does monopolistic competition lead to social inefficiency?
- a. Suppliers can agree to behave like a monopolist.
 - b. Barriers to entry exist.
 - c. Marginal cost is increasing.
 - d. Price exceeds marginal cost.
 - e. Consumers have decreased choices.
15. Of the following options, the BEST example of monopolistic competition is the
- a. bottled water industry
 - b. utility industry
 - c. restaurant industry
 - d. oil industry
 - e. cable television industry

1. How do entrepreneurs earn economic profits?
 - a. They discover market failures.
 - b. They enter competitive markets.
 - c. They flood the market with supply.
 - d. They create barriers to entry.
 - e. They apply for government subsidies.
2. Entrepreneurs do NOT
 - a. identify untapped markets
 - b. create new products
 - c. exacerbate existing market imperfections
 - d. develop innovative methods of production
 - e. differentiate their services
3. Who coined the term “creative destruction”?
 - a. Joseph Schumpeter
 - b. John Keynes
 - c. Milton Friedman
 - d. Arthur Okun
 - e. Adam Smith
4. What catalyzes “creative destruction”?
 - a. government regulation
 - b. social welfare
 - c. market failure
 - d. positive externalities
 - e. economic profits
5. Which of the following examples would NOT arise from entrepreneurs investing around existing barriers to entry?
 - a. watch manufacturers copying a Rolex design
 - b. Uber and Lyft developing alternative forms of transportation to compete with traditional taxis
 - c. satellite televisions competing with cable television
 - d. mobile phone manufacturers developing alternative smartphones to compete with Apple’s iPhone
 - e. new soda flavors targeting different demographics
6. Positive externalities are an example of
 - a. price discrimination
 - b. entrepreneurship
 - c. Pareto efficiency
 - d. market failure
 - e. social welfare
7. Which of the following examples would be considered a positive externality?
 - a. A colony of bees pollinates a nearby farmer’s apple trees.
 - b. All of the neighbors share ownership of the community pool.
 - c. The construction of a new football stadium incentivizes a nearby city to build a baseball stadium.
 - d. A factory dumps pollution into a nearby river.
 - e. The government provides a rent subsidy to low-income families.
8. If two companies produce goods that are complements, it is MOST likely that they
 - a. exacerbate a market failure
 - b. divide additional revenue between each other
 - c. bundle their products
 - d. impose externalities on each other
 - e. directly compete with each other
9. The firm’s marginal cost plus the cost of treating the pollution it produces is called the
 - a. fixed cost curve
 - b. true social cost of production
 - c. externality-adjusted cost of production
 - d. public supply curve
 - e. socially optimal supply curve
10. Compared to the private market equilibrium, the equilibrium that accounts for a negative externality is
 - a. to the right and up
 - b. straight to the right
 - c. to the left and down
 - d. to the right and down
 - e. to the left and up

11. How would a graph of a positive externality represent social benefits?
 - a. steeper demand curve
 - b. increased demand curve
 - c. price ceiling
 - d. lower equilibrium price
 - e. increased supply curve
12. The Coase Theorem requires
 - a. government imposition of transaction costs
 - b. clearly defined property rights
 - c. the ability to internalize externalities
 - d. an initial distribution of rights
 - e. the existence of positive externalities
13. Why PRIMARILY is it unlikely for an oil refinery and a downstream population to reach a negotiated solution?
 - a. The costs of negotiation are too high.
 - b. Property rights are not defined.
 - c. The benefit to the firm exceeds the cost endured by the citizens.
 - d. The initial distribution of rights lies with the oil refinery.
 - e. The damages are not reciprocal.
14. It is MOST effective to use taxes to remedy the effects of externalities when
 - a. the value of the externality is measurable
 - b. the Coase Theorem applies
 - c. the costs of negotiation are high
 - d. the government can solve the issue
 - e. property rights are clearly defined
15. How does the United States Environmental Protection Agency deal with sulfur dioxide emissions?
 - a. negotiating directly with sulfur dioxide emitters
 - b. giving a quota to each firm that wants to emit sulfur dioxide
 - c. taxing sulfur dioxide emitters
 - d. allowing the states to decide the optimal amount of sulfur dioxide emissions
 - e. auctioning off rights to emit sulfur dioxide

1. How can a group internalize an externality?
 - a. introducing a strict hierarchy
 - b. increasing government intervention
 - c. choosing actions independently
 - d. making decisions collectively
 - e. monetizing the externality
2. If the existence of private property seems natural to you, it is MOST likely that you
 - a. are an entrepreneur
 - b. come from abroad
 - c. grew up in a market economy
 - d. have scarce resources
 - e. work in government
3. The tragedy of the commons is MOST associated with
 - a. Pareto inefficiency
 - b. natural monopolies
 - c. negative externalities
 - d. rent-seeking behavior
 - e. price discrimination
4. If a particular good is a rival good, then
 - a. people must pay to enjoy that good
 - b. it competes with a substitute good
 - c. it cannot be consumed in conjunction with another good
 - d. one person's consumption reduces the amount available for others
 - e. its consumption positively influences others
5. Which factor PRIMARILY determines a good's excludability?
 - a. the ability to control who consumes the good
 - b. the ability to use the good as a symbol of status
 - c. the ability to control who produces the good
 - d. the ability to differentiate it from other goods
 - e. the ability to make a market out of the good
6. Which of the following goods is MOST likely to be excludable?
 - a. a national militia
 - b. a public park
 - c. a fireworks display
 - d. a city street
 - e. a professional sports game
7. If the same good can be used simultaneously, then it is MOST likely
 - a. non-excludable
 - b. non-rival
 - c. public
 - d. excludable
 - e. rival
8. All of the following goods can be characterized as private goods EXCEPT
 - a. satellite radio
 - b. pizza
 - c. gasoline
 - d. polo shirts
 - e. haircuts
9. How are common resources categorized?
 - a. low degree of rivalry and high degree of excludability
 - b. low degree of rivalry and low degree of excludability
 - c. no barriers to entry and no rivalry
 - d. high degree of rivalry and high degree of excludability
 - e. high degree of rivalry and low degree of excludability
10. Which category of goods suffers MOST from the tragedy of the commons?
 - a. public goods
 - b. marginal goods
 - c. private goods
 - d. collective goods
 - e. common resources

11. Which category of goods is MOST prone to natural monopolies?
 - a. marginal goods
 - b. private goods
 - c. common resources
 - d. collective goods
 - e. public goods
12. Collective goods are MOST likely to have
 - a. high marginal costs
 - b. too much demand
 - c. negative externalities
 - d. private ownership
 - e. a too-high equilibrium
13. Which of the following goods is CORRECTLY matched with its category?
 - a. Amazon.com; private good
 - b. Chevron oil; common resource
 - c. Sirius radio; private good
 - d. Panera bread; marginal good
 - e. Netflix; collective good
14. The EASIEST way to solve the tragedy of the commons is to
 - a. request government intervention
 - b. establish property rights
 - c. set a price ceiling
 - d. increase supply
 - e. create a quota system
15. Which of the following goods is non-rival but excludable?
 - a. fish in the ocean
 - b. a pizza
 - c. a music subscription service
 - d. a local highway
 - e. national defense

1. Marriage is an example of a(n)
 - a. industry
 - b. corporation
 - c. organization
 - d. market
 - e. institution
2. How are organizations MOST similar to institutions?
 - a. They tax citizens.
 - b. They create social norms.
 - c. They have an informal structure.
 - d. They require government intervention.
 - e. They structure human interaction.
3. Institutions require
 - a. formal markets
 - b. organizational activity
 - c. market success
 - d. voluntary cooperation
 - e. government intervention
4. Someone is MOST likely to conform to social institutions if
 - a. they are not self-interested
 - b. there are existing market imperfections
 - c. they are sufficiently wealthy
 - d. the institutions' rules are formal
 - e. cooperation makes them better off
5. The power to tax citizens rests with
 - a. cartels
 - b. government
 - c. organizations
 - d. institutions
 - e. corporations
6. On which channel does the government rely to alleviate individuals' reluctance to enter into contracts?
 - a. the legislative branch
 - b. the executive branch
 - c. the court system
 - d. the states
 - e. the military
7. Pork barrel politics is BEST defined as the
 - a. tendency of legislators to introduce projects that disproportionately benefit their communities
 - b. irresponsible use of government funds by elected officials for personal expenses
 - c. close relationship between legislators and the food industry
 - d. process by which foreign ambassadors bribe elected officials for contracts
 - e. hierarchical system in which some congresspeople have more power than others
8. Suppose Brian is eating at a restaurant with friends. Even though the cost of cheesy bread exceeds his maximum willingness to pay, he orders it anyway because the cost is spread out across the entire party. Which concept does this example BEST illustrate?
 - a. price ceilings
 - b. institutional cooperation
 - c. pork barrel politics
 - d. price discrimination
 - e. rent-seeking behavior
9. Which quality of organizations differentiates them from institutions?
 - a. ability to monopolize
 - b. social recognition
 - c. market power
 - d. formal rules
 - e. resistance to change
10. Logrolling is MOST synonymous with
 - a. filibustering
 - b. bribing
 - c. rent seeking
 - d. vote trading
 - e. redlining
11. United States price supports for sugar BEST exemplify
 - a. price discrimination
 - b. rent-seeking behavior
 - c. logrolling
 - d. pork barrel politics
 - e. a price ceiling

12. United States price supports for sugar do NOT

- a. directly benefit a select group of actors
- b. generate wasteful resource allocation
- c. keep domestic sugar prices artificially inflated
- d. lead to concentrated losses for consumers
- e. motivate suppliers to hire lobbyists

13. In what way do institutions MOST differ from government?

- a. their self-regulation
- b. their access to funds
- c. their ability to compel action
- d. their effect on social welfare
- e. their formality

14. Which of the following policies currently supports the United States sugar industry?

- a. price ceiling
- b. voluntary export restraint
- c. import controls
- d. exemption from cartel laws
- e. consumer tax exemption

15. Compared to the rest of the world, United States sugar prices are

- a. four times as high
- b. twice as high
- c. three times as high
- d. six times as high
- e. five times as high

1. Macroeconomists are LEAST concerned with
 - a. inflation
 - b. short-run fluctuations in economic activity
 - c. individual market prices
 - d. long-run economic growth
 - e. unemployment
2. Since 1900, United States real gross domestic product has increased by a factor of
 - a. forty
 - b. sixty
 - c. fifty
 - d. thirty
 - e. twenty
3. Which of the following historical events produced a notable decline in United States real gross domestic product?
 - a. the Middle East oil crisis
 - b. World War I
 - c. World War II
 - d. the Cold War
 - e. the Great Depression
4. The Latin term “per capita” translates MOST literally to
 - a. per worker
 - b. per population
 - c. per fiscal year
 - d. per taxable dollar
 - e. per head
5. Which equation gives average labor productivity?
 - a. total wages earned divided by total hours worked
 - b. total hours worked in an economy divided by total number of workers employed
 - c. total output in an economy divided by total number of workers employed
 - d. total economic output divided by total population size
 - e. total number of workers employed divided by working-age population
6. In which of the following regions is production per person LOWEST?
 - a. Northern South America
 - b. Western Europe
 - c. South Asia
 - d. Western North America
 - e. Eastern Europe
7. Which term refers to the fluctuation between troughs and peaks in economic activity?
 - a. expansion cycle
 - b. credit cycle
 - c. unemployment cycle
 - d. financial cycle
 - e. business cycle
8. Recessions are MOST associated with
 - a. rising price levels
 - b. positive output gaps
 - c. above-average economic productivity
 - d. accelerating wage growth
 - e. declining employment opportunities
9. During which of the following periods did United States aggregate prices fall?
 - a. 1929 to 1933
 - b. 1975 to 1979
 - c. 1939 to 1942
 - d. 1996 to 2000
 - e. 2013 to 2017
10. The labor force is made up of the
 - a. entire population
 - b. full- and part-time working population
 - c. employed and the unemployed
 - d. entire working-age population
 - e. full-time working population
11. If a country runs a trade surplus, it is MOST likely that
 - a. exports are larger than they were last year
 - b. exports exceed imports
 - c. government spending is high
 - d. consumption exceeds savings
 - e. imports as a percentage of GDP are increasing

12. In 2019, the average output per person in the United States economy was CLOSEST to
- a. \$65,000
 - b. \$110,000
 - c. \$82,000
 - d. \$37,000
 - e. \$173,000
13. Which statistic appears in the denominator of the unemployment rate?
- a. the total population
 - b. the number of workers employed
 - c. the number of workers unemployed
 - d. the labor force
 - e. the working-age population
14. At what rate did inflation during World War I peak?
- a. 15%
 - b. 20%
 - c. 10%
 - d. 5%
 - e. 25%
15. Since which decade has the United States run a trade deficit?
- a. the 1970s
 - b. the 1950s
 - c. the 2000s
 - d. the 1930s
 - e. the 1990s

1. Which term refers to the process of combining many different things into a single economic variable?
 - a. intermediation
 - b. backwardation
 - c. segmentation
 - d. accumulation
 - e. aggregation
2. Gross domestic product is defined as the
 - a. market value of all goods exported by a country less the market value of all goods imported during a specified period
 - b. market value of all final goods and services produced within a country during a specified period
 - c. retail value of all sold goods and services within a country during a specified period
 - d. value added at each stage of production of all goods and services during a specified period
 - e. market value of all goods and services produced by a country's citizens during a specified period
3. Rhonda, an ice cream shop owner, purchases milk from a local dairy farmer to make her product. In this example, milk is a(n)
 - a. intermediate good
 - b. key good
 - c. connected good
 - d. final good
 - e. prerequisite good
4. NewAuto Co. purchases \$100,000 worth of steel from a steel producer and converts it into \$500,000 worth of automobiles. What is the total value contributed to GDP?
 - a. \$500,000
 - b. \$400,000
 - c. \$1,100,000
 - d. \$100,000
 - e. \$600,000
5. Brenda is a local cow farmer. In one year, she produces \$500 worth of milk. She sells \$250 at a local farmers market and uses the other \$250 to make ice cream, which she sells for \$400. What is Brenda's contribution to GDP?
 - a. \$900
 - b. \$150
 - c. \$400
 - d. \$500
 - e. \$650
6. Which of the following exchanges would be counted towards this year's GDP?
 - a. A couple buys plane tickets to Europe.
 - b. A domestic energy company imports oil from abroad.
 - c. A family sells a home they have lived in for ten years.
 - d. A business owner buys a five-year-old piece of capital equipment.
 - e. A firm sells steel to an auto manufacturer.
7. In the mid-1600s, Sir William Petty attempted to measure national output to
 - a. estimate the severity of an economic recession in Great Britain
 - b. assess the Irish's ability to pay taxes to the British government
 - c. determine the productive capacity of Great Britain
 - d. suggest policies to Parliament that could improve the economy
 - e. understand the British economy's degree of vertical integration
8. Whom did the United States Department of Commerce commission in 1932 to develop a system to measure national output?
 - a. John Keynes
 - b. Simon Kuznets
 - c. Arthur Okun
 - d. Milton Friedman
 - e. Gary Becker

9. How do economists conventionally account for national defense when calculating GDP?
- They include national defense in GNP rather than GDP.
 - They value national defense according to its contribution to other final goods.
 - They consider national defense an intermediate good.
 - They only include national defense in GDP in times of war.
 - They include all national defense expenditures in GDP.
10. How has the increase in women in the paid labor force MOST affected GDP?
- It has understated the true increase in total production.
 - It has resulted in a shift from non-market to market activity.
 - It has decreased the amount of childcare and housecleaning counted towards GDP.
 - It has increased the significance of the underground economy.
 - It has made nominal GDP increase at a faster rate than real GDP.
11. Spending by firms on final goods and services is counted towards GDP as
- investment
 - imports
 - government spending
 - consumption
 - exports
12. Which of the following goods is a consumer durable?
- a Stanford diploma
 - a pair of Nike shoes
 - a new house
 - a DiGiorno frozen pizza
 - an Ikea couch
13. Government purchases do NOT include
- public infrastructure investment
 - military spending
 - teachers' salaries
 - Social Security payments
 - wages paid to firefighters
14. For what purpose do economists use real GDP?
- to factor in negative externalities
 - to isolate the effects of changes in production
 - to account for net exports
 - to include current prices in GDP
 - to exclude capital goods in the calculation
15. Suppose a country produces two goods: jeans and shirts. In 2015, the country produced 20 shirts at \$10 each and 10 jeans at \$25 each. In 2016, the country produced 30 shirts at \$15 each and 15 jeans at \$20 each. Using 2015 as the base year, real GDP in 2016 is
- \$450
 - \$500
 - \$900
 - \$750
 - \$675

1. Which group calculates the Consumer Price Index in the United States?
 - a. the Bureau of Labor Statistics
 - b. the Federal Reserve
 - c. the Department of Commerce
 - d. the Federal Open Market Committee
 - e. the National Bureau of Economic Research
2. By what means are the components of the market basket for the Consumer Price Index determined?
 - a. firm financial reports
 - b. real GDP estimates
 - c. household surveys
 - d. store websites
 - e. supermarket transaction data
3. The Consumer Price Index is calculated every
 - a. six months
 - b. year
 - c. month
 - d. two years
 - e. quarter
4. Which term appears in the denominator in the calculation of CPI?
 - a. aggregate price level in year t
 - b. quantity consumed in year t
 - c. aggregate price level in base year
 - d. cost of the bundle in base year
 - e. cost of the bundle in year t
5. According to the substitution effect, if the price of apples increases, then
 - a. consumers will demand more apples
 - b. a CPI basket that includes apples will understate the increase in the cost of living
 - c. apples will hold a larger weight in the CPI
 - d. consumers will cut back spending on all other goods
 - e. households will shift consumption to oranges
6. Which commission found that CPI overstated the rate of price inflation by 1.3% per year?
 - a. the Greene Commission
 - b. the Boskin Commission
 - c. the Okun Commission
 - d. the Friedman Commission
 - e. the Powell Commission
7. Which term appears in the numerator in the calculation of GDP deflator?
 - a. GNP
 - b. CPI in year t
 - c. CPI in base year
 - d. nominal GDP
 - e. real GDP
8. Which of the following reasons BEST explains why the GDP deflator has risen less than the CPI?
 - a. The GDP deflator uses a fixed market basket to weight goods.
 - b. The GDP deflator includes foreign-produced goods.
 - c. The GDP deflator removes the effect of quality change in goods.
 - d. The GDP deflator adjusts to changing consumption patterns.
 - e. The GDP deflator disregards the introduction of new goods and services.
9. Which of the following adults would the Bureau of Labor Statistics NOT consider to be employed?
 - a. a basketball player who plays three games per week
 - b. a financial planner who is on a beach vacation with his family
 - c. a doctor who has been on sick leave for two weeks due to an injury
 - d. a research assistant working as an unpaid intern
 - e. a part-time math tutor who works 10 hours per week

10. The labor force participation rate is calculated as the ratio of the
- employed to the labor force
 - labor force to the working-age population
 - employed to the working-age population
 - employed to the unemployed
 - working-age population to the total population
11. New workers entering the labor force would be counted in measures of
- soft unemployment
 - dynamic unemployment
 - frictional unemployment
 - structural unemployment
 - cyclical unemployment
12. What causes structural unemployment?
- loose labor conditions of recessions
 - discouraged attitude of some job applicants
 - normal process of matching employees and employers
 - mismatch between job openings and job seekers
 - voluntary separation by employees from their employers
13. The criteria for being considered unemployed state that a person without a job must have looked for one within the past
- twelve weeks
 - week
 - six weeks
 - four weeks
 - two weeks
14. Which of the following populations in the United States had the highest unemployment rate as of July 2020?
- women 25 to 35 years old
 - Asian women
 - African American men
 - teenagers
 - Hispanic adults
15. Which of the following people would NOT be counted as part of the labor force by the Bureau of Labor Statistics?
- a 29-year-old lawyer who has been applying for job positions
 - a 33-year-old teacher who is on maternity leave
 - a 21-year-old college student working as a math tutor
 - a 15-year-old working part-time writing study materials
 - a 45-year-old engineer who got laid off two days ago

1. The diagram that illustrates the set of interactions between the major sets of economic actors in our economy is called the
 - a. circular flow model
 - b. business model
 - c. economic agent model
 - d. household model
 - e. agent-principal model
2. Households do NOT use income to
 - a. save money
 - b. buy services
 - c. pay taxes
 - d. buy factors of production
 - e. purchase goods
3. What accounts for MOST of the variation in GDP per capita?
 - a. openness to trade
 - b. proportion of the population engaged in production
 - c. labor force participation rate
 - d. capital market efficiency
 - e. average labor productivity
4. Economic growth MOST directly leads to
 - a. increases in economic actors
 - b. fluctuations in economic activity
 - c. increases in tax rates
 - d. reductions in social well-being
 - e. improvements in living standards
5. What do firms receive in return for selling goods and services?
 - a. expenditures
 - b. rent
 - c. wages
 - d. taxes
 - e. revenue
6. Machinery is an example of
 - a. a natural resource
 - b. an intangible asset
 - c. physical capital
 - d. human capital
 - e. a market
7. If China's economy is larger than that of Taiwan, then it MUST be true that
 - a. China has an absolute advantage over Taiwan
 - b. Chinese citizens are more productive than Taiwanese citizens
 - c. China has a higher GDP per capita than Taiwan
 - d. Chinese citizens have greater consumer surplus than Taiwanese citizens
 - e. China has fewer trade barriers than Taiwan
8. How is human capital MOST similar to physical capital?
 - a. It is intangible.
 - b. It is a private good.
 - c. It requires technological knowledge.
 - d. It is protected by the political and legal environment.
 - e. It is created by sacrificing current consumption.
9. Which of the following countries has a high standard of living due to oil reserves?
 - a. Mexico
 - b. Saudi Arabia
 - c. Germany
 - d. England
 - e. India
10. Which of the following countries has the LEAST amount of natural resources?
 - a. Democratic Republic of Congo
 - b. the United States
 - c. Kuwait
 - d. Japan
 - e. Russia
11. Which of the following factors has contributed the MOST to raising average labor productivity historically?
 - a. human capital
 - b. physical capital
 - c. the political environment
 - d. technology
 - e. social capital

12. MOST of the difference in standards of living between North and South Korea can be attributed to differences in
- physical capital
 - natural resources
 - human capital
 - governmental institutions
 - land costs
13. Why would it be unwise for an economy to invest all its money in human and physical capital?
- Overinvestment would cause some industries to fail.
 - A country needs to diversify its factors of production.
 - There would be no resources to advance technological knowledge.
 - No goods and services would be available to consume.
 - Other countries could copy its process.
14. How could an economy incentivize advancements in human capital?
- reducing trade barriers
 - giving legal protections to new technological developments
 - providing tax credits for research and development
 - offering subsidies for college education
 - encouraging investment in industry
15. Which PRIMARY factors of production do households provide?
- goods and services
 - human capital and social capital
 - wages, rent, and profit
 - land, labor, and capital
 - technological knowledge and equipment

1. To economists, the term “investment” refers to
 - a. creating new technological knowledge
 - b. lending money to firms
 - c. saving money in a bank
 - d. buying company stock
 - e. purchasing new capital equipment
2. Households save money through
 - a. the government
 - b. financial markets
 - c. social institutions
 - d. pass-throughs
 - e. firms
3. When a company borrows money, it issues
 - a. common stock
 - b. preferred stock
 - c. mutual funds
 - d. certificates of deposit
 - e. bonds
4. What does a bond’s date of maturity state?
 - a. when the company can request more money
 - b. when interest will be paid
 - c. when investors can sell their bonds
 - d. when the loan will convert into stock
 - e. when the loan will be repaid
5. Which term refers to the original amount of an investment?
 - a. dividend
 - b. principal
 - c. base
 - d. deposit
 - e. interest
6. What does it mean for a company to default on its bonds?
 - a. The company extends the maturity on its bonds.
 - b. The company pays its interest payment on time.
 - c. The company pays bondholders an extra amount.
 - d. The company fails to make its promised payments.
 - e. The company eliminates its credit risk.
7. Which of the following bonds would carry the highest interest rate?
 - a. a bond from a government set to mature in 3 years
 - b. a bond from a reputable company set to mature in 10 years
 - c. a bond from a notorious company set to mature in 1 year
 - d. a bond from a risky company set to mature in 10 years
 - e. a bond from a risky company set to mature in 5 years
8. How are stockholders MOST different from bondholders?
 - a. Stockholders assume less risk.
 - b. Stockholders receive periodic payments.
 - c. Stockholders are paid before bondholders.
 - d. Stockholders have a greater potential for high returns.
 - e. Stockholders represent liabilities to a company.
9. A bank is an example of a
 - a. mutual fund
 - b. regulator
 - c. stock exchange
 - d. financial market
 - e. financial intermediary
10. Who PRIMARILY bears the risk of a bank’s lending operations?
 - a. its bondholders
 - b. its employees
 - c. its depositors
 - d. its borrowers
 - e. its stockholders

11. Which of the following investors would benefit MOST from a mutual fund?
- a 55-year-old financial planner who prefers to hold individual stocks
 - a 45-year-old millionaire with a diversified portfolio
 - a 67-year-old retiree who does not want to invest in stocks
 - a large insurance company that needs to invest its cash
 - a 21-year-old college student who has a small amount of money to save
12. Mutual funds do NOT allow investors to
- eliminate risk
 - spread their wealth across multiple investments
 - achieve diversification
 - rely on professional expertise
 - invest in bonds and stocks simultaneously
13. Which of the following scenarios is an example of equity finance?
- An investor sells Walmart stock to pay for a house.
 - An investor purchases a mutual fund to save money.
 - A bank lends money to Starbucks to expand its footprint.
 - Nike issues bonds to facilitate a company acquisition.
 - Costco sells stock to build a new department store.
14. Who determines the price of a stock?
- the Federal Reserve
 - the national stock exchanges
 - financial intermediaries
 - buyers and sellers
 - the respective company
15. A company would MOST likely pay a dividend if
- it needs to pay off its debt
 - it enjoys good economic prospects
 - it is issuing new loans
 - it experiences an accounting loss
 - its bonds decline in value

1. If an economy is closed, then it MUST be true that
 - a. the government runs a budget deficit
 - b. net exports are zero
 - c. income exceeds expenditure
 - d. private saving equals government saving
 - e. saving exceeds investment
2. Which expression illustrates the equality of income and expenditures?
 - a. $\text{income} + \text{consumption expenditures} = \text{investment} + \text{government purchases}$
 - b. $\text{income} + \text{government expenditures} = \text{consumption expenditures} + \text{investment}$
 - c. $\text{income} = \text{consumption expenditures} - \text{investment} + \text{government purchases}$
 - d. $\text{income} + \text{investment} = \text{government purchases} + \text{consumption expenditures}$
 - e. $\text{income} = \text{consumption expenditures} + \text{investment} + \text{government purchases}$
3. Private saving is expressed as
 - a. $\text{taxes} - \text{government purchases}$
 - b. $\text{income} - \text{consumption expenditures} - \text{taxes}$
 - c. $\text{income} + \text{consumption expenditures} + \text{taxes}$
 - d. $\text{consumption expenditures} + \text{income}$
 - e. $\text{income} - \text{investment} - \text{taxes}$
4. What MUST be true if the government runs a budget surplus?
 - a. Private saving equals zero.
 - b. Net exports are less than zero.
 - c. Saving equals investment.
 - d. Taxes exceed government purchases.
 - e. Saving exceeds consumption expenditures.
5. Which company purchased Anheuser-Busch?
 - a. Brown-Forman
 - b. Heineken
 - c. Inbev
 - d. Molson Coors
 - e. Constellation Brands
6. Which of the following transactions would increase the United States' net capital outflow?
 - a. A U.S. resident purchases a home in New York.
 - b. A French technology company sells its products in the United States.
 - c. A British wine company purchases a vineyard in California.
 - d. Intel sells its manufacturing in China.
 - e. Microsoft purchases property in Germany.
7. Which company purchased Rockefeller Center in 1989?
 - a. Sony
 - b. LG
 - c. Mitsubishi
 - d. Toshiba
 - e. Nokia
8. How is foreign direct investment MOST different from portfolio investment?
 - a. The buyer is not a government entity.
 - b. It increases a company's net capital outflow.
 - c. The buyer plans to actively manage the assets.
 - d. It involves stocks and bonds.
 - e. It results in a change in net exports.
9. In an open economy, if net capital outflows are negative, then
 - a. investment exceeds saving
 - b. income is greater than expenditure
 - c. net exports are positive
 - d. the government is running a budget deficit
 - e. the country is accumulating claims on foreign countries

10. Suppose a British company purchased \$3,000 worth of grapes from a German company and sold \$1,000 worth of spirits to France. What is the change in England's net capital outflows?
- \$1,000
 - \$3,000
 - \$2,000
 - \$0
 - \$4,000
11. Which variable appears on the y-axis of a supply and demand graph for savings?
- investment
 - net capital outflows
 - interest rate
 - savings
 - price level
12. The real interest rate equals
- the risk-free rate plus a risk premium
 - zero
 - expected inflation plus unexpected inflation
 - the nominal interest rate less inflation
 - the nominal interest rate plus inflation
13. Crowding out is BEST defined as the
- increase in savings that occurs due to government incentives
 - proclivity of companies to price individuals out of the savings market
 - process by which banks increase interest rates to deter investment
 - phenomenon in which the number of borrowers far exceeds the number of savers
 - tendency of government deficits to reduce private investment
14. How would a reduction in the tax rate on interest income affect the market for saving?
- Demand for savings would shift to the right.
 - The equilibrium would be unchanged.
 - Investment would decrease.
 - The supply of savings would increase.
 - The interest rate would increase.
15. An investor would be MOST likely to borrow money if
- the expected return exceeds the interest rate
 - there is limited supply of savings
 - the government is running a budget deficit
 - the productivity of capital decreases
 - they anticipate lower revenues in the future

1. Why do people hold onto money?
 - a. to earn interest
 - b. to complete transactions easily
 - c. to hedge against inflation
 - d. build wealth
 - e. to keep it safe
2. Like money, stocks function as a(n)
 - a. currency
 - b. unit of account
 - c. store of value
 - d. illiquid asset
 - e. medium of exchange
3. As a unit of account, money
 - a. cannot be removed or destroyed
 - b. facilitates comparisons of economic value
 - c. holds a constant value
 - d. transfers purchasing power across time
 - e. enjoys widespread trust
4. Which term do economists use to describe all of the different stores of value in an economy?
 - a. wealth
 - b. liquidity
 - c. purchasing power
 - d. savings
 - e. currency
5. What does liquidity measure?
 - a. the ease with which an asset can be converted into a medium of exchange
 - b. the intrinsic value of an asset
 - c. the ability of an asset to act as a store of value
 - d. the amount of cash an individual has at any given moment
 - e. the effectiveness of an asset to function as a unit of account
6. Which of the following assets has the GREATEST liquidity?
 - a. a vacant plot of land
 - b. a share of supermarket stock
 - c. a vacation home
 - d. a limited partnership interest
 - e. an antique art painting
7. Most restaurants express prices on their menus in dollars. This practice BEST illustrates money's use as a(n)
 - a. medium of exchange
 - b. illiquid asset
 - c. savings vehicle
 - d. store of value
 - e. unit of account
8. How does commodity money MOST differ from fiat money?
 - a. Commodity money holds intrinsic value.
 - b. Commodity money is established by government decree.
 - c. Commodity money can be used as a medium of exchange.
 - d. Commodity money derives its value from commodities like oil.
 - e. Commodity money pays interest.
9. Which of the following items BEST represents commodity money?
 - a. dollars
 - b. gold
 - c. rubles
 - d. pesos
 - e. paper
10. Which good functioned as a medium of exchange in World War II prisons?
 - a. bread rolls
 - b. chains
 - c. necklaces
 - d. wedding rings
 - e. cigarettes
11. All of the following assets would be considered money EXCEPT a
 - a. savings account
 - b. credit card
 - c. dollar bill
 - d. checking account
 - e. mutual fund account

12. Fiat money's value MOST depends on
- a. government decree
 - b. intrinsic value
 - c. market size
 - d. interest rates
 - e. supply and demand
13. Assets in M1 and M2 MOST differ in their
- a. liquidity
 - b. velocity
 - c. denomination
 - d. intrinsic value
 - e. function as a store of value
14. Together, M1 and M2 constitute
- a. an economy's wealth
 - b. currency not in circulation
 - c. the stock of money
 - d. the availability of currency
 - e. all financial assets
15. Which of the following assets is NOT part of M2?
- a. savings deposits
 - b. retail money funds
 - c. demand deposits
 - d. small denomination time deposits
 - e. land

1. Which entity or entities regulates the supply of money in the United States?
 - a. commercial banks
 - b. the central bank
 - c. firms
 - d. the public
 - e. the government
2. How many members constitute the Federal Reserve's board of governors?
 - a. twelve
 - b. fourteen
 - c. nine
 - d. seven
 - e. ten
3. Which regional bank's president is a permanent member of the FOMC?
 - a. San Francisco
 - b. Minneapolis
 - c. New York
 - d. Washington D.C.
 - e. Atlanta
4. The FOMC meets every
 - a. sixteen weeks
 - b. six weeks
 - c. eight weeks
 - d. two weeks
 - e. twelve weeks
5. How does the Federal Reserve increase the money supply through open market operations?
 - a. It increases the federal funds rate.
 - b. It decreases the reserve requirement.
 - c. It sells United States government bonds.
 - d. It prints more money.
 - e. It purchases United States government bonds.
6. A bank's assets consist of
 - a. deposits and savings
 - b. reserves and deposits
 - c. loans and deposits
 - d. liquid assets and savings
 - e. reserves and loans
7. Banks that use fractional reserves can
 - a. make the economy more liquid
 - b. increase an economy's savings rate
 - c. increase the total amount of wealth in an economy
 - d. decrease the velocity of money
 - e. loan out their entire deposit base
8. High-powered money includes
 - a. M1 and M2
 - b. monetary base and loans
 - c. currency and reserves
 - d. reserves and loans
 - e. assets and savings
9. The money multiplier is calculated as
 - a. one divided by the monetary base
 - b. the reciprocal of the reserve ratio
 - c. the reserve ratio times the monetary base
 - d. the money supply less outstanding currency
 - e. currency divided by reserves
10. Why does the Federal Reserve rarely adjust reserve requirements?
 - a. It discourages saving.
 - b. It is not effective in adjusting the money supply.
 - c. It is disruptive to the banking industry.
 - d. It is not a binding requirement for commercial banks.
 - e. It frequently leads to bank runs.
11. The discount rate is the interest rate that
 - a. the federal government charges on international loans
 - b. commercial banks charge their best customers
 - c. the Federal Reserve charges on loans made to banks
 - d. commercial banks charge each other on overnight loans
 - e. the Federal Reserve pays to holders of United States government bonds

12. Which of the following events would decrease the money supply?
- a. lowering the federal funds rate
 - b. buying United States government bonds
 - c. lowering the discount rate
 - d. raising reserve requirements
 - e. increasing the trade deficit
13. A bank has \$50 in deposits. It creates money until total deposits equal \$200. What is the reserve ratio?
- a. 3
 - b. 0.5
 - c. 4
 - d. 0.1
 - e. 0.25
14. A bank is considered solvent if
- a. deposits exceed reserves
 - b. assets exceed liabilities
 - c. deposits exceed loans
 - d. reserves equal zero
 - e. equity is negative
15. The Federal Reserve has MOST control over
- a. fiscal policy
 - b. the federal funds rate
 - c. inflation
 - d. the monetary base
 - e. the discount rate

1. How much did the United States price level fall during the Great Depression?
 - a. 5%
 - b. 25%
 - c. 35%
 - d. 15%
 - e. 50%
2. In addition to the Great Depression, the United States price level fell during
 - a. the 2008 financial crisis
 - b. the 1970s oil crisis
 - c. the 2000 dotcom bubble burst
 - d. World War II
 - e. World War I
3. Inflation PRIMARILY reflects changes in
 - a. the value of goods
 - b. economic capacity
 - c. savings rates
 - d. the value of money
 - e. trade patterns
4. What magnifies the effect of open market operations?
 - a. fiscal stimulus
 - b. leverage
 - c. taxes
 - d. fractional reserves
 - e. inflation
5. How is money MOST similar to other items in an economy?
 - a. It appreciates in value over time.
 - b. It is supported by government decree.
 - c. It is intangible.
 - d. Its value is derived by supply and demand interactions.
 - e. It holds intrinsic value.
6. How did the development of Apple Pay affect the market for money?
 - a. It decreased supply.
 - b. It decreased demand.
 - c. It increased demand.
 - d. It increased supply.
 - e. It increased inflation.
7. Why is demand for money downward sloping?
 - a. As prices increase, people reduce consumption and need less money.
 - b. As inflation increases, people prefer to hold money in savings rather than spending it.
 - c. As the value of money decreases, people need more money to buy goods.
 - d. As the quantity of money decreases, people demand fewer goods and services.
 - e. As interest rates increase, people spend more money in current consumption.
8. If the Federal Reserve purchases government bonds, it is MOST likely that
 - a. interest rates increase
 - b. prices increase
 - c. the economy's supply of goods and services increases
 - d. demand for goods and services decreases
 - e. the supply of money remains unchanged
9. Which term reflects that changes in the quantity of money have no effect on real quantities in the economy in the long run?
 - a. neutrality of money
 - b. inflation
 - c. Ricardian equivalence
 - d. universal medium of exchange
 - e. store of value
10. All of the following items represent real quantities EXCEPT
 - a. tons of steel
 - b. gallons of oil
 - c. pounds of pork
 - d. bushels of wheat
 - e. prices of milk

11. The velocity of money is BEST defined as the
- total quantity of money available in an economy
 - ratio between nominal GDP and real GDP
 - number of times a dollar bill is used during a year
 - rate of inflation in an economy
 - speed at which new money enters an economy
12. Which of the following equations represents the quantity equation?
- $V \times M = P \times Y$
 - $V / M = Y / P$
 - $V \times Y = M \times P$
 - $M / V = P \times Y$
 - $V \times P = M \times Y$
13. If the money supply increases, it is LEAST likely that
- nominal GDP decreases
 - the velocity of money decreases
 - interest rates decrease
 - the price level increases
 - real GDP increases
14. Which of the following issues does NOT represent a cost of inflation?
- Cash users have to visit the ATM more often.
 - Rising prices distort the long-run neutrality of money.
 - Borrowers and lenders face increased risk in credit markets.
 - Relative prices may not reflect the relative costs of production.
 - Firms have to adjust prices frequently.
15. Suppose an economy's nominal GDP is \$2,000 and its supply of money is \$500. What is the velocity of money?
- 5
 - 10
 - 50
 - 2
 - 4

1. Which term refers to a period between a peak and a trough in economic activity?
 - a. recession
 - b. bull market
 - c. correction
 - d. depression
 - e. reversion
2. The recurrent alternation between peaks and troughs in economic activity is called the
 - a. credit cycle
 - b. financial cycle
 - c. business cycle
 - d. unemployment cycle
 - e. economic cycle
3. For a recession to occur, real GDP growth must decline for at least
 - a. four consecutive quarters
 - b. two consecutive quarters
 - c. ten consecutive quarters
 - d. eight consecutive quarters
 - e. six consecutive quarters
4. Which entity officially determines the start and end dates of expansions and recessions in the United States economy?
 - a. the Department of Commerce
 - b. the Bureau of Labor Statistics
 - c. the National Bureau of Economic Research
 - d. the Department of State
 - e. the Treasury
5. Why PRIMARILY do declines in unemployment lag the onset of expansions?
 - a. Previously discouraged workers enter the labor force.
 - b. Employers wait to hire until inflation subsides.
 - c. Firms must expand capacity to accommodate workers.
 - d. Businesses are slow to hire.
 - e. The data take time to collect.
6. Which term refers to the quantity of goods and services that the economy can produce when using its resources at normal rates?
 - a. gross domestic product
 - b. potential output
 - c. actual output
 - d. marginal output
 - e. current output
7. What expression yields the value of the output gap?
 - a. $C + I + G + NX$
 - b. $Y^* - Y$
 - c. $Y + Y^*$
 - d. $Y - Y^*$
 - e. $C + I + G - NX$
8. The natural rate of unemployment could be BEST described as
 - a. the cyclical component of the unemployment rate
 - b. frictional unemployment plus structural unemployment
 - c. zero
 - d. the level of unemployment when the output gap is positive
 - e. unemployment when the output gap is negative
9. Why PRIMARILY did the natural rate of unemployment increase in the 1970s?
 - a. The United States economy experienced a severe recession.
 - b. More women entered the paid workforce.
 - c. Inflation remained high for a prolonged period.
 - d. Jobs shifted from the service sector to the manufacturing sector.
 - e. The labor force participation rate decreased.
10. Arthur Okun was a chief economic advisor to
 - a. President Roosevelt
 - b. President Kennedy
 - c. President Reagan
 - d. President Eisenhower
 - e. President Truman

11. Okun's Law describes the relationship between the output gap and
 - a. inflation
 - b. cyclical unemployment
 - c. gross domestic product
 - d. potential output
 - e. the natural rate of unemployment
12. Growth in potential output depends LEAST on
 - a. technological advancements
 - b. growth in the labor force participation rate
 - c. changes in the output gap
 - d. growth in the population
 - e. growth in the capital stock
13. What PRIMARILY accounts for deviations between actual output and potential output?
 - a. The natural rate of unemployment is greater than zero.
 - b. Prices do not adjust immediately.
 - c. Demand is downward sloping.
 - d. The supply curve is vertical.
 - e. Resources are not used productively.
14. John Maynard Keynes developed a new economic model in response to
 - a. stagflation in the 1970s
 - b. the Great Depression
 - c. World War I
 - d. World War II
 - e. the Roaring Twenties
15. What is depicted on the y-axis in the Keynesian model?
 - a. real GDP
 - b. aggregate price level
 - c. aggregate quantity demanded
 - d. aggregate quantity supplied
 - e. potential output

1. Why do shifts in relative prices not explain the downward-sloping aggregate demand curve?
 - a. A drop in the aggregate price level means that all goods have gotten cheaper.
 - b. Price changes do not affect the aggregate demand curve.
 - c. Macroeconomists choose to ignore the substitution effect.
 - d. The aggregate demand curve only considers one market at a time.
 - e. The aggregate demand curve assumes that all price changes revert in the long run.
2. What is the MOST likely effect of a lower price level on the market for savings?
 - a. Lower interest rates encourage people to borrow money.
 - b. The supply of money will decrease due to fractional reserve banking.
 - c. Consumers demand more money to purchase cheaper goods.
 - d. Increased savings raises the equilibrium interest rate.
 - e. People reduce their holdings of less liquid assets.
3. Exports are MOST likely to increase when the
 - a. foreign price level decreases
 - b. domestic stock market increases
 - c. domestic interest rate increases
 - d. domestic price level decreases
 - e. foreign savings rate increases
4. Who owns the SpaceX company?
 - a. Elon Musk
 - b. Bill Gates
 - c. Sundar Pichai
 - d. Tim Cook
 - e. Warren Buffett
5. The SpaceX company's construction of satellites MOST directly incentivizes increased
 - a. imports
 - b. exports
 - c. government spending
 - d. consumption
 - e. investment spending
6. Which of the following events would be LEAST likely to shift the aggregate demand curve to the right?
 - a. Consumers' disposable income increases.
 - b. The government lowers taxes.
 - c. Interest rates increase.
 - d. The government passes a major infrastructure spending bill.
 - e. Stock prices increase.
7. Why was the supply curve upward sloping in the microeconomic analysis of markets?
 - a. As price increases, more resources are diverted toward the particular market.
 - b. In the short run, firms adjust prices instead of quantity.
 - c. As interest rates decrease, firms find it more profitable to produce more.
 - d. As the output gap changes, firms adjust production to return to potential output.
 - e. As GDP increases, firms increase production.
8. The Keynesian model represents short-term aggregate supply as a(n)
 - a. horizontal line
 - b. vertical line
 - c. concave curve
 - d. upward-sloping line
 - e. downward-sloping line
9. Resources are fully employed where
 - a. aggregate supply is at its maximum
 - b. aggregate supply and aggregate demand intersect
 - c. aggregate supply is at its maximum
 - d. the aggregate demand curve is beyond potential output
 - e. the short-run aggregate supply curve intersects potential output
10. Which component of GDP does the foreign exchange rate MOST affect?
 - a. inventories
 - b. government spending
 - c. net exports
 - d. investment
 - e. consumption

11. How does an increase in the expected price level affect the Keynesian model?
- Aggregate demand shifts to the right.
 - Aggregate demand shifts to the left.
 - Potential output shifts to the right.
 - Potential output shifts to the left.
 - Aggregate supply shifts up.
12. The 1973 OPEC oil embargo BEST illustrates a(n)
- aggregate supply shock
 - economic bubble
 - Minsky moment
 - Ponzi scheme
 - debt crisis
13. Holding the velocity and quantity of money constant, a lowered price level will MOST likely
- decrease real GDP
 - reduce total surplus
 - increase potential output
 - increase real GDP
 - lower aggregate demand
14. All of the following factors affect the aggregate demand curve EXCEPT
- new technologies
 - fiscal policy
 - long-run potential output
 - consumer sentiment
 - monetary policy
15. How would the Keynesian model adjust to account for long-run growth of real GDP?
- The short-run aggregate supply curve shifts to the right.
 - The short-run aggregate supply curve shifts up.
 - Potential output shifts to the right.
 - Aggregate demand shifts down.
 - Aggregate demand shifts to the right.

1. Suppose the aggregate demand curve shifts to the left. How does output return to potential?
 - a. Potential output moves to the left.
 - b. Interest rates increase.
 - c. Short-run aggregate supply shifts to the left.
 - d. Prices increase.
 - e. Prices fall.
2. Which of the following statements BEST describes the effect of a negative aggregate supply shock?
 - a. Aggregate demand shifts to the right.
 - b. Potential output shifts to the left.
 - c. The economy is producing beyond its potential.
 - d. Aggregate demand shifts to the left.
 - e. The output gap is negative.
3. What is the basic explanation for recessions and expansions in the Keynesian model?
 - a. inelastic demand
 - b. unexpected inflation
 - c. the absence of automatic stabilizers
 - d. short-run inflexibility of prices
 - e. supply shocks
4. The intersection of aggregate demand and short-run aggregate supply in the Keynesian model MOST directly influences
 - a. interest rates
 - b. the inflation rate
 - c. the terms of trade
 - d. unemployment
 - e. aggregate production
5. Suppose the money supply increases at 6% per year, and potential output increases at 4% per year. Holding the velocity of money constant, the inflation rate is CLOSEST to
 - a. 4%
 - b. 10%
 - c. 2%
 - d. 0%
 - e. 6%
6. If an economy perfectly anticipates the level of inflation, then
 - a. potential output will shift to the right
 - b. aggregate demand will shift to the left
 - c. real GDP will increase
 - d. short-run aggregate supply will remain unchanged
 - e. the output gap will equal zero
7. Which of the following situations is an example of expansionary fiscal policy?
 - a. The government enacts austerity programs.
 - b. The government builds new bridges.
 - c. The Federal Reserve increases the money supply.
 - d. The government raises interest rates.
 - e. The government raises taxes.
8. Which component of GDP is MOST directly affected when the government lowers income taxes?
 - a. investment
 - b. net exports
 - c. inventories
 - d. government spending
 - e. consumption
9. To slow down an economy producing above its potential, the Federal Reserve could
 - a. buy government bonds
 - b. increase government spending
 - c. raise taxes
 - d. lower reserve requirements
 - e. raise interest rates
10. If a nation's aggregate demand curve intersects the short-run aggregate supply curve at a point on the long-run aggregate supply curve, then the nation
 - a. is not fully employing its resources
 - b. has increasing interest rates
 - c. has an unemployment rate of zero
 - d. has an inflation rate of zero
 - e. has an output gap of zero

11. Why are fiscal and monetary policy controversial?
 - a. The effects of their actions take time to be felt.
 - b. Short-term inflation can be good for an economy.
 - c. When resources are not fully utilized, the lost output is only temporary.
 - d. Economists disagree about whether the economy should be allowed to produce beyond its potential.
 - e. Deviations of actual output from potential output are not costly.
12. Which United States president financed a military buildup in the 1960s?
 - a. Roosevelt
 - b. Johnson
 - c. Eisenhower
 - d. Reagan
 - e. Truman
13. The Federal Reserve varies the money supply to influence
 - a. taxes
 - b. potential output
 - c. interest rates
 - d. import duties
 - e. net capital outflows
14. In the Keynesian model, an increase in the money supply manifests as a(n)
 - a. downward shift in short-run aggregate supply
 - b. rightward shift in aggregate demand
 - c. upward shift in short-run aggregate supply
 - d. rightward shift in potential output
 - e. leftward shift in aggregate demand
15. Expansionary fiscal policy is MOST likely to be counterproductive due to
 - a. unsustainable debt levels
 - b. partisan politicking
 - c. ineffective welfare programs
 - d. inaccurate economic data
 - e. time lag

1. In which of the following settlements did lasting British colonization start in North America?
 - a. Jamestown
 - b. Plymouth
 - c. New York City
 - d. Philadelphia
 - e. St. Augustine
2. Permanent British presence in colonial North America dates from the
 - a. eighteenth century
 - b. fourteenth century
 - c. seventeenth century
 - d. fifteenth century
 - e. sixteenth century
3. Between 1790 and 1860, real per capita income in the United States
 - a. increased by about 75%
 - b. increased by about 25%
 - c. stayed stable
 - d. more than doubled
 - e. increased by about 50%
4. Mercantilist theory proposed that economic power was the best way to gain
 - a. technological power
 - b. religious power
 - c. cultural power
 - d. agricultural power
 - e. political power
5. Which of the following continents was the center of mercantilist thought and practice?
 - a. Africa
 - b. North America
 - c. Asia
 - d. Europe
 - e. South America
6. Which of the original thirteen United States did the British settle first?
 - a. Massachusetts
 - b. Pennsylvania
 - c. Virginia
 - d. Delaware
 - e. New York
7. Mercantilist theory emphasized
 - a. raw materials over finished goods
 - b. industry over agriculture
 - c. gold over silver
 - d. the populace over the elite
 - e. international trade over domestic trade
8. Which of the following goods would mercantilist theory LEAST approve of citizens consuming?
 - a. silver forks
 - b. wood furniture
 - c. imported textiles
 - d. gold jewelry
 - e. fresh fish
9. Successful application of mercantilist policies led DIRECTLY to a nation's accumulating
 - a. trade fleets
 - b. standing armies
 - c. precious metals
 - d. other nations' colonies
 - e. neighboring nations' territory
10. Adam Smith identified a key flaw of mercantilism as confusing money with
 - a. wealth
 - b. income
 - c. utility
 - d. stability
 - e. investment
11. Which of the following documents dates to the same year as Adam Smith's *The Wealth of Nations*?
 - a. U.S. Articles of Confederation
 - b. Tea Act
 - c. Treaty of Paris
 - d. U.S. Constitution
 - e. United States Declaration of Independence
12. The original mercantilist motive for British colonization of the present-day United States was
 - a. controlling oceanic trade
 - b. creating a market for British goods
 - c. extracting gold and silver
 - d. harvesting fish and timber
 - e. obtaining farmland

13. Which of the following roles did Great Britain keep for itself and NOT give to its colonies?
- a. harvesting timber
 - b. importing finished goods
 - c. growing crops
 - d. creating export goods
 - e. mining metals
14. Economic gains within the United States between 1800 and 1860 were
- a. slower than in the 1700s
 - b. spurred primarily by gold rushes
 - c. led by a transition to a service economy
 - d. largely the product of mercantilism
 - e. unevenly distributed among various groups
15. In the early 1600s, British North America
- a. consisted mostly of Canadian settlements
 - b. struggled for survival
 - c. offered a reliable source of gold
 - d. industrialized rapidly
 - e. expanded inland along rivers

1. The British Parliament passed the first of the Navigation Acts CLOSEST to
 - a. 1750
 - b. 1700
 - c. 1650
 - d. 1600
 - e. 1600
2. The Navigation Acts' PRIMARY aim was to make the British Empire
 - a. world-spanning
 - b. militarily powerful
 - c. self-sufficient
 - d. naval-based
 - e. impregnable
3. The Navigation Acts positioned colonies of the British Empire as suppliers of
 - a. market consumers
 - b. finished goods
 - c. skilled services
 - d. raw materials
 - e. manual labor
4. Which of the following restrictions applied to enumerated goods in the Navigation Acts?
 - a. They could only be exported to England.
 - b. They could not travel across the Atlantic.
 - c. They required a three-month offshore quarantine.
 - d. They incurred an automatic 10% export tax.
 - e. They generated debts payable only in silver or gold.
5. Which of the following locations benefited MOST from enumerated goods?
 - a. mines
 - b. seaports
 - c. factories
 - d. village markets
 - e. pastures
6. A person willing to buy a good at \$15 but who spends just \$10 to obtain it receives \$5 of
 - a. opportunity cost
 - b. inefficiency benefit
 - c. consumer surplus
 - d. marginal utility
 - e. arbitrage
7. Which of the following measures quantifies the difference between a minimum sales price and an actual sales price?
 - a. consumer surplus
 - b. inefficiency benefit
 - c. producer surplus
 - d. arbitrage
 - e. marginal cost
8. Which field did Robert P. Thomas use to estimate the burden of the Navigation Acts?
 - a. behavioral economics
 - b. game theory
 - c. optimization imperatives
 - d. operations research
 - e. welfare economics
9. An imagined world where the Navigation Acts never existed would, to an economist, be considered
 - a. theoretical
 - b. counterfactual
 - c. conventional
 - d. moderated
 - e. utopian
10. Robert P. Thomas used a change in consumer surplus to measure the Navigation Acts'
 - a. perceived unfairness
 - b. absolute impact
 - c. import burden
 - d. relative impact
 - e. export burden

11. Robert P. Thomas estimated the annual nominal per capita net cost of the Navigation Acts at around
 - a. 20 cents
 - b. 10 cents
 - c. 50 cents
 - d. 30 cents
 - e. 40 cents
12. On a percentage-of-income basis, Robert P. Thomas's estimated cost of the Navigation Acts on colonists was
 - a. under 1%
 - b. over 5%
 - c. around 3%
 - d. around 4%
 - e. around 2%
13. Which of the following benefits did Robert P. Thomas find mitigated the costs of the Navigation Acts on colonists?
 - a. technological advances
 - b. military protection
 - c. favorable currency exchange rates
 - d. access to British trade goods
 - e. right to use British ports
14. A hypothetical world without the Navigation Acts shows an INCREASE in American colonial
 - a. producer surplus
 - b. trade with England
 - c. export burden
 - d. import burden
 - e. heavy industry
15. The impact of the Navigation Acts on American colonists was
 - a. impoverishing
 - b. a net positive
 - c. unevenly distributed
 - d. worse for importers
 - e. restricted to finished goods

1. A welfare ratio measures
 - a. a decrease or increase in living standards
 - b. a single income's ability to support a family
 - c. the percentage of a society living in poverty
 - d. the gap between a society's richest and poorest
 - e. the percentage of government expenditure spent on social programs
2. Compared to the incomes of unskilled workers in London, colonial Philadelphia's unskilled workers made
 - a. about 25% less
 - b. about 25% more
 - c. about 50% less
 - d. about 50% more
 - e. about the same
3. How did wages for unskilled workers in colonial Boston compare to those in colonial Philadelphia?
 - a. Bostonians made twice as much.
 - b. Bostonians made half as much.
 - c. Bostonians made around the same.
 - d. Bostonians made slightly less.
 - e. Bostonians made slightly more.
4. Which of the following colonies had comparable unskilled-labor wages to London by the 1770s, according to a 2012 study?
 - a. Connecticut
 - b. New Jersey
 - c. Delaware
 - d. Rhode Island
 - e. Maryland
5. Which of the following factors MOST influenced high incomes in the colonies that would become the United States?
 - a. the Navigation Acts
 - b. proximity to Latin America
 - c. proximity to Canada
 - d. mercantilist protections
 - e. abundant natural resources
6. During the colonial period, the population of the future United States experienced
 - a. stagnation
 - b. rapid expansion
 - c. slow decline
 - d. rapid decline
 - e. slow expansion
7. Formal laws and social customs are examples of economic
 - a. matrices
 - b. actors
 - c. technologies
 - d. institutions
 - e. observers
8. At its formation, the British colony at Jamestown lacked
 - a. a permanent location
 - b. implicit social hierarchy
 - c. a code of punishment
 - d. private property rights
 - e. a government charter
9. How did the Jamestown Colony originally distribute output?
 - a. varied rewards based on seniority
 - b. all profit accruing to the governor
 - c. equal shares for all
 - d. varied rewards based on productivity
 - e. all profit accruing to the Crown
10. Through the 1700s, most technology used in the United States was
 - a. operated by enslaved people
 - b. advanced compared to the rest of the world
 - c. used for agricultural rather than manufacturing
 - d. adopted from Indigenous peoples
 - e. imported from Europe

11. A key element of the emergence of American technology was the new nation's
 - a. protection for inventions
 - b. constant state of war
 - c. access to natural resources
 - d. lack of access to British sources
 - e. emphasis on social disruption
12. In what area did Samuel Morse's best-known invention operate?
 - a. textile production
 - b. long-distance communication
 - c. agricultural yields
 - d. household illumination
 - e. sound recording
13. Who patented a sewing machine in 1846?
 - a. Eli Whitney
 - b. Thomas Edison
 - c. Elias Howe
 - d. Isaac Singer
 - e. Mary Katherine Goddard
14. How many patents did Thomas Edison receive during his lifetime?
 - a. over 1,000
 - b. around 800
 - c. around 400
 - d. around 600
 - e. under 200
15. Which of the following inventions came LAST?
 - a. sewing machine
 - b. telegraph
 - c. radio
 - d. phonograph
 - e. incandescent lamp

1. Which of the following regions of Virginia did the English settle FIRST?
 - a. Chesapeake
 - b. Piedmont
 - c. Appalachia
 - d. Blue Ridge
 - e. Shenandoah
2. Which of the following export crops was MOST important to colonial Virginia's economy?
 - a. tobacco
 - b. wheat
 - c. rice
 - d. cotton
 - e. sugar
3. Compared to rice production in the colonial Carolinas, tobacco production in Virginia took place
 - a. without relying on European technology
 - b. in wetter conditions
 - c. on smaller farms
 - d. with greater labor requirements
 - e. in higher temperatures
4. Which of the following groups FIRST used indentured servitude in British North America?
 - a. Dutch West India Company
 - b. Virginia Company
 - c. Plymouth Company
 - d. Somers Isles Company
 - e. Hudson's Bay Company
5. Individuals signing indenture contracts exchanged a promise of future labor for
 - a. transportation between England and a colony
 - b. education in a specialized trade
 - c. partial ownership in a joint-stock company
 - d. money to get out of debtors' prison
 - e. basic food, clothing, and shelter
6. How did ship captains earn a profit from the indenture system?
 - a. getting kickbacks from colonial governors
 - b. employing indentured servants aboard ships
 - c. claiming bounties on runaway servants
 - d. selling indenture contracts
 - e. receiving subsidies from the Crown
7. Which of the following systems largely replaced indentured servitude in British North America by the 1770s?
 - a. capitalism
 - b. apprenticeship
 - c. slavery
 - d. peonage
 - e. transportation
8. Which of the following colonies depended MOST on rice as an export crop?
 - a. Virginia
 - b. South Carolina
 - c. Delaware
 - d. North Carolina
 - e. Maryland
9. Colonial-era Mid-Atlantic farms largely raised
 - a. potatoes and groundnuts
 - b. grains and livestock
 - c. tobacco
 - d. cotton
 - e. rice and indigo
10. Which of the following figures is CLOSEST to the total United States population at the 1790 Census?
 - a. 5 million
 - b. 3 million
 - c. 1 million
 - d. 2 million
 - e. 4 million

11. Approximately how many enslaved people lived in the United States at the 1790 Census?
- 400,000
 - 300,000
 - 700,000
 - 600,000
 - 500,000
12. A Gini coefficient measures the
- proportion of a population in poverty
 - labor needed for a subsistence existence
 - velocity of money
 - distribution of wealth or income
 - effects of inflation over time
13. In a scenario of perfect equality, the Lorenz curve forms a
- straight horizontal line
 - perfect parabolic curve
 - straight vertical line
 - straight diagonal line
 - perfect hyperbolic curve
14. Which of the following formulas calculates the Gini coefficient in a visual representation of the Lorenz curve?
- $B / (A-B)$
 - $A / (A+B)$
 - $A / (A-B)$
 - $(A - B) / A$
 - $B / (A+B)$
15. In colonial America, the Gini coefficient among ALL households is CLOSEST to
- 0.42
 - 0.48
 - 0.40
 - 0.46
 - 0.44

1. Which of the following wars ended in 1763?
 - a. Pontiac's Rebellion
 - b. King Williams' War
 - c. Seven Years' War
 - d. Powhatan War
 - e. King Phillip's War
2. The two major powers contesting North American colonization leading up to 1763 were Great Britain and
 - a. the Netherlands
 - b. Portugal
 - c. Spain
 - d. Germany
 - e. France
3. Which of the following natural features formed the effective western boundary of British colonization in the future United States?
 - a. Cumberland Gap
 - b. Appalachian Mountains
 - c. Great Lakes
 - d. Ohio River
 - e. Mississippi River
4. The year 1763 marked a shift in British North American colonial administrators'
 - a. trade embargoes
 - b. military strategy
 - c. approach to diplomacy
 - d. religious tolerance
 - e. taxation policy
5. Which of the following acts of Parliament was NOT intended to raise revenue after the Seven Years' War?
 - a. Molasses Act
 - b. Tea Act
 - c. Townshend Acts
 - d. Stamp Act
 - e. Sugar Act
6. Which of the following offices did Charles Townshend hold when the Townshend Acts became law?
 - a. Governor of Massachusetts
 - b. Ambassador to France
 - c. Prime Minister
 - d. Secretary of War
 - e. Chancellor of the Exchequer
7. The Townshend Acts taxed imports of all of the following goods EXCEPT
 - a. lead
 - b. paper
 - c. tea
 - d. glass
 - e. cloth
8. How did an Act of Parliament passed in 1764 raise more revenue despite lowering nominal tax rates?
 - a. applying taxes at each step of production
 - b. taxing a wider range of finished goods
 - c. shifting the tax burden to wealthier colonies
 - d. increasing enforcement of tax collection
 - e. taxing raw materials as well as finished goods
9. The British Parliament passed a tax on American colonial newspapers in
 - a. 1765
 - b. 1767
 - c. 1766
 - d. 1764
 - e. 1768
10. The Boston Tea Party followed an attempt to grant a monopoly on the tea trade to the
 - a. British West India Company
 - b. British West Oceanic Company
 - c. Crown Company
 - d. British East India Company
 - e. British East Oceanic Company

11. The Boston Tea Party took place in the month of
 - a. November
 - b. August
 - c. September
 - d. October
 - e. December
12. Which of the following groups stood to lose the MOST from the Tea Act?
 - a. colonial tea drinkers
 - b. the British Royal Family
 - c. colonial tea importers
 - d. South Asian tea exporters
 - e. Members of the British Parliament
13. In 2022 nominal terms, the cost of property destroyed during the Boston Tea Party was approximately
 - a. \$5.6 million
 - b. \$3.6 million
 - c. \$9.6 million
 - d. \$7.6 million
 - e. \$1.6 million
14. After the Boston Tea Party, British authorities ordered the port of Boston closed
 - a. for one year
 - b. at the discretion of the Crown
 - c. until the colonists paid for the tea
 - d. while the perpetrators were free
 - e. to all but the tea monopoly holder's ships
15. Who drafted a list of ten grievances with Great Britain in October 1774?
 - a. the Continental Congress
 - b. Thomas Jefferson
 - c. James Madison
 - d. Alexander Hamilton
 - e. the Sons of Liberty

1. Military action during the American Revolutionary War erupted in the year
 - a. 1773
 - b. 1775
 - c. 1774
 - d. 1772
 - e. 1776
2. Britain cut down sharply on the rebellious American colonies' international trade through
 - a. destroying roads
 - b. blockading ports
 - c. damming rivers
 - d. forming diplomatic alliances
 - e. stationing border troops
3. Which of the following countries remained a major trading partner of the future United States throughout the American Revolutionary War?
 - a. Germany
 - b. Sweden
 - c. Portugal
 - d. France
 - e. Ireland
4. Colonists' replacement of foreign goods with domestic ones during the American Revolutionary War is an example of
 - a. import substitution
 - b. embargoing
 - c. repatriation
 - d. boycotting
 - e. export substitution
5. According to Walton and Rokoff, about how many women in Philadelphia took home employment in textiles during the American Revolution?
 - a. 4,000
 - b. 3,000
 - c. 5,000
 - d. 1,000
 - e. 2,000
6. Walton and Rokoff noted a Revolutionary-period increase in domestic production of textiles and
 - a. glass
 - b. pewter
 - c. corn
 - d. bread
 - e. alcohol
7. Shays' Rebellion took place in the state of
 - a. New York
 - b. Massachusetts
 - c. Virginia
 - d. Pennsylvania
 - e. New Jersey
8. Daniel Shays and many of his followers were employed in
 - a. shipbuilding
 - b. import resales
 - c. domestic service
 - d. textile manufacturing
 - e. agriculture
9. The initial targets of Shays' Rebellion were
 - a. factories
 - b. harbors
 - c. mansions
 - d. churches
 - e. courthouses
10. Which city saw an attempted takeover of a federal armory during Shays' Rebellion?
 - a. Cambridge
 - b. Springfield
 - c. Plymouth
 - d. Northampton
 - e. Greenfield
11. By what percentage did real income per capita fall in the United States between 1774 and 1800?
 - a. 50%
 - b. 30%
 - c. 10%
 - d. 40%
 - e. 20%

12. Lindert and Williamson rated the fall in United States real income per capita between 1774 and 1800 as nearly equal to that during
- the Great Recession
 - the Civil War
 - the Panic of 1906
 - the Great Depression
 - the Panic of 1857
13. A key contributor to the fall in real income per capita in the United States from 1774 to 1800 was
- state indebtedness to the federal government
 - extreme drought
 - disruption to international trade
 - reparations to the British
 - decrease in domestic manufacturing
14. Which of the following documents provided the institutional framework for post-1790 economic growth in the United States?
- Articles of Confederation
 - Treaty of Paris
 - Bill of Rights
 - United States Constitution
 - Treaty of Ghent
15. Shays' Rebellion took place in
- 1785 and 1786
 - 1784 and 1785
 - 1783 and 1784
 - 1787 and 1788
 - 1786 and 1787

1. Which of the following battles took place the same year as the ratification of the Articles of Confederation?
 - a. Yorktown
 - b. Lexington
 - c. Saratoga
 - d. Trenton
 - e. Savannah
2. How did the Articles of Confederation divide the federal Congress's tax burden among the various states?
 - a. by total population
 - b. by Gross Domestic Product
 - c. by land and sea area
 - d. by white population
 - e. by land area
3. Under the Articles of Confederation, levying taxes was
 - a. left entirely to the federal government
 - b. divided evenly between the federal government and states
 - c. left mostly to the federal government
 - d. left mostly to the individual states
 - e. left entirely to the individual states
4. What was a fatal flaw of taxation under the Articles of Confederation?
 - a. excessive levy on exports
 - b. low burden on New England industry
 - c. excessive levy on imports
 - d. lack of an enforcement mechanism
 - e. low burden on Southern plantations
5. Which of the following types of market failures did the Articles of Confederation engender with its revenue-generating mechanisms?
 - a. free-rider problem
 - b. rent seeking
 - c. information asymmetry
 - d. moral hazard
 - e. adverse selection
6. The political structure of the Articles of Confederation gave each state
 - a. veto power
 - b. proportional representation
 - c. land-based representation
 - d. powers to wage war
 - e. diplomatic authority
7. An impost is a type of
 - a. duty
 - b. smuggler
 - c. currency
 - d. trade route
 - e. stalemate
8. Who served as the first United States Secretary of the Treasury under the Constitution?
 - a. Alexander Hamilton
 - b. Thomas Jefferson
 - c. Oliver Wolcott, Jr.
 - d. Samuel Dexter
 - e. George Washington
9. Which of the following amendments within the United States Bill of Rights MOST directly protects individuals' property rights?
 - a. 5th Amendment
 - b. 3rd Amendment
 - c. 7th Amendment
 - d. 1st Amendment
 - e. 9th Amendment
10. How does the 14th Amendment to the United States Constitution aid in protecting individuals' property rights?
 - a. granting citizenship to those born to immigrant parents
 - b. assigning debt responsibility to the states
 - c. abolishing slavery
 - d. preventing unjustified search and seizure
 - e. extending restrictions on federal actions to the various states

11. The United States Constitution mentions science in the context of
 - a. post offices
 - b. piracy
 - c. weights and measures
 - d. patents
 - e. coining money
12. For representation in Congress, the original form of the United States Constitution counted enslaved persons as
 - a. three-quarters of a person
 - b. three-tenths of a person
 - c. three-fifths of a person
 - d. three-sevenths of a person
 - e. three-eighths of a person
13. How long did the original form of the United States Constitution mandate that the nation must wait before trying to outlaw the importation of enslaved persons?
 - a. three decades
 - b. one decade
 - c. four decades
 - d. two decades
 - e. five decades
14. Who presided over the United States Constitutional Convention?
 - a. the Speaker of the House
 - b. the secretary general
 - c. the Secretary of State
 - d. the Vice President
 - e. the President
15. Heckelman and Dougherty found evidence that delegates to the United States Constitutional Convention
 - a. explicitly rejected European political models
 - b. sought theological authority in the Hebrew Bible
 - c. consulted with Native American leaders
 - d. promoted national interests above all others
 - e. acted in their personal economic self-interest

1. The key architect of the early financial system of the United States under the Constitution was
 - a. George Washington
 - b. Thomas Jefferson
 - c. John Adams
 - d. Alexander Hamilton
 - e. Benjamin Franklin
2. Why did the United States replace the Continental currency after the adoption of the United States Constitution?
 - a. Debts were denominated in Continental currency.
 - b. Continental currency had silver and gold backing.
 - c. Continental currency had become worthless.
 - d. The printing plates for Continental currency were in British hands.
 - e. The French made new currency a condition of future aid.
3. Under the first United States Secretary of the Treasury, the debts of the various states were
 - a. redeemed in gold and silver coinage
 - b. billed to Britain
 - c. discharged in bankruptcy
 - d. taken on by the federal government
 - e. paid off with the last Continental currency
4. Which of the following ratios is CLOSEST to the amount of United States federal debt to the amount of state debt in 1783?
 - a. 5:1
 - b. 4:1
 - c. 1:1
 - d. 2:1
 - e. 3:1
5. How did the United States federal government solve the question of its war bonds?
 - a. declaring a "haircut" for all bondholders
 - b. exchanging them for new bonds
 - c. capturing Spanish galleons
 - d. printing Continental currency to pay them
 - e. taxing tea and sugar
6. After the Treaty of Paris, the United States paid interest on its debts through
 - a. a one-time levy on timber
 - b. sales of seized Loyalist lands
 - c. borrowing from France on better terms
 - d. a newly established fund
 - e. the first United States income tax
7. In 1792, the United States public debt was around
 - a. \$40 million
 - b. \$60 million
 - c. \$80 million
 - d. \$70 million
 - e. \$50 million
8. Which of the following fractions is CLOSEST to the amount of United States public debt relative to GDP in 1792?
 - a. one-third
 - b. one-half
 - c. one-fourth
 - d. one-sixth
 - e. one-fifth
9. Which of the following measures of economic health went UP in the United States between 1792 and 1810?
 - a. principal payments on the public debt
 - b. interest rates paid on the public debt
 - c. interest payments as a percentage of public spending
 - d. public debt as a percentage of GDP
 - e. total nominal public debt
10. In 1810, about how much of United States federal public spending went to interest payments for the public debt?
 - a. one-fourth
 - b. one-sixth
 - c. one-third
 - d. one-fifth
 - e. one-half

11. Which city housed the headquarters of the First Bank of the United States?
 - a. Washington, D.C.
 - b. New York City
 - c. Richmond
 - d. Philadelphia
 - e. Boston
12. Which of the following institutions served as the model for the First Bank of the United States?
 - a. Bank of North America
 - b. De Nederlandsche Bank
 - c. Bank of England
 - d. Banco de España
 - e. Banque de France
13. As a quasi-central bank, the First Bank of the United States
 - a. was the largest buyer of government bonds
 - b. issued coins and banknotes
 - c. served both the United States government and the public
 - d. negotiated with Germany on Congress's behalf
 - e. refused to accept government deposits
14. The First Bank of the United States had a charter originally lasting for
 - a. 5 years
 - b. 10 years
 - c. 20 years
 - d. 25 years
 - e. 15 years
15. Why did the First Bank of the United States close?
 - a. Congress did not renew its charter.
 - b. The United States government took it over.
 - c. It voluntarily wound down operations.
 - d. A financial panic led to its collapse.
 - e. It evolved into the Second Bank of the United States.

1. Under the United States Constitution, who has the power to coin money?
 - a. Congress
 - b. the various states
 - c. the Supreme Court
 - d. the President
 - e. the Post Office
2. Who was the strongest proponent of a bimetallic standard for United States coinage in the early 1790s?
 - a. Thomas Jefferson
 - b. Robert Morris
 - c. George Washington
 - d. Alexander Hamilton
 - e. Gouverneur Morris
3. A key reason for the inclusion of silver in the early United States monetary system's bimetallic standard was
 - a. improving trade with Britain
 - b. promoting silver mining
 - c. creating a rival for gold in global monetary systems
 - d. enabling broader access to currency
 - e. easing smaller transactions
4. The Coinage Act of 1792 specified how much metal should be in each gold and silver coin using an obsolete unit called the
 - a. grain
 - b. droit
 - c. mite
 - d. Troy ounce
 - e. pennyweight
5. How many silver dollars equal the face value of an "eagle" gold coin?
 - a. twenty-five
 - b. ten
 - c. one hundred
 - d. five
 - e. fifty
6. What official ratio of silver to gold valuations formed the basis for early United States bimetallism?
 - a. 25:1
 - b. 40:1
 - c. 15:1
 - d. 10:1
 - e. 60:1
7. Early United States bimetallism failed because its official ratio of silver to gold valuations was
 - a. applicable only in large industries
 - b. effectively set by Britain
 - c. fixed instead of floating
 - d. not set to market standards
 - e. variable by state
8. The failure of early United States bimetallism put the new nation on an effective
 - a. gold standard
 - b. silver standard
 - c. fiat system
 - d. fixed-peg system
 - e. Ricardian system
9. When did early United States bimetallism end?
 - a. 1850s
 - b. 1840s
 - c. 1810s
 - d. 1830s
 - e. 1820s
10. What was the western boundary of the United States after the Treaty of Paris?
 - a. 85th meridian west
 - b. 80th meridian west
 - c. 90th meridian west
 - d. Appalachian Mountains
 - e. Mississippi River
11. The township system used for subdividing new United States land after the Treaty of Paris originated in
 - a. the Mid-Atlantic
 - b. Spain
 - c. the South
 - d. New England
 - e. France

12. Which of the following legislation regulated the sale of newly surveyed land in the United States?
- Northwest Territory Laws
 - Land Ordinances
 - Indiana Acts
 - Township Regulations
 - Settlement Bills
13. How large was a section of newly surveyed land auctioned by the United States in the late 1780s?
- 640 acres
 - 80 acres
 - 40 acres
 - 160 acres
 - 320 acres
14. The minimum auction price per acre for newly surveyed sections of land in the United States in the late 1780s was
- \$3
 - \$5
 - \$4
 - \$2
 - \$1
15. Under the Homestead Act, the marginal price per acre for land in 1862 was
- fifty cents
 - zero
 - ten cents
 - five cents
 - twenty-five cents

1. The turnpike was a nineteenth-century form of
 - a. traffic light
 - b. toll road
 - c. fuel station
 - d. automobile
 - e. rest area
2. Which state housed the Boonesborough Turnpike?
 - a. North Carolina
 - b. Maryland
 - c. New York
 - d. Pennsylvania
 - e. Virginia
3. Which of the following regions had the MOST turnpikes in the 1800s?
 - a. Ohio Valley
 - b. Deep South
 - c. New England
 - d. Great Lakes
 - e. Mid-Atlantic
4. In 1830, the percentage of GDP dedicated to turnpike investment was CLOSEST to
 - a. 6%
 - b. 21%
 - c. 1%
 - d. 16%
 - e. 11%
5. Over a 60-year period, the Salem Turnpike yielded an average dividend of around
 - a. 2%
 - b. 1%
 - c. 5%
 - d. 3%
 - e. 4%
6. Which year marked the completion of the first major canal construction project in the United States?
 - a. 1805
 - b. 1815
 - c. 1785
 - d. 1825
 - e. 1795
7. The Erie Canal crosses the state of
 - a. Virginia
 - b. New York
 - c. Pennsylvania
 - d. North Carolina
 - e. Maryland
8. How long did construction of the Erie Canal take?
 - a. six years
 - b. ten years
 - c. four years
 - d. two years
 - e. eight years
9. To the nearest meter, how deep was the Erie Canal?
 - a. one meter
 - b. three meters
 - c. five meters
 - d. four meters
 - e. two meters
10. Which of the following United States entities provided the MOST funding for canal construction in the 1800s?
 - a. cities
 - b. the federal government
 - c. counties
 - d. private companies
 - e. state governments
11. How much freight could a single boat transport on the Erie Canal?
 - a. 30 tons
 - b. 10 tons
 - c. 40 tons
 - d. 20 tons
 - e. 50 tons
12. Which of the following transportation innovations MOST directly made canals obsolete in the United States?
 - a. wagon trains
 - b. automobiles
 - c. airplanes
 - d. railroads
 - e. Pony Express

13. Who developed the first commercially viable steamboat?
- a. Thomas Edison
 - b. James Watt
 - c. Samuel Morse
 - d. Robert Fulton
 - e. Eli Whitney
14. The best-known name of the first commercially viable steamboat is
- a. *Poughkeepsie*
 - b. *Clermont*
 - c. *DeWitt*
 - d. *Hudson*
 - e. *Nelson*
15. The GREATEST advantage steamboats had over their rivals was their efficiency in traveling
- a. on the open ocean
 - b. through shallow ports
 - c. in both freshwater and saltwater
 - d. upstream along rivers
 - e. through canals

1. Which of the following decades saw the first steam-powered rail transportation implemented in the United States?
 - a. 1810s
 - b. 1770s
 - c. 1750s
 - d. 1830s
 - e. 1790s
2. In which decade did steam-powered rail travel become more important than water travel in the United States?
 - a. 1860s
 - b. 1880s
 - c. 1870s
 - d. 1840s
 - e. 1850s
3. How many years after the end of the Civil War was the First Transcontinental Railroad completed?
 - a. ten
 - b. eight
 - c. six
 - d. four
 - e. twelve
4. The completion ceremony for the First Transcontinental Railroad took place in the present-day state of
 - a. Kansas
 - b. Utah
 - c. Iowa
 - d. Colorado
 - e. Arizona
5. Who won the Nobel Prize in Economics for his work analyzing the impact of railroads on the American economy in the 1800s?
 - a. William Vickrey
 - b. Gary Becker
 - c. Myron Scholes
 - d. John Nash
 - e. Robert Fogel
6. Quantifying the effect of railroads on the economic development of the United States in the 1800s required the invention of
 - a. counterfactuals
 - b. matrix analysis
 - c. decision trees
 - d. linear regression
 - e. the Gini coefficient
7. Approximately what percentage of gross national product (GNP) did railroads save the United States in 1890 through the transport of agricultural goods.
 - a. 4%
 - b. 2%
 - c. 1%
 - d. 5%
 - e. 3%
8. Market integration is the process of
 - a. vertically integrating a business or industry
 - b. horizontally integrating a business or industry
 - c. abolishing tariffs and other measures to promote free trade
 - d. linking local and regional markets to make a national market
 - e. opening market access to previously excluded persons
9. The last two unconnected segments of the First Transcontinental Railroad were joined at a place called
 - a. Lonely Church
 - b. Stanford's Ledge
 - c. Promontory Summit
 - d. Meeting Ground
 - e. Continental Divide
10. Which of the following pieces of infrastructure first connected Ohio farmers and New York City consumers in a single efficient market?
 - a. Cumberland Road
 - b. Excelsior Trail
 - c. Erie Canal
 - d. *Delta Queen* steamboat
 - e. Baltimore & Ohio Railroad

11. Cheap high-speed passenger rail between two cities would MOST directly equalize the cities' costs of
- labor
 - food
 - entertainment
 - jewelry
 - automobiles
12. Between 1816 and 1820, wholesale wheat prices in Cincinnati were
- about twice the prices in Philadelphia and New York
 - about three times the prices in Philadelphia and New York
 - about the same as prices in Philadelphia and New York
 - less than half the prices in Philadelphia and New York
 - about three-quarters the prices in Philadelphia and New York
13. Which of the following statements about relative wholesale flour prices in Cincinnati, Philadelphia, New York, and New Orleans is TRUE?
- Between 1816 and 1860, Cincinnati had the largest percentage gain relative to New Orleans.
 - Between 1816 and 1860, Cincinnati had the smallest percentage gain relative to Philadelphia.
 - Between 1816 and 1816, Cincinnati had the largest percentage gain relative to New York.
 - Between 1816 and 1860, Cincinnati had the largest percentage gain relative to Philadelphia.
 - Between 1816 and 1860, Cincinnati had the smallest percentage gain relative to New York.
14. Between 1816 and 1860, wholesale wheat prices in Cincinnati exceeded those in New York
- three times
 - zero times
 - four times
 - two times
 - one time
15. Which of the following actions ceremonially completed the First Transcontinental Railroad?
- installing a golden plank
 - laying down a golden rail
 - flipping a golden switch
 - hammering in a golden spike
 - driving a golden locomotive

1. The earliest forms of American manufacturing involved around
 - a. textiles
 - b. weapons
 - c. grains
 - d. books
 - e. agricultural equipment
2. Which of the following regions was the first to have an abundance of factories?
 - a. Ohio Valley
 - b. Appalachia
 - c. Mid-Atlantic
 - d. Deep South
 - e. New England
3. What circumstance first caused the marginal product of labor for agricultural workers to fall steeply in the region where American factories first emerged?
 - a. Laborers left the region to find better opportunities.
 - b. Hazardous conditions created a labor supply shortage.
 - c. The Year Without a Summer brought global food shortages.
 - d. The region had relatively few enslaved persons.
 - e. The region ran out of well-yielding land.
4. Which of the following United States presidents ordered a European trade embargo that indirectly boosted American industrial development?
 - a. Thomas Jefferson
 - b. James Madison
 - c. James Monroe
 - d. John Adams
 - e. George Washington
5. The European trade embargo that spurred early United States industrial growth was a response to war between Britain and
 - a. Holy Roman Empire
 - b. Portugal
 - c. Sweden
 - d. Papal States
 - e. France
6. Embargo- and war-based protection of early U.S. domestic industry ended in
 - a. 1812
 - b. 1815
 - c. 1817
 - d. 1810
 - e. 1807
7. Whose move from Britain to the United States helped jumpstart the American Industrial Revolution in textile production?
 - a. Samuel Slater's
 - b. Francis Lowell's
 - c. Elias Howe's
 - d. Isaac Singer's
 - e. Eli Whitney's
8. How did Britain attempt to protect its textile industry from foreign competition in the late eighteenth century?
 - a. securing trade exclusivity for South American cotton
 - b. forcing Scottish Highland tenants off their land
 - c. prohibiting exports of textile machinery
 - d. banning imports of American textiles
 - e. legislating a maximum wage for mill workers
9. Which industrialist operated the first power looms for textile manufacturing in the United States?
 - a. Leland Stanford
 - b. Thomas Edison
 - c. Andrew Carnegie
 - d. Francis Lowell
 - e. Cornelius Vanderbilt
10. Which of the following Massachusetts cities housed the first factories with power looms for textile manufacturing?
 - a. Malden
 - b. Waltham
 - c. Boston
 - d. Cambridge
 - e. Framingham

11. Which of the following machines was used for spinning thread?
 - a. scutcher
 - b. water frame
 - c. willower
 - d. slubber
 - e. water carder
12. The placement of thread spinning and cloth weaving operations in a single plant is an example of
 - a. regulatory capture
 - b. natural monopoly
 - c. Pareto efficiency
 - d. vertical integration
 - e. moral hazard
13. MOST employees of textile mills in the early 1800s were
 - a. young women
 - b. children
 - c. older women
 - d. young men
 - e. older men
14. As employers, United States textile mills in the early 1800s
 - a. paid women the same as men
 - b. tightly controlled their workers' lives
 - c. provided long-term care and development to their workers
 - d. offered worse working conditions than domestic or farm labor
 - e. treated their workers worse than British mill workers
15. By 1860, the percentage of the United States workforce employed in manufacturing was CLOSEST to
 - a. 20%
 - b. 25%
 - c. 5%
 - d. 15%
 - e. 10%