

Indicate whether the statement is true or false.

1. Since it is possible to grow coffee in the greenhouses in Canada, we should clearly create a Canadian coffee industry and NO longer import coffee from Brazil.
 - a. True
 - b. False
2. Macroeconomics is the branch of economics in which you study inflation and unemployment in the economy.
 - a. True
 - b. False
3. When considering whether to consume a second slice of pizza, an individual is following marginal thinking when she compares the total cost of consuming both the first and second slices with their total benefit before making a decision.
 - a. True
 - b. False
4. Economic theories are of limited use since they CANNOT be tested empirically.
 - a. True
 - b. False
5. Economics has much in common with sociology because it is concerned with how societies organize themselves. However, economics shares little in common with political science, psychology, or anthropology.
 - a. True
 - b. False
6. Rational individuals act to advance their own self-interest; therefore, charitable giving must constitute irrational behaviour.
 - a. True
 - b. False
7. Since resources are abundant, we do NOT have to make choices about their use.
 - a. True
 - b. False
8. The opportunity cost of a decision is the value of the best forgone alternative.
 - a. True
 - b. False
9. An entrepreneur organizes the other factors of production and bears the business risk.
 - a. True
 - b. False
10. The fallacy of composition states that even if something is true for an individual, it is NOT necessarily true for many individuals as a group.
 - a. True
 - b. False
11. The opportunity cost of attending college is likely higher for a high-school graduate who leaves a job grilling hamburgers than it is for a high-school dropout who leaves a job working as a computer network administrator.
 - a. True
 - b. False

12. A country has a comparative advantage in the production of DVD players if it can produce DVD players at a lower opportunity cost than others.
- a. True
 - b. False
13. Small, developing countries must first become self-sufficient before they can benefit from international trade.
- a. True
 - b. False
14. One topic that microeconomics explores is how prices are determined in individual markets, while macroeconomics is concerned with issues such as the economy's overall rate of inflation, economic growth, and unemployment.
- a. True
 - b. False
15. "A tax cut will lead to higher inflation" is an example of a normative economic statement.
- a. True
 - b. False
16. In a market economy, prices help determine the distribution of goods and services but NOT the allocation of resources.
- a. True
 - b. False
17. An untestable proposition that guesses how people will react to changed circumstances is called a hypothesis.
- a. True
 - b. False
18. Capital-intensive production techniques tend to be utilized most commonly in countries where labour is relatively cheap.
- a. True
 - b. False
19. Human capital consists of computers, tools, and equipment owned by private individuals.
- a. True
 - b. False
20. In a market economy, government officials make most production decisions in a centralized manner.
- a. True
 - b. False
21. A hypothesis is a positive statement.
- a. True
 - b. False
22. Most disagreements among economists stem from positive issues.
- a. True
 - b. False

23. The opportunity cost of a decision is the sum of the value of all of the available alternatives that were NOT chosen.
- a. True
 - b. False
24. A good economic theory should capture as many details about real-world behaviour as possible.
- a. True
 - b. False
25. Implementing stricter automobile-emissions controls after determining that the benefits of increased air quality outweigh the costs of pollution reduction is consistent with the rule of rational choice.
- a. True
 - b. False
26. Consumer sovereignty means that consumers vote with their dollars in a market economy, which helps determine what is produced.
- a. True
 - b. False
27. *Ceteris paribus* is a Latin expression that means "holding NOTHING constant."
- a. True
 - b. False
28. Normative analysis focuses on statements that can be tested against real-world data.
- a. True
 - b. False
29. Economists typically use controlled experiments to learn about how the economy functions.
- a. True
 - b. False
30. If Tanya gives up a job in which she earns \$34 000 per year in order to go to college full-time, her forgone income is part of the opportunity cost of going to college.
- a. True
 - b. False
31. Tractors, shovels, copy machines, and computer programming expertise are all examples of scarce resources.
- a. True
 - b. False
32. To be a positive economic statement, an assertion must be factual.
- a. True
 - b. False
33. High-wage countries like Canada tend to use less labour-intensive production methods than low-wage countries like China.
- a. True
 - b. False

34. Macroeconomics explores the allocation of scarce resources from the perspective of small economic units such as consumers and firms.
- a. True
 - b. False
35. Economists believe that the stiff penalties for drunk driving do NOT affect the decision making of those who drive drunk.
- a. True
 - b. False
36. Marginal cost is the additional cost incurred as the result of producing one additional unit of a good or service.
- a. True
 - b. False
37. Scarcity is a problem faced by all but the wealthiest of citizens.
- a. True
 - b. False
38. The main concern of economics is to study how well the stock markets are performing.
- a. True
 - b. False

Indicate the answer choice that best completes the statement or answers the question.

39. Which of the following is considered to be our single most precious resource?
- a. money
 - b. oil
 - c. time
 - d. sleep
40. Which of the following is likely to provide teenagers with the greatest incentive NOT to smoke?
- a. a law prohibiting anyone from smoking on public property
 - b. a \$3.00 per-pack tax on cigarettes
 - c. a public service television advertisement featuring singer Taylor Swift urging kids to refrain from smoking
 - d. a refusal by actor Ed Norton to play any part in which he will be seen smoking
41. How is an economic hypothesis tested?
- a. by comparing its prediction to real-world data
 - b. by using a controlled experiment
 - c. by assessing the realism of its assumptions
 - d. by assessing the level of descriptive detail
42. What is the marginal benefit of a slice of pizza?
- a. the price of the slice of pizza
 - b. the total amount that a consumer is willing to pay for a whole pizza, divided by the number of slices
 - c. the maximum amount that a consumer is willing to pay for the slice
 - d. the difference between the value of the slice to the consumer and the price of the slice

43. What does macroeconomics primarily examine?
- broad issues such as national output, employment, and inflation
 - how prices are determined within individual markets
 - the behaviour of individual households and firms
 - the output levels that maximize the profits of business firms
44. What do all economic problems arise from?
- scarcity
 - NOT enough money
 - unemployment
 - competition
45. Resources are in limited supply; therefore, to acquire more of a good, we must sacrifice production of another good. What concept does this statement illustrate?
- ceteris paribus*
 - specialization
 - opportunity cost
 - exchange
46. If people follow the rule of rational choice, which of the following options will they choose?
- the option that earns the most money
 - the option that yields the largest net gain
 - the option that equates the total benefits to their total cost
 - the option that promotes the common good
47. In a four-quadrant graph, economics is primarily concerned with which area?
- upper left
 - lower right
 - lower left
 - upper right
48. Which of the following statements about positive incentives is the most accurate?
- They create additional taxes on behaviours.
 - They increase benefits and increase costs
 - They increase benefits or reduce costs.
 - They decrease benefits or increase costs.
49. What is the difference between a theory and a hypothesis?
- A hypothesis is a testable proposition and is tentatively accepted as a theory.
 - A hypothesis abstracts from reality while a theory describes reality.
 - A theory is NOT an established explanation but a hypothesis is.
 - A theory abstracts from reality while a hypothesis describes reality.
50. Which of the following is the opportunity cost of attending university NOT likely to include?
- the cost of required textbooks
 - tuition fees
 - the income you forgo in order to attend classes
 - the cost of rent during the school term

51. Which of the following statements most accurately describes the concept of economic theory?
- It should be as detailed as possible to best model the complexity of an economy.
 - It is an abstraction from reality.
 - It is only useful if it rests on realistic assumptions.
 - It is unrealistic and therefore of questionable usefulness in explaining what occurs in a complex economy.
52. Ammar is an accountant and also an excellent typist. He can type 120 words per minute but he has all the accounting work he can handle at \$75 per hour. Ammar's friend Leo sells furniture earning \$25 per hour. Leo would like some typing work but can only type only 60 words per minute. What is the most efficient scenario?
- Leo should do the typing, and Ammar should pay him \$20 per hour.
 - Ammar should do all the typing because he is faster.
 - Unless Leo can match Ammar's typing speed, he should remain a salesperson.
 - Leo should do the typing as long as his earnings are more than \$25 and less than \$37.50 per hour.
53. What is the opportunity cost of attending a NHL hockey game?
- the sum of the value of all the alternative uses of your time while at the game
 - the price of the admission to the game
 - the value of the highest alternative use of your time and money sacrificed as a result of attending the game
 - zero if your favourite team wins
54. Which of the following best characterizes marginal thinking?
- comparing the total benefit and total cost of going to university
 - weighing the marginal benefits of going to class against the marginal costs
 - calculating the ratio of the total benefit of studying to the total cost of studying
 - people wanting to make themselves better off by pursuing postsecondary education
55. What topic does microeconomics NOT usually include?
- how firms choose output to maximize profits
 - how consumers maximize utility subject to a budget constraint
 - how wages are determined in the labour market
 - how national income is calculated
56. Tony works at an engineering company. What type of resource is he considered to be?
- an entrepreneur
 - management
 - capital
 - labour
57. An economist might hypothesize that people will buy fewer smartphones at a price of \$200 than at \$150. For the hypothesis to become a theory, it would first need to be tested. Which of the following observations would seem to support the economist's hypothesis?
- Individuals buy fewer smartphones because they are purchasing other web-enabled devices.
 - Smartphones consumption varies with different age groups.
 - Individuals in each region respond to an increase in price by purchasing fewer smartphones.
 - People in each region buy the same amount of smartphones regardless of the price.

58. Which of the following is an example of a capital resource?
- an oil rig
 - unskilled labour
 - an oil deposit
 - stocks in an oil company
59. Which of the following statements best describes the study of scarcity?
- using limited resources to best satisfy our unlimited desires
 - using limited resources to promote full employment and price stability
 - using unlimited resources to promote full employment and price stability
 - using unlimited resources to best satisfy our unlimited desires
60. When do individuals have a comparative advantage in production?
- when they are more self-sufficient than others
 - when they can produce at the highest opportunity cost
 - when they can produce at the lowest opportunity cost
 - when they are less self-sufficient than others
61. How is an economic theory tested?
- by assessing the realism of its assumptions
 - by comparing and contrasting its simplicity with related theories
 - by comparing its predictions with real-world observations
 - by polling economists to see whether there is consensus as to the validity of the hypothesis

TABLE 1-3

The marginal benefit to a consumer of DVD rentals:

DVD Rentals per Month	Marginal Benefit (in dollars)
1	\$7.50
2	\$6.50
3	\$5.50
4	\$4.50
5	\$3.50
6	\$2.50
7	\$1.50
8	\$0.50

62. Refer to Table 1-3. If the price of a DVD rental is \$4, how many DVDs will be rented by a consumer following the rule of rational choice?
- 2 DVDs
 - 3 DVDs
 - 4 DVDs
 - 5 DVDs
63. Which description of positive statements is the most accurate?
- They are optimistic, putting the best possible interpretation on things.
 - They are descriptive, making claims about how the world is.
 - They are prescriptive, making claims about how the world ought to be.
 - They are affirmative, justifying existing economic policy.

64. Which of the following statements best describes scarcity?
- a. Scarcity and poverty are basically the same thing.
 - b. Goods are scarce because of greed.
 - c. Even in the wealthiest of countries, the desire for material goods is greater than productive capabilities.
 - d. The absence of scarcity means that a minimal level of income is provided to all individuals.
65. What is the term for the branch of economics that studies the decisions made by individual firms and consumers?
- a. microeconomics
 - b. capitalism
 - c. macroeconomics
 - d. consumerism
66. What area of economic study is most concerned with the determination of prices in the market for airline tickets?
- a. microeconomics
 - b. normative economics
 - c. macroeconomics
 - d. positive economics
67. Loaves of bread at a local grocery store are priced at one for \$2 or two for \$3. What is the marginal cost of buying a second loaf of bread?
- a. \$0
 - b. \$1
 - c. \$2
 - d. \$3
68. What is another term for economic resources?
- a. money
 - b. factors of production
 - c. financial foundations
 - d. opportunity costs
69. Which topic does macroeconomics NOT generally include?
- a. government spending and taxation
 - b. the impact of large government budget deficits on private investment spending
 - c. the determinants of the supply of wheat by farmers
 - d. the relationship between consumption and aggregate expenditures
70. Which of the following does the term "opportunity cost" refer to?
- a. the price paid for the opportunity to buy stock in an initial public offering
 - b. the finder's fee paid to a job placement agency for locating employment for workers
 - c. the dollar price paid for a good
 - d. the value of the best forgone alternative
71. What does "*ceteris paribus*" mean?
- a. If events A and B occur together, one must cause the other.
 - b. Other things are held constant.
 - c. What is true for the individual must be true for the whole.
 - d. All relevant details are included.

72. "A decrease in mortgage rates will lead to more people buying new construction homes." What is this statement an example of?
- a. a normative economic statement
 - b. the fallacy of composition
 - c. a positive economic statement
 - d. a negative economic statement
73. Which of the following processes does marginal analysis involve?
- a. comparing the additional benefit from an action with the additional cost
 - b. comparing the total benefits of all actions to the total costs incurred as a result of those actions
 - c. abstract thinking, which is never actually utilized by consumers when making purchasing decisions
 - d. holding all other variables constant when isolating the relationship between two variables
74. What does scarcity imply?
- a. At current market price, consumers are willing to purchase more of a good than suppliers are willing to produce.
 - b. It is impossible to completely fulfill the unlimited human desire for goods and services with the limited resources available.
 - c. Consumers are too poor to afford the goods and services available.
 - d. Consumers would be willing to purchase the same quantity of a good at a higher price.
75. Which of the following best illustrates the fallacy of composition?
- a A great many people have been immunized against polio because it can be such a devastating disease. As a result, I probably do NOT personally need to be immunized against polio.
 - b I hate driving to work when the traffic is so heavy, so I decide to leave 30 minutes earlier than in the past. If everyone were to leave 30 minutes earlier for work, we'd all get to work faster.
 - c Whenever I attend a hockey game at the local arena, the home team wins. Therefore, if I attend all of the team's local games, they will achieve a perfect winning record at home.
 - d The parking at York University is in short supply on the main campus. It would be better for more people to ride the bus to school.
76. The expected marginal benefit to you from purchasing a new Land Rover is \$60 000. If the price of the new Land Rover is \$62 000, what will you do?
- a. If you are acting rationally, you will borrow \$2000 and purchase a new Land Rover.
 - b. You will NOT purchase the new Land Rover at this time if you are acting rationally.
 - c. If you are acting rationally, you will purchase Land Rovers until the marginal cost of doing so falls to \$60 000.
 - d. If you do NOT purchase the new Land Rover, your net loss will be \$2000.
77. A scientist is trying to test a theory about the relationship between people's smoking and their longevity. Which of the following variables would the scientist NOT hold constant?
- a. the past histories of heart and lung disease
 - b. the amount of dietary fat that people in the experimental group consumed
 - c. the amount of alcohol that people in the experimental group consumed
 - d. the amount of cigarettes that people in the experimental group smoked

78. Which of the following statements about the opportunity cost of an action is the most accurate?
- It is the same for everyone who undertakes the action.
 - It is the difference between the benefits that result and the expenses incurred as a result of the action.
 - It is the value of the best forgone alternative.
 - It is the same as the expected benefit of the action.
79. According to most economists, what is the fundamental economic problem?
- controlling the stock market
 - government intervention into markets
 - solving the problem of poverty
 - scarcity and how people deal with it
80. Which of the following is a normative statement?
- Reducing the money supply leads to higher market interest rates.
 - An increase in business taxes will cause higher unemployment.
 - An increase in tariffs will lead to an increase in government revenue.
 - Wards of the state should be given free postsecondary education.
81. Which of the following is NOT a factor of production?
- entrepreneurship
 - private property rights
 - land
 - capital
82. Which of the following is NOT a factor of production?
- cash
 - labour
 - land
 - entrepreneurship
83. What will occur when a command economy is utilized to resolve economic questions regarding the allocation of resources?
- Everyone will receive an equal share of the output produced.
 - The role of markets will be replaced by political decision making.
 - The preferences of individuals will become of NO importance.
 - Economic efficiency will be assured.
84. Which of the following statements about the opportunity cost of an airplane flight is the most accurate?
- It is identical for all passengers and equal to the number of hours a particular flight takes.
 - It differs across passengers to the extent that both the airfare paid and the highest valued use of travel time will vary.
 - It is equal to the cost of a bus ticket, the next best form of alternative transportation to flying.
 - It differs across passengers only to the extent that each traveller pays a different airfare.

85. What is the term for the additional cost incurred as a result of undertaking an action?
- the total cost
 - the gross cost
 - the marginal cost
 - the marginal benefit
86. What type of economy is a system of economic organization in which the ownership and control of productive capital assets rests with the state, and resources are allocated through central planning and political decision making?
- a command economy
 - a market economy
 - a corporate economy
 - a capitalist economy
87. Which of the following best describes scarcity?
- Human desires are limited.
 - All but the very wealthy must face choices.
 - Resources are insufficient to satisfy all human desires.
 - Choices are unnecessary.
88. What is the opportunity cost of an action equal to?
- the highest valued opportunity that must be sacrificed in order to take the action
 - the value of all of the alternative actions that could have been taken
 - the total time spent by all parties in carrying out the action
 - the monetary payment the action required
89. Why is it important to be able to distinguish positive from normative statements about economic policy?
- Positive statements are always true and are the basis of economic policy while normative statements are false and should NEVER be used.
 - Positive statements help us understand the good results of a policy change, and normative statements help us understand the negative results.
 - Positive statements help us understand the value judgments toward a particular policy, while normative statements reflect the economy's response.
 - Positive statements help us understand the economy's response to a particular policy, while normative statements reflect value judgments.
90. According to the rule of rational choice, under what circumstances will you engage in more of an activity?
- when the additional cost incurred as a result of the activity exceeds the additional benefit received
 - when the opportunity cost of your time is very low
 - when the total benefit from that activity exceeds the total cost of the activity
 - when the additional benefit received as a result of the activity exceeds the additional cost incurred
91. What does economics primarily study?
- how firms compete for profits in the marketplace
 - how limited resources are allocated to satisfy unlimited wants
 - how we deal with unemployed resources
 - how prices are set in the marketplace

92. A university offers a free shuttle service around campus. What is the opportunity cost of the shuttle service equal to?
- the wages paid to the shuttle drivers, plus the gasoline expenses
 - the wages paid to the shuttle drivers
 - the highest valued alternative use of the resources devoted to the shuttle program
 - zero, since it is free to students who want to ride
93. Which of the following lies primarily within the realm of macroeconomics?
- the income elasticity for vacations
 - the impact of human capital on economic growth
 - the impact of the flu on workplace productivity
 - the effect of the price of chicken on the market for beef
94. Why do people specialize?
- so that society becomes wealthier while NOT using their resources
 - so that people avoid having to trade
 - so that individuals can increase their opportunity cost for an activity
 - so that individuals make the best use of resources by devoting themselves to one primary productive activity
95. Lionel decides to spend an hour playing football rather than studying. What is his opportunity cost?
- The increase in skill he obtains from playing football for that hour.
 - Nothing, because he had a free pass into the sports complex to play football.
 - The benefit to his grades from studying for an hour.
 - Nothing, because he enjoys playing football more than studying.
96. Which of the following is an example of physical capital?
- a barrel of oil
 - a forklift
 - a \$100 bill
 - a treasury bill
97. Which of the following is an example of human capital?
- 100 hectares of farmland in Manitoba
 - a combine harvester
 - an irrigation system
 - the expertise of a farmer
98. Which of the following statements about the opportunity cost of an action is the most accurate?
- It can be objectively determined only by economists.
 - It can be determined by considering both the benefits and the monetary costs incurred as a result of the action.
 - It is a subjective valuation that can be determined only by the individual who chooses the action.
 - It can be determined by adding up the bills incurred as a result of the action.

TABLE 1-5

Combination	Price of Apples per Bushel (in dollars)	Quantity of Apples Purchased in Bushels
A	9	3
B	7	4
C	5	6
D	4	8
E	2	10

99. Refer to Table 1-5. What relationship does this table demonstrate about price and quantity at each combination?
- They are uncorrelated.
 - They are inversely related.
 - They have NO effect on each other.
 - They are positively related.
100. Which of the following statements describing correlation is the most accurate?
- Two sets of phenomena may be related, but one does NOT necessarily cause the other.
 - When two phenomena are NOT observed together, one still causes the other.
 - When two phenomena are repeatedly observed together, one must cause the other.
 - Two sets of phenomena are NOT related and one may in fact cause the other.
101. Which of the following statements best describes the idea of opportunity cost and writing a test?
- There is NO opportunity cost of writing a test because it applies only to people who are working.
 - There is NO opportunity cost of writing a test because tests are so important.
 - The opportunity cost of writing a test is the wages given up from NOT working plus the loss of time studying for another test.
 - The opportunity cost of writing a test is the time given up for doing an important assignment for another class.
102. If a student enrolls in an additional course at the university, which of the following would an economist conclude?
- The total benefit that the student expects to receive as a result of completing her university degree exceeds the total cost of her university education.
 - The student is NOT following the rule of rational choice.
 - The student is NOT looking at the opportunity costs.
 - The expected marginal benefit of an additional course must exceed the expected marginal cost of the course.
103. Which of the following statements about economics is the most accurate?
- It concerns itself only with monetary decisions.
 - It says very little about "everyday life."
 - It is a narrowly focused discipline.
 - It is a broad-ranging, problem-solving discipline.

104. What is economics most concerned with?
- keeping interest rates low
 - making money
 - allocating scarce resources to satisfy unlimited wants
 - governments' efficient spending of tax revenues
105. What does microeconomics primarily examine?
- the behaviour of firms and how they interact with each other in the marketplace
 - the overall economy, especially fiscal and monetary policy
 - the behaviour of households but NOT firms
 - the behaviour of both firms and households and how they interact in the marketplace
106. Which of the following statements about opportunity costs is the most accurate?
- They never involve costs paid out-of-pocket.
 - They include only explicit costs paid out-of-pocket.
 - They always include costs paid out-of-pocket.
 - They may or may NOT involve costs paid out-of-pocket.
107. In a market economy, how are resources allocated?
- by central planners using a price system
 - by decentralized planners at the local level
 - by government bureaucracies because of the absence of a price system
 - by individual decision makers responding to market prices
108. Why is money NOT considered to be an economic resource?
- Money is produced by the Bank of Canada.
 - Money loses its value too easily due to inflation.
 - Money is an intangible good.
 - Money is NOT directly used to produce goods and services.
109. In a parliamentary debate about international trade tariffs, Members of Parliament and other experts made the following four statements. Which one of these statements is a normative statement?
- Without tariffs, the number of jobs lost will be just over 10 percent.
 - Tariffs are important because Canada should protect manufacturing jobs.
 - The fall in prices due to the removal of tariffs will result in small companies going out of business.
 - The money collected from tariffs in Canada is \$400 million.
110. A theory asserts that manufacturers are less willing to sell units of output as the price of goods decreases. However, as the price of cellphones fell throughout the 2000s, more cellphones were sold. Which of the following explanations best describes this apparent conflict between theory and data?
- It is likely that variables other than the price and quantity of cellphones sold were changing.
 - The theory must be incorrect and other principles associated with production must be reassessed.
 - The theory rests on assumptions that are too simplistic.
 - Cellphone manufacturers were acting irrationally and it is very unlikely they profited during this time period.

111. What type of science do most people consider economics to be?
- a. a social science
 - b. a life science
 - c. a physical science
 - d. a formal science
112. Which of the following statements about specialization is the most accurate?
- a. It leads to greater self-sufficiency.
 - b. It allows workers to develop skills by working on a large number of tasks.
 - c. It is always the result of an inefficient use of resources.
 - d. It can lead to an increase in overall production.
113. What do economists use the term "*ceteris paribus*" to indicate?
- a. Causation exists between two variables.
 - b. Their conclusions have been tested with empirical evidence.
 - c. Other things are assumed to remain constant.
 - d. The analysis is true for the individual but NOT for the economy as a whole.
114. In order for a student to acquire an education, many resources are required. Which of the following might be categorized as capital resources?
- a. the work effort of registrars and food services
 - b. SmartBoards, computers, and the expertise of professors
 - c. water, trees, and the acreage a campus rests on
 - d. the water, natural gas, and electricity needed to operate the school
115. Which of the following will NOT directly add to improvements in human capital?
- a. MBA management classes for executives
 - b. increases in take-home pay
 - c. a customer-service program for new salespeople
 - d. an increase in the computer-proficiency requirements for all postsecondary students
116. What problem is caused when NOT all human wants can be satisfied through current resources and technology?
- a. scarcity
 - b. positive economics
 - c. unemployment
 - d. *marginal costs*
117. A student football team manager examined variables influencing the team's record and concluded that the best scores resulted when the "third-string" team played the most minutes. Therefore, he recommended that the third-string team become the first team. Why is the manager's conclusion probably erroneous?
- a. He failed to recognize that correlation is NOT causation.
 - b. He did NOT review the entire game strategy carefully enough.
 - c. He committed the fallacy of composition.
 - d. He confused positive and normative analysis.

118. Which of the following descriptions of normative statements is the most accurate?
- a. They are prescriptive, making claims about how the world ought to be.
 - b. They are descriptive, making claims about how the world is.
 - c. They are affirmative, justifying existing economic policy.
 - d. They are optimistic, putting the best possible interpretation on things.
119. "The government should levy higher taxes on the rich and use the additional revenues to provide better urban transit systems." What is this statement an illustration of?
- a. the fallacy of composition
 - b. a normative economic statement
 - c. the basic principle of economics
 - d. a positive economic statement
120. Why does the problem of scarcity exist?
- a. because resources are limited, relative to wants
 - b. because governments fail to intervene in the marketplace
 - c. because resources are unlimited, relative to wants
 - d. because the world has many people living in poverty
121. What does the term "*ceteris paribus*" mean when used by an economist?
- a. Their conclusions are based on normative rather than positive economic analysis.
 - b. The causal relationship between two economic variables CANNOT be determined.
 - c. The analysis is true for the individual but NOT for the economy as a whole.
 - d. All other variables EXCEPT the ones specified are assumed to be constant.
122. How are additions made to human capital?
- a. through increases in the general population of an area
 - b. through improved education and on-the-job training
 - c. through monthly deposits into a savings account
 - d. through the purchase of tools and equipment by workers
123. What is the marginal (dollar) cost of an additional plate of food to a patron at an "all-you-can-eat" restaurant?
- a. It is equal for all plates of food consumed during the meal.
 - b. It is equal to the price paid for the meal (since there is NO such thing as a free lunch).
 - c. It is equal to the price paid for the meal divided by the number of plates of food consumed.
 - d. It is equal to zero.
124. As defined by an economist, what does the word scarcity mean?
- a. Consumers are too poor to purchase the available goods and services.
 - b. Demand exceeds supply at the current market price.
 - c. The desire for goods exceeds our ability to produce them with limited available resources.
 - d. Supply exceeds demand at the current market price.

125. Pollution damages the environment we live in. When would an economist advise that we reduce air pollution?
- when air pollution is in excess of the levels experienced in the 1950s, when air was much cleaner near big cities
 - when the total benefit from air pollution reduction just equals the total cost of pollution reduction
 - when air pollution levels are above near-zero levels
 - when the marginal benefit from air pollution reduction outweighs the marginal cost of achieving the reduction
126. Which of the following is NOT a function of an entrepreneur?
- to bear the business risks
 - to make the good
 - to organize the other factors of production
 - to innovate
127. Which of the following statements is most consistent with the rule of rational choice?
- Manufacturers of automobiles should seek to make cars safer, NO matter the costs involved.
 - Police forces should be enlarged until virtually all crime is eliminated.
 - Environment Canada should strive to eliminate virtually all air and water pollution.
 - When evaluating new prescription drugs, Health Canada should weigh each drug's potential health benefits against the potential health risks posed by known side effects.
128. Who makes economic decisions?
- They are made only by government leaders.
 - They are made in both the private and public sectors.
 - They are made only where monetary exchanges take place.
 - They are made only at the management level of corporations.
129. A beer at the baseball stadium costs \$10 each. According to the rule of rational choice, when will Rachel stop drinking beer?
- when the marginal benefit received from consuming peanuts with beer just equals \$10
 - when the marginal cost of an additional beer is less than \$10
 - when the marginal benefit of an additional beer equals zero
 - when the marginal benefit of an additional beer falls below \$10
130. What is the solution to solving the fundamental economic problem?
- to allocate limited resources among competing uses
 - to guarantee everyone on the planet a minimum level of food, shelter, and clean water
 - to eliminate poverty in the developing world
 - to increase the amount of leisure time available to people

TABLE 1-1

Possibility	Economics	Accounting
I	94	72
II	87	80
III	77	87

131. Refer to Table 1-1. A student has only a few hours to prepare for two different exams this afternoon. Table 1.1 shows alternative possible exam scores with three alternative uses of the student's time. What is the opportunity cost of scoring a 94 on the economics exam rather than a 77?

- a. 7 points on the accounting exam
- b. 8 points on the accounting exam
- c. 15 points on the accounting exam
- d. 17 points on the accounting exam

132. In a command economy, how are decisions made about the allocation of resources?

- a. by a lottery system
- b. by individuals and firms interacting in markets coordinated by a price system
- c. by the firms that have the most power in the market
- d. by a central planning board

TABLE 1-2

The marginal benefits to Shalico of weekend vacations during the year at a local resort are given by the following schedule:

Number of Weekend Vacations	Marginal Benefit
1	\$700
2	\$650
3	\$575
4	\$425
5	\$350
6	\$280

133. Refer to Table 1-2. If the marginal cost of a weekend vacation at the local resort is constant and equal to \$400, how many weekends at the local resort is Shalico likely to enjoy?

- a. 2
- b. 3
- c. 4
- d. 5

134. Which of the following would be studied in a microeconomics course?

- a. how the economy measures unemployment
- b. the amount of national debt
- c. the consumption decisions made by individuals
- d. the effect of rising prices on the economy

135. Which topic does macroeconomics usually NOT include?

- a. the rate of unemployment
- b. the rate of inflation
- c. the different kinds of business competition
- d. economic growth

136. An economist has been asked to explain why the price of vacations to the Caribbean have fallen recently. Which steps should the economist take in order to assemble a scholarly answer?
- a Develop a hypothesis, test the proposition by engaging in empirical analysis, and examine the data to see whether it fits with the facts.
 - b Gather data on vacation prices and seemingly unrelated variables in order to look for associations, then formulate a hypothesis based on those unexpected associations.
 - c Because the travel industry is controlled by a few large companies, the economist should gather data from other similarly structured industries to determine a theory.
 - d Use a questionnaire to determine why people are NOT travelling to the Caribbean and create a theory based on this data.
137. What do economists mean when they state that a good is scarce?
- a. People will want to buy more of the good regardless of price.
 - b. It is impossible to expand the availability of the good.
 - c. Our wants exceed our limited resources.
 - d. There is a shortage of the good at a sale price.
138. Which of the following is the best test of an economic theory?
- a. the accuracy of its assumptions
 - b. the rigour of its mathematical formulation
 - c. its ability to explain and predict
 - d. the level of real-world detail it captures
139. Which of the following best represents the erroneous view that is associated with the fallacy of composition?
- a. An increase in the supply of money will cause a general increase in the level of prices.
 - b. When two events are correlated, the one observed first must have caused the second.
 - c. If something is true for an individual, then it must also be true for a group.
 - d. A small change in an economic variable will have an unrecognizable but significant effect on the economy.
140. Under what condition does a nation have a comparative advantage over another nation in the production of cars?
- a. when it can produce cars with more resources than the other country
 - b. when it can produce cars at a lower opportunity cost than the other country
 - c. when it can produce cars with fewer resources than the other country
 - d. when it can produce cars at a higher opportunity cost than the other country
141. What is the definition of a theory?
- a. It is an untestable assertion or statement of untestable fact.
 - b. It is a normative statement that can be tested empirically through analysis of real-world data.
 - c. It is a testable statement that can be definitively proven to be true or false using empirical analysis.
 - d. It is a deliberate simplification of factual relationships that attempts to explain and predict how those relationships work.
142. Which of the following is indicated when an economy uses large amounts of labour relative to capital?
- a. that labour wage rates will be relatively high
 - b. that production is capital-intensive
 - c. that production is labour-intensive
 - d. that handmade goods are of better quality than machine-made goods

143. Mahmoud and Azmat both attend the same college and incur the same expenses for tuition, books, and school supplies. Mahmoud gave up a lucrative job at his family's car dealership to attend school full time and Azmat gave up a part-time job as a sales clerk in a department store. Which of the following statements about opportunity cost is the most accurate?

- a. The opportunity cost of attending college is likely greater for Azmat than for Mahmoud.
- b. The opportunity cost is miniscule for both since college graduates are paid much higher than high-school graduates on average.
- c. The opportunity cost of attending college is the same for both since they are enrolled at the same academic institution.
- d. The opportunity cost of attending college is likely greater for Mahmoud than for Azmat.

144. What do economists mean when they say goods are scarce?

- a. Government programs are needed to lift families out of poverty.
- b. At the current price, consumers are willing to buy more of a good than suppliers are willing to produce.
- c. Consumers do NOT have enough money to purchase the goods available.
- d. The desire for goods and services exceeds our ability to produce them with limited resources.

145. U.S. President Harry Truman once said that he wanted to find a one-armed economist because his economic advisors always said, "On the one hand . . . and on the other hand . . ." Truman recognized that the advice of economists is often ambiguous. Why is their advice often ambiguous?

- a. They are often UNABLE to identify the critical questions involved in policy issues.
- b. They are aware that trade-offs are involved in most policy questions.
- c. They have difficulty seeing the fallacy of composition.
- d. They have much disagreement over positive statements.

146. Which of the following statements about the opportunity cost of an item is the most accurate?

- a. It is the value of all available alternatives you sacrifice to get that item.
- b. It is always equal to the dollar value of the item.
- c. It is greater during periods of inflation and lower during periods of deflation.
- d. It is the highest valued alternative you give up to get that item.

147. Which of the following best demonstrates marginal thinking?

- a. measuring all of the costs of a meal against all of the benefits when deciding whether to order dessert
- b. choosing to spend one more hour studying economics because you think the improvement in your score on the next quiz will be worth the sacrifice of time
- c. acquiring the information relevant to a decision on what you should buy your sister for her birthday
- d. deciding to NEVER purchase a good that is made in a sweatshop

148. Which of the following represents a normative statement?

- a. The average temperature in Peterborough is 12 degrees Celsius.
- b. Peterborough should build more affordable housing.
- c. Like Rome, Peterborough is built on seven hills.
- d. The highest hydraulic lift lock in Canada is located in Peterborough.

149. What is the central concern of economics?

- a. regulating the stock market
- b. restraining people's greed
- c. finding more resources to satisfy everyone's wants
- d. making the best use of scarce resources to satisfy our unlimited wants

150. Despite the warning on a package of cigarettes about the potential health hazards of smoking, a man lights up a cigarette. What would an economist conclude?

- a. In the man's judgment, the expected marginal benefit of smoking the cigarette outweighs the expected marginal cost.
- b. In the man's judgment, the expected marginal cost of smoking the cigarette outweighs the expected marginal benefit.
- c. The man is behaving irrationally.
- d. The man has a positive marginal benefit.

151. Which of the following statements about scarcity is the most accurate?

- a. It is a problem that solely exists in the poorest parts of the world.
- b. It is only a problem in capitalistic economies.
- c. It is a problem that necessitates making choices and trade-offs.
- d. It is only a problem in the developed world.

152. Which of the following statements about rational choices is the most accurate?

- a. They can only be made by comparing opportunity cost with the marginal cost.
- b. They are made based on expectations of the additional benefits and additional costs involved.
- c. They are based on a comparison of total benefits and total costs.
- d. They measure benefits based on the past.

153. Which of the following statements about scarcity is the most accurate?

- a. It is a problem in both communist and socialist countries, but NOT in market economies.
- b. It will NEVER be eradicated because humans develop new wants as productive capabilities improve.
- c. It is a problem only in communist countries.
- d. It does NOT exist in wealthy countries.

154. Which of the following statements best illustrates the fallacy of composition?

- a. the error of omitting relevant variables from an economic model
- b. the error of confusing normative economics with positive economics
- c. the error of generalizing from the individual to the whole
- d. the error of confusing correlation with causation

155. Which of the following statements about human capital is the most accurate?

- a. It is the same as labour.
- b. It is a term describing the tools and equipment owned by households.
- c. It is a worker's physical effort when working with machines.
- d. It is the expertise or knowledge possessed by workers.

156. Which of the following is implied by the expression, "There's NO such thing as a free lunch"?
- a. Costs are incurred when resources are used to produce goods and services.
 - b. Because of time constraints, no one has time for a good lunch anymore.
 - c. The person consuming a good must always pay for it.
 - d. We all have to pay for our own lunch.
157. Which of the following is an example of a capital resource?
- a. a treasury bill
 - b. an unskilled worker
 - c. a large oil deposit
 - d. a tractor
158. Which of the following statements best describes the problem of scarcity?
- a. Scarcity means that shortages occur at the existing market price.
 - b. It is impossible to satisfy unlimited human wants with limited resources.
 - c. When there is scarcity, individuals do NOT face trade-offs.
 - d. As a result of scarcity, individuals do NOT have the ability to make choices.
159. What is included in the opportunity cost of going to college or university?
- a. both tuition and the value of the student's time
 - b. tuition, but NOT the value of the student's time, which is a cash cost
 - c. tuition, but NOT the value of the student's time, which is a monetary cost
 - d. neither tuition nor the value of the student's time since obtaining postsecondary education will lead to higher income in the future
160. In a market economy, who will receive the goods that are produced?
- a. those that business firms choose to favour
 - b. those that have sufficient income and are willing to pay the asking price
 - c. those that desire the goods the least
 - d. those that the government views as best suited for consumption
161. Which of the following statements about economics is the most accurate?
- a. It is concerned with predicting business conditions in the future, NOT with the current state of profits and losses
 - b. It is a physical science, much like physics and geology.
 - c. It is composed of two main branches known as positive and normative economics.
 - d. It is a science concerned with reaching generalizations about human behaviour, NOT unlike sociology or psychology.
162. Which of the following statements about testing an economic hypothesis is the most accurate?
- a. It can be tested using empirical analysis.
 - b. It can be tested using normative analysis.
 - c. It CANNOT be tested since it is normative in nature.
 - d. It CANNOT be tested since it is a positive economic statement.

163. Which of the following best describes macroeconomics?

- a. It is narrower in scope than microeconomics.
- b. It is concerned with the expansion of a small sole proprietorship into a large corporation.
- c. It is concerned with the expansion and contraction of the overall economy.
- d. It analyzes mergers and acquisitions between firms.

164. If Josh declines to purchase a new eighth generation game console priced at \$500, according to the rule of rational choice, which of the following best represents the expected marginal benefit of the game console for Josh?

- a. less than \$400
- b. less than \$500
- c. less than \$550
- d. more than \$500

165. If France can produce wine at a lower relative cost than Italy, what kind of advantage does France have?

- a. an absolute advantage
- b. a resource advantage
- c. a production advantage
- d. a comparative advantage

166. Ten-year-old Alex observes that people who play basketball are taller than average and tells his mom that he's going to play basketball because it will make him tall. What is the problem with Tommy's logic?

- a. He is committing the fallacy of composition.
- b. He is committing the fallacy of decomposition.
- c. He is violating the *ceteris paribus* assumption.
- d. He is mistaking correlation for causation.

167. What is the term for the beginning point of a graph (the 0,0 point)?

- a. the basis point
- b. variable one
- c. the origin
- d. the quadrant

168. What is the basic difference between macroeconomics and microeconomics?

- a. Microeconomics explores the causes of inflation, while macroeconomics focuses on the causes of unemployment.
- b. Microeconomics concentrates on the behaviour of individual consumers, while macroeconomics focuses on the behaviour of firms.
- c. Microeconomics concentrates on the behaviour of individual consumers and firms, while macroeconomics focuses on the performance of the entire economy.
- d. Microeconomics concentrates on individual markets, while macroeconomics focuses primarily on international trade.

169. Which of the following is *NOT* an example of a factor of production?

- a. the bauxite used to make aluminum
- b. the manager in charge of marketing
- c. a robot on an assembly line
- d. a product's price

TABLE 1-4

The marginal benefit to a consumer from viewing theatrical-release films each month:

Movie Tickets per Month	Marginal Benefit (in dollars)
1	\$12.50
2	\$11.50
3	\$10.50
4	\$9.50
5	\$8.50
6	\$7.50
7	\$6.50
8	\$5.50

170. Refer to Table 1-4. If the price of a movie ticket is \$8, how many movie tickets per month will be purchased by a consumer following the rule of rational choice?

- a. 2
- b. 3
- c. 4
- d. 5

171. A theory asserts that consumers will purchase less of a good at higher prices than they will at lower prices. However, when the average price of cars increased throughout the 1990s, more cars were purchased. Which of the following explanations best describes this apparent conflict between theory and data?

- a. The price and quantity data gathered by researchers were clearly measured incorrectly.
- b. It is likely that variables other than the price and quantity of cars demanded were changing.
- c. The *ceteris paribus* assumption is valid.
- d. The theory must be invalid.

172. Which statement about an economy's resources is the most accurate?

- a. They consist of land, labour, capital, and entrepreneurial skills.
- b. They consist of land, labour, and entrepreneurial skills, but NOT capital.
- c. They are always efficiently utilized in wealthy nations.
- d. They are unlimited in a country like Canada.

173. What is the term for the ability to produce at a lower opportunity cost than someone else?

- a. competitive disadvantage
- b. absolute advantage
- c. absolute superiority
- d. comparative advantage

174. Charlie makes millions of dollars a year playing baseball. Charlie is also the best chef in his hometown. Based on the theory of specialization, why doesn't Charlie make his own food?

- a. Charlie has a comparative advantage in cooking.
- b. The opportunity cost to him of cooking his own food is very low because it takes away from his lucrative baseball career.
- c. The opportunity cost to him of cooking his own food is very high because it takes away from his lucrative baseball career.
- d. Charlie does NOT face an opportunity cost in this situation since he is good at both activities.

175. What is the opportunity cost of attending a university for a year?
- the size of the student loans the student becomes responsible for
 - the tuition fees incurred
 - the value of the best opportunity or opportunities forgone in order to enrol for the year
 - the sum of all expenditures on rent, food, books, and tuition incurred during the school year
176. Which of the following is NOT a reason for economists using theories?
- to explain and help predict human behaviour
 - to understand economic behaviour
 - to develop a testable hypothesis
 - to abstract from the complexities of the world
177. If incentives matter, then policies can be used to discourage undesirable behaviour. Which of the following policies would NOT likely help protect wildlife?
- a reduction in the number of park rangers and law enforcement personnel
 - jail sentences for camping or littering in protected areas
 - finest on hunting
 - the provision of additional rangers and law enforcement personnel
178. Which of the following best illustrates the fallacy of composition?
- If the price of a Dodge Charger increased, consumers would buy fewer of them; if consumers bought fewer Dodge Chargers, the price of a Dodge Charger would rise.
 - If Jeannette produces more, she can consume more; if Jeannette consumes more, she can produce more.
 - If the price of a trip to Texas went down, more people could afford to go to Texas; and if more people travelled to Texas, the prices of the trip would increase.
 - If Jeannette had more money, she would be wealthier; if a nation's money supply were larger, the people of the nation would be wealthier.
179. Which of the following is an example of a capital resource?
- an office computer
 - a bond issued by a company selling electric generators
 - the funds in a chequing account at a bank
 - stock in a computer software company
180. The price of a ticket to a Taylor Swift concert is \$150. According to an economist, under what circumstances will you purchase a ticket?
- when your valuation of seeing the concert is less than \$150
 - when your marginal benefit of going to the concert is positive
 - when your expected marginal benefit from viewing the concert exceeds \$150
 - when your expected marginal cost from viewing the concert exceeds \$150
181. Economists believe that people respond to incentives in predictable ways. Therefore, if the government imposed a tax on each child born, what would an economist expect to happen?
- Families would have the same number of children, but spaced farther apart.
 - Families would have the same number of children, but wait longer to begin having them.
 - Fewer children would be born.
 - More children would be born, but spaced farther apart.

182. If Canadian consumers bought more gasoline in 2007 (when prices averaged \$1.30 per litre) than they did in 1980 (when prices averaged \$0.40 per litre), does that mean that people buy more gasoline at higher prices?

- a. Yes, because gasoline is a luxury good that consumers willingly purchase—even at higher prices.
- b. Yes, because gas is a necessity that is in short supply. Consumers are always willing to buy more gasoline—even at higher prices.
- c. No, because there is too little information provided about inflation, consumer income and other variables to make an appropriate comparison.
- d. No, because prices CANNOT be compared over time.

183. Several political leaders have proposed that parents be granted a substantially larger reduction in their annual personal income taxes for each child that they parent. According to economic thinking, what would be the result of this type of legislation?

- a. It would exert NO impact on either the cost of raising children or the birth rate since parenting children is a noneconomic activity.
- b. It would reduce the after-tax cost of raising children and therefore increase the birth rate.
- c. It would make it more expensive for parents to provide for their children.
- d. It would reduce the value of children to their parents and therefore lead to a reduction in the birth rate.

184. An economic study concludes that providing NO interest loans to students will increase the postsecondary participation rate. What is this conclusion an example of?

- a. positive analysis
- b. the fallacy of composition
- c. normative analysis
- d. negative economic analysis

185. Which of the following is NOT a question that scarcity forces all societies to answer?

- a. How are goods and services to be produced?
- b. Who will get the goods and services produced?
- c. How can scarcity be eliminated?
- d. Which goods and services are to be produced?

186. Thelma, with NO money in her bank account, estimates that there is a 25 percent chance that she will get caught stealing a Porsche. According to an economist, under what circumstances might it be rational for Thelma to steal the Porsche?

- a. if the expected marginal costs exceed the retail value of the Porsche
- b. if her expected marginal benefit exceeds the amount of money in her bank account
- c. if the expected marginal costs outweigh the expected marginal benefits from doing so
- d. if the expected marginal benefits outweigh the expected marginal costs from doing so

187. Which of the following is most likely a topic of discussion in macroeconomics?

- a. a decrease in the price of oil
- b. an increase in the production of mobile phones by a telecommunications company
- c. an increase in the growth rate of the economy
- d. a decrease in the sales of high-priced luxury cars

TABLE 1-1

Possibility	Economics	Accounting
I	94	72
II	87	80
III	77	87

188. Refer to Table 1-1. A student has only a few hours to prepare for two different exams tomorrow morning. Table 1.1 shows alternative possible exam outcomes with three alternative uses of the student's time. What is the opportunity cost of scoring an 80 on the accounting exam rather than a 72?

- a. 10 points on the economics exam
- b. 8 points on the accounting exam
- c. 7 points on the economics exam
- d. 7 points on the accounting exam

189. Which of the following happens to us because of scarcity?

- a. We can obtain more of a desirable good without sacrificing other goods and services.
- b. We face shortages of goods that prevail at current market prices.
- c. We sacrifice valuable alternatives to obtain more of the goods and services we desire.
- d. We have an opportunity cost of consumption, which is zero.

190. What is the basis of a good economic theory?

- a. It relies on simplifying assumptions in order to explain economic behaviour.
- b. It does NOT rely on simplifying assumptions.
- c. It includes every detail that affects the economic behaviour of interest.
- d. It relies on conducting uncontrolled experiments.

191. You lose \$20 from your wallet and decide to miss an hour from work to search for it. What would an economist conclude from your behaviour?

- a. You estimate the expected cost of searching for one hour to be greater than \$20.
- b. In your estimation, the expected value of searching for the lost \$20 for an hour is less than your hourly wage.
- c. You must earn more than \$20 per hour.
- d. In your estimation, the expected value of searching for the lost \$20 for an hour exceeds your hourly wage.

192. Many people have heard that the U.S. stock market rises when a team from the National Football Conference (NFC) wins the Super Bowl, and falls when a team from the American Football Conference (AFC) is victorious. If you conclude that a causal relationship exists between the outcome of the Super Bowl and stock prices, what mistake are you making?

- a. You are committing the fallacy of composition.
- b. You are violating the *ceteris paribus* assumption.
- c. You are confusing correlation with causation.
- d. You are confusing the direction of causality; stock prices determine which team wins the Super Bowl.

193. Which topic does microeconomics NOT usually include?

- a. the determinants of the demand for smartphones
- b. government spending and taxation
- c. the impact of increasing the minimum wage
- d. the barriers to entry that are needed for a monopoly to exist

194. "If I didn't have class today, I would save the \$8 campus parking fee and spend four hours at work where I earn \$15 per hour." What is the opportunity cost of attending class today?
- a. \$0
 - b. \$8
 - c. \$60
 - d. \$68
195. Which of the following is most likely a topic of discussion in a microeconomics course?
- a. the amount of government spending
 - b. the number of individuals who lose their job because of structural changes in the economy
 - c. the average cost of producing coffee due to flooding
 - d. the share of national income paid to the government in taxes
196. Adam's boss offers him twice his usual wage rate to work tonight instead of taking his girlfriend on a romantic date. Which of the following is the likely outcome of this offer?
- a. It will decrease the opportunity cost of going on the date, since Adam really needs the money.
 - b. It will increase the opportunity cost of going on the date.
 - c. It will NOT affect the opportunity cost of going on the date.
 - d. It will reduce the opportunity cost of going on the date because giving up the additional work dollars will make his girlfriend feel even more appreciated.
197. If rain dancing is correlated with rain, does it necessarily mean that rain dancing causes rain?
- a. No. This is an example of the fallacy of composition.
 - b. No. Two variables may be correlated WITHOUT one necessarily causing the other.
 - c. Yes. This is an example of a failure to properly employ the *ceteris paribus* assumption.
 - d. Yes. If it rains after individuals have engaged in rain dancing, then causation is certainly at work.
198. You consider purchasing one more cup of coffee before you go to class. What is this consideration an example of?
- a. average thinking
 - b. positive thinking
 - c. marginal thinking
 - d. total thinking
199. According to the rule of rational choice, what must occur for an individual to be willing undertake an activity?
- a. The expected marginal benefits must be less than the expected marginal costs.
 - b. The total costs must exceed total benefits.
 - c. The expected marginal benefits must be greater than the expected marginal costs.
 - d. The expected marginal benefit must equal the expected marginal cost.

200. How does a command economy differ from a market economy?
- a. Production and distribution decisions are made by central planners in a command economy, but NOT in a market economy.
 - b. There is scarcity in command economies, but NOT in market economies.
 - c. Command economies are less prone to inflation than are market economies.
 - d. A command economy is more efficient than a market economy because decision making is centralized.
201. What does scarcity result from?
- a. government decision making
 - b. people NOT understanding economics
 - c. wants that exceed the resources necessary to provide them
 - d. an increase in globalization
202. What does a market economy depend on market mechanisms to do?
- a. provide everyone with a minimum level of income
 - b. decide how much government regulation there should be
 - c. determine how large the government's budget deficit should be
 - d. determine the most efficient way of using resources
203. Under what circumstance does a country specialize in an attempt to use its resources more efficiently?
- a. when a country has a comparative advantage in production
 - b. when a country has an absolute advantage in production
 - c. when a country has a disincentive to trade with others
 - d. when a country has a higher opportunity cost to trade with others
204. What is the term for the branch of economics that studies the economy as a whole?
- a. positive economics
 - b. microeconomics
 - c. normative economics
 - d. macroeconomics
205. What does the term "*ceteris paribus*" mean?
- a. Everything is variable.
 - b. What is true for the individual is NOT necessarily true for the whole.
 - c. All variables EXCEPT those specified are constant.
 - d. NO one knows which variables will change and which will remain constant.
206. What are economics' two main branches of study?
- a. free and closed markets
 - b. microeconomics and macroeconomics
 - c. fiscal and monetary policies
 - d. normative and positive economics

207. Which of the following best illustrates the fallacy of composition?

- a. If Mr. Ahmad had more money, he would buy a new car; if he had a new car, he would have less money.
- b. If Mr. Mua had more money, he could buy more goods; if the Mua family had more money, it could buy additional goods.
- c. If Ms. Smith had more money, she would buy her children more gifts; if her children had more gifts, they would be happier.
- d. If Ms. Shiflet had more money, she could buy more scarce goods; if the nation had more money, everyone could buy more scarce goods.

208. "The minimum wage should be increased so that low-income workers can afford to feed their families." What is this statement an example of?

- a. a positive economic statement
- b. an opportunity cost
- c. a normative economic statement
- d. the fallacy of composition

209. Which of society's questions does a market system answer?

- a. "how" and "for whom" questions, but NOT the "what" question
- b. "what," "how," and "for whom" questions
- c. "what" and "who" questions, but NOT the "for whom" question
- d. "what" and "for whom" questions, but NOT the "how" question

210. What is the term for the branch of economics that focuses on the conduct of affairs within narrowly defined units, such as households or business firms?

- a. macroeconomics
- b. applied economics
- c. socioeconomics
- d. microeconomics

211. The marginal benefit to you of drinking bottled iced tea is \$1.50. If the price of a bottle of iced tea is \$1.25, what will you do?

- a. If you purchase iced tea you will suffer a net loss of 25 cents per bottle.
- b. You will NOT purchase iced tea if you are acting rationally.
- c. If you purchase a bottle of iced tea, the net gain to you from doing so is 25 cents.
- d. If you are acting rationally, you will purchase iced tea until the marginal benefit falls to 25 cents.

212. Which of the following occurs when a person possesses a comparative advantage in the production of one good or service?

- a. It promotes greater self-sufficiency.
- b. It permits gains from trade to be realized due to a more efficient use of resources.
- c. It discourages specialization.
- d. The person's opportunity cost becomes higher than for that of other goods.

213. Which of the following statements best describes the relationship between theory and hypothesis?

- a. A hypothesis is a theory whose formulation relies on mathematics.
- b. A theory may result from a tested and confirmed hypothesis.
- c. "Theory" and "hypothesis" are interchangeable terms meaning the same thing.
- d. A hypothesis may result from a tested and confirmed theory.

214. Which of the following graphs or charts must add up to 100 percent?
- a labour graph
 - a time-series graph
 - a bar graph
 - a pie chart
215. Which of the following would an economist most likely predict would happen if airfares to Europe were to increase?
- Airlines would make significantly greater profits.
 - Most people would NOT change their travel and vacation plans.
 - More individuals would choose to fly to Europe because now it is a more valuable experience.
 - Many individuals would substitute toward other travel destinations.

TABLE 1-5

Combination	Price of Apples per Bushel (in dollars)	Quantity of Apples Purchased in Bushels
A	9	3
B	7	4
C	5	6
D	4	8
E	2	10

216. Refer to Table 1-5. What does the table demonstrate?
- More apples are purchased as the price declines.
 - Fewer apples are purchased as the price declines.
 - More apples are purchased at each and every price.
 - Fewer apples are purchased at each and every price.
217. Which of the following statements about the scope of economics is the most accurate?
- Economics applies only to business situations.
 - Economics deals with solely the interaction of individuals and businesses in the marketplace.
 - Economics is all theory, and much of it does NOT apply to everyday life.
 - Economics applies, in part, to almost everything since so many facets of our lives are about decision making with limited resources.
218. What causes scarcity?
- the allocation of goods by prices
 - specialization and division of labour
 - unlimited wants and limited resources
 - the market mechanism
219. Which of the following is a statement of positive economics?
- An increase in tax rates will reduce unemployment.
 - We should increase the amount of money accessible to entrepreneurs.
 - The amount of support for people with mental health issues should be increased.
 - New subsidies should be enacted to help people living in poverty.

220. What is the basis of a good economic theory?
- It explains economic behaviour and predicts well.
 - It rests on assumptions.
 - It always provides a highly detailed analysis of an economic sector.
 - It can best be expressed mathematically.
221. Which of the following is NOT a factor of production?
- entrepreneurship
 - capital
 - legal institutions
 - labour
222. Which of the following questions is economics fundamentally concerned with?
- How are limited wants allocated to satisfy limited resources?
 - How are limited resources allocated to satisfy unlimited wants?
 - How are scarce resources allocated to satisfy limited wants?
 - How are limited resources allocated to satisfy scarce wants?
223. Which of the following describes the chain of events involved in creating a theory?
- Gather data, evaluate results, tentatively accept the theory, and support or refute the hypothesis.
 - Select a theory, create a hypothesis, and evaluate the evidence.
 - Formulate a hypothesis, gather data, evaluate the results, support or refute the hypothesis, and tentatively accept theory.
 - Predict behaviour, evaluate the results, and formulate a hypothesis.
224. Henry must choose between going to his psychology class this evening and going on a date. If he chooses to go on the date, which of the following statements is most accurate about the expected value of the psychology lecture?
- It is likely greater than the expected marginal benefit from going on the date.
 - It is impossible to compare to the expected enjoyment from going on a date.
 - It is likely equal to the expected marginal benefit from going on the date.
 - It is likely less than the expected marginal benefit from going on the date.
225. What is the opportunity cost of an action equal to?
- the highest valued alternative sacrificed as a result of the action
 - the sum of the benefits received as a result of the action
 - the monetary benefit received as a result of the action
 - the value of any alternative use of the time expended on the action

TABLE 1-2

The marginal benefits to Shalico of weekend vacations during the year at a local resort are given by the following schedule:

Number of Weekend Vacations	Marginal Benefit
1	\$700
2	\$650
3	\$575
4	\$425
5	\$350
6	\$280

226. Refer to Table 1-2. If the marginal cost of a weekend vacation at the local resort is constant and equal to \$450, how many weekends at the local resort is Shalico likely to enjoy?

- a. 2
- b. 3
- c. 4
- d. 5

227. How do microeconomics and macroeconomics differ?

- a. Microeconomics is concerned with consumer behaviour, while macroeconomics is concerned with firm behaviour.
- b. Microeconomics utilizes positive economic analysis, while macroeconomics utilizes normative economic analysis.
- c. Microeconomics studies aggregate decision making, while macroeconomics examines individual decision making.
- d. Microeconomics studies individual decision making, while macroeconomics examines aggregate decision making.

228. The marginal cost of a vacation in Belize is \$3500. According to the rule of rational choice, if the marginal benefit to Rafael of a vacation in Belize is \$3000, what will he do?

- a. Rafael will experience a net gain of \$500 if he vacations in Belize.
- b. Rafael will choose NOT to vacation in Belize at this time.
- c. Rafael will borrow \$500 and vacation in Belize.
- d. Rafael will experience a net gain of \$3000 if he vacations in Belize.

229. How does an economist define a good economic theory?

- a. an abstraction from reality useful for explaining but NOT predicting behaviour (since theories are too simplistic)
- b. an opinion that can be tested against economic data
- c. an abstraction for the sake of argument
- d. a statement or relationship that is used to explain and predict human behaviour

230. "The hotter it gets, the more water people drink." What type of relationship, if any, does this statement imply?

- a. NO relationship
- b. an unequal relationship
- c. a negative slope
- d. a positive slope

231. What does economics primarily study?
- how to interpret corporate balance sheets and income statements
 - how choices are made because of scarcity
 - how to make money in the stock market
 - how to operate a business
232. Why do economists need to develop abstractions?
- to avoid analyzing real-world economic interactions, which are too complicated to understand
 - to understand and explain economic behaviour
 - to avoid committing the fallacy of composition
 - to distinguish normative economic behaviour from positive economic behaviour
233. What is the result of economic choices or trade-offs?
- poverty
 - overproduction
 - scarcity
 - unemployment
234. Three economic questions must be determined in all societies. What are they?
- What goods will be produced? How will goods be produced? For whom will goods be produced?
 - What is the opportunity cost of production? Does the society have a comparative advantage in production? Will consumers desire the goods being produced?
 - What will the price of each good be? Who will produce each good? Who will consume each good?
 - How much will be produced? When will it be produced? How much will it cost?
235. If individuals who sit in the back of the classroom receive lower grades on average than the rest of the class, does that mean that sitting in the back of a classroom causes one to perform poorly on exams?
- The reoccurrence of such a relationship is sufficient evidence that sitting in the back of a classroom will lead to lower grades.
 - It is NOT possible for an economist to determine causation between variables.
 - The reoccurrence of a certain relationship between two variables does NOT necessarily imply causation.
 - The reoccurrence of such a relationship is sufficient evidence that students who receive low grades prefer to keep a low profile and always sit in the back of the classroom.
236. What does the *ceteris paribus* assumption enable?
- the separation of normative economic issues from positive economic issues
 - an analysis of the relationship between two variables separate from the influence of other variables
 - all variables to be held constant so the economy can be carefully observed in a suspended state
 - a generalization from the whole to the individual
237. What is the term for the branch of economics that studies the aggregate decisions of all households and all firms?
- normative economics
 - microeconomics
 - positive economics
 - macroeconomics

238. Which of following statements about economics is the most accurate?
- a. It explores how choices are made between conflicting wants and desires in a world of scarcity.
 - b. It relies entirely upon normative analysis.
 - c. It typically uses controlled experiments to learn about consumer and firm behaviour.
 - d. It uses models that cannot be tested empirically due to the complex nature of the economy.
239. Which of the following most accurately describes a scarce good?
- a. a good for which available resources are insufficient to satisfy unlimited human desires for it
 - b. a good that is always in demand at any price
 - c. a good for which there is a shortage at the current market price
 - d. a good for which it is impossible to increase production any further given the available resources and technology
240. Which of the following lies primarily within the realm of microeconomics?
- a. an economic model forecasting the impact of a tax increase on consumer spending and national output
 - b. a model forecasting the impact of a change in interest rates on the level of investment in the economy
 - c. an empirical analysis of the relationship between the growth of the money supply and the rate of inflation
 - d. a study of supply and demand conditions in the market for orange juice
241. Which of the following statements best represents an economist's view of criminal behaviour ?
- a. Economics can shed very little light on the subject.
 - b. Those choosing to commit criminal acts weigh the expected marginal benefits versus the expected marginal costs.
 - c. Individuals are irrational and don't respond to incentives.
 - d. People engage in criminal activity because they are genetically predisposed to do so.
242. "When one baseball team spends a large sum of money acquiring better players, it is better off. If all teams do the same thing, all of them are better off." Which of the following does this statement illustrate?
- a. the fallacy of composition
 - b. normative economics
 - c. a positive correlation
 - d. scarce resources
243. "To make it to the NHL and play professional hockey, one should practise more. If everyone who plays minor hockey practices more, then everyone who wants to play professional hockey can." What is the problem with the logic in this statement?
- a. There is causation but NO correlation.
 - b. There is correlation but NO causation.
 - c. It is a normative statement, BUT should be a positive statement.
 - d. There is a fallacy of composition.

244. Which of the following statements most likely lies within the realm of macroeconomics?
- a. Due to process innovations in computer chip manufacturing, the market supply of computers increased.
 - b. Due to an economic recession, manufacturing firms began implementing layoffs of their workforces.
 - c. An increase in the price of automobiles will lead to a decrease in the quantity of automobiles demanded.
 - d. Anticipating that the benefits would outweigh costs involved, an undergraduate student purchases the course textbook.
245. Which of the following statements most likely lies within the realm of microeconomics?
- a. An increase in taxes will decrease the aggregate demand for goods and services in the economy.
 - b. An increase in the price of oil will increase the cost of transporting goods internationally.
 - c. Unemployment rises during a recession and falls during an expansion.
 - d. Human capital is an important part of economic growth.
246. Which of the following statements about negative incentives is the most accurate?
- a. They increase benefits or reduce costs.
 - b. They increase benefits and increase costs
 - c. They decrease benefits or increase costs.
 - d. They include both cash subsidies and taxes.
247. Which of the following statements about microeconomics is the most accurate?
- a. It is a "positive" science, whereas macroeconomics is a "normative" science.
 - b. It provides an overall view of the economy and how it functions.
 - c. It explores the behaviour of individual consumers and firms when confronted with scarcity.
 - d. It examines the aggregate behaviour of consumers and firms when confronted with scarcity.
248. What is the difference between a positive economic statement and a normative one?
- a. Positive economic statements are descriptive in nature, while normative economic statements are quantitative.
 - b. Positive economic statements are used to explain economic behaviour, while normative economic statements are used to predict economic behaviour.
 - c. Positive economic statements are descriptive in nature, while normative economic statements involve value judgments.
 - d. Positive economic statements involve value judgments, while normative economic statements are descriptive in nature.
249. What does the opportunity cost of an action include?
- a. the highest valued alternative use of the time spent on the action
 - b. the total benefits received as a result of the action
 - c. the lowest valued alternative use of the time spent on the action
 - d. the net benefits received as a result of the action
250. Which of the following is the opportunity cost of raising a child?
- a. The money spent on putting them into extra-curricular activities such as hockey.
 - b. The cost of the necessities such as food and clothing.
 - c. The money put aside for a college education.
 - d. The wages forgone by the parent who stays home to raise the child.

251. How should we judge the validity of a positive statement?
- by determining whether it corresponds to our own ideas on ethics, religion, and political philosophy
 - by ensuring there is NO fallacy of composition
 - by examining the professional credentials of the person who made the statement
 - by analyzing the relevant data
252. What is the term for the highest valued alternative sacrificed as a result of a choice?
- the explicit cost, which can be objectively measured by anyone
 - the explicit cost, which can be subjectively measured only by the individual who chooses
 - the opportunity cost, which can be subjectively measured only by the individual who chooses
 - the opportunity cost, which can be objectively measured by anyone
253. Which of the following tends to occur in countries with high labour costs?
- They use more labour rather than capital in the production process.
 - They use more capital rather than labour in the production process.
 - They rely on only one method for the production of goods.
 - They become relatively poor countries.
254. Which of the following best illustrates the fallacy of composition?
- If I talk loudly at a party, I have a better chance of being heard by my listeners. If everyone at the party talks loudly, everyone can be heard more clearly.
 - Resources are scarce; therefore, there is NO such thing as a free lunch.
 - If the price of a product rises, the quantity supplied will decline.
 - The average wage rate tends to increase at approximately the same rate as inflation; hence, wage increases must cause inflation.
255. What is the term for the branch of economics that focuses on outcomes in highly aggregated markets, such as the markets for labour or consumer products?
- normative economics
 - macroeconomics
 - productive economics
 - opportunity economics
256. Venezuela has a comparative advantage in oil production and Japan has a comparative advantage in electronics. Which of the following statements about specialization and trade is NOT correct?
- These two countries should trade because it will free up time in both countries.
 - These two countries should trade because it will free up resources in both countries.
 - These two countries should trade since prices would be higher and each can make higher revenues.
 - The two countries should trade and the workers in each country will become more skilled due to repetition.
257. What is the likely reason that hotels might restrict the use of frequent stay points during holiday periods?
- The opportunity cost to hotels of filling rooms with frequent stay points is lower at these times.
 - Hotels want to protect their most loyal customers from the discomfort of overcrowded properties.
 - The opportunity cost to hotels of filling rooms with frequent stay points is higher at these times.
 - Travellers have more accommodation alternatives available to them at these times.

258. Why is there scarcity?
- because marginal costs tend to exceed marginal benefits
 - because human wants and needs are limited
 - because Canada has too many people living in poverty
 - because our unlimited wants exceed our limited resources
259. What is the basic difference between macroeconomics and microeconomics?
- Microeconomics is concerned with the trees (individual markets), while macroeconomics is concerned with the forest (aggregate markets).
 - Macroeconomics is concerned with positive economics, while microeconomics is concerned with normative economics.
 - Macroeconomics is concerned with policy decisions, while microeconomics applies only to theory.
 - Microeconomics looks at the forest (aggregate markets), while macroeconomics is concerned with the trees (individual markets).
260. Which of the following statements about scarcity is the most accurate?
- It occurs only in centrally planned economies.
 - It will likely be eliminated by technological progress.
 - It occurs when there are insufficient resources to provide for human wants.
 - It exists only in poor nations.
261. The marginal cost of a vacation in the south of France is \$5500. If the marginal benefit to Rebecca of a vacation in the south of France is \$5800, what will she do?
- Rebecca will enjoy a net gain of \$5800 if she vacations in the south of France.
 - Rebecca will experience a net gain of \$300 if she vacations in the south of France.
 - Rebecca will lose \$300 if she vacations in the south of France.
 - Rebecca will be worse off if she vacations in the south of France.
262. Your father tells you, "Playing video games will make you stupid." Why is this a positive statement?
- Your father is concerned with your well-being.
 - You should be studying instead of playing video games.
 - It is a proposition that can be tested.
 - It is your father's opinion.
263. What is the term for the additional benefit received as a result of undertaking an action?
- the marginal benefit
 - the marginal cost
 - the average benefit
 - the opportunity cost
264. What is the fallacy of composition?
- the idea that correlation need NOT imply causation
 - the erroneous view that an economic activity can sometimes exceed the sum of its components
 - the view that the aggregation of economic activity will necessarily lead to an outcome that differs from the outcome generated by each individual in the group
 - the erroneous view that what is true for the individual will also be true for the group

265. Which of the following is an example of a positive incentive?
- a. You expect to receive a scholarship if your grades remain high.
 - b. Pizza will NOT be delivered to campus dorms after 10 p.m.
 - c. Campus police institute a policy of impounding cars parked in delivery-zone spaces.
 - d. You expect to lose your spot on a varsity team if your grades fall.
266. What does economics primarily explore?
- a. how the government allocates its budget among competing political interests
 - b. how stock and bond prices fluctuate in response to changes in demand or supply
 - c. how goods and services are produced and distributed in a world with limited resources
 - d. how businesses market products under competitive conditions
267. Which area of study is most concerned with measuring the rate of inflation?
- a. macroeconomics
 - b. microeconomics
 - c. capitalist economics
 - d. socialist economics
268. What is a hypothesis?
- a. It is a normative economic statement.
 - b. It is a testable proposition.
 - c. It is a statement that CANNOT be evaluated using real-world data.
 - d. It is a model with NO connection to the real world.
269. Which of the following is *NOT* an example of a capital resource?
- a. a commercial sewing machine
 - b. a framing nailer
 - c. 100 hectares of forest in New Brunswick
 - d. the expertise of an accountant
270. Why is economics different from a "hard" science such as physics?
- a. Economists CANNOT easily control all the variables that might influence human behaviour.
 - b. Economists need to control fewer variables than what is found in a physics experiment.
 - c. Economic experiments are easier to conduct than those in physics.
 - d. Economists abstract from reality in creating their theories.
271. Which of the following statements about entrepreneurship is the most accurate?
- a. It is another word for physical capital that is used to produce goods and services.
 - b. It is human capital.
 - c. It is another word for the financial capital that can be used to start a business.
 - d. It is the resource that organizes the other factors of production in order to produce goods and/or services.

272. Which of the following statements best describes opportunity costs?

- a. The opportunity cost of attending college is the same for all students at the same university but may differ among students at different universities.
- b. Some economic decisions have zero opportunity cost.
- c. The opportunity cost of a decision is the value of the best forgone alternative.
- d. The opportunity cost of a decision is equal to the explicit cost in monetary terms.

273. What is the primary concern of economics?

- a. studying limited desires in the face of unlimited resources
- b. studying problems such as poverty and unemployment
- c. studying production and distribution of goods in a world of unlimited resources
- d. studying production and distribution of goods in a world of limited resources

274. Most students expect that if they spend more time studying, the outcome will be improved grades in the course. Which of the following is this expectation based on?

- a. Grades are independent variables.
- b. A negative relationship exists between studying and grades.
- c. A positive relationship exists between studying and grades.
- d. Grades are NOT dependent variables.

275. What is a time-series graph and what does it show?

276. It can be said that, ultimately, consumers are the driving force behind answers to the three basic economic questions faced by societies. Explain the consumer's role in providing these answers.

277. Explain why each of the following is considered an economic issue:

- a. whether to spend Saturday evening at a basketball game
- b. obtaining tickets to a Taylor Swift concert
- c. your university considers your application for one of 25 available scholarships

278. "The president of the world's biggest polluter (the United States) needs to do more than propose well-intentioned but insufficient measures that amount to using a squirt gun to quell a raging fire." Is this a positive or a normative economic statement? Explain your answer.

279. If firefighting is dangerous, why would any rational person choose to be a firefighter?

280. Indicate whether each of the following is a positive or normative economic statement:

- I. The increase in the number of tariffs will decrease the amount of imports.
- II. The local government should control the number of panhandlers in the downtown core.

281. Would it make good sense for a community to seek to reduce its levels of pollution to zero? Why or why not?

282. Explain the difference between poverty and scarcity.

283. "If the price of textbooks increases, the quantity purchased will increase." Is this statement a positive or a normative economic statement? Explain your answer.

284. What is the difference between a hypothesis and a theory?

285. Market economies are often criticized for how they answer the basic question, "For whom are goods produced?" This criticism usually comes from people who believe that the distribution of income is NOT "fair." Is there some way to separate production from distribution so that we can make the distribution of income "more fair" without interfering with production?

286. How would an economist respond to the following statement: "Wanting more goods makes us greedy"?

287. How do we measure the slope of a linear curve?

288. Farmer Ed could grow wheat and barley. He could grow 75 bushels of wheat or 125 bushels of barley using the same resources on a hectare of his land. The price of wheat is \$2.00 per bushel and the price of barley \$0.80. Show the benefits to Ed from specialization. What should he specialize in?

289. Maggie is a potter and she likes to dig her own clay for producing pots, cups, and other ceramic items. She is aware of two places where she can obtain the right clay for her work. The first field is quite close, just at the edge of town. The second field is 15 kilometres away and (since there are NO access roads) requires a half-day of travel just to get there. Compare the opportunity cost of producing pots using clay from each of these fields.

290. Identify the error in judgment in each of the following statements:

- I. "If you leave a baseball game before the end, you will avoid traffic and get home more rapidly; therefore, everyone should leave before it ends."
- II. "Whenever I wear my lucky baseball cap to an exam, I receive an "A." My baseball cap must induce the teacher to give me good grades."

291. If you were an employer, what are some ways that you might help your employees invest in human capital? How does investment in human capital benefit an employer?

292. The United Nations asks you to help it understand the causes of income disparities around the world. You develop the following two hypotheses. Test each hypothesis against the given facts, identify which fits the facts better, and offer a theory based on your observation.

- I. Countries with high populations have lower incomes because the large supply of labour drives down the wage rate.
- II. Countries with high literacy rates have higher incomes because labour is more productive.

Country	Per Capita GDP (in US dollars)	Literacy Rate (%)	Population (in thousands)
Canada	43 100	99	34 834
United States	52 800	99	318 892
Switzerland	54 800	99	8 061
Germany	39 500	99	80 966
Cambodia	2 600	73.9	15 458
Indonesia	5 200	92.8	253 069
Afghanistan	1 100	28.1	31 822
India	4 000	62.8	1 236 344

Source: CIA World Factbook <https://www.cia.gov/library/publications/the-world-factbook/>

293. "Government should do all it can to help people living in poverty." Is this a positive or normative statement? Explain your answer.

294. When economists disagree, what type of issues are typically the focus?

295. Identify whether each of the following topics would be primarily a concern of microeconomics or macroeconomics:

- a. a decision by a household to travel to the Caribbean during the winter break
- b. the inflation rate increasing from 2.5 to 2.8%
- c. a decision by the Bank of Canada to increase interest rates
- d. the gross domestic product increasing by 1%
- e. the price of fruits and vegetables increasing by 5%
- f. a small bookstore closing due to increased competition from online retailers

296. How do we find the slope of a nonlinear curve?

297. How does microeconomics relate to macroeconomics?

Answer Key

1. False
2. True
3. False
4. False
5. False
6. False
7. False
8. True
9. True
10. True
11. False
12. True
13. False
14. True
15. False
16. False
17. False
18. False
19. False
20. False
21. True
22. False
23. False
24. False
25. True
26. True
27. False

28. False

29. False

30. True

31. True

32. False

33. True

34. False

35. False

36. True

37. False

38. False

39. c

40. b

41. a

42. c

43. a

44. a

45. c

46. b

47. d

48. c

49. a

50. d

51. b

52. d

53. c

54. b

55. d

56. d

57. c

58. a

59. a

60. c

61. c

62. c

63. b

64. c

65. a

66. a

67. b

68. b

69. c

70. d

71. b

72. c

73. a

74. b

75. b

76. b

77. d

78. c

79. d

80. d

81. b

82. a

83. b

84. b
85. c
86. a
87. c
88. a
89. d
90. d
91. b
92. c
93. b
94. d
95. c
96. b
97. d
98. c
99. b
100. a
101. d
102. d
103. d
104. c
105. d
106. d
107. d
108. d
109. b
110. a
111. a

112. d

113. c

114. b

115. b

116. a

117. a

118. a

119. b

120. a

121. d

122. b

123. d

124. c

125. d

126. b

127. d

128. b

129. d

130. a

131. c

132. d

133. c

134. c

135. c

136. a

137. c

138. c

139. c

140. b

141. d

142. c

143. d

144. d

145. b

146. d

147. b

148. b

149. d

150. a

151. c

152. b

153. b

154. c

155. d

156. a

157. d

158. b

159. a

160. b

161. d

162. a

163. c

164. b

165. d

166. d

167. c

168. c

169. d

170. d

171. b

172. a

173. d

174. c

175. c

176. c

177. a

178. d

179. a

180. c

181. c

182. c

183. b

184. a

185. c

186. d

187. c

188. c

189. c

190. a

191. d

192. c

193. b

194. d

195. c

196. b

197. b

198. c

199. c

200. a

201. c

202. d

203. a

204. d

205. c

206. b

207. d

208. c

209. b

210. d

211. c

212. b

213. b

214. d

215. d

216. a

217. d

218. c

219. a

220. a

221. c

222. b

223. c

224. d

225. a

226. b

227. d

228. b

229. d

230. d

231. b

232. b

233. c

234. a

235. c

236. b

237. d

238. a

239. a

240. d

241. b

242. a

243. d

244. b

245. b

246. c

247. c

248. c

249. a

250. d

251. d

252. c

253. b

254. a

255. b

256. c

257. c

258. d

259. a

260. c

261. b

262. c

263. a

264. d

265. a

266. c

267. a

268. b

269. c

270. a

271. d

272. c

273. d

274. c

275. A time-series graph shows changes over time and is a visual tool that allows us to observe important trends.

276. What will be produced is directly determined by businesses. However, firms are aware that the way to succeed is to offer products that consumers find desirable. What businesses produce is determined by what they believe consumers want. How goods are produced is determined by firms that seek to reduce the costs of production. Since consumers are price-conscious, they will buy lower-priced products (*ceteris paribus*).

277. Each of the following is an economic issue that illustrates scarcity and the necessity of making choices:

- The decision as to whether to spend Saturday evening at a hockey game basketball involves weighing the marginal benefit versus the marginal cost. An opportunity cost is associated with
- a. going to the basketball game since you could spend the time in other ways, such as studying or working.
Attending a Taylor Swift concert requires a sacrifice of both money and time. Individuals face
 - b. a trade-off between what could be done with the time and the dollars expended acquiring tickets and attending the concert.
 - c. Since the university offers a limited number of scholarships and many students wish to receive one, the university must decide to whom to allocate these scarce scholarship resources.

278. This statement is normative. The key is the phrase "the president . . . needs to do more." This statement represents a value judgment on the speaker's part.

279. A rational person might choose to drive race cars if, after assessing the potential dangers, he or she believes the expected marginal benefit from racing outweighs the expected marginal cost.

280. Statement I is a positive economic statement because it is testable.

Statement II is a normative economic statement because it reflects a value judgment.

281. In general it would NOT make sense for a community to seek to reduce pollution levels to zero because the costs involved would exceed the benefits received.

282. People living in poverty have access to few resources, which limits the goods and services that can be consumed. When an individual faces scarcity, it means NOT having enough resources to consume all that is desired (necessitating that choices be made). While NOT everyone lives in poverty, everyone does face scarcity. Even the rich face scarcity (since as wealth increases, so do human wants).

283. Since it is a testable proposition, it is a positive economic statement. The statement need NOT be true, only testable.

284. A hypothesis about behaviour is the first step in developing and constructing a theory. A hypothesis is testable and makes a prediction about behaviour in response to changed circumstances. If a hypothesis is shown to be consistent with real-world data, it can be tentatively accepted as an economic theory.

285. Unfortunately, there is no way to totally separate the act of production from the way income is distributed. We know that incentives matter, and tying income to production gives people the incentive to produce. Fairness is a normative concept and reasonable people will disagree over what constitutes a fairer distribution of income. Since incentives matter, any attempt to change the distribution of income is likely to destroy some of the incentives for production.

286. Economists do NOT view the unlimited human desire for goods and services to be an indication of "greediness." Economists assume that all individuals want more resources in their efforts to reach greater levels of satisfaction (whether to benefit yourself, your family, or others).

287. A straight-line curve is called a linear curve. The slope of a linear curve between two points measures the relative rates of change of two variables. Specifically, the slope of a linear curve can be defined as the ratio of the change in the Y value to the change in the X value. The slope can also be expressed as the ratio of the rise to the run, where the rise is the change in the Y variable (along the vertical axis) and the run is the change in the X variable (along the horizontal axis).

288. Farmer Ed could make \$150 if he grew only wheat and just \$100 if he grew only barley. By specializing in wheat production he will be better off. Even though he can produce more bushels of barley than he can bushels of wheat, his opportunity cost of producing wheat (the \$100 income sacrificed) is lower than the opportunity cost of producing barley (\$150 in sacrificed income).

289. The opportunity cost of the clay necessary for her work is higher at the second field. Maggie would need to spend more time travelling, consume more gasoline, and use extra time and energy to dig from the second field.

290. Statement I is an example of the fallacy of composition.
Statement II is an example of confusing correlation with causation.

291. An employer might provide on-site training, subsidized daycare, or tuition assistance for postsecondary educational programs. The daycare would help reduce employee absenteeism and provide additional motivation for employee retention. Educational programs can assist employees to improve their skills and abilities and thereby increase worker productivity.

292. The data support hypothesis II better than hypothesis I. Two of the four countries with populations over 50 million had high incomes and two of the four with populations fewer than 50 million had low incomes. The four countries with literacy rates over 95% had per capita incomes in excess of \$34 000. The four countries with relatively low literacy rates had substantially lower per capita incomes. There are two anomalies in the data. Germany has a marginally higher literacy rate when compared with Canada, yet has a slightly lower income. India has a significantly lower literacy rate than Indonesia but India and Indonesia have comparable per capita incomes. This finding tends to indicate that although literacy appears to be a determinant, it may NOT be the only factor determining per capital income.

293. This is a normative statement. The key is the inclusion of the word "should" in the statement. It is a value judgment, although one that is shared by many people.

294. Economists generally disagree on policy issues that require utilizing normative economic analysis. Differences in beliefs or values lead to conflicts regarding the best resolution of an economic problem.

295. Microeconomic topics: a, e, and f
Macroeconomic topics: b, c, and d

296. We can find the slope at a given point by drawing a straight-line tangent to that point on the curve (when a straight line just touches the curve without actually crossing it) and calculating the slope of the tangent line.

297. Microeconomics primarily examines the behaviour of individual households and firms, whereas macroeconomics concentrates on the behaviour of consumers and firms in the aggregate. Macroeconomics studies economic problems as they influence the whole of society.