

Economics

- 1) What happens when there are excessive increases in the money supply?
- deflation
 - inflation
 - stable prices
 - an increase in the value of the dollar

Competency: Basic economic concepts and principles

- 2) Societies that value equality over efficiency will generally have which one of the following?
- a more equal distribution of income
 - higher rates of economic growth
 - small public sectors with limited powers
 - constitutional restrictions on income redistribution policies

Competency: Basic economic concepts and principles

- 3) Which one of the following is the best example of a factor of production?
- a sports car
 - a cheeseburger
 - a hammer
 - a college textbook

Competency: Productivity

- 4) In 2007 the GDP deflator was 125 and nominal GDP was \$9.9 trillion. In 2008 the GDP deflator was 130 and nominal GDP was \$11.7 trillion. How much did real GDP (expressed in 2007 dollars) increase during this time period?
- \$0.75 trillion
 - \$1.80 trillion
 - \$2.27 trillion
 - \$1.35 trillion

Competency: Macroeconomics

- 5) If the price of plastic used to make printers decreases, this will cause a(n):
- increase in the supply of printers
 - decrease in the demand for printers
 - increase in the demand for printers
 - decrease in the supply of printers

Competency: Supply and demand

- 6) The economic principle that states that individuals or nations can gain by specializing in the production of goods where they have the lowest opportunity cost is called:
- law of unintended consequences
 - law of absolute advantage
 - law of comparative advantage
 - law of production possibilities

Competency: International trade, global economics

- 7) A firm in perfect competition has a demand curve that is:
- horizontal at the market price
 - downward sloping
 - upward sloping
 - equal to the firm's total revenue curve

Competency: Market structures

- 8) If the dollar loses value in comparison to other world currencies, this will cause which one of the following?
- the demand for the dollar to decline and encourage investment in the U. S. economy
 - the demand for the dollar to increase and encourage investment in the U. S. economy
 - the demand for the dollar to increase and discourage investment in the U. S. economy
 - the demand for the dollar to decline and discourage investment in the U. S. economy

Competency: Investments, interest rates

9) Which one of the following is the best example of a public good?

- a. a toll road
- b. Disneyworld
- c. a restroom in a public park
- d. national defense

Competency: Role of government

10) If restrictive monetary policy is required to address a serious inflationary problem, it is likely that the money supply will:

- a. contract and economic output will be reduced in the short run
- b. contract and economic output will increase in the short run
- c. expand and economic output will be reduced in the short run
- d. expand and economic output will increase in the short run

Competency: Monetary and fiscal policy

ANSWER KEY

- 1. B
- 2. A
- 3. C
- 4. D
- 5. A
- 6. C
- 7. A
- 8. D
- 9. D
- 10. A