

Test Bank for Intermediate Microeconomics and Its Application 13th Nicholson

TEST BANK SAMPLE PREVIEW

PUBLISHER

Cengage

COPYRIGHT

2022

ISBN

9780357133064

RESOURCE TYPE

Test Bank

Ch 1 Two Basic Economic Models

1. The problem of scarcity
- a. arises only in poor countries.
 - b. exists because the price of goods is too high.
 - c. exists because of limited resources.
 - d. will eventually be solved by better planning.

ANSWER: c

2. If society is producing a combination of goods on its production possibility frontier,
- a. it must be employing all available resources.
 - b. it must be growing.
 - c. it is using all the available natural resources but may not be using all available labor resources.
 - d. it must be producing a combination of goods people want.

ANSWER: a

3. The slope of the production possibility frontier shows
- a. how inputs must be changed to keep them fully employed.
 - b. the technically efficient combinations of the two goods.
 - c. how demanders are willing to trade one good for another.
 - d. the opportunity cost of one good in terms of the other.

ANSWER: d

4. An increase in the technology used in the production of only one of the two goods in a society will
- a. eliminate scarcity.
 - b. move the production possibility frontier out in all directions.
 - c. move the production possibility frontier in all directions.
 - d. leave one intercept of the production possibility frontier fixed and swing out from the other.

ANSWER: d

5. A typical production possibility frontier is
- a. convex because opportunity costs are increasing.
 - b. convex because opportunity costs are decreasing.
 - c. concave because opportunity costs are increasing.
 - d. concave because opportunity costs are decreasing.

ANSWER: c

6. If the prevailing price of shirts is \$10 and at this price demanders demand 100 shirts while suppliers are willing to supply 110 shirts, there is
- a. a shortage at the \$10 price.
 - b. a surplus at the \$10 price.
 - c. an equilibrium in this market.
 - d. a shortage if price were to rise above \$10.

ANSWER: b

7. The Ricardian notion of diminishing returns implies that

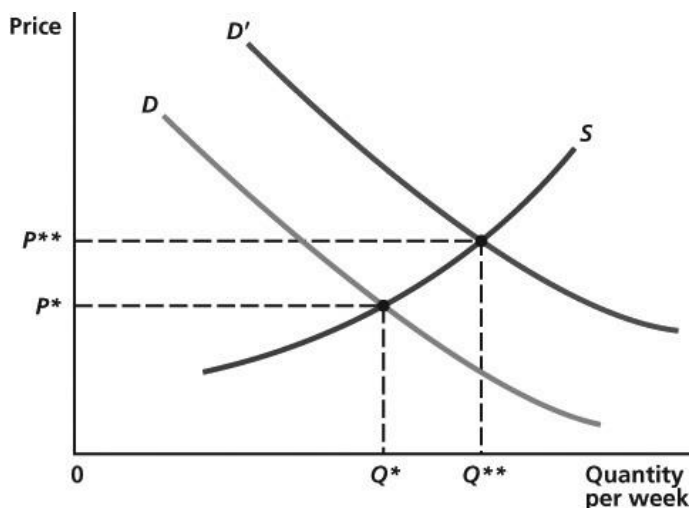
Ch 1 Two Basic Economic Models

- as more input is used more output will be made.
- as more input is used less output will be made.
- as more input is used the increase in output will increase.
- as more input is used the increase in output will decrease.

ANSWER: d

Figure 1-1

In the following figure, demand has shifted outward from D to D' and price has risen from P^* to P^{**} .



8. **Refer to Figure 1-1.** According to the original demand curve (D), how much will be demanded at the new price of P^{**} ?

- More than Q^{**}
- Between Q^* and Q^{**}
- Less than Q^*
- An answer cannot be determined from the graph.

ANSWER: c

9. **Refer to Figure 1-1.** At the old price (P^*), how much will be demanded according to the demand curve D' ?

- More than Q^{**}
- Between Q^* and Q^{**}
- Less than Q^*
- An answer cannot be determined from the graph.

ANSWER: a

10. **Refer to Figure 1-1.** If price had stayed at P^* when demand shifted outward from D to D' , there would have been

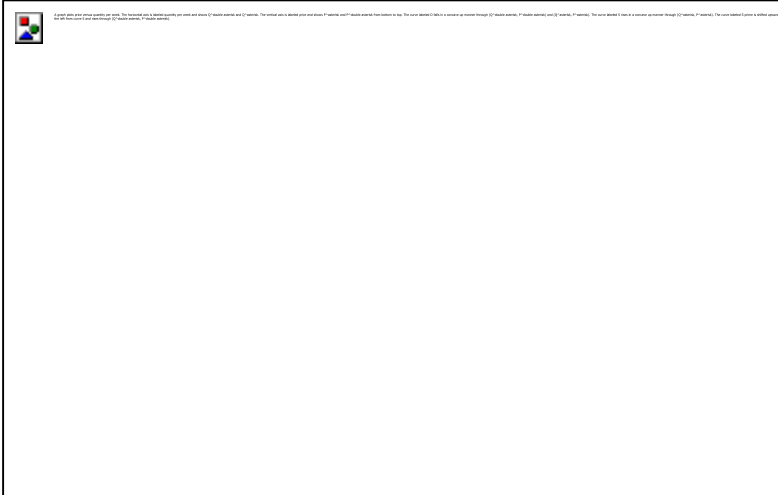
- a surplus of $Q^{**} - Q^*$,
- a shortage of $Q^{**} - Q^*$,
- a surplus of more than $Q^{**} - Q^*$,
- a shortage of more than $Q^{**} - Q^*$.

Ch 1 Two Basic Economic Models

ANSWER: d

Figure 1-2

In the following figure, supply has shifted inward from S to S' , causing price to rise from P^* to P^{**} .



11. **Refer to Figure 1-2.** If price had remained at P^* , what quantity would have been supplied according to the new supply curve?

- More than Q^*
- Between Q^* and Q^{**}
- Less than Q^*
- The amount cannot be determined from the graph.

ANSWER: c

12. **Refer to Figure 1-2.** If price had remained at P^* when supply shifted inward from S to S' , there would have been

- a surplus of $Q^* - Q^{**}$.
- a shortage $Q^* - Q^{**}$.
- a shortage of less than $Q^* - Q^{**}$.
- a shortage of more than $Q^* - Q^{**}$.

ANSWER: d

13. The reason a honeybee does not extract the last drop of nectar from a flower is because

- the marginal costs of extraction are rising.
- the bee cannot find the nectar.
- the last drop does not have as much potential honey in it.
- the bee may be trapped inside the flower.

ANSWER: a

14. The person generally considered to be the first true economist was

- John Stuart Mill.
- Plato.

Ch 1 Two Basic Economic Models

- c. Augustin Cournot.
- d. Adam Smith.

ANSWER: d

15. Positive economic analysis

- a. involves the study of firms with positive profits.
- b. involves how resources are actually used in an economy.
- c. involves judgments on how resources should be used in an economy.
- d. is usually thought to be a waste of time.

ANSWER: b

16. Normative economic analysis

- a. involves the study of what comprises a normal firm.
- b. involves how resources are actually used in an economy.
- c. involves judgments on how resources should be used in an economy.
- d. is usually thought to be a waste of time.

ANSWER: c

17. A major problem that may occur with models that predict the values of economic variables in the future is that

- a. researchers are pessimistic about the future.
- b. the model may fail to acknowledge that economic actors will change their behavior in response to changing situations.
- c. the model may make predictions that conflict with widely held opinions.
- d. no one cares about these predictions.

ANSWER: b

18. Economists typically use ____ analysis, whereas moral philosophers typically use ____ analysis.

- a. positive; positive
- b. normative; normative
- c. positive; normative
- d. normative; positive

ANSWER: c

19. All of the following are important difficulties in trying to verify an economic model by testing its assumptions **except**:

- a. People may disagree about the assumptions.
- b. Data on the assumptions may be difficult to interpret.
- c. The assumptions may be simple.
- d. Real world data may be consistent with many different assumptions.

ANSWER: c

20. Milton Friedman's "pool player analogy" is useful in explaining the role of economic models because

- a. studying economics is like playing pool.
- b. a theoretical model of pool playing may predict the player's shots.
- c. pool, like economics, is subject to uncertainties.

Name: _____ Class: _____ Date: _____

Ch 1 Two Basic Economic Models

d. pool players, like firms, seek maximum profits.

ANSWER: b