

EXAMPLE QUESTIONS 4-7-21

Here are ten examples of the sort of questions that I might set on an exam based on the material in CM1-CM3. They are not meant to be memorized. Their purpose is to give you an idea as to whether your 5x3 card testing is working. If you have problems get in touch ASAP.

1. Which is not a microeconomic topic?
 - a) The price of steel used in the manufacture of automobiles in the US.
 - b) The number of automobiles produced in the US in 2021.
 - c) The size of the US GDP in 2021.
 - d) The response of trade unions to a threatened wage cut.
 - e) The costs and benefits of stricter enforcement of US speed limits.

2. Most textbooks define Economics as:
 - a. The science of allocating unlimited resources amongst effectively limited alternative uses.
 - b. The science of allocating limited resources amongst effectively unlimited alternative uses.
 - c. The science of giving efficient policy advice.
 - d. A normative discipline that uses extensive empirical data.
 - e. The study of how to use incentives and disincentives to maximize GDP.

3. Three major factors of production are land, labor, and capital. Which of the following groups best illustrates these factors of production?
 - a. Iron ore, bank tellers, and trucks.
 - b. Fish, workers, and bank deposits.
 - c. Oil, taxi drivers, and bonds.
 - d. Farmers, machines, and oil workers.
 - e. Forests, managers, gold.

4. Economists *usually* define Opportunity Cost as:

- a. The value of the highest valued alternative given up.
- b. The sum of the values of the alternatives not chosen
- c. The value of the least valued alternative given up.
- d. The difference between the value of the activity or commodity chosen and the value of the next most valued alternative given up.
- e. The differ between the cost of the item chosen and the cost of the next item on the list.

5. To an economist an economic decision must always involve evaluating:

- a. Explicit costs and explicit benefits and implicit costs but ignoring sunk costs.
- b. Explicit benefits and costs and implicit benefits and costs.
- c. Explicit costs and explicit benefits but ignoring sunk costs and benefits.
- d. Explicit benefits and implicit costs while taking sunk costs, but not sunk benefits, into account.
- e. Implicit benefits and explicit costs and ignoring sunk costs but including explicit benefits.

6. Economists believe that optimal decisions involve pursuing an activity:

- a. Until the average cost of the activity is equal to the average benefit derived from the activity.
- b. Until the total cost of the activity is equal to the total benefit derived from the activity.
- c. So long as the total cost of the activity is greater than the total benefit derived from the activity.
- d. Until the marginal cost of the activity is equal to the marginal benefit derived from the activity.
- e. So long as the marginal cost of the activity is greater than the marginal benefit derived from the activity.

7. When comparing future expenditures with current ones we must:
- Compound the future expenditures.
 - Discount the current expenditures.
 - Compound the current expenditures.
 - Discount the future expenditures.
 - Discount both current and future expenditures.
8. The largest component of the cost of attending WWU for most students is:
- Expenditures on food, clothing and housing.
 - Expenditures on books and supplies and fees.
 - Expenditures on food, clothing and housing and expenditures on books and supplies and fees.
 - The lost earnings associated with being out of the labor force.
 - The discounted lost earnings being out of the labor force.
9. If the German economy is operating inside its PPC in 2021 then:
- It is not using the most advanced technology available to it.
 - It is not utilizing all of its resources.
 - It is producing inefficiently.
 - It is miss-allocating resources between the X and Y sectors of the economy.
 - It does not have enough resources to produce on the PPC.
10. The fact that resources are not perfectly adaptable between the production of different goods implies that:
- PPCs will be convex to the origin, that is, will have a "bowed in" shape.
 - PPCs will be concave to the origin, that is, will have a "bowed out" shape.
 - An efficient use of resources will not be possible.
 - Some resources will be under-utilized.
 - Some countries will use labor-intensive production techniques and other countries capital-intensive production techniques.