


This chapter has 58 questions.
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Select questions at random and

- | | |
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| <input type="checkbox"/> Multiple Choice Questions - (51) | <input type="checkbox"/> Blooms: Remember - (34) |
| <input type="checkbox"/> Essay Questions - (7) | <input type="checkbox"/> Blooms: Understand - (20) |
| <input type="checkbox"/> Odd Numbered - (29) | <input type="checkbox"/> Difficulty: 1 Easy - (34) |
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| <input type="checkbox"/> AACSB: Analytic - (4) | <input type="checkbox"/> Difficulty: 3 Hard - (4) |
| <input type="checkbox"/> AACSB: Reflective Thinking - (54) | <input type="checkbox"/> Topic: Themes of Microeconomics - (9) |
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1. Which of the following topics is related to microeconomics?
- Explanations of why recessions occur.
 - Determining how much output a firm should produce.
 - The rate of unemployment.
 - The rate of economic growth.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

2. A society's institutions
- include the laws and customs that influence the allocation of resources.
 - have no effect on people's abilities to make decisions.
 - are irrelevant when studying an economy.
 - are not related to the control of society's resources.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

3. In a capitalist economy,
- the state controls the means of production.
 - the means of production are mostly owned by private individuals.
 - economic decisions are centralized.
 - government officials decide what to produce, how to produce it and who gets it.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question


4. In a communist economy,
- the state controls the means of production.
 - individuals decide what to produce, how to produce it and who gets it.
 - economic decisions are decentralized.
 - the market system is used to allocate resources.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question


5. In a _____ economy, the allocation of resources is governed by voluntary trading among businesses and consumers.
- capitalist
 - communist
 - socialist
 - traditional

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question


6. In most countries, decisions that affect medical expenditures are
- centralized.
 - decentralized.
 - determined by government policy.
 - both centralized and decentralized.

Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question

7. The most common form of economic decentralization involves


Select 

- having very little government involvement in the economy.
- markets, where people buy and sell goods and services.
- government officials making economic decisions.
- government ownership of the means of production.

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question


8. To an economist, a single market is associated with
- a single group of closely related products.
 - a specific building where trade takes place.
 - all goods traded in a specific geographic region.
 - all buyers living in a specific geographic location.

Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question


9. Economists think of products as being in the same market if they
- are traded in the same geographic location.
 - cannot be substituted for other goods and services.
 - are highly interchangeable.
 - produced by companies that compete with each other.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question


10. According to economists, which of the following is the best example of a market?
- A flea market.
 - The trading floor of the New York Stock Exchange.
 - The local shopping mall.
 - The retail market for winter coats in Chicago.

Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question


11. Which of the follow is NOT an example of a market?
- Retail trade of chocolate ice cream in Boston.
 - The buying and selling of homes in Kansas City.
 - The farmer's market in Madison, Wisconsin.
 - The buying and selling of used cars.

Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question


12. The rate at which someone can swap money for a good is called the _____ of the good.
- price
 - opportunity cost
 - total cost
 - rate of substitution

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question


13. A _____ is an enforceable claim on a good or service.
- deed
 - government decree
 - price
 - property right

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

14. Trade can occur only if property rights are
- not enforced.

Select 

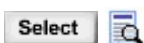
- transferable.
- legally binding.
- not transferable.

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question

15. In a free market system

- there is no government involvement in the economy.
- resources are allocated on a first-come first-served basis.
- buyers and sellers make all of the economic decisions.
- government mostly allows markets to operate with little intervention or regulation.

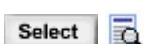


AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

16. Microeconomics

- studies individual decision making.
- studies aggregate behavior.
- cannot be applied too behaviors such as marriage.
- cannot be used to address questions of what ought to be.

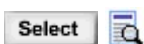


AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

17. Microeconomists usually assume that people are motivated by

- selfishness.
- material self-interest.
- altruism.
- property rights.

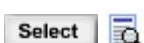


AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

18. In deciding on how to spend their resources, consumers try to

- maximize expenditures.
- choose the combination of goods that yield the highest level of personal satisfaction.
- choose the combination of goods that costs the least.
- maximize profit.

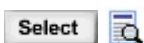


AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

19. Positive economic analysis

- involves value judgments.
- concerns what ought to happen.
- addresses factual issues.
- is subjective.

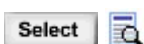


AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

20. Questions that address what did, will or would actually happen are called _____ questions.

- normative
- positive
- efficiency
- equity



AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

21. Positive economic questions

- involve value judgments.
- address what ought to happen.




- are potentially testable.
 cannot be tested.

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

22. Normative economic analysis addresses

- what ought to happen.
 factual issues.
 the cause-and-effect analysis of actions and their consequences.
 are potentially testable.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

23. Questions that address the cause-and-effect analysis of actions and their consequences are

- positive questions.
 normative questions.
 not testable.
 subjective.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

24. Questions that involve value judgments are

- Positive questions.
 → Normative questions.
 Not relevant to microeconomics.
 Objective.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

25. Which of the following is a positive question?

- Is society better off if we restrict trade with other countries?
 Should we increase taxes on the rich or the middle class?
 → Will an increase in the minimum wage cause more unemployment for teenagers?
 Should the government provide health care?


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question

26. Which of the following is a normative question?

- Should the government require cars to be fuel efficient?
 Does legalized abortion lead to lower crime rates?
 Will moving a plant overseas reduce production costs?
 Will an increase in the minimum wage reduce poverty?


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question

27. In conducting normative analysis, economists apply

- the principle of comparative advantage.
 → the principle of individual sovereignty.
 the law of one price.
 objective value judgments.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question

28. In conducting positive economic analysis, economists apply

- subjective value judgments.
 the principle of individual sovereignty.
 moral values.

Select 


→ the scientific method.

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: What is Microeconomics?

Multiple Choice Question

29. In their study of the effect of legalized abortion on crime rates, Steven Levitt and John Donohue applied

- positive economic analysis.
 normative economic analysis.
 the principle of individual sovereignty.
 value judgments.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

30. Which of the following top is NOT studied using microeconomics?

- Ford's decision to introduce a new car model.
 An individual's decision to get married.
 A person's decision whether or not to commit a crime.
 → An individual's moral values.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: What is Microeconomics?

Multiple Choice Question

31. The general procedure used to learn about natural phenomena is called

- positive economics.
 → the scientific method.
 normative economics.
 a theory.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

Multiple Choice Question

32. A possible explanation for a natural phenomenon is called

- the scientific method.
 → a theory.
 a value judgment.
 normative economics.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

Multiple Choice Question

33. A theory

- is usually based on a set of value judgments.
 cannot be tested.
 → is a possible explanation for a natural phenomenon.
 always fits with real-world data.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

Multiple Choice Question

34. A useful theory must

- apply to every conceivable situation.
 → be broadly applicable.
 be agreed upon by all economists.
 not be able to be refined.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

Multiple Choice Question

35. Which of the following best exemplifies the theorizing step in the scientific process?

- Observing a line of cars outside of a gas station.
 → Suggesting that lower gasoline prices are encouraging consumers to buy more gas.
 Collecting data on the amount of gasoline sold at different prices.
 Drawing a graph of the relationship between gasoline prices and the amount of gasoline sold at each price.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: Tools of Microeconomics

Multiple Choice Question

36. A model

- is a complete representation of some phenomenon.
- is a simplified representation of some phenomenon.
- is always expressed mathematically.
- cannot be qualitative in nature.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

Multiple Choice Question

37. Which of the following is NOT a reason why economists usually work with mathematical models?

- Because most economic choices are quantitative in nature.
- Mathematical models can provide precision, while quantitative models cannot.
- Mathematical modeling imposes intellectual rigor.
- Mathematical models can be used to settle disputes over normative economic questions.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: Tools of Microeconomics

Multiple Choice Question

38. In order to explain how societies deal with the problem of scarcity, economists apply simplified representations known as

- simplifying assumptions.
- empirical tests.
- normative questions.
- models.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

Multiple Choice Question

39. The real test of a good model is

- its degree of mathematical rigor.
- the degree to which its assumptions conform to the "real world."
- its usefulness in predicting outcomes.
- how detailed it is.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: Tools of Microeconomics

Multiple Choice Question

40. Economists use assumptions in order to

- make models more realistic.
- simplify complex real-world behavior.
- make their models fit the data.
- avoid using mathematics.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: Tools of Microeconomics

Multiple Choice Question

41. In a natural experiment,

- similar people face very different circumstances.
- the circumstances of otherwise identical people differ entirely by chance.
- the circumstances of one group of people is compared to a "control" group of people.
- similar people face very similar circumstances.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

Multiple Choice Question

42. The application of statistical methods to empirical questions in economics is known as

- positive economic analysis.
- normative economic analysis.
- the scientific method.
- econometrics.


Select 

Multiple Choice Question

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Tools of Microeconomics

43. The accumulation of scientific evidence can

- resolve normative disputes.
- resolve positive disagreements.
- determine whether one person's gain is more important than another person's loss.
- always settle disputes over public policy.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: Tools of Microeconomics

Multiple Choice Question

44. A small adjustment in a choice is called

- a marginal change.
- an incremental change.
- a positive change.
- a net change.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Themes of Microeconomics

Multiple Choice Question

45. Which of the following statements is false?

- Recognizing tradeoffs is an essential part of good decision making.
- Most government policies provide people with incentives to take certain actions and avoid others.
- People will pursue an action as long as it has benefits associated to it.
- Every choice involves a tradeoff.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Themes of Microeconomics

Multiple Choice Question

46. Suppose you are thinking about spending an additional hour studying for your next microeconomics exam. You should spend that extra hour studying as long as

- the extra study time leads to a higher grade on the exam.
- your only other alternative is spending an hour reading a novel.
- the benefit of an additional hour of study is greater than what you have to give up in order to study one more hour.
- you enjoy studying microeconomics.

Select 

AACSB: Analytic
 Blooms: Apply
 Difficulty: 3 Hard
 Topic: Themes of Microeconomics

Multiple Choice Question

47. An increase in the price of a good

- increases the incentive to buy the good, but decreases the incentive to sell the good.
- decreases the incentive to buy the good, but increases the incentive to sell the good.
- increases both the incentive to buy the good and the incentive to sell the good.
- decreases both the incentive to buy the good and the incentive to sell the good.


Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Themes of Microeconomics

Multiple Choice Question

48. Which of the following is NOT a beneficial aspect of trade?

- Someone who owns a good of relatively little value can trade it for something they value more.
- Trade frees people from the need to produce everything themselves.
- Trade allows people to specialize in whatever they do best.
- Trade eliminates the problem of scarcity.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium
 Topic: Themes of Microeconomics

Multiple Choice Question

49. The competitive market price of a good


- is equal to the value consumers place on the last unit they purchased.
- must reflect both the value to consumers and cost to producers.
- must exceed the cost of producing an extra unit of the good.
- must be less than what consumers are willing to pay for an additional unit of the good.

Select 

Multiple Choice Question

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy
 Topic: Themes of Microeconomics

50. In a situation where a market failure occurs,
- any government intervention will improve on the market outcome.
 - there is nothing that the government can do to improve on the market outcome.
 - government intervention might improve on the market outcome.
 - it will always be preferable to have the government intervene in the market.


Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium

Multiple Choice Question

Topic: Themes of Microeconomics

51. According to the text, which of the following best describes the process the FCC used to allocate spectrum licenses to telecommunications providers?
- Licenses were auctioned one at a time, to the highest bidder.
 - Licenses were first sold to telecommunications providers that already had contracts with the government.
 - All licenses were auctioned off at the same time.
 - The government charged the same price for each license.

Select 

AACSB: Reflective Thinking
 Blooms: Remember
 Difficulty: 1 Easy

Multiple Choice Question

Topic: Themes of Microeconomics


52. Scarcity forces society to confront three critical issues. List those issues and explain how they are related to the problem of scarcity.

Explanation:

What to Produce: When we produce more of one good, we use up scarce resources. This reduces our ability to produce other goods.

How to produce goods: Society must determine a production method for each good that minimizes the use of the scarce resources used to produce the good.

Who gets what: A society can produce only a limited amount of goods and services. Each society must therefore develop procedures for allocating those goods among consumers.

Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium


Essay Question

Topic: What is Microeconomics?

53. Compare and contrast the institutions of a capitalist economy with those of a communist economy.

Explanation:

A capitalist economy is one in which the means of production are mostly owned and controlled by individuals. The allocation of resources and goods is governed by voluntary trade that takes place in markets. Capitalist economies are also characterized by transferable property rights. As a result, most economic decisions in a capitalist economy are decentralized. In contrast, the state tends to own the means of production in a communist economy. Further, many economic decisions are centralized, that is, they are made by government officials.

Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium


Essay Question

Topic: What is Microeconomics?

54. Contrast positive and normative economics. How can economists carry out normative analysis?

Explanation:

Positive economics involves factual questions about what did or will happen as the result of some decision. More specifically, positive economics deals with the cause-and-effect analysis of actions and their consequences. Positive economic questions are testable using the scientific method. In contrast, normative economics deals with value judgments about what ought to happen. Economists can carry out normative analysis by applying the principle of individual sovereignty; the idea that each individual knows what is best for him or her.

Select 

AACSB: Reflective Thinking
 Blooms: Understand
 Difficulty: 2 Medium

Essay Question

Topic: What is Microeconomics?

55. What are the roles of markets and prices in an economy?

Select 

Explanation:

Markets are a means by which scarce resources are allocated. Through them buyers and sellers carry out voluntary exchange. Prices are important in that they provide the incentives to which buyers and sellers respond. A relatively high price for a good will discourage consumption and encourage production of the good. On the other hand, a relatively low price will encourage the consumption and discourage the production of a good.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium


Topic: What is Microeconomics?

Essay Question

56. How does marriage fall within the scope of microeconomics?

Explanation:

Marriage involves choice and the allocation of scarce resources (namely, spouses with desirable characteristics). Marrying an individual involves a number of trade-offs, including giving up the opportunity to marry a different individual at the same time, and is therefore subject to a cost-benefit analysis.

Select 

AACSB: Analytic

Blooms: Analyze

Difficulty: 3 Hard


Topic: What is Microeconomics?

Essay Question

57. How would you apply the scientific process to the question of why men typically earn more than women?

Explanation:

Here, we might start with the simplifying assumption that men differ from women, but not from other men. Therefore, we can compare one group (men) to another group (women). First, we would have to observe a situation where men earn more than women. Second, we would have to construct a theory about why men earn more than women in this situation. Perhaps the job is "dangerous," requires a large amount of physical strength or is too time consuming to allow time to raise children. Perhaps men and women have different levels of education. There are a variety of theories that could be applied to this situation. Third, we would have to identify additional implications of the theory. Perhaps men and women earn the same in occupations that are not dangerous, do not require a lot of physical strength and have flexible work schedules. Fourth, we would have to collect data on earnings and the characteristics of the men and women in the occupation with the earnings disparity. Data could be collected through employers' records or surveys. This data would be used to test the theory. Fifth, the theory would be refined based on how well it fits the data and whether new observations become available.

Select 

AACSB: Analytic

Blooms: Apply

Difficulty: 3 Hard


Topic: Tools of Microeconomics

Essay Question

58. Using the Themes of Microeconomics, provide an economic explanation of your decision to attend college. How would you explain your decision to take your microeconomics class?

Explanation:

The choice to attend college is an all-or-nothing choice. For most students, going to college means trading off the opportunity to work. (Tradeoffs are Unavoidable) The incentive to go to college is usually the higher earnings that students expect to get as a result of attending college. (People Respond to Incentives) They give up the opportunity to earn a wage or salary while attending college. (Prices Provide Incentives) Students generally decide to attend college by comparing the expected higher future earnings resulting from going to college to the earnings they would receive if they didn't go to college. The choice to take a microeconomics class is more of a marginal choice. Here students will compare the marginal benefits (credit hours, fulfilling a degree requirement) to the marginal cost (not being able to take another class, for example). For students taking the class, the benefits of taking the class exceed the cost of taking the class.

Select 

AACSB: Analytic

Blooms: Apply

Difficulty: 3 Hard

Topic: Themes of Microeconomics

Essay Question