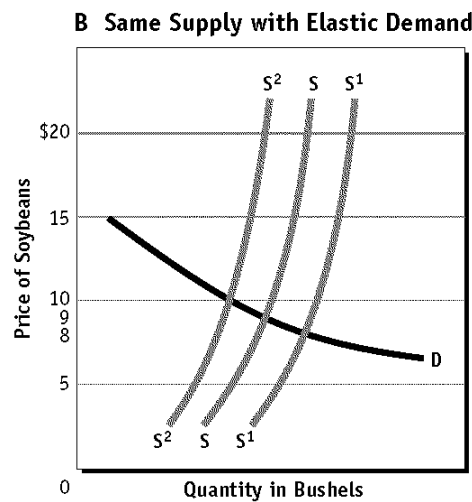
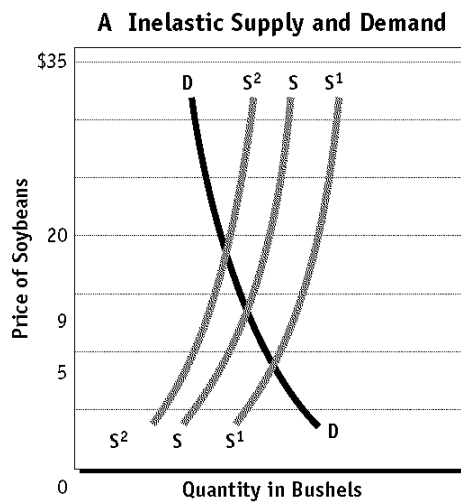


Chapter 6 Practice Test

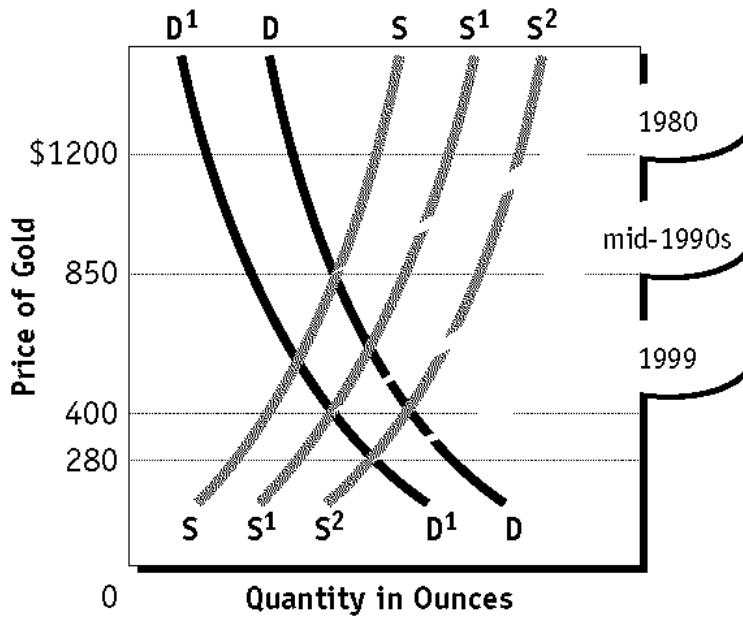
Multiple Choice

Identify the choice that best completes the statement or answers the question.

- ___ 1. The federal minimum wage law demonstrates
- market equilibrium.
 - a societal choice for economic equity over efficiency.
 - the function of equilibrium price in a competitive market.
 - government intervention to ensure the equilibrium price.
- ___ 2. A competitive market economy
- runs itself.
 - depends on a bureaucracy to run effectively.
 - needs a planning commission to set prices.
 - needs assistance to find its own equilibrium.

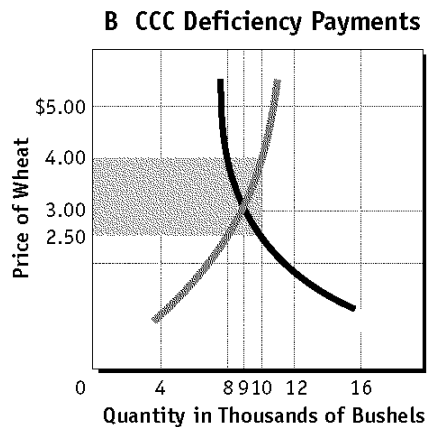
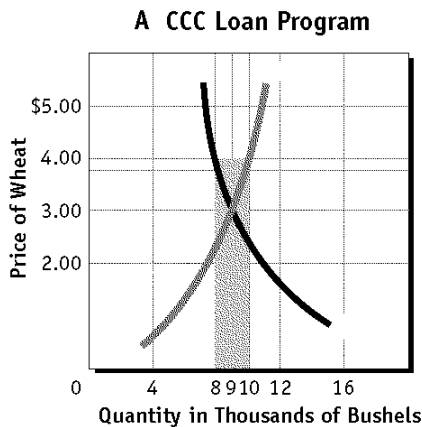


- ___ 3. In the graphs, which curve represents the “worst case” yield for soybean farmers?
- DD
 - SS
 - S^1S^1
 - S^2S^2
- ___ 4. Prices enable a market economy to adjust to unexpected events by
- maintaining consumption and production at stable levels.
 - government rationing.
 - ensuring that producers always earn a profit.
 - adjusting consumption and production.
- ___ 5. Which of the following is a characteristic of allocation by rationing?
- perceived lack of fairness
 - no cost of administration
 - efficiency
 - increased incentive for workers
- ___ 6. A perfectly competitive market
- is often found in the real world.
 - requires a set of ideal conditions and outcomes.
 - is necessary for markets to be useful.
 - demonstrates the need for subsidies and price ceilings.



7.

- On the graph, suppose that demand for gold stands at D^1D^1 . Then the opening of a new gold mine shifts the supply curve from S^1S^1 to S^2S^2 . How does this shift affect price?
- a. price rises from 280 to 400
 - b. price declines from 400 to 280
 - c. price rises from 400 to 850
 - d. price declines from 850 to 400



8. In Panel A of the graph, the farmer produced 10,000 bushels of wheat under the loan program. At the target price, how many bushels did the farmer sell on the open market?
- a. 8,000 bushels
 - b. 9,000 bushels
 - c. 10,000 bushels
 - d. 2,000 bushels
9. In Panel A of the graph, the farmer produced 10,000 bushels of wheat under the loan program. If the program did not exist, how many bushels would the farmer have produced and sold?
- a. 8,000 bushels
 - b. 9,000 bushels
 - c. 10,000 bushels
 - d. 2,000 bushels

Chapter 6 Practice Test Answer Section

1. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 158.
2. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 154.
3. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 152-153.
4. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 144.
5. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 145.
6. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 154.
7. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 152-153.
8. ANS: A PTS: 1 DIF: Challenging
REF: Learn more about this question in Economics Principles and Practices, page 159.
9. ANS: B PTS: 1 DIF: Challenging
REF: Learn more about this question in Economics Principles and Practices, page 159.