

**TEST BANK**

William Boyes • Michael Melvin

**Economics**

*Eighth Edition*



# Chapter 1--Economics: The World Around You

Student: \_\_\_\_\_

1. According to the text, over their lifetimes college-educated people earn
  - A. nearly twice as much as people without college degrees.
  - B. nearly 10 times as much as people without college degrees.
  - C. more than people with limited college but less than those with just a high school degree.
  - D. more than people with a high school degree but no more than those with two years of college.
  - E. more than those without a college degree for the first ten years of working, but after that the two are nearly the same.
2. According to the text, the objective of economics is
  - A. to understand why the real world is what it is.
  - B. to understand money.
  - C. to understand the stock market.
  - D. to understand scarcity.
  - E. to understand greed.
3. According to the text, there are some fundamental regularities of human behavior. One such regularity is
  - A. that people behave in ways that make themselves happier.
  - B. that people behave in ways that make those around them miserable.
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4. According to the text, the divorce rate of high school graduates is
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  - A. 3 percent.
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  - A. business.
  - B. banking.
  - C. education.
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  - E. all of these areas, and more.

7. Even though the public often hears of economists' disagreements, economists agree on a wide variety of topics. Particularly, economists tend to agree on
- A. the role of fiscal policy in the economy.
  - B. the role of monetary policy in the economy.
  - C. the best method of providing health care in the United States.
  - D. the logic of economics.
  - E. the latest verdict in the Microsoft anti-trust trial.
8. Which of the following statements is true?
- A. One definition of economics provided in the text is that economics is the study of unintended consequences.
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  - D. If the United States spends more on war, it must give up some domestic spending.
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9. Which of the following issues was of most concern in the 2008 campaign for the US Presidency?
- A. Health care.
  - B. National security.
  - C. Economics.
  - D. Foreign policy.
  - E. Religion.
10. By the statement "people have unlimited wants," the author of the text means
- A. people always want more goods and services than they have or can purchase with their incomes.
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- A. an item that cannot command a price.
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14. Economics is
- A. concerned with the problem of scarce resources combined with unlimited wants.
  - B. the study of how to make money in the stock market.
  - C. highly theoretical and has little practical application.
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- A. it is no longer available in stores.
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17. A free good is a good that
- A. people do not need.
  - B. people do not want.
  - C. is of poor quality.
  - D. is not scarce.
  - E. is inherited.
18. The basic economic problem is
- A. inflation.
  - B. unemployment.
  - C. poverty.
  - D. scarcity.
  - E. lack of money.
19. The Economic Insight in the text referred to "free" air. What was the point of the insight?
- A. Air is a free good.
  - B. There is no scarcity of air.
  - C. Air is unlimited.
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  - E. There is a cost to air.
20. When some goods are used to produce other goods, those goods that are used in the production process are called
- A. money.
  - B. economic bads.
  - C. unskilled workers.
  - D. factors of production.
  - E. capital rents.

21. In economics, which of the following is *not* considered capital?
- A. Offices and warehouses
  - B. Stocks and bonds
  - C. Machinery
  - D. Factories
  - E. Equipment
22. Economists refer to financial capital and physical capital. Financial capital is
- A. the money used to purchase physical capital.
  - B. the assets that are backed by stocks and bonds.
  - C. the accounting value of physical capital not paid for by debt.
  - D. the economic value of physical capital not paid for by debt.
  - E. the same as net income.
23. An economy's resources
- A. are limited in quantity.
  - B. are always efficiently utilized.
  - C. consist of land, labor, capital, and money.
  - D. are unrelated to its standard of living.
  - E. are unlimited when we use the latest technology.
24. Each of the following is a factor of production *except*
- A. entrepreneurial ability.
  - B. a farmer.
  - C. water.
  - D. the government.
  - E. machinery in a factory.
25. For the use of their resources, owners of capital receive
- A. profit.
  - B. interest.
  - C. wages.
  - D. rent.
  - E. gifts.
26. For the use of their resources, owners of labor receive
- A. profit.
  - B. interest.
  - C. wages.
  - D. rent.
  - E. gifts.
27. Labor resources (input) include
- A. skilled workers, but not unskilled workers.
  - B. unskilled workers, but not skilled workers.
  - C. robots.
  - D. education and training of workers.
  - E. coffee breaks.

28. A skilled worker is an example of
- A. scarcity.
  - B. entrepreneurial ability.
  - C. labor resources.
  - D. capital resources.
  - E. both labor and capital resources.
29. The hardware and software used to design and maintain a webpage for a business are examples of
- A. capital.
  - B. scarcity.
  - C. enterprise.
  - D. entrepreneurial ability.
  - E. output.
30. Choices must *be* made because of unlimited
- A. resources.
  - B. income.
  - C. wants.
  - D. time.
  - E. availability of goods.
31. According to the text, which of the following is *not* true?
- A. People do not have everything they want.
  - B. People do not have the time to do everything they want.
  - C. People do not have the money to purchase everything they want.
  - D. When people choose one good they must give up other things.
  - E. People do not have to make choices if they don't want to.
32. According to the text, rational self-interest
- A. is the term economists use to describe how people make choices.
  - B. means that people have perfect information about choices.
  - C. means that people try to make themselves better off only when the cost of doing so is small.
  - D. means that people are never fooled by crafty marketing.
  - E. means that people never act foolishly in the eyes of others.
33. When people make choices that, at the time and with the information they have at their disposal, will give them the greatest amount of satisfaction, they are said to be
- A. behaving irrationally.
  - B. applying econometric models to their everyday behavior.
  - C. living under a communist dictator.
  - D. acting in their own rational self-interest.
  - E. showing no willingness to plan for the future.
34. Rational behavior in economics assumes that individuals
- A. are motivated by self-interest.
  - B. do not make mistakes.
  - C. are selfish and will not help others.
  - D. will always buy the least expensive items when faced with various choices.
  - E. do not make value judgments.

35. Rational self-interest implies that
- A. individuals are selfish.
  - B. individuals have studied economics.
  - C. all other variables are held constant.
  - D. individuals consider themselves better off when they take actions that make others worse off.
  - E. individuals make choices that provide them with the greatest satisfaction.
36. A person who chooses not to wear a seat belt when driving an automobile
- A. should be put in prison.
  - B. is exercising rational self-interest by choosing the option that gives him or her the greatest satisfaction.
  - C. has a death wish.
  - D. should not be allowed to drive a car.
  - E. cannot possibly be exercising rational self-interest.
37. Mother Teresa, a nun who lived in the bowels of poverty to aid the poor and downtrodden,
- A. did not have a selfish bone in her body.
  - B. was never self-interested.
  - C. was always self-interested.
  - D. was never rationally self-interested.
  - E. was an exception to the economic view of humans.
38. People who choose to do voluntary work
- A. are not acting with rational self-interest.
  - B. find it more satisfying than the alternatives.
  - C. are not concerned with their own satisfaction.
  - D. never look at the alternative options.
  - E. are beyond the scope of economics.
39. The object of the "economic approach" or "economic thinking" is
- A. to impose the value judgments of economists on the members of society.
  - B. to quantify economic variables
  - C. to prove that low rates of unemployment are more important to society than low rates of inflation.
  - D. to impose the political opinions of economists on influential government officials.
  - E. to use the principles of scarcity and rational self-interest in a specific way to search out answers to questions about the real world.
40. The category of economics that contains statements about "what ought to be" is known as
- A. macroeconomics.
  - B. normative economics.
  - C. objective economics.
  - D. microeconomics.
  - E. positive economics.
41. Positive economics
- A. always gives an optimistic outlook for the economy.
  - B. produces the best economic policies.
  - C. deals with what it is.
  - D. deals with what ought to be.
  - E. is concerned with how people should behave.

42. Which of the following is a positive statement?
- A. Tariffs should be imposed on imported cars to increase domestic employment.
  - B. Tariffs should be imposed on imported cars to put pressure on other countries to open their markets to foreign competition.
  - C. Unemployment in the United States falls when people purchase domestically produced cars.
  - D. People should purchase U.S. cars if they wish to help the economy.
  - E. Congress should protect the U.S. automobile industry from foreign competition.
43. A normative statement
- A. concerns what is.
  - B. is always accurate.
  - C. deals with values and opinions.
  - D. cannot be tested in the real world.
  - E. may also be objective.
44. When a presidential candidate with a Ph.D. in economics makes a statement about what should be done to balance the budget, he or she is making a
- A. normative statement.
  - B. positive statement.
  - C. microeconomic statement.
  - D. statement of fact.
  - E. statement that is objective.
45. "Inflation is a more serious problem than education." This statement is an example of
- A. microeconomics.
  - B. macroeconomics.
  - C. the fallacy of composition.
  - D. a positive statement.
  - E. a normative statement.
46. What problem is associated with assuming that what is appropriate for an individual is appropriate for the economy?
- A. Normative analysis
  - B. Interpretation of association as causation
  - C. Rational self-interest
  - D. The fallacy of composition
  - E. Hypothesis testing
47. "Since a household cannot afford to keep adding indefinitely to its debt, a country cannot afford to do so either." This statement is an example of
- A. interpretation of association as causation.
  - B. *ceteris paribus* ("everything else held constant") analysis.
  - C. rational behavior.
  - D. the fallacy of composition.
  - E. marginal analysis.



48. "If a tax cut is good for me, it must be good for the whole economy." This statement is an example of the pitfall called
- A. the scientific method.
  - B. rational self-interest.
  - C. the fallacy of composition.
  - D. interpretation of association as causation.
  - E. *ceteris paribus*.
49. If a driver is able to avoid a traffic jam on the freeway by taking a side street, that person is made better off. However, if we had assumed everybody would be better off by taking the side street, which of the following would be involved?
- A. The fallacy of composition
  - B. The scientific method
  - C. *Ceteris paribus*
  - D. Interpretation of association as causation
  - E. Normative analysis
50. If unemployment rises when beer consumption rises, then the statement "Rising unemployment is the result of increased beer consumption"
- A. is an example of the fallacy of composition.
  - B. is an example of the interpretation of association as causation.
  - C. describes rational behavior.
  - D. describes marginal analysis.
  - E. describes a negative relationship.
51. This past year, whenever you wore your college's colors, the football team won. During the last two weeks you continued to wear the college colors and bet a lot of money on your team, but your college's football team lost both games. Your mistaken belief is a result of
- A. the fallacy of composition.
  - B. *ceteris paribus* ("everything else held constant").
  - C. the interpretation of association as causation.
  - D. the scientific method.
  - E. positive analysis.
52. According to Super Bowl theorem, when NFC team won Super Bowl stock market went up and when AFC team Super Bowl stock market went down. This year if NFC team wins Super Bowl, you should buy stocks."
- A. is an example of the fallacy of composition.
  - B. is an example of the interpretation of association as causation.
  - C. describes rational behavior.
  - D. describes marginal analysis.
  - E. describes a negative relationship.
53. Macroeconomics is concerned with
- A. normative issues.
  - B. individual entities such as firms and households.
  - C. the New England economy.
  - D. what ought to be rather than what is.
  - E. the unemployment rate in the economy.

54. According to the text, the study of economics is usually separated into two general areas. These areas are
- A. microeconomics and labor economics.
  - B. monetary policy and macroeconomics.
  - C. human behavior and scarcity.
  - D. microeconomics and macroeconomics.
  - E. the firm and the consumer.
55. Which of the following is a microeconomic concern?
- A. Choices made by all consumers
  - B. The rate of unemployment in the country
  - C. The individual firm's pricing decision.
  - D. The inflation rate in the country.
  - E. The trade deficit in the country.
56. Which of the following is more of a microeconomic concept than a macroeconomic concept?
- A. The rate of economic growth
  - B. How the composition of output is determined in an economy
  - C. Concern over an entire economy's balance of payments
  - D. Concern over simultaneous high rates of inflation and of unemployment
  - E. Price determination in the resource market
57. Macroeconomics is primarily concerned with
- A. aggregate economic activity.
  - B. unemployment in a particular firm or industry caused by mechanization and automation.
  - C. how individual decision makers behave.
  - D. how to produce a particular good.
  - E. what goods a nation should produce in the world economy.
58. Which of the following is a microeconomic concern?
- A. How the Federal reserve conducts monetary policy during recession.
  - B. The rate of unemployment in the country
  - C. The measure the banking industry uses to turn around.
  - D. The inflation rate the US faces.
  - E. How an individual consumer responds the economic recession.
59. According to the article in the text, the women comprised what percent of college students in 2005?
- A. 35 percent.
  - B. 40 percent.
  - C. 45 percent.
  - D. 50 percent.
  - E. 55 percent.
60. According to the article in the text, in the first year after graduating, women on average working full-time make
- A. the same as their male classmates.
  - B. 10 percent more than their male classmates.
  - C. 20 percent more than their male classmates.
  - D. 10 percent less than their male classmates.
  - E. 20 percent less than their male classmates art history.

61. According to the article, women make less than males because of
- A. sex discrimination.
  - B. lower productivity
  - C. permission by the law.
  - D. their development into candidates for the world of work with 15 percent less market value than men.
  - E. their less competitiveness.
62. According to the article, the biggest choice a college student needs to make is
- A. major.
  - B. friend.
  - C. party.
  - D. sport
  - E. all of these choices.
63. According to the article, which college degree has highest cost?
- A. History.
  - B. Liberal art study.
  - C. Engineering.
  - D. Education.
  - E. Mathematics.
64. According to the text, today only about 20 percent of 1 Americans aged 25 and older hold a college degree.
- True False
65. On average, college-educated workers in the United States earn 10 times as much lifetime income as those without a college degree.
- True False
66. In the long run before 2006-2009 stock market collapse, money invested in the stock market yields a higher return than a college education.
- True False
67. The difference in earnings between those with a medical degree and those with a high school diploma is about \$3.2 million, according to the U.S. Census Bureau.
- True False
68. Economics ranks among the lowest-paid fields in the social sciences.
- True False
69. A bachelor's degree in economics is not limited in that it prepares one only for a career in business.
- True False
70. Economics is useful because it contains a logic that helps to solve many complex problems faced by society.
- True False

71. Economists are famous for their ability to agree with each other, both in the logic of their approach to the subject and in their remedies to specific social problems.  
True False
72. Economics can be defined as the study of intended consequences.  
True False
73. If scarcity does not exist we still need to study economics.  
True False
74. Scarcity is the result of an unfair distribution of income.  
True False
75. Economics is the study of the allocation of scarce resources and scarce time, and of the ways in which people utilize those resources or that time.  
True False
76. Bill Gates is the richest person in the world, so he does not have to make choices.  
True False
77. The factors of production are ingredients used to produce inputs.  
True False
78. In economics the money you have is capital.  
True False
79. Labor (input) includes skilled workers, but not unskilled workers.  
True False
80. Choices must be made because of scarcity<sup>3</sup>/<sub>4</sub>people do not have enough time or money to get everything they want.  
True False
81. One can define economics as the study of how people choose to use their scarce resources to attempt to satisfy their unlimited wants.  
True False
82. People make a choice in order to avoid scarcity problem.  
True False
83. When an individual is behaving according to "rational self-interest," he or she is behaving out of greed.  
True False
84. A rational consumer always has perfect information.  
True False

85. A rational businessperson is concerned with his or her self-interest.  
True False
86. Rational self-interest is the same as selfishness.  
True False
87. Whether to have more or less government involvement in the overall economy is essentially a political issue, and therefore, the techniques of economic analysis are not applicable.  
True False
88. Positive economics is the study of how people and institutions should behave.  
True False
89. "The government should tax health benefit to reduce budget deficit." This is a positive statement.  
True False
90. "If a tax cut is good for me, it must be good for the whole economy." This statement is an example of the pitfall called the interpretation of association as causation.  
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True False
92. The fallacy of composition and the fallacy of *ceteris paribus* are two commonly made errors in economic analysis.  
True False
93. You leave concert ten minutes before it ends you may avoid traffic jam. If all audience act you do they also may avoid traffic jam. Your mistaken belief is a result of the fallacy of composition.  
True False
94. Microeconomics is concerned primarily with the overall functioning of a single economic system.  
True False
95. Macroeconomics is concerned primarily with aggregate sectors of the economy, such as the consumer sector or the business sector.  
True False
96. Both microeconomic and macroeconomic theories deal with individual entities in an economy.  
True False

97. According to the article in the text, on average, art education majors have a higher pay after graduation than do engineering majors.  
True False
98. According to the article in the text, the main reason that women workers make less than male workers is sex discrimination.  
True False
99. According to the article in the text, the most competitive workers the women workers face are single and childless.  
True False
100. According to the article in the text, 25 percent more men than women go to "highly selective" schools.  
True False
101. According to the article in the text, women are more willing to take higher risks that often accompany higher-paying jobs.  
True False

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20. When some goods are used to produce other goods, those goods that are used in the production process are called
- A. money.
  - B. economic bads.
  - C. unskilled workers.
  - D. factors of production.
  - E. capital rents.

21. In economics, which of the following is *not* considered capital?
- A. Offices and warehouses
  - B.** Stocks and bonds
  - C. Machinery
  - D. Factories
  - E. Equipment
22. Economists refer to financial capital and physical capital. Financial capital is
- A.** the money used to purchase physical capital.
  - B. the assets that are backed by stocks and bonds.
  - C. the accounting value of physical capital not paid for by debt.
  - D. the economic value of physical capital not paid for by debt.
  - E. the same as net income.
23. An economy's resources
- A.** are limited in quantity.
  - B. are always efficiently utilized.
  - C. consist of land, labor, capital, and money.
  - D. are unrelated to its standard of living.
  - E. are unlimited when we use the latest technology.
24. Each of the following is a factor of production *except*
- A. entrepreneurial ability.
  - B. a farmer.
  - C. water.
  - D.** the government.
  - E. machinery in a factory.
25. For the use of their resources, owners of capital receive
- A. profit.
  - B.** interest.
  - C. wages.
  - D. rent.
  - E. gifts.
26. For the use of their resources, owners of labor receive
- A. profit.
  - B. interest.
  - C.** wages.
  - D. rent.
  - E. gifts.
27. Labor resources (input) include
- A. skilled workers, but not unskilled workers.
  - B. unskilled workers, but not skilled workers.
  - C. robots.
  - D.** education and training of workers.
  - E. coffee breaks.

28. A skilled worker is an example of
- A. scarcity.
  - B. entrepreneurial ability.
  - C.** labor resources.
  - D. capital resources.
  - E. both labor and capital resources.
29. The hardware and software used to design and maintain a webpage for a business are examples of
- A.** capital.
  - B. scarcity.
  - C. enterprise.
  - D. entrepreneurial ability.
  - E. output.
30. Choices must *be* made because of unlimited
- A. resources.
  - B. income.
  - C.** wants.
  - D. time.
  - E. availability of goods.
31. According to the text, which of the following is *not* true?
- A. People do not have everything they want.
  - B. People do not have the time to do everything they want.
  - C. People do not have the money to purchase everything they want.
  - D. When people choose one good they must give up other things.
  - E.** People do not have to make choices if they don't want to.
32. According to the text, rational self-interest
- A.** is the term economists use to describe how people make choices.
  - B. means that people have perfect information about choices.
  - C. means that people try to make themselves better off only when the cost of doing so is small.
  - D. means that people are never fooled by crafty marketing.
  - E. means that people never act foolishly in the eyes of others.
33. When people make choices that, at the time and with the information they have at their disposal, will give them the greatest amount of satisfaction, they are said to be
- A. behaving irrationally.
  - B. applying econometric models to their everyday behavior.
  - C. living under a communist dictator.
  - D.** acting in their own rational self-interest.
  - E. showing no willingness to plan for the future.
34. Rational behavior in economics assumes that individuals
- A.** are motivated by self-interest.
  - B. do not make mistakes.
  - C. are selfish and will not help others.
  - D. will always buy the least expensive items when faced with various choices.
  - E. do not make value judgments.

35. Rational self-interest implies that
- A. individuals are selfish.
  - B. individuals have studied economics.
  - C. all other variables are held constant.
  - D. individuals consider themselves better off when they take actions that make others worse off.
  - E.** individuals make choices that provide them with the greatest satisfaction.
36. A person who chooses not to wear a seat belt when driving an automobile
- A. should be put in prison.
  - B.** is exercising rational self-interest by choosing the option that gives him or her the greatest satisfaction.
  - C. has a death wish.
  - D. should not be allowed to drive a car.
  - E. cannot possibly be exercising rational self-interest.
37. Mother Teresa, a nun who lived in the bowels of poverty to aid the poor and downtrodden,
- A. did not have a selfish bone in her body.
  - B. was never self-interested.
  - C.** was always self-interested.
  - D. was never rationally self-interested.
  - E. was an exception to the economic view of humans.
38. People who choose to do voluntary work
- A. are not acting with rational self-interest.
  - B.** find it more satisfying than the alternatives.
  - C. are not concerned with their own satisfaction.
  - D. never look at the alternative options.
  - E. are beyond the scope of economics.
39. The object of the "economic approach" or "economic thinking" is
- A. to impose the value judgments of economists on the members of society.
  - B. to quantify economic variables
  - C. to prove that low rates of unemployment are more important to society than low rates of inflation.
  - D. to impose the political opinions of economists on influential government officials.
  - E.** to use the principles of scarcity and rational self-interest in a specific way to search out answers to questions about the real world.
40. The category of economics that contains statements about "what ought to be" is known as
- A. macroeconomics.
  - B.** normative economics.
  - C. objective economics.
  - D. microeconomics.
  - E. positive economics.
41. Positive economics
- A. always gives an optimistic outlook for the economy.
  - B. produces the best economic policies.
  - C.** deals with what it is.
  - D. deals with what ought to be.
  - E. is concerned with how people should behave.

42. Which of the following is a positive statement?
- A. Tariffs should be imposed on imported cars to increase domestic employment.
  - B. Tariffs should be imposed on imported cars to put pressure on other countries to open their markets to foreign competition.
  - C.** Unemployment in the United States falls when people purchase domestically produced cars.
  - D. People should purchase U.S. cars if they wish to help the economy.
  - E. Congress should protect the U.S. automobile industry from foreign competition.
43. A normative statement
- A. concerns what is.
  - B. is always accurate.
  - C.** deals with values and opinions.
  - D. cannot be tested in the real world.
  - E. may also be objective.
44. When a presidential candidate with a Ph.D. in economics makes a statement about what should be done to balance the budget, he or she is making a
- A.** normative statement.
  - B. positive statement.
  - C. microeconomic statement.
  - D. statement of fact.
  - E. statement that is objective.
45. "Inflation is a more serious problem than education." This statement is an example of
- A. microeconomics.
  - B. macroeconomics.
  - C. the fallacy of composition.
  - D. a positive statement.
  - E.** a normative statement.
46. What problem is associated with assuming that what is appropriate for an individual is appropriate for the economy?
- A. Normative analysis
  - B. Interpretation of association as causation
  - C. Rational self-interest
  - D.** The fallacy of composition
  - E. Hypothesis testing
47. "Since a household cannot afford to keep adding indefinitely to its debt, a country cannot afford to do so either." This statement is an example of
- A. interpretation of association as causation.
  - B. *ceteris paribus* ("everything else held constant") analysis.
  - C. rational behavior.
  - D.** the fallacy of composition.
  - E. marginal analysis.

48. "If a tax cut is good for me, it must be good for the whole economy." This statement is an example of the pitfall called
- A. the scientific method.
  - B. rational self-interest.
  - C. the fallacy of composition.**
  - D. interpretation of association as causation.
  - E. *ceteris paribus*.
49. If a driver is able to avoid a traffic jam on the freeway by taking a side street, that person is made better off. However, if we had assumed everybody would be better off by taking the side street, which of the following would be involved?
- A. The fallacy of composition**
  - B. The scientific method
  - C. *Ceteris paribus*
  - D. Interpretation of association as causation
  - E. Normative analysis
50. If unemployment rises when beer consumption rises, then the statement "Rising unemployment is the result of increased beer consumption"
- A. is an example of the fallacy of composition.
  - B. is an example of the interpretation of association as causation.**
  - C. describes rational behavior.
  - D. describes marginal analysis.
  - E. describes a negative relationship.
51. This past year, whenever you wore your college's colors, the football team won. During the last two weeks you continued to wear the college colors and bet a lot of money on your team, but your college's football team lost both games. Your mistaken belief is a result of
- A. the fallacy of composition.
  - B. *ceteris paribus* ("everything else held constant").
  - C. the interpretation of association as causation.**
  - D. the scientific method.
  - E. positive analysis.
52. According to Super Bowl theorem, when NFC team won Super Bowl stock market went up and when AFC team Super Bowl stock market went down. This year if NFC team wins Super Bowl, you should buy stocks."
- A. is an example of the fallacy of composition.
  - B. is an example of the interpretation of association as causation.**
  - C. describes rational behavior.
  - D. describes marginal analysis.
  - E. describes a negative relationship.
53. Macroeconomics is concerned with
- A. normative issues.
  - B. individual entities such as firms and households.
  - C. the New England economy.
  - D. what ought to be rather than what is.
  - E. the unemployment rate in the economy.**

54. According to the text, the study of economics is usually separated into two general areas. These areas are
- A. microeconomics and labor economics.
  - B. monetary policy and macroeconomics.
  - C. human behavior and scarcity.
  - D.** microeconomics and macroeconomics.
  - E. the firm and the consumer.
55. Which of the following is a microeconomic concern?
- A. Choices made by all consumers
  - B. The rate of unemployment in the country
  - C.** The individual firm's pricing decision.
  - D. The inflation rate in the country.
  - E. The trade deficit in the country.
56. Which of the following is more of a microeconomic concept than a macroeconomic concept?
- A. The rate of economic growth
  - B. How the composition of output is determined in an economy
  - C. Concern over an entire economy's balance of payments
  - D. Concern over simultaneous high rates of inflation and of unemployment
  - E.** Price determination in the resource market
57. Macroeconomics is primarily concerned with
- A.** aggregate economic activity.
  - B. unemployment in a particular firm or industry caused by mechanization and automation.
  - C. how individual decision makers behave.
  - D. how to produce a particular good.
  - E. what goods a nation should produce in the world economy.
58. Which of the following is a microeconomic concern?
- A. How the Federal reserve conducts monetary policy during recession.
  - B. The rate of unemployment in the country
  - C. The measure the banking industry uses to turn around.
  - D. The inflation rate the US faces.
  - E.** How an individual consumer responds the economic recession.
59. According to the article in the text, the women comprised what percent of college students in 2005?
- A. 35 percent.
  - B. 40 percent.
  - C. 45 percent.
  - D. 50 percent.
  - E.** 55 percent.
60. According to the article in the text, in the first year after graduating, women on average working full-time make
- A. the same as their male classmates.
  - B. 10 percent more than their male classmates.
  - C. 20 percent more than their male classmates.
  - D. 10 percent less than their male classmates.
  - E.** 20 percent less than their male classmates art history.

61. According to the article, women make less than males because of
- A. sex discrimination.
  - B. lower productivity
  - C. permission by the law.
  - D.** their development into candidates for the world of work with 15 percent less market value than men.
  - E. their less competitiveness.
62. According to the article, the biggest choice a college student needs to make is
- A.** major.
  - B. friend.
  - C. party.
  - D. sport
  - E. all of these choices.
63. According to the article, which college degree has highest cost?
- A. History.
  - B. Liberal art study.
  - C.** Engineering.
  - D. Education.
  - E. Mathematics.
64. According to the text, today only about 20 percent of 1 Americans aged 25 and older hold a college degree.
- FALSE**
65. On average, college-educated workers in the United States earn 10 times as much lifetime income as those without a college degree.
- FALSE**
66. In the long run before 2006-2009 stock market collapse, money invested in the stock market yields a higher return than a college education.
- FALSE**
67. The difference in earnings between those with a medical degree and those with a high school diploma is about \$3.2 million, according to the U.S. Census Bureau.
- TRUE**
68. Economics ranks among the lowest-paid fields in the social sciences.
- FALSE**
69. A bachelor's degree in economics is not limited in that it prepares one only for a career in business.
- TRUE**
70. Economics is useful because it contains a logic that helps to solve many complex problems faced by society.
- TRUE**



71. Economists are famous for their ability to agree with each other, both in the logic of their approach to the subject and in their remedies to specific social problems.  
**FALSE**
72. Economics can be defined as the study of intended consequences.  
**FALSE**
73. If scarcity does not exist we still need to study economics.  
**FALSE**
74. Scarcity is the result of an unfair distribution of income.  
**FALSE**
75. Economics is the study of the allocation of scarce resources and scarce time, and of the ways in which people utilize those resources or that time.  
**TRUE**
76. Bill Gates is the richest person in the world, so he does not have to make choices.  
**FALSE**
77. The factors of production are ingredients used to produce inputs.  
**FALSE**
78. In economics the money you have is capital.  
**FALSE**
79. Labor (input) includes skilled workers, but not unskilled workers.  
**FALSE**
80. Choices must be made because of scarcity<sup>3</sup>/<sub>4</sub>people do not have enough time or money to get everything they want.  
**TRUE**
81. One can define economics as the study of how people choose to use their scarce resources to attempt to satisfy their unlimited wants.  
**TRUE**
82. People make a choice in order to avoid scarcity problem.  
**FALSE**
83. When an individual is behaving according to "rational self-interest," he or she is behaving out of greed.  
**FALSE**

84. A rational consumer always has perfect information.  
**FALSE**
85. A rational businessperson is concerned with his or her self-interest.  
**TRUE**
86. Rational self-interest is the same as selfishness.  
**FALSE**
87. Whether to have more or less government involvement in the overall economy is essentially a political issue, and therefore, the techniques of economic analysis are not applicable.  
**FALSE**
88. Positive economics is the study of how people and institutions should behave.  
**FALSE**
89. "The government should tax health benefit to reduce budget deficit." This is a positive statement.  
**FALSE**
90. "If a tax cut is good for me, it must be good for the whole economy." This statement is an example of the pitfall called the interpretation of association as causation.  
**FALSE**
91. This past year, whenever you wore your college's colors, the football team won. During the last two weeks you continued to wear the college colors and bet a lot of money on your team, but your college's football team lost both games. Your mistaken belief is a result of the interpretation of association as causation.  
**TRUE**
92. The fallacy of composition and the fallacy of *ceteris paribus* are two commonly made errors in economic analysis.  
**FALSE**
93. You leave concert ten minutes before it ends you may avoid traffic jam. If all audience act you do they also may avoid traffic jam. Your mistaken belief is a result of the fallacy of composition.  
**TRUE**
94. Microeconomics is concerned primarily with the overall functioning of a single economic system.  
**FALSE**
95. Macroeconomics is concerned primarily with aggregate sectors of the economy, such as the consumer sector or the business sector.  
**TRUE**
96. Both microeconomic and macroeconomic theories deal with individual entities in an economy.  
**FALSE**

97. According to the article in the text, on average, art education majors have a higher pay after graduation than do engineering majors.

**FALSE**

98. According to the article in the text, the main reason that women workers make less than male workers is sex discrimination.

**FALSE**

99. According to the article in the text, the most competitive workers the women workers face are single and childless.

**TRUE**

100. According to the article in the text, 25 percent more men than women go to "highly selective" schools.

**TRUE**

101. According to the article in the text, women are more willing to take higher risks that often accompany higher-paying jobs.

**FALSE**