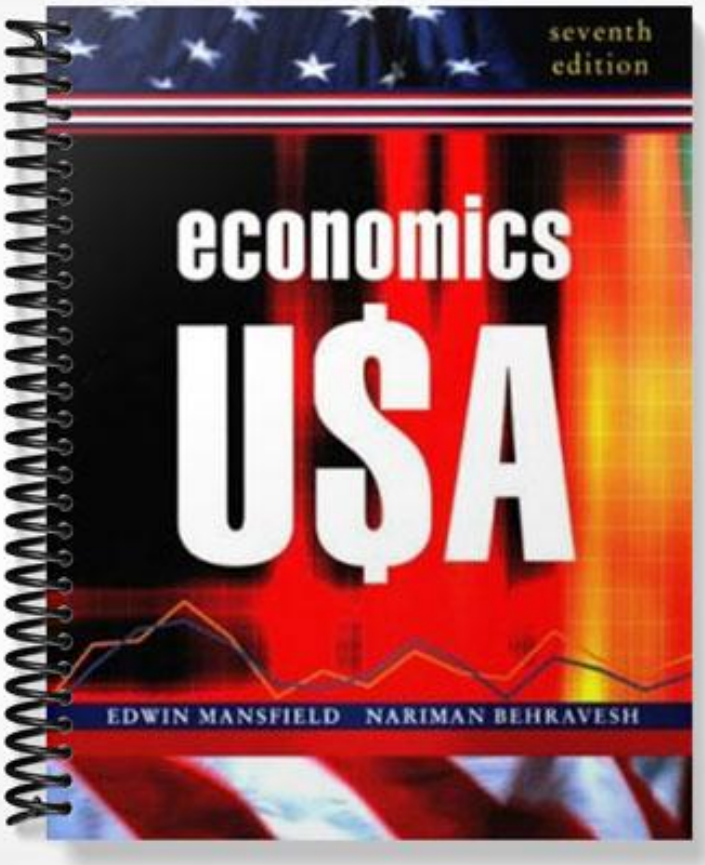
TEST BANK


seventh
edition
economics
U$A
EDWIN MANSFIELD NARIMAN BEHRAVESH

TEST-ITEM FILE FOR
EDWIN MANSFIELD AND NARIMAN BEHRAVESH

Economics U$A

SEVENTH EDITION

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W. W. Norton & Company, Inc.
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PREFACE

The Seventh Edition of the Test-Item File has been further expanded and revised to provide the instructor with 1,975 analytical and descriptive multiple-choice questions to accompany *Economics U$A*. The file also includes questions specifically designed to cover material presented in the *Economics U$A* telecourse. In addition, this file includes questions for each of the six cross-chapter cases as well as many of the cases contained within each chapter. A subset of questions from the Test-Item File appears in an on-line self test for students. Numbering approximately 15 to 17 per chapter, these questions are marked with an asterisk in the Test-Item File. Instructors may want to include some of these questions on their exams to encourage their students. The student self-test page may be found at www.wwnorton.com/ecu7.

In preparing these questions and their correct answers, special care was taken to track both the text's and the video's methods of presentation. Many relatively easy questions along with a number of more challenging questions are provided. In addition, there are alternative versions of questions on key topics so that different exams for multiple-section courses may be constructed. Conscious effort was made to include believable and occasionally humorous distracters and to avoid frequent use of "all of the above," "none of the above," and negatively phrased questions, such as those beginning, "Which of the following is not. . . ." In every case, five choices are provided. Instructors wishing to simplify the questions further may eliminate the fifth choice, except of course when the fifth choice is the correct answer. For all questions the correct answer is provided as well as specific page references indicating where the materials are covered in the text. Instructors may select questions and then reproduce their own exams directly from the copy provided in the Test-Item File. However, to make exam preparation easier, a computerized version is available from the publisher.

A great amount of time and energy has gone into producing this Seventh Edition of the Test-Item File. I would like to express appreciation to my colleagues at Rider, who have provided helpful criticism and comments, and to my students, who have pretested many of these questions. Finally, I would like to commend the staff at Norton for their patience and assistance.

H. E. G.
Rider University
Lawrenceville, NJ, 2004

CHAPTER 1 What Is Economics?

Ans: b
Text ref: p. 3
Topic: Prologue Sampler of Economic Problems

1. Labor productivity is measured by the
   a. unemployment rate divided by the employment rate.
   b. output per hour of labor.
   c. ratio of labor to capital with a given technology.
   d. labor force participation rate.
   e. size of the labor force.

Ans: e
Text ref: p. 3
Topic: Prologue Sampler of Economic Problems

2. A country's standard of living is closely correlated with its
   a. physical size.
   b. population density.
   c. mineral resources
   d. cultural diversity.
   e. labor force productivity.

Ans: a
Text ref: pp. 4–5
Topic: Prologue Sampler of Economic Problems

3. Over time the U.S. economy has had
   a. fluctuations in growth and unemployment.
   b. full employment without serious inflation.
   c. continuous growth in output per person.
   d. persistent deflation.
   e. steadily increasing unemployment.

Ans: c
Text ref: p. 5
Topic: Prologue Sampler of Economic Problems

4. The combination of high rates of unemployment and inflation experienced by the U.S. economy during the 1970s and early 1980s was called
   a. disflation.
   b. reflation.
   c. stagflation.
   d. unflation.
   e. proflation.

Ans: a
Text ref: pp. 6–7
Topic: Prologue Sampler of Economic Problems

5. In recent years, one characteristic of the growth process in the emerging market economies has been the
   a. volatility of and bumpiness experienced in the growth path.
   b. inability of any of these countries to close the gap.
   c. need to rely heavily on central planning and state-owned enterprises to make it work.
   d. fact that it has been limited exclusively to economies in the western hemisphere.
   e. absence of any currency crises.

Ans: c
Text ref: pp. 6–7
Topic: Prologue Sampler of Economic Problems

6. Important determinants of rapid economic growth and improved living standards include all of the following *except* the
   a. enforcement of property rights.
   b. need to realize higher levels of educational attainment.
   c. need to erect tariff barriers to protect firms from foreign competition.
   d. need to pursue stable macroeconomic policies.
   e. unencumbered access to global capital markets.

Ans: b
Text ref: p. 8
Topic: Prologue Sampler of Economic Problems

7. Understanding poverty involves understanding those social mechanisms underlying the
   a. banking system.
   b. distribution of income.
   c. stock market.
   d. rate of inflation.
   e. balance of payments.

Ans: e
Text ref: p. 8
Topic: Prologue Sampler of Economic Problems

8. The average yearly income per family in the United States is about $45,000. To more meaningfully interpret this figure, we would need information on the
   a. output per hour of labor.
   b. amount of household consumption expenditures.
   c. exchange rate.
   d. number of families.
   e. distribution of income.

The next question is based on the following table:

Percentage Distribution of Households by Annual Money Income, United States, 2000

Money income	Percent of all households
Under $5,000	3
$5,000–$9,999	6
$10,000–$14,999	7
$15,000–$24,999	14
$25,000–$34,999	13
$35,000–$49,999	16
$50,000–$74,999	19
$75,000–$99,999	10
$100,000 and over	13
Total	100*

*due to rounding

Ans: b
Text ref: p. 8
Topic: Prologue Sampler of Economic Problems

9. Using the table above, 71 percent of the households in 2000 had annual incomes of
   a. less than $15,000.
   b. more than $25,000.
   c. between $35,000 and $50,000.
   d. at least $75,000.
   e. more than $100,000.

Ans: d
Text ref: p. 11
Topic: What Is Economics?

*10. Economic analysis is
   a. widely understood by all in our society.
   b. important for solving problems in developing and socialist societies but of little use in western capitalist systems.
   c. a set of mathematical rules to ensure a society's happiness and prosperity.

d. a framework for understanding issues that arise because societies need to make allocational decisions.
e. a natural science concerned with biological growth and change of the social system.

Ans: b
Text ref: p. 11
Topic: What Is Economics?

11. Economics is best defined as the study of how
a. to classify resources used to produce final goods and services.
b. resources are apportioned to satisfy human wants.
c. modern businesses have grown and prospered.
d. technology can be used to change scarce resources into free resources.
e. pure capitalism has become the best system for satisfying basic human wants.

Ans: d
Text ref: p. 11
Topic: What Is Economics?

12. Human wants and desires
a. are rarely influenced by advertising or cultural factors.
b. can be classified into the categories of land, labor, and capital.
c. are more readily satisfied when labor productivity declines.
d. appear to be insatiable in the aggregate.
e. fall dramatically as incomes rise in the economy.

Ans: d
Text ref: p. 12
Topic: What Is Economics?

*13. Economic resources have a price above zero because
a. there are no other uses for them.
b. they cannot be easily moved from place to place.
c. otherwise they would not be able to satisfy human wants.
d. they are relatively scarce.
e. they are unlimited in supply.

Ans: a
Text ref: p. 12
Topic: What Is Economics?

14. There would be no economic problems in a world in which all resources were
a. free.
b. natural.
c. bought and sold for a price.
d. owned by the government.
e. scarce.

Ans: a
Text ref: p. 12
Topic: What Is Economics?

15. Economic problems arise because
a. the number of free resources is quite limited.
b. human wants and desires are limited.
c. the world's population is not growing as fast as output is expanding.
d. there is too much money in the world.
e. too many people are self-sufficient and thus do not produce enough.

Ans: c
Text ref: pp. 12–13
Topic: What Is Economics?

16. The expression "there's no such thing as a 'free lunch'" is
a. generally untrue.
b. irrelevant to the subject of economics.
c. a recognition that our capacity to produce goods is limited.
d. an example of normative economics.
e. applicable solely to the inefficient use of resources.

Ans: c
Text ref: pp. 12–13
Topic: What Is Economics?

17. The existence of relative scarcity
a. refers to the fact that people only desire what they cannot have.
b. is no longer relevant to the U.S. economy.
c. creates the need to choose how to allocate resources.
d. emphasizes the need to conserve free resources.
e. means that every country can produce enough to fully satisfy every citizen's wants.

Ans: c
Text ref: p. 12
Topic: What Is Economics?

*18. The basic characteristic of an economic resource is that it
a. is made by machine.
b. is free.
c. is relatively scarce.
d. consists of buildings, equipment, and inventories.
e. comes from the earth.

Ans: b
Text ref: p. 12
Topic: What Is Economics?

19. The activities of a self-employed physician in running a medical practice would be considered
a. a free resource.
b. labor.
c. land.
d. capital.
e. technology.

Ans: c
Text ref: p. 12
Topic: What Is Economics?

20. Which of the following is the best example of capital?
a. Mineral deposits
b. Human effort
c. Buildings and equipment that contribute to production
d. Accounts receivable
e. Goods and services purchased by households for their enjoyment

Ans: d
Text ref: p. 12
Topic: What Is Economics?

21. Which of the following is the best example of labor?
a. Eating a Big Mac
b. Attending a rock concert
c. Watching a late night TV show
d. Planning a corporate merger
e. Sleeping in economics class

Ans: c
Text ref: p. 12
Topic: What Is Economics?

*22. Economists generally classify economic resources into the following three categories:
a. men, money, and machines.
b. savings, spending, and investment.
c. land, labor, and capital.
d. physical, human, and technological.
e. employed, unemployed, and free.

Ans: a
Text ref: p. 12
Topic: What Is Economics?

23. In addition to its fertility, the value of land as an economic resource may stem from its
a. location.
b. mobility.
c. omniscience.
d. gender.
e. conscience.

Ans: a
Text ref: p. 12
Topic: What Is Economics?

24. Which of the following is the best example of land?
a. Mineral deposits
b. Human efforts
c. Buildings and equipment that contribute to production
d. Accounts receivable
e. Goods and services purchased by households for their enjoyment

Ans: e
Text ref: p. 13
Topic: What Is Economics?

25. Society's pool of knowledge concerning the industrial arts is called
    a. labor.
    b. land.
    c. capital.
    d. opportunity cost.
    e. technology.

Ans: e
Text ref: p. 13
Topic: What Is Economics?

*26. Technology
    a. concentrates on the fine arts and literature.
    b. is another name for capital.
    c. permits society to ignore problems of allocation.
    d. is a specific managerial technique.
    e. sets limits on the ability to satisfy human wants with existing resources.

Ans: b
Text ref: pp. 13–14
Topic: What Is Economics?

27. The central questions in economics
    a. pertain solely to centrally planned economies.
    b. reflect concerns arising from the problem of relative scarcity.
    c. are statements about what ought to be.
    d. eliminate the necessity of computing opportunity costs.
    e. represent economic theories that become obsolete with the rise of capitalism.

Ans: c
Text ref: pp. 11, 13
Topic: What Is Economics?

28. Societies must choose how to use available resources because
    a. most resources are not owned by anyone.
    b. the capacity to produce goods and services is unlimited.
    c. in the aggregate human wants are insatiable.
    d. otherwise resource prices would be zero.
    e. technological progress wastes resources.

Ans: e
Text ref: pp. 14–17
Topic: Opportunity Cost

29. Cutting an English class to prepare for an economics exam is an example of
    a. normative economics.
    b. the fallacy of composition.
    c. a nonproductive activity.
    d. an inverse relationship.
    e. opportunity cost.

Ans: e
Text ref: p. 16
Topic: Opportunity Cost

30. Another term for opportunity cost is
    a. *irrelevant cost*.
    b. *unnecessary cost*.
    c. *normative cost*.
    d. *disappearing cost*.
    e. *alternative cost*.

Ans: a
Text ref: p. 16
Topic: Opportunity Cost

*31. Opportunity cost
    a. is the production forgone from the best alternative use of a resource.
    b. reduces the need to make choices.
    c. applies only to allocating capital.
    d. is another name for the "invisible hand."
    e. is greater for free resources than for economic resources.

Ans: e
Text ref: p. 16
Topic: Opportunity Cost

*32. When a decision is made to undertake a particular course of action, its opportunity cost
a. is either zero or irrelevant.
b. disappears if the course of action is chosen voluntarily.
c. is measured by the amount of gain from the course of action.
d. may be computed by adding the gain from that action to the gains possible from alternate actions.
e. is that which is made impossible by the course of action.

Ans: d
Text ref: p. 16
Topic: Opportunity Cost

33. A full-time college student could drop out in his senior year and get a job paying $19,500. By finishing school, he incurs an opportunity cost equal to
a. the college degree he gave up to take the job.
b. the college tuition he would otherwise pay.
c. the difference between the cost of tuition and $19,500.
d. $19,500.
e. zero.

Ans: a
Text ref: p. 17–18
Topic: Positive versus Normative Economics

*34. Statements, propositions, or predictions about economic issues that can be tested in principle by an appeal to the facts are called
a. positive economics.
b. passive economics.
c. normative economics.
d. mechanical economics.
e. comparative economics.

Ans: c
Text ref: pp. 17–18
Topic: Positive versus Normative Economics

35. Answers to economic issues that depend on an individual's values or preferences are called
a. positive economics.
b. passive economics.
c. normative economics.
d. mechanical economics.
e. comparative economics.

Ans: c
Text ref: pp. 17–18
Topic: Positive versus Normative Economics

36. To suggest that the United States should take measures to preserve jobs in the steel industry is an example of
a. positive economics.
b. passive economics.
c. normative economics.
d. mechanical economics.
e. comparative economics.

Ans: e
Text ref: pp. 17–18
Topic: Positive versus Normative Economics

*37. The distinction between positive and normative economics is that positive economics deals with
a. inflation; normative economics deals with unemployment.
b. human wants; normative economics deals with resources.
c. economic benefits; normative economics deals with economic costs.
d. opportunity costs; normative economics deals with choice.
e. descriptive statements and predictions about the world; normative economics deals with what ought to be.

Ans: d
Text ref: pp. 17–18
Topic: Positive versus Normative Economics

38. Normative economics frequently plays a valid role when
a. making an economic forecast.
b. formulating economic theory.
c. gathering data.
d. considering economic policy questions.
e. testing an economic model.

Ans: a
Text ref: p. 18
Topic: Positive versus Normative Economics

39. Propositions in positive economics
a. can be tested by comparisons with facts.
b. yield results that depend on individual values or preferences.
c. are rarely agreed to by both conservative and liberal economists.
d. make statements about what ought to be.
e. are generally identical to those of normative economics.

Ans: e
Text ref: pp. 18–20
Topic: Economic Methodology

40. The best economic models
a. are complex.
b. are chosen by secret ballot.
c. make a profit.
d. cannot be quantified.
e. forecast accurately.

Ans: c
Text ref: pp. 18–20
Topic: Economic Methodology

41. The purpose of an economic model is to
a. be a complex, exact replica of reality.
b. demonstrate which values and beliefs are best for the economy.
c. make predictions about the real world.
d. manage the economy like an automatic pilot.
e. set the prices in a price system.

Ans: d
Text ref: p. 18
Topic: Economic Methodology

*42. A theory composed of a number of assumptions from which predictions are deduced is called
a. a statistic.
b. an event.
c. a conclusion.
d. a model.
e. an allegory.

Ans: d
Text ref: pp. 18–20
Topic: Economic Methodology

43. When evaluating the usefulness of an economic model, one should check to see whether the model
a. is consistent with models in other social sciences.
b. is based on assumptions that are all close replicas of reality.
c. is intelligible to the average layperson.
d. predicts more accurately than any other model.
e. can be tested under carefully controlled conditions.

Ans: b
Text ref: pp. 20–21
Topic: Economic Methodology

44. Measurement is necessary in economics to
a. construct diagrams depicting economic models.
b. evaluate the predictions of economic models.
c. help distinguish positive from normative statements.
d. identify the tasks an economy must perform.
e. construct mathematical models of the economy.

Ans: c
Text ref: pp. 21–23
Topic: Economic Methodology

45. A straight line fitted to an upward-sloping scatter of points in a graph represents
    a. the upper turning point.
    b. economic growth.
    c. the average relationship.
    d. a long-run equilibrium.
    e. an inverse function.

Ans: a
Text ref: pp. 21–23
Topic: Economic Methodology

46. If a graph of two variables shows a downward-sloping relationship, that relationship is considered to be
    a. inverse.
    b. positive.
    c. normative.
    d. variable.
    e. independent.

Ans: b
Text ref: p. 22
Topic: Economic Methodology

47. The intersection of the horizontal and vertical axes of a graph is called the
    a. equilibrium.
    b. origin.
    c. elbow.
    d. solution.
    e. nib.

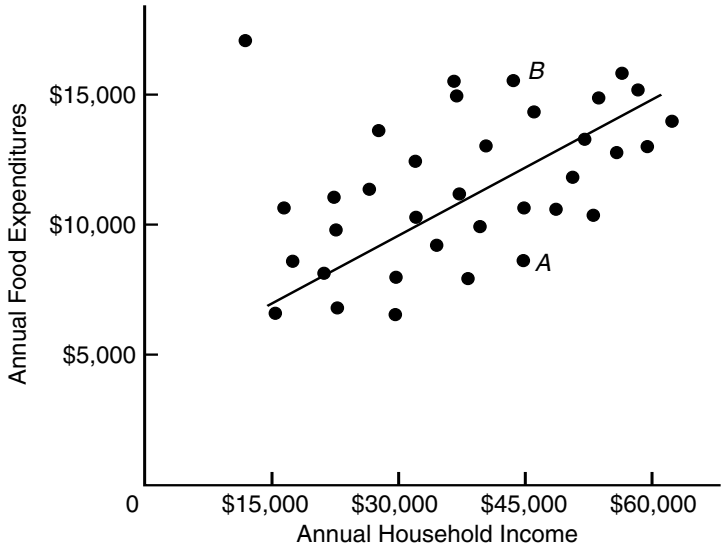
The next question is based on the following table:

Household income	Average number of DVD players per household
$0–$24,999	0.4
$25,000–$49,999	0.7
$50,000–$74,999	0.9
$75,000–$99,999	1.0
Over $100,000	1.4

Ans: b
Text ref: pp. 22–23
Topic: Economic Methodology

48. The relationship between household income and number of DVD players is
    a. nonexistent.
    b. direct.
    c. negative.
    d. fluctuating.
    e. terminal.

The next three questions are based on the following diagram illustrating the results of a study of food expenditures and income for a group of families:



Ans: e
Text ref: pp. 21–23
Topic: Economic Methodology

49. The evidence presented in the graph indicates that
    a. all families at a given income level spend the same amount on food.
    b. the amount of household income depends on the amount of household food expenditures.
    c. an inverse relationship exists between the two variables.
    d. for the families included in the study, no relationship exists between food expenditures and income.
    e. if income falls an average of $15,000, annual food expenditures will fall an average of $2,500.

Ans: a
Text ref: pp. 21–23
Topic: Economic Methodology

50. From the graph it can be seen that, on average, a lower-income family spends
    a. a higher percentage of its income on food than a higher-income family.
    b. a lower percentage of its income on food than a higher-income family.
    c. the same percentage of its income on food as a higher-income family.
    d. a different percentage of its income on food than any other family with the same income.
    e. too much of its income on food.

Ans: e
Text ref: pp. 21–23
Topic: Economic Methodology

51. Family B
    a. spends less than family A on food.
    b. has a higher income than family A.
    c. spends more than its income on food.
    d. spends about the same amount on food as the average family.
    e. spends a higher percentage of its income on food than family A.

Ans: e
Text ref: pp. 23–25
Topic: Tasks of an Economic System

52. One of the four basic tasks any economic system must perform is
    a. measuring the size of its production possibilities curve.
    b. conducting a population census.
    c. eliminating free resources.
    d. classifying economic resources.
    e. determining the kinds of goods to be produced and the amount of each.

Ans: a
Text ref: pp. 23–25
Topic: Tasks of an Economic System

*53. Excluded from the tasks an economic system must perform is determining
a. how free resources are to be allocated.
b. the level and composition of society's output.
c. how each good and service is to be produced.
d. the rate of growth of per capita income.
e. how goods and services are to be distributed.

Ans: e
Text ref: pp. 23–25
Topic: Tasks of an Economic System

54. A basic task of any economic system is to
a. ensure that producers and consumers have the maximum freedom of choice in their economic decisions.
b. increase the size of its population relative to its annual output.
c. estimate its per capita output annually.
d. promote the use of money for exchanging goods and services.
e. make decisions regarding the degree of economic egalitarianism.

Ans: a
Text ref: p. 26
Topic: Adam Smith

55. When Adam Smith described the invisible hand, he was talking about
a. the price system.
b. central planning.
c. opportunity cost.
d. the division of labor.
e. disguised unemployment.

Ans: d
Text ref: p. 26
Topic: Adam Smith

56. The idea that the pursuit of private self-interest by consumers and firms also promotes the public interest is called
a. roundabout production.
b. the circular flow.
c. opportunity cost.
d. the invisible hand.
e. innovation.

Ans: c
Text ref: p. 26
Topic: Adam Smith

*57. Adam Smith wrote that
a. the economic problems of eighteenth-century Britain were in part caused by overspecialization.
b. the government should control the economy with an invisible hand.
c. the pursuit of private self-interest tends to promote the public interest.
d. the owners of resources should be given subsidies to induce them to employ those resources in the most efficient way.
e. eighteenth-century Britain needed a better-planned economy.

Ans: d
Text ref: p. 26
Topic: Adam Smith

58. According to Adam Smith, economic progress results from
a. government ownership of productive resources.
b. a perfectly equal distribution of income in a society.
c. allowing firms to achieve great economic power by monopolizing markets.
d. the division of labor and increased specialization.
e. rapid rates of population growth.

Ans: a
Text ref: pp. 26–28
Topic: Production Possibilities

59. A production possibilities curve illustrates
a. opportunity costs.
b. a market.
c. principles of taxation.
d. income distribution.
e. the circular flow.

Ans: b
Text ref: pp. 29–31
Topic: Production Possibilities

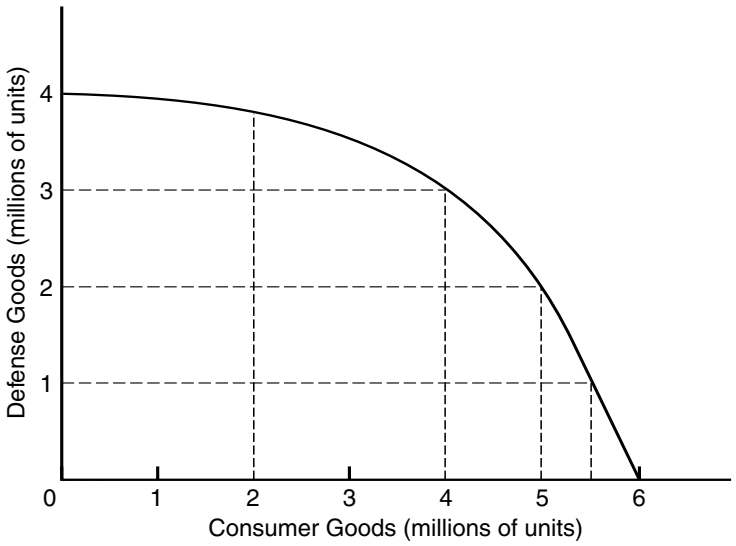
*60. An economy operating inside its production possibilities curve is most likely
a. at full employment.
b. using resources inefficiently.

c. being forced to give up the production of one good to get more of another good.
d. facing a bowed-in curve.
e. producing no capital goods.

Ans: e
Text ref: pp. 29–31
Topic: Production Possibilities

61. All output combinations that fall on an economy's production possibilities curve
a. can be chosen simultaneously.
b. represent the minimum amounts of each good that can be produced.
c. show the distribution of goods and services in the economy.
d. tell us little or nothing about a society's level and composition of output.
e. represent the full and efficient use of that economy's resources.

The next three questions are based on the following diagram:



Ans: b
Text ref: pp. 29–31
Topic: Production Possibilities

62. If the economy currently produces 4 million units of consumer goods and 2 million units of defense goods,
a. it is operating on its production possibilities curve.
b. there must be unemployment of resources.
c. it is producing a combination that requires more resources than it has.
d. it is achieving economic but not technical efficiency.
e. defense goods are preferred to consumer goods.

Ans: c
Text ref: pp. 26–29
Topic: Production Possibilities

63. If at full employment, defense goods production increases from 2 million units to 3 million units, the cost would be
a. 0 units of consumer goods.
b. 0.5 million units of consumer goods.
c. 1 million units of consumer goods.
d. 2 million units of consumer goods.
e. 5 million units of consumer goods.

Ans: b
Text ref: p. 28
Topic: Production Possibilities

64. For this economy to produce 5 million units of consumer goods and 3 million units of defense goods,
a. resources must be used inefficiently.
b. the production possibilities curve must be pushed outward.
c. unemployment must grow.
d. income inequality must increase.
e. society's resources must shrink.

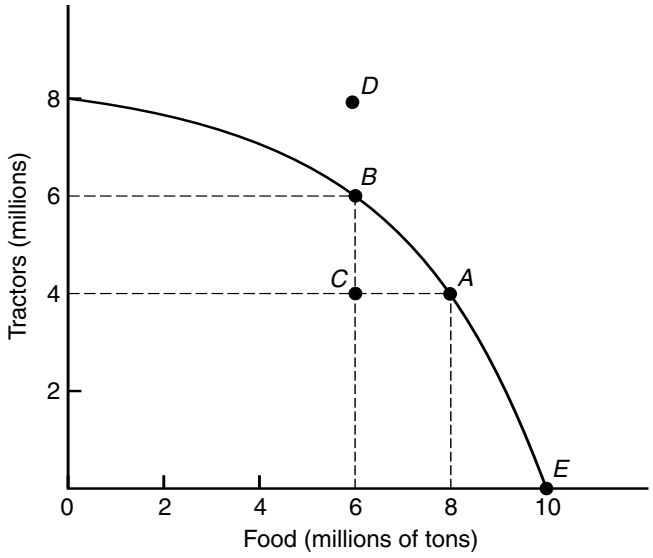
Ans: b
Text ref: pp. 31–33
Topic: Production Possibilities

*65. For an economy at full employment to increase its per-capita growth rate, it must
a. operate inside its production possibilities curve.
b. devote more resources to the production of capital goods.
c. shift the production possibilities curve inward.
d. ignore the central questions.
e. maintain existing levels of consumer production.

Ans: d
Text ref: p. 31
Topic: Production Possibilities

66. A movement from an output combination inside the production possibilities curve to a combination on the curve
a. requires an increase in resources or an improvement in technology.
b. leads to an increase in inequality in the distribution of income.
c. is possible only if the production possibilities curve shifts inward to the left.
d. enables society to increase the output of one good without reducing the output of another good.
e. leads to a decline in per-capita output.

The next two questions are based on the following production possibilities curve:



Ans: d
Text ref: pp. 31–33
Topic: Production Possibilities

67. Suppose 4 million tractors wear out each year. If society chooses point *A* as this year's output combination, then this year's food output is 8 million tons, and at the end of the year,
a. there will be 4 million more tractors than at the beginning of the year.
b. the production possibilities curve will shift outward.
c. there will be 4 million fewer tractors than at the beginning of the year.
d. there will be the same number of tractors as at the beginning of the year.
e. output cannot be determined due to insufficient information.

Ans: b
Text ref: pp. 31–33
Topic: Production Possibilities

68. Suppose 4 million tractors wear out each year. If society wishes to push next year's production possibilities curve outward, the best point to choose of those shown is
a. *A*.
b. *B*.
c. *C*.
d. *D*.

e. *E.*

Ans: c
Text ref: p. 31
Topic: Production Possibilities

69. A production possibilities curve is least helpful when it comes to analyzing which of the four basic tasks facing an economic system?
a. Determining what is produced
b. Determining how goods are produced
c. Determining how society's output is distributed
d. Determining society's rate of growth
e. All the basic economic tasks facing an economic system

Ans: e
Text ref: pp. 28, 31–33
Topic: Production Possibilities

*70. An improvement in technology or an increase in the amount of capital goods will
a. result in movement along a fixed production possibilities curve.
b. diminish the society's production potential.
c. increase the opportunity costs of all goods.
d. cause the production possibilities curve to become vertical.
e. shift the production possibilities curve outward.

Ans: b
Text ref: video, 19
Topic: Opportunity Cost

71. According to Richard Gill in the *Economics U$A* video, the opportunity costs for preserving the Alaskan wilderness are measured by the loss of
a. worker health benefits in textile manufacturing.
b. minerals rendered unavailable for development.
c. wilderness areas in the lower 48 states.
d. tax revenues to the federal government.
e. foreign oil because of the cutback in OPEC oil production.

Ans: d
Text ref: video, 30
Topic: Production Possibilities

72. The United States could expand output of both civilian and military goods during the period from 1939 through the early part of World War II because
a. output per worker fell as more men were drafted by the military.
b. we captured large amounts of new resources from enemy territory.
c. military goods are produced using different resources than consumer goods.
d. during the 1930s we were operating well inside our production possibilities curve.
e. our production possibilities curve was bowed out during World War II.

Ans: d
Text ref: video
Topic: Production Possibilities

73. The fact that initial improvements in the health of cotton textile workers were far less costly to achieve than the final stages of compliance with OSHA regulations illustrates that typical production possibilities curves are
a. vertical.
b. horizontal.
c. bowed in.
d. bowed out.
e. upward sloping to the right.

CHAPTER 2 Markets and Prices

Ans: e
Text ref: p. 36
Topic: Markets and Prices

1. The U.S. economy may be best characterized as an example of
   a. market socialism.
   b. opportunistic imperialism.
   c. militaristic capitalism.
   d. pure capitalism.
   e. mixed capitalism.

Ans: c
Text ref: p. 36
Topic: Markets and Prices

*2. Under a price system, the four basic tasks are performed by
   a. balloting.
   b. nonprofit organizations.
   c. markets.
   d. government decree.
   e. the bureaucracy.

Ans: d
Text ref: p. 37
Topic: Markets and Prices

3. In the United States about 90 percent of all goods and services are produced by
   a. government.
   b. consumers.
   c. unions.
   d. firms.
   e. nonprofit organizations.

Ans: a
Text ref: p. 36
Topic: Markets and Prices

4. Individuals who purchase the final goods and services of an economy are called
   a. consumers.
   b. firms.
   c. businesses.
   d. markets.
   e. entrepreneurs.

Ans: b
Text ref: p. 37
Topic: Markets and Prices

5. A group of firms and individuals in touch with each other to buy or sell something is called a
   a. model.
   b. market.
   c. merger.
   d. microcosm.
   e. melee.

Ans: a
Text ref: pp. 37–38
Topic: Markets and Prices

*6. For a market to exist, there must be
   a. buyers and sellers.
   b. a building such as a retail store.
   c. third parties such as brokers and agents.
   d. perfect information.
   e. government oversight.

Ans: b
Text ref: p. 38
Topic: Markets and Prices

7. In perfectly competitive markets, prices are
   a. set by powerful firms.
   b. unaffected by actions of individual buyers or sellers.
   c. regulated by government interaction.
   d. likely to remain unchanged for long periods of time.
   e. unimportant.

Ans: e
Text ref: p. 38
Topic: Markets and Prices

8. A market demand curve
   a. shifts as the price falls.
   b. slopes upward from left to right.
   c. is unaffected by changes in consumers' tastes and incomes.
   d. measures the rate of growth of per-capita output.
   e. shows the amount buyers would like to purchase at various prices.

Ans: b
Text ref: pp. 39–43
Topic: Markets and Prices

*9. A change in demand means that there has been a
   a. movement along a given demand curve.
   b. shift to the right or left of a given demand curve.
   c. change in sellers' input prices.
   d. corresponding change in supply.
   e. permanent disequilibrium condition created in the market.

Ans: c
Text ref: pp. 38–43
Topic: Markets and Prices

10. Changes in which of the following would be excluded from a list of factors causing the demand curve to shift?
   a. Consumer tastes
   b. Consumer incomes
   c. The price of the good
   d. The number of consumers in the market
   e. The level of other prices

Ans: d
Text ref: pp. 39–43
Topic: Markets and Prices

*11. Increases in demand are caused by
   a. decreases in price.
   b. increases in costs of production.
   c. decreases in the prices of substitute goods.
   d. increases in income.
   e. decreases in the number of consumers in the market.

Ans: d
Text ref: pp. 39–43
Topic: Markets and Prices

12. A shift in a commodity's demand curve means that there has been a change in the
   a. amount currently available for consumption.
   b. number of sellers.
   c. costs of production.
   d. amount demanded at each price level.
   e. techniques of production.

Ans: b
Text ref: pp. 42–43
Topic: Markets and Prices

13. A decrease in demand
   a. results from a decrease in supply.
   b. means that the demand curve has shifted to the left.
   c. increases the quantity sold in the market.
   d. reflects an increasing consumer preference for the item.
   e. causes the equilibrium price to rise.

Ans: d
Text ref: pp. 41–42 footnote
Topic: Markets and Prices

14. When an increase in the price of good A leads to a decrease in the price of good B, then these goods are said to be
    a. generic.
    b. inferior.
    c. abundant.
    d. complements.
    e. replacements.

Ans: e
Text ref: p. 41
Topic: Markets and Prices

15. New residents moving into a growing community increase the
    a. size of housing.
    b. elegance of housing.
    c. housing surplus.
    d. quantity demanded of housing.
    e. demand for housing.

Ans: b
Text ref: pp. 39–42, 41–42 footnote
Topic: Markets and Prices

16. A fall in which of the following increases the demand for large automobiles?
    a. The price of small automobiles
    b. The price of gasoline
    c. The price of large automobiles
    d. Buyers' incomes
    e. Consumer preferences for driving large automobiles

Ans: e
Text ref: pp. 41–42
Topic: Markets and Prices

17. A significant increase in the toll rates on a major turnpike leads to an increase in the
    a. number of vehicles using the turnpike.
    b. demand for vehicle and food services provided by the turnpike service areas.
    c. demand for toll booth attendants.
    d. supply of turnpikes in the same region.
    e. demand for travel on parallel, nontoll roadways.

Ans: c
Text ref: pp. 42–43
Topic: Markets and Prices

*18. A local farmer says that he can sell 50 dozen ears of corn per day at his roadside stand. "But if I raise my price," he claims, "the demand falls." The farmer is
    a. using the term *demand* correctly and is right in his conclusion.
    b. confusing demand and supply.
    c. incorrect because changes in prices affect quantity demanded, not demand.
    d. correct only if factors such as the prices of competitive items, the number of buyers, and the tastes of buyers remain constant.
    e. incorrect because he does not hold input prices and technology constant in his analysis.

Ans: a
Text ref: pp. 42–43
Topic: Markets and Prices

*19. In the mid-1980s buyers demanded 2.7 million bushels of wheat at $3 per bushel. In the mid-1990s buyers demanded about 2.4 million bushels of wheat at $3 per bushel. From this information it is clear that
    a. demand has decreased.
    b. supply has decreased.
    c. demand is unchanged; only the quantity demanded has fallen.
    d. the demand curve slopes upward.
    e. the number of consumers in the market and their income have risen.

Ans: e
Text ref: pp. 42–43, 56–59
Topic: Markets and Prices

*20. Which of the following does not result in a change in demand but leads to a change in the quantity demanded?
a. An increase in population
b. A change in taxes
c. An increase or decrease in the price of a substitute or complement
d. A change in income
e. A shift in the supply curve

Ans: a
Text ref: pp. 43–45
Topic: Markets and Prices

21. A supply curve shifts with changes in
a. technology.
b. income.
c. tastes.
d. number of buyers.
e. market price.

Ans: b
Text ref: pp. 43–44
Topic: Markets and Prices

22. In general, supply curves slope upward to the right because
a. increases in the price of a commodity lead to rightward shifts of the supply curve.
b. rising prices motivate producers to offer more units for sale.
c. technology progresses over time, increasing the ability of firms to produce more at existing prices.
d. of increases in input prices as production is increased.
e. empirical studies almost always show that this is the case.

Ans: e
Text ref: p. 45
Topic: Markets and Prices

23. A decrease in supply
a. is unrelated to changes in the assumptions that underlie the supply curve.
b. produces a supply curve that slopes downward to the right.
c. is caused by a price change along a supply curve.
d. affects only an agricultural supply curve.
e. is synonymous with a leftward shift of the supply curve.

Ans: d
Text ref: pp. 43–45
Topic: Markets and Prices

24. Economic theory states that more of a good is supplied at a higher price than a lower one, yet the sales of digital cameras increased while their price has fallen. This statement
a. reflects the fact that economics is not a precise science and its predictions are sometimes incorrect.
b. merely illustrates that the digital camera market may be an exception to the general rule.
c. applies only to the supply side and overlooks the tremendous increase in the demand for digital cameras.
d. confuses changes in the quantity supplied with changes in supply.
e. ignores the fact that the current price may be below the equilibrium level.

Ans: e
Text ref: pp. 45–47
Topic: Markets and Prices

25. At the equilibrium price,
a. scarcity is eliminated.
b. everyone is content.
c. there is no inflation.
d. price equals quantity.
e. quantity demanded equals quantity supplied.

The next two questions are based on the following table:

Price	Number of tickets consumers are willing to buy
$20	1,500
$25	1,450
$30	1,400
$35	1,375
$40	1,360

Ans: b
Text ref: pp. 38–39
Topic: Markets and Prices

26. This table shows the number of theater tickets the public is willing to buy for a particular show at various prices. If we plotted the points in this table, the result would be a
    a. growth curve.
    b. demand curve.
    c. cost curve.
    d. supply curve.
    e. production possibilities curve.

Ans: d
Text ref: pp. 45–47
Topic: Markets and Prices

27. If 1,375 seats were available at any particular time, the equilibrium price would be
    a. $20.
    b. $25.
    c. $30.
    d. $35.
    e. $40.

Ans: c
Text ref: pp. 45–47
Topic: Markets and Prices

*28. For a market to exhibit excess demand,
    a. supply must exceed demand.
    b. the equilibrium price must be too high to clear the market.
    c. the actual price must be below the equilibrium price.
    d. the demand curve must slope upward.
    e. the market must be growing.

Ans: e
Text ref: pp. 45–47
Topic: Markets and Prices

29. For a market to exhibit excess supply,
    a. demand must exceed supply.
    b. the market must be growing.
    c. demand must increase.
    d. the equilibrium price must be too high to clear the market.
    e. the actual price must be above the equilibrium price.

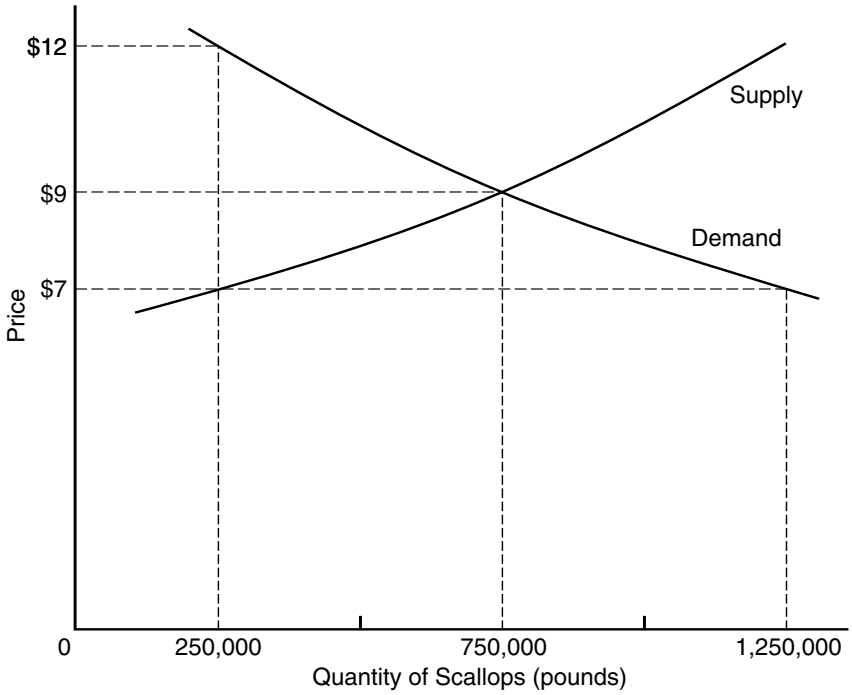
Ans: c
Text ref: pp. 45–47
Topic: Markets and Prices

30. Which of the conditions listed best summarizes the following market data?

Price	Quantity demanded	Quantity supplied
$2.99	8,400	9,200

    a. Market equilibrium
    b. Actual price below equilibrium price
    c. Excess supply
    d. Shortage
    e. Demand exceeds supply

The next two questions are based on the following graph illustrating the market for scallops:



Ans: d
Text ref: pp. 46–47
Topic: Markets and Prices

31. If the actual price for scallops is $7 per pound, there would be an excess demand of
    a. 0 pounds.
    b. 250,000 pounds.
    c. 750,000 pounds.
    d. 1,000,000 pounds.
    e. 1,250,000 pounds.

Ans: c
Text ref: pp. 45–47
Topic: Markets and Prices

32. The equilibrium price is
    a. more than $12 per pound.
    b. $12 per pound.
    c. $9 per pound.
    d. $7 per pound.
    e. less than $7 per pound.

Ans: b
Text ref: p. 47
Topic: Markets and Prices

33. In a free market, actual price will
    a. remain unchanged as equilibrium price changes.
    b. move toward equilibrium price.
    c. cause the demand and supply curves to shift direction.
    d. always exceed equilibrium price.
    e. be very difficult to calculate.

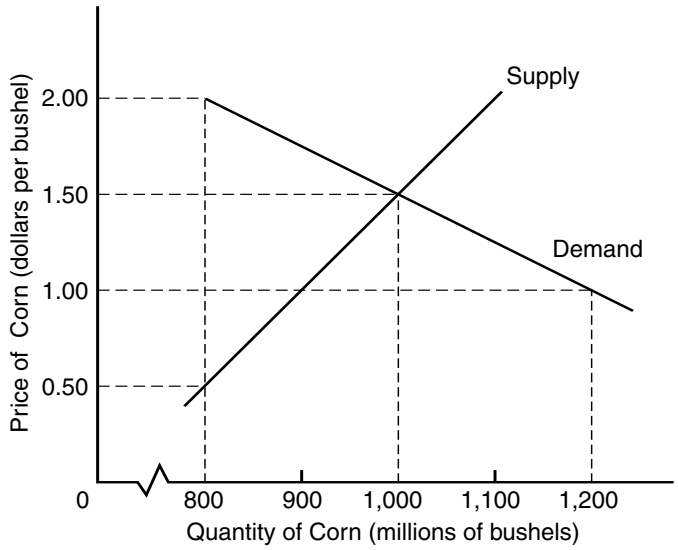
Ans: a
Text ref: pp. 45–47
Topic: Markets and Prices

*34. There is neither excess supply nor excess demand when
    a. actual price equals equilibrium price.
    b. the quantity supplied plus the quantity demanded equals total output.
    c. price equals quantity.
    d. surpluses equal shortages.
    e. the number of buyers equals the number of sellers.

Ans: c
Text ref: p. 47
Topic: Markets and Prices

*35. According to economic analysis, shortages of a good mean
a. supply is too low.
b. demand is too high.
c. actual price is too low.
d. production is too low.
e. equilibrium price is too low.

The next two questions are based on the following graph showing the market for corn:



Ans: b
Text ref: pp. 45–47
Topic: Markets and Prices

36. At the price of $1 per bushel, there would be an excess
a. demand of 200 million bushels.
b. demand of 300 million bushels.
c. demand of 400 million bushels.
d. supply of 200 million bushels.
e. supply of 300 million bushels.

Ans: c
Text ref: pp. 45–47
Topic: Markets and Prices

37. If farmers currently produce 800 bushels,
a. the actual price is $2.
b. the market is in equilibrium.
c. actual price is below equilibrium price and will tend to rise.
d. only increases in demand would encourage the supply to rise above 800 units.
e. the market exhibits a surplus.

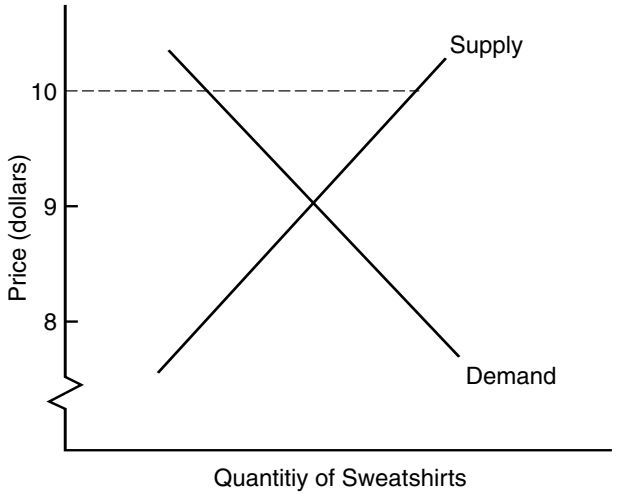
Ans: c
Text ref: pp. 45–47
Topic: Markets and Prices

*38. If the quantity supplied were less than the quantity demanded at a particular price, the equilibrium price would be achieved by
a. rationing.
b. a decrease in supply.
c. an increase in the price that increases the quantity supplied and decreases the quantity demanded.
d. the piling up of inventories until firms were forced to lower the price.
e. an increase in demand that would induce firms to step up production.

Ans: d
Text ref: p. 47
Topic: Markets and Prices

39. If actual price is above equilibrium price,
    a. demand falls.
    b. supply rises.
    c. shortages will emerge.
    d. the quantity supplied exceeds the quantity demanded.
    e. the equilibrium price rises.

The next three questions are based on the following diagram:



Ans: c
Text ref: pp. 45–47
Topic: Markets and Prices

40. If the actual price of sweatshirts is $10 each, the market is not in equilibrium because
    a. all consumers willing to pay $10 for a sweatshirt are unable to buy one.
    b. there is excess demand.
    c. the rate at which sweatshirts are supplied is greater than the rate at which they are demanded.
    d. the price at which sweatshirts are demanded is less than the price at which they are supplied.
    e. the price is not equal to the quantity.

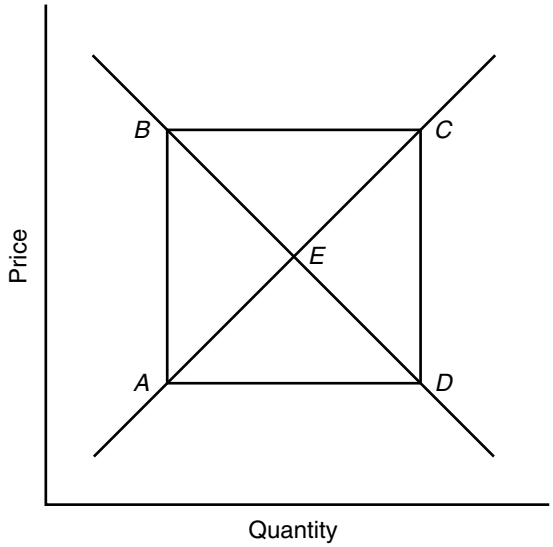
Ans: e
Text ref: pp. 45–47
Topic: Markets and Prices

41. In the diagram, movement toward equilibrium would cause the
    a. supply curve to shift to the right and the demand curve to shift to the left.
    b. actual price to fall below $10 and the quantity supplied and demanded to fall.
    c. actual price to remain the same but the supply to drift to the left as producers cut down on production.
    d. actual price to rise above $10 and the quantity demanded to fall.
    e. actual price to fall below $10, the quantity supplied to fall, and the quantity demanded to rise.

Ans: a
Text ref: p. 46
Topic: Markets and Prices

42. On the basis of the information provided in the diagram, the closed triangle represents
    a. excess supply.
    b. excess demand.
    c. equilibrium prices.
    d. actual prices.
    e. surplus value.

The next two questions are based on the following diagram:



Ans: d
Text ref: pp. 46–47
Topic: Markets and Prices

43. In the market diagram, excess demand is best represented by triangle
    a. *ABE*.
    b. *ABD*.
    c. *BCE*.
    d. *AED*.
    e. *CED*.

Ans: e
Text ref: pp. 46–47
Topic: Markets and Prices

44. In the market diagram, excess supply is best represented by triangle
    a. *ABC*.
    b. *CDB*.
    c. *AED*.
    d. *DEC*.
    e. *BEC*.

Ans: c
Text ref: p. 47
Topic: Markets and Prices

45. Economists generally assume that the actual market price of an item approximates the equilibrium price. They make this assumption because
    a. their information is too limited to permit a more accurate guess.
    b. as soon as the actual price shifts, the equilibrium price shifts.
    c. forces in the market tend to push actual price toward equilibrium.
    d. very few products ever vary in price from the equilibrium.
    e. actual prices are set by the government.

Ans: a
Text ref: p. 48
Topic: Markets and Prices

46. In free markets, the price system encourages producers to meet consumers' wants because
    a. it signals producers as to which goods are profitable.
    b. producers have the public interest in mind.
    c. it allows the government to direct firms to the best production technique.
    d. it rewards consumers for the resources they bring to the marketplace.
    e. consumers are generally willing to pay more than the actual price.

Ans: c
Text ref: p. 48
Topic: Markets and Prices

47. The price system determines the level and composition of output because it relies on firms' acting in accord with
    a. altruistic concerns.
    b. government mandates.

c. the profit motive.
d. the market supply curve.
e. the predictions of economists.

Ans: d
Text ref: pp. 48–50
Topic: Markets and Prices

*48. In a free market, producers' desires to maximize profit
a. inevitably lead to rising market prices.
b. are inconsistent with incentives to introduce new technology.
c. guarantee that firms never take losses.
d. cause firms to use the most efficient techniques.
e. mean that government must control prices to prevent producers from overcharging consumers.

The next two questions are based on the following table:

Technique	Number of labor hours	Number of machine hours
A	1	6
B	2	4
C	5	2
D	10	1

Ans: c
Text ref: pp. 48–50
Topic: Markets and Prices

49. A firm is able to purchase 1 unit of raw material for $2 and convert that unit into a finished product that sells for $25. Four production techniques are available, as shown in the table. If labor costs $1 per hour and machine time costs $3 per hour, the firm should
a. use technique A.
b. use technique B.
c. use technique C.
d. use technique D.
e. not produce at all.

Ans: d
Text ref: pp. 48–50
Topic: Markets and Prices

50. The profit the producer makes using this minimum cost technique is
a. $4.
b. $9.
c. $10.
d. $12.
e. $14.

Ans: a
Text ref: pp. 50–51
Topic: Markets and Prices

*51. In a market economy, who gets what
a. depends on the amount and kinds of resources individuals own.
b. cannot be resolved without government intervention.
c. is unrelated to the questions of what goods are produced and how.
d. is determined by the production possibilities curve.
e. is an irrelevant and unnecessary concern.

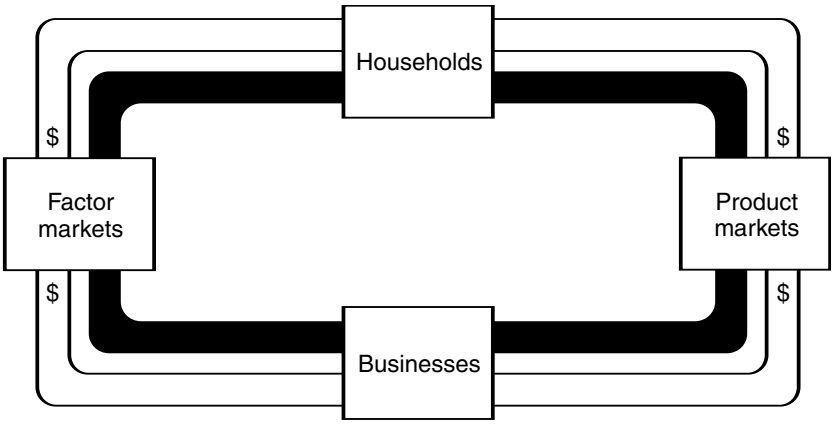
Ans: b
Text ref: pp. 50–51
Topic: Markets and Prices

52. In a free market, the price system determines how society's output is distributed by
a. ensuring that low income people can buy all the necessities for living.
b. providing goods for those willing and able to pay at least the equilibrium price.
c. determining each person's income in the labor market according to the tax rate imposed by the state.
d. allowing all those who desire a commodity to buy it.
e. ensuring that each commodity is produced by the most efficient technique.

Ans: d
Text ref: pp. 51–52
Topic: Markets and Prices

53. In a free market, the price system provides for an adequate rate of growth by
    a. making the augmentation of a society's resources unprofitable.
    b. ensuring an upward-sloping supply curve.
    c. meeting each consumer's demand.
    d. providing strong incentives for firms to introduce new technology.
    e. ensuring that each good is produced in the proper amount.

The next two questions are based on the following circular flow diagram:



Ans: a
Text ref: pp. 52–53
Topic: Markets and Prices

54. In this model of the circular flow, the dollar flows
    a. are clockwise.
    b. are counterclockwise.
    c. on the right side are clockwise and those on the left side are counterclockwise.
    d. on the right side are counterclockwise and those on the left side are clockwise.
    e. on the right side are greater than those on the left side.

Ans: c
Text ref: pp. 52–53
Topic: Markets and Prices

55. In the model of the circular flow,
    a. the dollar flows on the left side represent expenditures for final goods and services.
    b. the dollar flows on the right side represent incomes being paid by businesses to consumers.
    c. resources flow to businesses on the left side and final goods and services flow to households on the right side.
    d. households are buyers of factors of production on the left side and sellers of goods and services on the right side.
    e. the dollar value on the left side is unrelated to the dollar value on the right side.

Ans: e
Text ref: pp. 52–53
Topic: Markets and Prices

*56. In a simple circular flow model of an economy,
    a. households buy factors of production from businesses.
    b. the flow of income to households from businesses is greater than the flow of expenditures by households for goods produced by businesses.
    c. businesses buy final goods and services produced by households.
    d. the total amount of labor hours worked equals the total number of goods produced.
    e. households are owners of resources and purchasers of final goods and services.

Ans: d
Text ref: pp. 52–53
Topic: Markets and Prices

57. In the circular flow model, what is income to the household is, from the point of view of the firm that pays this income, the same things as
a. investment.
b. saving.
c. revenue.
d. production costs.
e. working capital.

Ans: d
Text ref: pp. 52–53
Topic: Markets and Prices

58. Werner H., an engineer very experienced in bridge design, is looking for a position with a firm that specializes in bridge building. In presenting his qualifications, he takes care to point out his experience in handling difficult terrain. Werner is currently doing business in a
a. consumers' market
b. business market.
c. product market.
d. resource market.
e. closed market.

Ans: b
Text ref: p. 54
Topic: Markets and Prices

59. The distribution of income generated by the price system
a. inevitably becomes egalitarian.
b. may not create sufficient spending power to provide for the needs of the poor.
c. is an example of an external diseconomy.
d. is considered by most people to be fair and therefore in no need of alteration to suit humanitarian concerns.
e. enables firms to satisfy all consumer desires.

Ans: d
Text ref: p. 54
Topic: Markets and Prices

60. The fact that there is no way to prevent citizens from benefiting from expenditures on national defense, whether they pay taxes or not, is an example of
a. an unfair distribution of income.
b. an external economy.
c. an external diseconomy.
d. a public good.
e. a transfer payment.

Ans: c
Text ref: pp. 54, 56
Topic: Markets and Prices

61. A firm dumping pollutants into a stream, rendering the water unfit for use by those downstream, is an example of
a. an unfair distribution of income.
b. an external economy.
c. an external diseconomy.
d. a public good.
e. a transfer payment.

Ans: d
Text ref: pp. 54, 56
Topic: Markets and Prices

62. Which of the following activities is most likely to generate an external economy?
a. Playing a stereo full blast in a dorm room during reading days
b. Eating a pizza in a restaurant
c. Driving while intoxicated
d. Keeping a neatly mown, weedless lawn in a suburban neighborhood
e. Quietly napping during an economics class

Ans: d
Text ref: p. 54
Topic: Markets and Prices

*63. One notable characteristic of a public good is that
a. its production incurs no economic costs.
b. consumers can easily be denied its benefits.
c. it is automatically produced by the free market price system.
d. it can be consumed collectively.
e. consumers may readily divide it into individual pieces and distribute it among themselves.

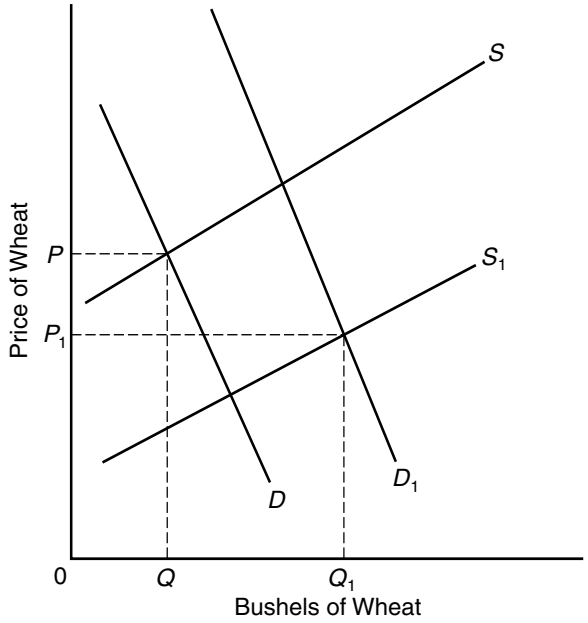
Ans: a
Text ref: pp. 56–59
Topic: Markets and Prices

*64. When supply increases in a competitive market,
a. equilibrium price falls.
b. demand falls.
c. shortages emerge.
d. actual price rises.
e. quantities sold decrease.

Ans: a
Text ref: pp. 56–59
Topic: Markets and Prices

65. When demand decreases in a competitive market,
a. equilibrium price falls.
b. supply rises.
c. shortages emerge.
d. actual price rises.
e. quantities sold increase.

The next two questions are based on the following graph:



The curves D and S represent the market demand and supply curves for wheat in 1960. The curves D_1 and S_1 represent the market demand and supply curves in 2000. Assume there were no support programs in either year.

Ans: d
Text ref: pp. 42–43, 56–59
Topic: Markets and Prices

66. In the graph,
a. demand rose and supply fell.
b. demand fell and supply rose.
c. both demand and supply fell.
d. both demand and supply rose.
e. demand and supply remained unchanged, but the quantity demanded rose and the quantity supplied fell.

Ans: e
Text ref: pp. 56–59
Topic: Markets and Prices

67. From the event depicted in the graph, one can conclude that, over the period in question, wheat
a. prices and output fell.
b. prices and output rose.
c. prices and income rose.
d. output and income fell.
e. prices fell and output rose.

Ans: b
Text ref: pp. 42–43, 56–59
Topic: Markets and Prices

68. Which of the following supply conditions leads to an increase in the equilibrium price?
a. Excess supply
b. A decrease in supply
c. The law of supply
d. An upward-sloping supply
e. An elastic supply

Ans: d
Text ref: pp. 42–43, 56–59
Topic: Markets and Prices

69. Which of the following most likely leads to an increase in the quantity demanded?
a. An increase in price
b. A decrease in the price of a substitute good
c. A decrease in income
d. An increase in supply
e. An increase in the cost of production

Ans: c
Text ref: pp. 42–43, 56–59
Topic: Markets and Prices

70. If the supply curve for peaches slopes upward, a decrease in the demand for peaches causes the equilibrium price
a. to rise and quantity to fall.
b. to fall and quantity to rise.
c. and quantity both to fall.
d. and quantity both to rise.
e. and quantity both to remain unchanged.

Ans: e
Text ref: pp. 56–59
Topic: Markets and Prices

*71. If the demand curve slopes downward and the supply curve slopes upward, which of the following events leads to an increase in both the equilibrium price and quantity?
a. A rightward shift in supply with demand unchanged
b. A leftward shift in both demand and supply
c. A leftward shift in supply with demand unchanged
d. A leftward shift in demand with supply unchanged
e. A rightward shift in demand with supply unchanged

Ans: a
Text ref: pp. 42–43, 56–59
Topic: Markets and Prices

72. If both the supply and demand for a good decrease, we can predict with certainty that
a. the quantity sold will fall.
b. the price will fall.
c. the price will rise.
d. the quantity sold will rise.
e. neither the price nor the quantity sold will be affected.

Ans: c
Text ref: pp. 42–43, 56–59
Topic: Markets and Prices

73. During the summer months, it is not unusual for both the price and the quantity consumed of gasoline to rise. These conditions reflect
a. a violation of the law of demand.
b. a shift to the left of the supply curve.
c. an increase in demand.
d. a condition of deficient demand.
e. a surplus.

Ans: b
Text ref: video
Topic: Markets and Prices

74. According to the video, insufficient housing was a problem after World War II because
    a. the United States experienced excessive numbers of people immigrating from Europe and Japan whose housing had been destroyed by the war.
    b. the depression and mobilization of resources to fight World War II resulted in little housing construction for over 15 years.
    c. the supply of housing exceeded the demand for housing, pushing prices up.
    d. unionization of construction workers shifted the supply curve of housing to the left, resulting in higher prices.
    e. the availability of land in and around major U.S. cities was severely limited because of past development.

Ans: a
Text ref: pp. 53–56
Topic: Markets and Prices

75. According to the video, the 1960s and 1970s development that enabled the U.S. steel industry to match the price of foreign steel producers for certain products was the
    a. mini-mill.
    b. integrated steel mill.
    c. blast furnace.
    d. use of ingot technology.
    e. discovery of new, high-grade ore deposits in the upper Midwest.

Ans: c
Text ref: video
Topic: Markets and Prices

76. According to economist Richard Gill, certain individuals such as rock stars and talented athletes earn high incomes because
    a. of a failure of the laws of supply and demand.
    b. supply exceeds demand for these types of jobs.
    c. there are few such individuals relative to the demand for their services.
    d. they are less productive than average workers.
    e. they are more visible to consumers than the people who work in manufacturing, agriculture, and service industries.

Ans: d
Text ref: pp. 63–64
Topic: Cross Chapter Case—Part 1

77. The Industrial Revolution was characterized by
    a. significant declines in society's saving rates.
    b. rapid increases in the growth rate of population relative to output.
    c. falling standards of living for the majority of society.
    d. considerable increases in capital.
    e. a decline in technology.

Ans: e
Text ref: pp. 63–64
Topic: Cross Chapter Case—Part 1

78. A major social and economic institution that came out of the Industrial Revolution was
    a. the church.
    b. universities.
    c. serfdom.
    d. the military.
    e. the factory.