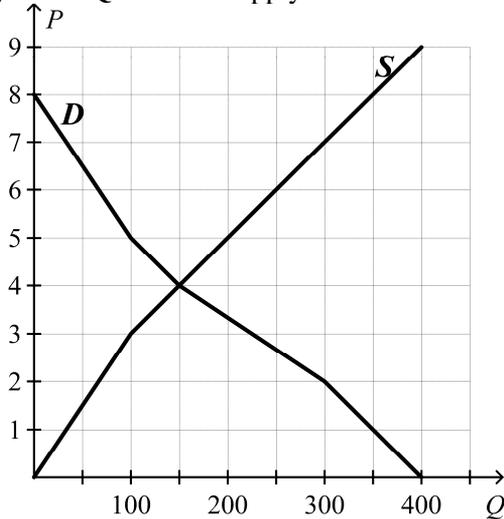


1. A perfectly inelastic supply curve is
 - a. diagonal
 - b. vertical
 - c. horizontal
 - d. **NONE** of the above
2. On Tuesday, Professor Plum asked Skip why he came to class. Skip said it was because he didn't have anything better to do. This indicates that
 - a. Skip's elasticity of demand for education is low.
 - b. Skip considers leisure to be a complement of university education.
 - c. Skip's opportunity cost of going to class is smaller than the benefit.
 - d. Professor Plum believes that his lectures are a normal good.
3. Which of the following is *not* a determinant of demand?
 - a. the price of a substitute good
 - b. the price of a complementary good
 - c. the expected price of the good next month
 - d. the price of an input used to produce the good
4. When you calculate your (opportunity) costs of going to college, what portion of your room-and-board expenses should be included?
 - a. The excess of your room-and-board expenses over the income you earn while attending college
 - b. None of your room-and-board expenses
 - c. The excess of your room-and-board expenses over room-and-board expenses you would have had if you weren't in college
 - d. Your full room-and-board expenses
5. When the price of hot dogs is \$1.50 each, 500 hot dogs are sold every day. After the price falls to \$1.35 each, 510 hot dogs are sold every day. At the original price, what is the price elasticity of demand for hot dogs?
 - a. -0.015
 - b. -1/5
 - c. -5
 - d. -1
6. The exchange of goods or services in a free market is likely to increase the welfare of both sides because
 - a. the majority of individuals in a free market economy can obtain what they want.
 - b. in free markets individuals tend to know the people that they trade with.
 - c. free exchange eliminates poverty.
 - d. in free markets exchange is voluntary.
7. Which of the following facts would be likely to affect the price elasticity of supply for cell-phone service?
 - a. These days, consumers find it difficult to live without cell-phone service.
 - b. Providing more cell-phone service would require the construction of more cell-phone towers.
 - c. The batteries in newer cell phones do not need to be recharged as often as in older phones.
 - d. Most cell phones have many apps.
8. Which of the following is *not* a property of a perfectly competitive market?
 - a. Buyers and sellers are self-interested and rational.
 - b. All transactions are voluntary.
 - c. There are many buyers but only a few sellers.
 - d. A homogeneous good is being sold.
9. A demand curve normally shifts when
 - a. the price changes.
 - b. the supply changes.
 - c. the consumer's income changes.
 - d. the cost of production changes.
10. Which of the following would normally be considered to be an example of complements?
 - a. hamburgers and pizzas
 - b. butter and vegetable oil
 - c. "Your haircut looks great."
 - d. houses and furniture
11. An inward shift in the demand for lettuce could be caused by
 - a. an increase in the price of fertilizer used by lettuce farmers.
 - b. an increase in the population of lettuce-eating rabbits.
 - c. a report that Barack Obama throws his lettuce in the trash when his kids aren't looking.
 - d. a decrease in the price of lettuce.
12. A market demand curve contains information about
 - a. the total cost of production.
 - b. the quantity each consumer has purchased.
 - c. how much all consumers have purchased.
 - d. how much all consumers would want to buy at various prices.
13. Which of the following comes closest to perfect competition?
 - a. restaurants in the Boston area
 - b. the sale and purchase of designer clothing
 - c. the market for wheat
 - d. supermarkets (for food and related items)

Figure DSQ. Market Supply and Demand for Flour



14. **See Figure DSQ.** The market equilibrium price of flour is

- \$3
- \$4
- \$7
- 0

15. **See Figure DSQ.** What is the elasticity of supply when the price goes from \$5 to \$6?

- $2/3$
- $5/4$
- 1
- $4/5$

16. **See Figure DSQ.** Suppose that a lack of rain destroys part of the wheat crop from which flour is made. Then, what would happen to the equilibrium price and quantity of flour sold?

- Price would fall and the quantity would decrease.
- Price would rise and the quantity would increase.
- Price would fall and the quantity would increase.
- Price would rise and the quantity would decrease.

17. **See Figure DSQ.** The quantity of flour that would be purchased at a price of \$3 is:

- 0
- 300
- 150
- 100

18. **See Figure DSQ.** Which of the following is a good approximation of elasticity of demand when the price changes from \$5 to \$4?

- $-5/4$
- $-5/2$
- $-4/5$
- $-1/50$

19. Emily buys more milk when the price of milk is lower, because

- supply curves are always upward sloping.
- low prices are correlated with low quality in perishable goods.
- low prices indicate the presence of a surplus of the product.
- low prices allow her to buy milk for less important purposes.

20. In a complex economy, selling and buying is a more effective procedure for exchange than barter is, because

- barter cannot be applied to services.
- barter leads to low quality goods and services.
- selling and buying requires the use of money.
- with barter it is difficult to find an appropriate trading partner.

21. The supply curve for broccoli could shift to the left because of

- a decrease in the price of broccoli.
- a report that eating broccoli causes liver disease.
- an increase in the population of insects that attack the broccoli plant.
- a statement by Barack Obama that broccoli tastes bad.

22. Arbitrage is likely to occur

- when profit margins are high.
- in markets for luxury goods.
- when the same goods are sold at different prices.
- NONE** of the above

23. Capital formation requires

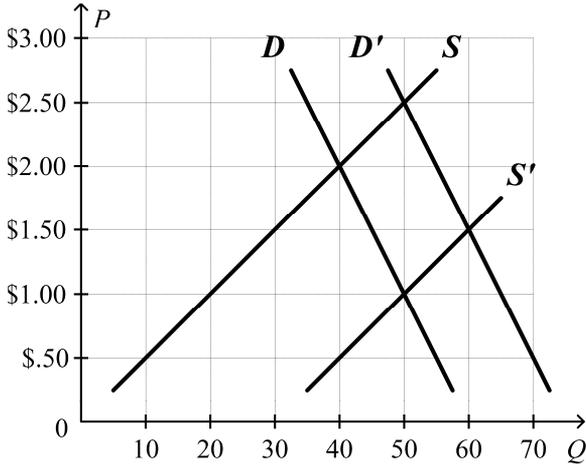
- a sacrifice of consumption.
- an increase in the money supply.
- the availability of advanced technologies.
- the printing of stock certificates.

24. Which of the following is not a capital good?

- a house
- a factory building
- 100 shares of Google stock
- a screwdriver

25. Relative to a person who earns \$7 per hour, a person who earns \$30 per hour has
 - a. a lower opportunity cost of working longer hours.
 - b. a lower opportunity cost of driving farther to work.
 - c. the same opportunity cost of spending time on leisure activities.
 - d. a higher opportunity cost of taking a day off.
26. Economists use models, because
 - a. omitting unimportant details makes analysis easier.
 - b. exceptions to the model prove that people are irrational.
 - c. models give precise results.
 - d. computers are able to process even unimportant details.
27. If people stop drinking milk,
 - a. there would be more dairy cows, because more calves (baby cows) would have milk to drink.
 - b. the supply curve of milk would shift up.
 - c. the supply curve of milk would shift out to compensate for the smaller demand.
 - d. there would be fewer dairy cows, because farmers would have less incentive to keep them.
28. Suppose the total value of US stocks drops by \$100 billion because Donald Trump announces that a black cat is bringing him bad luck. Then,
 - a. the value of goods produced would be \$100 billion less.
 - b. factories would be able to produce the same amount as earlier.
 - c. the country is \$100 billion poorer.
 - d. prices of inferior goods would fall.
29. Suppose statistics show that regular coffee drinkers become sick with cancer a lot more often than other people do. Then we can be confident that
 - a. chemicals in coffee cause cancer.
 - b. avoiding coffee would reduce the chance of getting cancer.
 - c. people who drink 4 cups of coffee each day are more likely to get cancer than those who drink 2 cups a day.
 - d. **NONE** of the above.
30. The distribution of goods and services is more important in advanced economies than in primitive economies, because
 - a. advanced economies tend to use fiat money.
 - b. barter is more important in primitive economies.
 - c. average wealth is greater in advanced economies.
 - d. production is more specialized in advanced economies.
31. To an economist, you are “saving” when you are
 - a. donating money to the poor.
 - b. selling stocks or mutual funds.
 - c. depositing money in a savings account.
 - d. consuming less than you produce.
32. Which of the following countries has lifted most people out of poverty during the last 40 years?
 - a. the United States
 - b. China
 - c. India
 - d. Brazil
33. A market supply curve summarizes information about
 - a. the method of production.
 - b. the quantities sold in each past and future time period.
 - c. how much all producers would want to sell at various prices.
 - d. the quantity sold.
34. As compared with barter, selling and buying
 - a. requires the use of a widely accepted medium of exchange.
 - b. yields more useful information about market value.
 - c. makes it easier to find trading partners.
 - d. **ALL** of the above
35. If the price elasticity of demand for chicken is -2 , by how much would the price of chicken have to fall so that consumers will want to buy 20% more chicken.
 - a. 40%
 - b. 10%
 - c. 20%
 - d. **NONE** of the above
36. The cross price elasticity of demand for two goods that are complements is
 - a. zero.
 - b. negative.
 - c. positive.
 - d. infinite.

Figure SFD. The graph below describes the market for cups of coffee. Changes in the market cause supply to shift from S to S' and demand to shift from D to D' .



37. **See Figure SFD.** In the original market equilibrium
 - a. 30 cups of coffee are sold for \$1.50 each.
 - b. 60 cups of coffee are sold for \$1.50 each.
 - c. 50 cups of coffee are sold for \$2.50 each.
 - d. 40 cups of coffee are sold for \$2.00 each.
38. **See Figure SFD.** What might cause demand to shift from the D to D' ?
 - a. A report that coffee is bad for your health.
 - b. An increase in incomes.
 - c. An expectation that coffee prices will fall in the future.
 - d. A decrease in the price of tea.
39. **See Figure SFD.** What might cause supply to shift from the S to the S' ?
 - a. A storm in South America destroys many coffee plants.
 - b. The price of tea goes up.
 - c. Better coffee machines make more cups of coffee from the same quantity of coffee beans.
 - d. More people start drinking coffee.
40. **See Figure SFD.** What is the elasticity of supply on curve S when the price changes from \$2 to \$2.50?
 - a. 0
 - b. 2
 - c. 1
 - d. -2