Instructions:
33 multiple-choice questions, each with 4 responses
Students need to bring: (1) Sanddollar ID card; (2) scantron Form 882-E; (3) pencil; (4) calculator (optional)

Chapter 1
✓ Incentives
✓ Definition of economics
✓ Wants vs needs
✓ Microeconomics vs macroeconomics
✓ Rational self-interest
✓ Models, theories and assumptions
✓ Ceteris paribus
✓ Positive vs normative economics

Chapter 2
✓ Defn of scarcity
✓ Factors of production
✓ Goods vs services
✓ Opportunity costs
✓ Production possibility curve (PPC)
✓ Efficiency
✓ Specialization and the slope of the PPC
✓ How economic growth and technological change affects the PPC
✓ Consumption and capital goods and the PPC
✓ Comparative vs absolute advantage

Chapter 3
✓ Defn of a market
✓ Law of demand
✓ Demand schedules and demand curves
✓ Summing up individual demand curves
✓ Shifts in the demand curve and what causes them
✓ Law of supply
✓ Supply schedules and supply curves
✓ Summing up individual supply curves
✓ Shifts in the supply curve and what causes them
✓ Market equilibrium
✓ Excess demand/shortages and excess supply/surpluses

Chapter 4
✓ Market system
✓ Centrally planned economy
✓ Transaction costs
✓ Finding equilibrium when both demand and supply shift
✓ Price ceilings
✓ Price floors
✓ Non-price rationing
✓ Black markets
Example Questions

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question. Answer all questions.

1) Economics is the study of
   A) how to get rich.
   B) how people allocate their limited resources to satisfy their unlimited wants.
   C) why people want certain goods and services rather than other goods and services.
   D) how people spend their income.

2) The study of an individual’s choice about what type of computer to buy is a subject of
   A) an aggregate concept.
   B) microeconomics.
   C) macroeconomics.
   D) not a concern for economic analysis.

3) A politician says that the government should tax behavior they want less of and subsidize behavior they want more of. This is an example of
   A) using incentives to alter behavior.
   B) failing to consider the alternatives available to the government.
   C) a concern that people are not rational when they make decisions.
   D) cynical behavior in modern democracies.

4) When deriving the production possibilities curve it is assumed that
   A) the amount of each good that is to be produced is fixed.
   B) the prices of resources are fixed along the curve.
   C) resources are efficiently used.
   D) most resources can be used to produce only one good.

5) If a PC and a Mac are substitutes, when the price of the PC rises
   A) quantity demanded for Macs rise.
   B) demand for Macs fall.
   C) demand for Macs rise.
   D) quantity demanded for Macs fall.

6) In the automobile industry workers have just negotiated a new contract giving workers a large raise. There has also been an increase in the number of licensed drivers who are in the market for a new car. The effect that these changes will have on the equilibrium price and quantity is:
   A) price will increase and quantity is indeterminate.
   B) price will increase and quantity will decrease.
   C) price will decrease and quantity will increase.
   D) price will decrease and quantity is indeterminate.

7) The market clearing price for gasoline is $1.50, but the maximum price that can be charged is $1.29. This is an example of
   A) a price floor that will lead to a surplus of gasoline on the market.
   B) a price control that will lead to a surplus of gasoline on the market.
   C) a price ceiling that will lead to a shortage of gasoline on the market.
   D) a price floor that will lead to a shortage of gasoline on the market.