**Final Exam**

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| **Multiple Choice***Identify the choice that best completes the statement or answers the question.*  |
| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  B  |  1.  | The resources used to make all goods and services are the

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| a. | production possibilities. | c. | production trade-offs. |
| b. | factors of production. | d. | opportunity costs. |

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| **ANSWER:** | B |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  2.  | All of the following are types of decisions that can be made at the margin EXCEPT

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| a. | whether to grow beans or corn on a large farm. |
| b. | whether or not to hire 100 new workers. |
| c. | whether to leave early in the morning or late in the day for a trip. |
| d. | whether or not to go on a vacation. |

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| **ANSWER:** | D |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  3.  | Which of the following is the kind of decision that can be made at the margin?

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| a. | whether or not to hire new workers |
| b. | whether or not to go on a vacation |
| c. | whether or not to build an extra room on a home |
| d. | whether to have a dog or a cat as a pet |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  4.  | What does a production possibilities frontier show?

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| a. | scarce and less scarce resources |
| b. | global trade-offs and costs of doing business |
| c. | an economy that is producing but not at the maximum |
| d. | the maximum amount that an economy can produce |

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| **ANSWER:** | D |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  B  |  5.  | The lack of which of the following represents a scarcity?

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| a. | orange juice because the trucks carrying it are on strike |
| b. | enough workers to finish two jobs because there’s a limited supply of workers |
| c. | enough workers to work at night because the pay is too low |
| d. | grapefruit juice because very few people want to buy it |

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| **ANSWER:** | B |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  6.  | Which of the following makes someone an entrepreneur?

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| a. | earning a lot of money as a computer programmer |
| b. | becoming a highly paid dancer |
| c. | running a service that hires people to install sprinkler systems in lawns |
| d. | inventing and selling the rights to manufacture a computer game |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  7.  | A country’s production possibilities increase because the available workers become more skilled at using a computer. This is an example of growth caused by

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| --- | --- | --- | --- |
| a. | global resources | c. | technology |
| b. | physical capital | d. | production opportunity |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  8.  | You bought two new CDs with the last $30 in your checking account, and your next payday is on Monday. What is the opportunity cost of these CDs?

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| --- | --- |
| a. | the difference between the cost to produce the CDs and the price you paid for them |
| b. | $30 |
| c. | dinner and a movie with your friends this Saturday night |
| d. | knowing you are the first of your friends to have these CDs |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  9.  | Which of the following is NOT shown on a production possibilities curve?

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| a. | all of the goods and services an economy has the ability to produce |
| b. | the efficiency of an economy |
| c. | whether an economy has grown or shrunk |
| d. | the opportunity cost of a decision to produce more of one good or service |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  10.  | A company that makes baseball caps is underutilizing its resources. What does this mean?

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| a. | The company is running more efficiently than its competitors. |
| b. | The company is paying its employees less than it should be. |
| c. | The company is making caps when it could be making t-shirts instead. |
| d. | The company is producing fewer caps than it could be. |

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| **ANSWER:** | D |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  11.  | Why does even a free market economy need some government intervention?

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| a. | to provide for things that the marketplace does not address |
| b. | to ensure that the government has the freedom to tax as necessary |
| c. | to make sure that the government can fulfill its needs for military personnel |
| d. | so that the government has some control over factor resources |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  B  |  12.  | What does the process of specialization do for an economy?

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| a. | It eliminates unemployment. | c. | It fosters competition. |
| b. | It makes it more efficient. | d. | It makes it easier to control. |

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| **ANSWER:** | B |
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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  13.  | How could the Chinese economy be characterized?

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| a. | free market |
| b. | centrally planned |
| c. | mixed, but on the side of centrally planned |
| d. | mixed, but on the side of free market |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  14.  | What incentive do manufacturers have to sell their products?

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| a. | making profits on sales | c. | putting others out of business |
| b. | pleasing the consumer | d. | popularity of the product |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  15.  | In what kind of an economy does the government make all the decisions?

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| --- | --- | --- | --- |
| a. | socialist | c. | centrally planned |
| b. | laissez faire | d. | free enterprise |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  16.  | Households pay firms for goods and services. Firms supply households with goods and services. The purchase and supply of goods and services takes place in the

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| a. | product market. | c. | after market. |
| b. | factor market. | d. | traditional market. |

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| **ANSWER:** | A |
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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  17.  | Collectives in the Soviet Union were inefficient producers of agricultural products. Why?

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| a. | The farms were too small to produce substantial crops. |
| b. | Most farmers were poor and had to pay for their own equipment, seeds, and fertilizer out of their own pockets. |
| c. | Farm workers had guaranteed incomes, so they had few incentives to produce more or better crops. |
| d. | Soviet central planners ignored the farms in favor of factories producing consumer goods. |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  B  |  18.  | What does the Temporary Assistance for Needy Families program provide?

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| a. | retirement income for the elderly |
| b. | cash to the states to help run their welfare programs |
| c. | compensation to all who lose jobs |
| d. | cash to workers injured on the job |

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| **ANSWER:** | B |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  19.  | Which of the following is NOT an example of a public good?

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| --- | --- | --- | --- |
| a. | shopping malls | c. | highways |
| b. | national parks | d. | municipal libraries |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  20.  | What is one benefit provided by Social Security?

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| --- | --- |
| a. | medical care for the indigent |
| b. | cash transfers to workers injured on the job |
| c. | compensation for all who lose jobs |
| d. | retirement income for the elderly |

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| **ANSWER:** | D |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  21.  | A person who consumes a good or service but does not pay for it is called which of the following?

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| --- | --- | --- | --- |
| a. | a free rider | c. | a private consumer |
| b. | a volunteer user | d. | an entrepreneur |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  22.  | An externality is

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| a. | an economic side effect of a good or service that generates benefits or costs to someone other than the person deciding how much to produce or consume. |
| b. | the total cost to society of producing an additional unit of a good or service. |
| c. | the amount a consumer pays to consume an additional amount of any particular good. |
| d. | a situation in which the market, on its own, does not distribute resources efficiently. |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  23.  | In 1996, a new federal welfare program called Temporary Assistance for Needy Families (TANF) began assisting poor families. Which of the following was NOT a provision of TANF?

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| --- | --- | --- | --- |
| a. | direct cash payments to recipients | c. | lifetime limit of benefits |
| b. | work incentives | d. | state-run welfare programs |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  B  |  24.  | Why does the government protect inventors and authors by offering them patents and copyrights?

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| a. | to encourage free trade | c. | to regulate the business cycle |
| b. | to promote innovation | d. | to strengthen American culture |

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| **ANSWER:** | B |
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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  25.  | A new runway has opened up at the airport, and the flight path goes directly over your apartment. The noise of the airplanes is a

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| a. | positive externality. | c. | negative externality. |
| b. | free-rider problem. | d. | market failure. |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  26.  | Each payday, some of your pay is withheld as payroll deductions for Social Security. What happens to the money that is withheld?

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| --- | --- |
| a. | It is redistributed as cash transfers to workers who are injured on the job. |
| b. | It is put into an account under your name to earn interest until you retire. |
| c. | It is used to provide medical benefits to Americans over 65. |
| d. | It is redistributed as cash transfers to elderly and disabled people. |

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| **ANSWER:** | D |
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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  27.  | Which of the following is the main disadvantage of using shells as money instead of coins?

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| --- | --- | --- | --- |
| a. | durability | c. | uniformity |
| b. | portability | d. | divisibility |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  28.  | What were “greenbacks”?

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| a. | paper currency used by the Confederacy during the Civil War |
| b. | privately issued currency used by the Union during the Civil War |
| c. | copper coins used by the Confederacy during the Civil War |
| d. | commodity money used by the Union during the Civil War |

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| **ANSWER:** | D |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  29.  | Which of the following is NOT an example of a liquid asset?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | cash | c. | a certificate of deposit |
| b. | travelers’ checks | d. | a checking account |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  B  |  30.  | Why is using coins as money easier than using gold bars?

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| --- | --- | --- | --- |
| a. | coins are more durable | c. | coins are more uniform |
| b. | coins are more portable | d. | coins are more limited in supply |

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| **ANSWER:** | B |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  31.  | The “market basket” that is used by the Bureau of Labor Statistics to calculate prices is made up of which of the following?

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| a. | food items only |
| b. | nonfood items only |
| c. | typical goods and services for an urban household |
| d. | food and necessary services for any family |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  32.  | If the number of people classified as unemployed is 50,000 and the number of people classified as employed is 250,000, what is the unemployment rate?

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| --- | --- | --- | --- |
| a. | 8% | c. | 16.17% |
| b. | 8.7% | d. | 11.5% |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  33.  | If the number of people employed is 150,000 and the labor force is 160,000, the unemployment rate is

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| --- | --- | --- | --- |
| a. | 6.25%. | c. | 2.5%. |
| b. | 10.25%. | d. | 6.55%. |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  34.  | When Alison, a college math professor, leaves her job at a small rural college and starts looking for a job at large urban university, she is

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| a. | frictionally unemployed. | c. | cyclically unemployed. |
| b. | structurally unemployed. | d. | a discouraged worker. |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  35.  | Which of the following might cause the inflation rate to spike up sharply?

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| a. | The items in the CPI market basket change to account for changing consumer buying habits. |
| b. | The purchasing power of the average consumer decreases due to a sluggish economy. |
| c. | Prices on world oil markets rise steeply due to war in the Middle East. |
| d. | Plentiful rainfall and moderate temperatures result in good harvests of wheat and soybeans. |

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| **ANSWER:** | C |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  C  |  36.  | What is the possible consequence of the following scenario? Because of high unemployment rates in the country of Lavernia, employers offer higher wages. To meet their higher payroll costs and maintain profits, they charge consumers more for goods and services.

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| a. | a prolonged period of deflation |
| b. | demand-pull inflation |
| c. | a wage-price spiral of ever-increasing prices |
| d. | increasing numbers of people living on a fixed income |

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| **ANSWER:** | C |
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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  37.  | Why does the Federal Reserve alter monetary policy?

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| a. | to regulate the banking industry |
| b. | to provide services to member banks |
| c. | to enable banks to clear checks |
| d. | to lessen the effect of natural business cycles |

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| **ANSWER:** | D |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  D  |  38.  | Which of these situations is most likely to cause the Fed to introduce a tight money supply?

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| a. | A recession has reduced aggregate demand and increased unemployment. |
| b. | The federal government passes a new budget with a large deficit. |
| c. | The economy is prosperous with relatively low inflation and low unemployment. |
| d. | The economy is expanding quickly and inflation is a concern. |

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| **ANSWER:** | D |
| **POINTS:** | 1 / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  B  |  39.  | How well did the Federal Reserve Banks perform during the Great Depression?

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| a. | The Great Depression took place before the Federal Reserve System was established. |
| b. | Individual governors of the Federal Reserve Banks disagreed over policy and were unable to stop the depression. |
| c. | The Chair of the Board of Governors made bad decisions and directed the twelve Federal Reserve Banks to act in ways that harmed the economy. |
| d. | The Federal Reserve System skillfully guided the United States economy out of the Great Depression. |

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| **ANSWER:** | B |
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| C:\Users\mjohnson\Desktop\final_exam_files\correct.gif  A  |  40.  | Suppose the required reserve ratio is 20 percent. A $5 million deposit allows commercial banks to create as much as

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| --- | --- | --- | --- |
| a. | $25 million. | c. | $5 million. |
| b. | $10 million. | d. | $1 million. |

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| **ANSWER:** | A |
| **POINTS:** | 1 / 1 |

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| **Essay**  |
|  |  | **Critical Thinking**  |
| C:\Users\mjohnson\Desktop\final_exam_files\nograde.gif |  41.  | **Checking Consistency** Explain how a person can be employed and still be living under the poverty threshold.

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| **RESPONSE:** |  |
| **ANSWER:** | A person could be employed only part-time, or be employed full-time but at a wage that is not enough to support the person, or could be part of a household in which there are not enough working people to lift the household income over the poverty threshold. |
| **POINTS:** | -- / 1 |

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| C:\Users\mjohnson\Desktop\final_exam_files\nograde.gif |  42.  | **Analyzing Information** How does the money multiplier work?

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| **RESPONSE:** |  |
| **ANSWER:** | The money multiplier works by figuring out the amount of total money that will be generated when money keeps being taken in by a bank and lent out again, so that in each successive case only a small percentage of the money is withdrawn to be a reserve against the deposit. |
| **POINTS:** | -- / 1 |

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