Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Student #: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**ECONOMICS 1021**

**Department of Economics**

**Western University**

**QUIZ #1 Self-Test**

To prepare for Quiz #1 study the lecture notes posted on OWL and the additional material covered in the lectures and work the homework questions and this Self-Test. Beware that the following questions are just a sample of the types of questions you will find on the quiz and covers only a fraction of the material that will be tested, so do not focus your studying by working only this Self-Test. Answers are provided on the last page.

*INSTRUCTIONS:*

1. **Items allowed on your desk** include pencil, pen, eraser, ruler and a nonprogrammable/nongraphing calculator (but **lids/covers must be removed** and placed in your backback and stored under your desk during the quiz).

2. Use of electronic devises (cell phones, iPods, IPads, laptops, etc.) and dictionaries are not allowed during the quiz. **Electronic devices MUST BE TURNED OFF and placed in your backpack** and stored under your desk during the quiz.

3. **You are** **banned from wearing or having on your desk any kind of wristwatch/timepiece** during the quiz (they must be placed in your backpack and stored under your desk during the quiz).

4. **Record your name and student number on the question paper**.

**This quiz is 15 minutes in length (7 questions, approximately 2 minutes per question). For each question, circle the best answer.**

1. Identify the truthfulness of the following statements:

I. Scarcity is our inability to satisfy unlimited wants with limited resources.

II. Scarcity confronts not only the poor but also the rich.

A. I is true; II is false.

B. I is false; II is true.

C. Both I and II are true.

D. Both I and II are false.

2. Identify the truthfulness of the following statements:

I. If government offers health care without charge (“free”), then there are no opportunity costs to society of providing such health care.

II. In economics, the definition of “capital” includes financial assets like stocks and bonds.

A. I is true; II is false.

B. I is false; II is true.

C. Both I and II are true.

D. Both I and II are false.

3. Which of the following statements has both positive and normative aspects?

A. Increased levels of carbon dioxide in the atmosphere is causing global warming and

species extinction.

B. Minimum wage controls increase the level of income for many low-income individuals,

but they are set too low.

C. Rent controls create an excess demand in the market for rental housing and should be abolished.

D. Both A and B.

E. Both B and C.

4. Identify the truthfulness of the following statements:

I. *Ceteris paribus* means “other things change.”

II. If the equation of a straight line is y=6-3x, then the x-intercept is 2.

A. I is true; II is false.

B. I is false; II is true.

C. Both I and II are true.

D. Both I and II are false.

5. If two variables x and y initially move in the same direction as x increases and then move in opposite directions, then the slope of the line relating x and y as x increases is

A. first positive and then negative.

B. positive with a decreasing slope.

C. positive with an increasing slope.

D. negative with a decreasing slope.

E. first negative and then positive.

Use the following information to answer the next question:

Mexico and Canada produce both oil and apples using labour only. A barrel of oil is produced

with 4 hours of labour in Mexico and 8 hours of labour in Canada. A bushel of apples is

produced with 8 hours of labour in Mexico and 12 hours of labour in Canada.

6. Identify the truthfulness of the following statements:

I. Canada has an absolute advantage in oil production.

II. Canada has a comparative advantage in apple production.

A. I is true; II is false.

B. I is false; II is true.

C. Both I and II are true.

D. Both I and II are false.

7. Identify the truthfulness of the following statements:

I. If Hamburger Helper is an inferior good, then, *ceteris paribus*, a decrease in income will cause a rightward shift of the demand curve for Hamburger Helper.

II. If an increase in the price of good A causes the supply curve for good B to shift rightward, then A and B are complements in production.

A. I is true; II is false.

B. I is false; II is true.

C. Both I and II are true.

D. Both I and II are false.

Answers:

1. C

2. D

3. E

4. B

5. A

6. B

7. C