

Mid-Term Review Test

Multiple Choice

- _____ 1. To arrive at an economic decision, a decision-making grid may be used to evaluate
- productivity.
 - only durable goods.
 - alternative choices of action.
 - only capital goods.

Percent of Chinese Families Owning Household Appliances				
Year	Color TV Sets	Air Conditioners	Telephones	Automobiles
1985	92.31	23.95	82.12	2.32
1990	98.26	47.26	93.08	6.77
1999	99.31	78.89	98.00	38.92

- _____ 2. What does this table show about China's standard of living?
- It is falling.
 - It is rising.
 - It is staying about the same.
 - It rose from 1985 to 1990 and then fell.

"To take an example,... One man draws out the wire, another straightens it, a third cuts it, a fourth points it;...and [the making of] a pin is, in this manner, divided into about eighteen distinct operations."

Adam Smith, *The Wealth of Nations*, 1776.

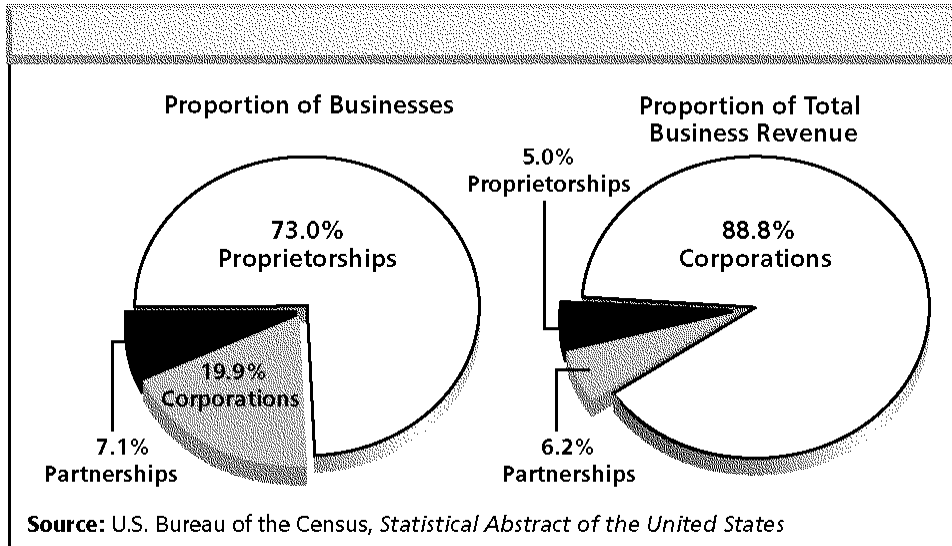
- _____ 3. In this passage, Adam Smith is describing the basic economic concept of
- paradox of value.
 - utility.
 - division of labor.
 - opportunity cost.

"The study of economic theory is not defensible on aesthetic grounds — it hardly rivals in elegance the mathematics or physics our sophomores learn. The theory is studied only as an aid in solving real problems, and it is good only in the measure that it performs this function."

George J. Stigler, "Monopolistic Competition in retrospect," in *Five Lectures on Economic Problems*, London: Longmans, Green and Co., 1949, p. 22.

- _____ 4. According to this author, a good economic theory is one that
- is as elegant as a theory in mathematics or physics.
 - helps solve real problems.
 - includes mathematics.
 - is aesthetically sound.
- _____ 5. A market economy
- does not provide for everyone's basic needs.
 - limits the choices of goods and services available.
 - permits extensive government intervention.
 - offers a high degree of certainty for its workers.

- ___ 6. A merger of corporations involved in different steps of manufacturing or marketing is known as a
- multinational merger.
 - horizontal merger.
 - vertical merger.
 - conglomerate.

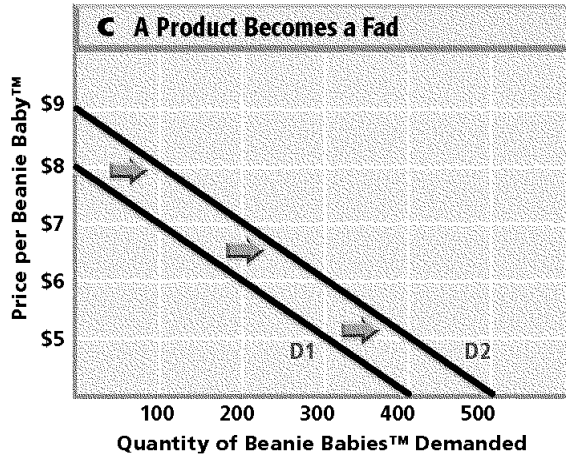


- ___ 7. According to the illustration, what is the least common form of business organization in the United States?
- proprietorships
 - partnerships
 - corporations
 - joint ventures
- ___ 8. Which of the following is an example of the government playing an indirect role in the economy?
- public utility regulation.
 - police and fire protection.
 - court systems.
 - libraries.

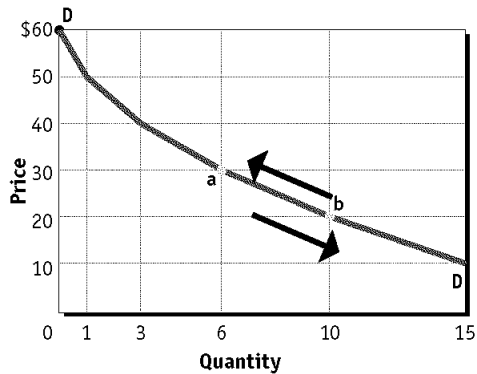
In the 20th century, the Soviet Union collapsed because its command-and-control economy couldn't keep up with the West's free market. In the 21st century, the same fate will befall companies whose CEOs [chief executive officers] attempt to control everything. In a world that is becoming ever more chaotic and dependent on brainpower, teams at the top will make more sense than a single outrageously paid CEO who sits behind a "buck stops here" plaque.

Source: "The Global Corporation Becomes the Leaderless Corporation," *Business Week*, August 30, 1999.

- ___ 9. The author of this passage believes that global corporations should have
- no clear leader.
 - Soviet-style leadership.
 - leadership teams.
 - lower paid leaders.



10. Based on this graph, how many Beanie Babies™ were demanded at a price of \$6 before they became a fad?
- a. 100
 - b. 200
 - c. 300
 - d. 400



11. What does the movement shown on this graph represent?
- a. a change in demand
 - b. the inverse relationship between price and quantity demanded
 - c. the inverse relationship between price and marginal utility
 - d. diminishing marginal utility

Quantity Demanded		
Price	Old Demand Curve	New Demand Curve
\$80	0	1
70	2	5
60	4	8
50	7	10
40	12	15
30	15	22

12. The change from the old demand curve to the new demand curve shown in the table represents a
- a. movement upward along the demand curve.
 - b. movement downward along the demand curve.
 - c. shift of the demand curve to the left.

d. shift of the demand curve to the right.

13. A market structure in which one firm has a monopoly because of its location is a
- a. natural monopoly.
 - b. geographic monopoly.
 - c. technological monopoly.
 - d. government monopoly.

Quantity of Softballs Supplied by All Firms in the Market			
Price	Firm X	Firm Y	Firm Z
\$11	400	500	1,000
\$9	300	400	800
\$7	200	200	600
\$5	100	50	300
\$3	50	0	100
\$1	0	0	0

14. Based on the table, what is the market supply of softballs at a price of \$7?
- a. 1,000
 - b. 200
 - c. 600
 - d. 800

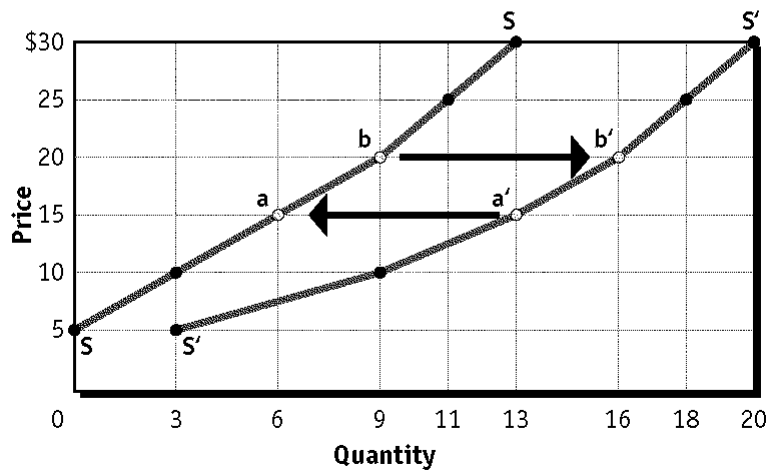
Production Schedule			Costs			
Number of Workers	Total Product	Marginal Product*	Total Fixed Costs	Total Variable Costs	Total Costs	Marginal Costs
0	0	0	\$50	\$0	\$50	--
1	7	7	50	90	140	\$12.86
2	20	13	50	180	230	6.92
3	38	18	50	270	320	5.00
4	62	24	50	360	410	3.75
5	90	28	50	450	500	3.21
6	110	20	50	540	590	4.50
7	129	19	50	630	680	4.74
8	138	9	50	720	770	10.00
9	144	6	50	810	860	15.00
10	148	4	50	900	950	22.50
11	145	-3	50	990	1,040	--
12	135	-10	50	1,080	1,130	--

*All figures in terms of output per day.

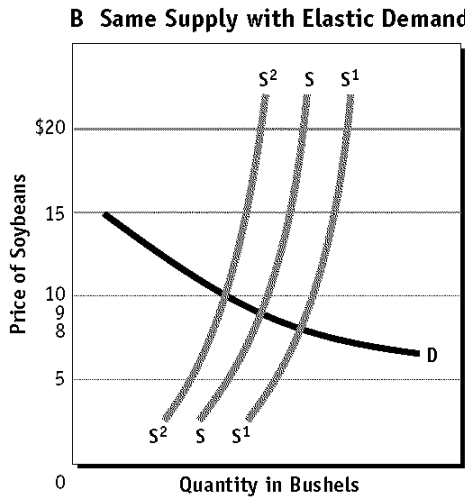
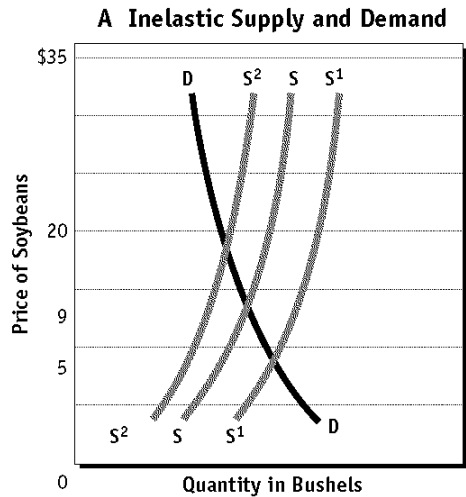
15. Based on the table, what is the variable cost of the third worker?
- a. \$270
 - b. \$5.00
 - c. \$90
 - d. \$320
16. Rent payments and property taxes would be counted as
- a. total cost.
 - b. variable costs.
 - c. fixed costs.
 - d. marginal costs.

Quantity Supplied

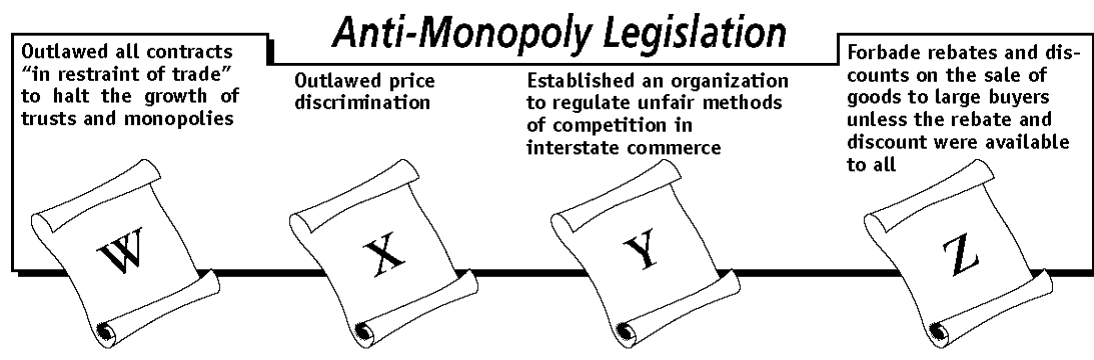
Price	Old (S)	New (S')
\$30	13	20
25	11	18
20	9	16
15	6	13
10	3	9
5	0	3



- ____ 17. What does the movement from b to b' on the graph represent?
- a. an increase in quantity supplied
 - c. a decrease in supply
 - b. a decrease in quantity supplied
 - d. an increase in supply



18. In the graphs, which curve represents the “worst case” yield for soybean farmers?
- a. DD
 - b. SS
 - c. S¹S¹
 - d. S²S²
19. Perfect competition is characterized by
- a. a large number of buyers and sellers.
 - b. diverse products.
 - c. sellers acting together to set prices.
 - d. uninformed buyers and sellers.



20. Which letter in the illustration represents the proper location for the Clayton Antitrust Act?
- a. W
 - b. X
 - c. Y
 - d. Z

Mid-Term Review Test Answer Section

1. ANS: C PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 20
2. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 24
3. ANS: C PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 17
4. ANS: B PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 25
5. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 37-39
6. ANS: C PTS: 1 DIF: Challenging
REF: Learn more about this question in Economics Principles and Practices, page 75
7. ANS: B PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 64
8. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 83
9. ANS: C PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 68
10. ANS: B PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 99
11. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 93
12. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 99
13. ANS: B PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 176
14. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 116-117
15. ANS: C PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 132
16. ANS: C PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 131
17. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 120-121
18. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 152-153
19. ANS: A PTS: 1 DIF: Challenging
REF: Learn more about this question in Economics Principles and Practices, page 170
20. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 186