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| 1. The adage, "There is no such thing as a free lunch," means   |  |  |  | | --- | --- | --- | |  | a. | even people on welfare have to pay for food. | |  | b. | the cost of living is always increasing. | |  | c. | people face tradeoffs. | |  | d. | all costs are included in the price of a product. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 001.01.1 - MC - MANK08 | |

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| 2. The adage, "There is no such thing as a free lunch," is used to illustrate the principle that   |  |  |  | | --- | --- | --- | |  | a. | goods are scarce. | |  | b. | people face tradeoffs. | |  | c. | income must be earned. | |  | d. | households face many decisions. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 002.01.1 - MC - MANK08 | |

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| 3. The phrase “no such thing as a free lunch” means   |  |  |  | | --- | --- | --- | |  | a. | people must face tradeoffs. | |  | b. | rational people think at the margin. | |  | c. | people respond to incentives. | |  | d. | trade can make everyone better off. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 003.01.1 - MC - MANK08 | |

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| 4. Which of the following statements best represents the principle represented by the adage, "There is no such thing as a free lunch"?   |  |  |  | | --- | --- | --- | |  | a. | Michelle can attend the concert only if she takes her sister with her. | |  | b. | Michael is hungry and homeless. | |  | c. | Andrea must repair the tire on her bike before she can ride it to class. | |  | d. | Dani must decide between going to Florida or Brazil for spring break. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 004.01.1 - MC - MANK08 | |

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| 5. Which of the following examples does *not* illustrate the principle represented by the adage, "There is no such thing as a free lunch"?   |  |  |  | | --- | --- | --- | |  | a. | Melissa needs to pay her rent and her electric bill. | |  | b. | Kevin must choose between buying a new flat screen television and buying his textbooks for this semester. | |  | c. | Robert must decide between studying for his psychology exam and working at his part-time job. | |  | d. | Lisa can spend her money on a new smart phone or on a weekend trip. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 005.01.1 - MC - MANK08 | |

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| 6. The principle that "people face tradeoffs" applies to   |  |  |  | | --- | --- | --- | |  | a. | individuals. | |  | b. | families. | |  | c. | societies. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 006.01.1 - MC - MANK08 | |

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| 7. Candice is planning her activities for a hot summer day. She would like to go to the local swimming pool and see the latest blockbuster movie, but because she can only get tickets to the movie for the same time that the pool is open she can only choose one activity. This illustrates the basic principle that   |  |  |  | | --- | --- | --- | |  | a. | people respond to incentives. | |  | b. | rational people think at the margin. | |  | c. | people face tradeoffs. | |  | d. | improvements in efficiency sometimes come at the expense of equality. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 007.01.1 - MC - MANK08 | |

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| 8. Billie Jean has $120 to spend and wants to buy either a new amplifier for her guitar or a new mp3 player to listen to music while working out. Both the amplifier and the mp3 player cost $120, so she can only buy one. This illustrates the basic concept that   |  |  |  | | --- | --- | --- | |  | a. | trade can make everyone better off. | |  | b. | people face trade-offs. | |  | c. | rational people think at the margin. | |  | d. | decisions made at the margin are not particularly important. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 008.01.1 - MC - MANK08 | |

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| 9. John is an athlete. He has $120 to spend and wants to buy either a heart rate monitor or new running shoes. Both the heart rate monitor and running shoes cost $120, so he can only buy one. This illustrates the principle that   |  |  |  | | --- | --- | --- | |  | a. | trade can make everyone better off. | |  | b. | people face trade-offs. | |  | c. | rational people think at the margin. | |  | d. | people respond to incentives. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 009.01.1 - MC - MANK08 | |

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| 10. Lawrence is a photographer. He has $230 to spend and wants to buy either a flash for his camera or a new tripod. Both the flash and tripod cost $230, so he can only buy one. This illustrates the principle that   |  |  |  | | --- | --- | --- | |  | a. | trade can make everyone better off. | |  | b. | people face trade-offs. | |  | c. | rational people think at the margin. | |  | d. | people respond to incentives. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 010.01.1 - MC - MANK08 | |

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| 11. Guns and butter are used to represent the classic societal tradeoff between spending on   |  |  |  | | --- | --- | --- | |  | a. | durable and nondurable goods. | |  | b. | imports and exports. | |  | c. | national defense and consumer goods. | |  | d. | law enforcement and agriculture. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 011.01.1 - MC - MANK08 | |

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| 12. A tradeoff exists between a clean environment and a higher level of income in that   |  |  |  | | --- | --- | --- | |  | a. | studies show that individuals with higher levels of income pollute less than low-income individuals. | |  | b. | efforts to reduce pollution typically are not completely successful. | |  | c. | laws that reduce pollution raise costs of production and reduce incomes. | |  | d. | employing individuals to clean up pollution causes increases in employment and income. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 012.01.1 - MC - MANK08 | |

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| 13. While pollution regulations yield the benefit of a cleaner environment and the improved health that comes with it, the regulations come at the cost of reducing the incomes of the regulated firms’ owners, workers, and customers. This statement illustrates the principle that   |  |  |  | | --- | --- | --- | |  | a. | trade can make everyone better off. | |  | b. | rational people think at the margin. | |  | c. | people face tradeoffs. | |  | d. | people respond to incentives. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 013.01.1 - MC - MANK08 | |

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| 14. When society requires that firms reduce pollution, there is   |  |  |  | | --- | --- | --- | |  | a. | a tradeoff because of reduced incomes to the firms' owners and workers. | |  | b. | a tradeoff only if some firms are forced to close. | |  | c. | no tradeoff, since the cost of reducing pollution falls only on the firms affected by the requirements. | |  | d. | no tradeoff, since everyone benefits from reduced pollution. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 014.01.1 - MC - MANK08 | |

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| 15. Economists use the word *equality* to describe a situation in which   |  |  |  | | --- | --- | --- | |  | a. | each member of society has the same income. | |  | b. | each member of society has access to abundant quantities of goods and services, regardless of his or her income. | |  | c. | society is getting the maximum benefits from its scarce resources. | |  | d. | society's resources are used efficiently. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 015.01.1 - MC - MANK08 | |

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| 16. Efficiency means that   |  |  |  | | --- | --- | --- | |  | a. | society is conserving resources in order to save them for the future. | |  | b. | society's goods and services are distributed equally among society's members. | |  | c. | society's goods and services are distributed fairly, though not necessarily equally, among society's members. | |  | d. | society is getting the maximum benefits from its scarce resources. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 016.01.1 - MC - MANK08 | |

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| 17. The property of society getting the most it can from its scarce resources is called   |  |  |  | | --- | --- | --- | |  | a. | efficiency. | |  | b. | equality. | |  | c. | externality. | |  | d. | productivity. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 017.01.1 - MC - MANK08 | |

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| 18. Efficiency   |  |  |  | | --- | --- | --- | |  | a. | and equality both refer to how much a society can produce with its resources. | |  | b. | and equality both refer to how fairly the benefits from using resources are distributed between members of a society. | |  | c. | refers to how much a society can produce with its resources. Equality refers to how evenly the benefits from using resources are distributed among members of society. | |  | d. | refers to how evenly the benefits from using resources are distributed between members of society. Equality refers to how much a society can produce with its resources |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 018.01.1 - MC - MANK08 | |

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| 19. The terms *equality* and *efficiency* are similar in that they both refer to benefits to society. However they are different in that   |  |  |  | | --- | --- | --- | |  | a. | equality refers to uniform distribution of those benefits and efficiency refers to maximizing benefits from scarce resources. | |  | b. | equality refers to maximizing benefits from scarce resources and efficiency refers to uniform distribution of those benefits. | |  | c. | equality refers to everyone facing identical tradeoffs and efficiency refers to the opportunity cost of the benefits. | |  | d. | equality refers to the opportunity cost of the benefits and efficiency refers to everyone facing identical tradeoffs. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 019.01.1 - MC - MANK08 | |

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| 20. Which of the following phrases best captures the notion of *efficiency*?   |  |  |  | | --- | --- | --- | |  | a. | absolute fairness | |  | b. | equal distribution | |  | c. | minimum waste | |  | d. | equitable outcome |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 020.01.1 - MC - MANK08 | |

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| 21. Which of the following words and phrases best captures the notion of *equality*?   |  |  |  | | --- | --- | --- | |  | a. | minimum waste | |  | b. | maximum benefit | |  | c. | sameness | |  | d. | efficiency |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 021.01.1 - MC - MANK08 | |

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| 22. When society gets the most it can from its scarce resources, then the outcome is called   |  |  |  | | --- | --- | --- | |  | a. | equitable. | |  | b. | efficient. | |  | c. | normal. | |  | d. | efficacious. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 022.01.1 - MC - MANK08 | |

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| 23. A typical society strives to get the most it can from its scarce resources. At the same time, the society attempts to distribute the benefits of those resources to the members of the society in a fair manner. In other words, the society faces a tradeoff between   |  |  |  | | --- | --- | --- | |  | a. | guns and butter. | |  | b. | efficiency and equality. | |  | c. | inflation and unemployment. | |  | d. | work and leisure. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 023.01.1 - MC - MANK08 | |

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| 24. When the government redistributes income from the wealthy to the poor,   |  |  |  | | --- | --- | --- | |  | a. | efficiency is improved, but equality is not. | |  | b. | equality is improved, but efficiency is not. | |  | c. | both efficiency and equality are improved. | |  | d. | neither efficiency nor equality are improved. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 024.01.1 - MC - MANK08 | |

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| 25. Which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | Efficiency refers to the size of the economic pie; equality refers to how the pie is divided. | |  | b. | Government policies usually improve upon both equality and efficiency. | |  | c. | As long as the economic pie continually gets larger, no one will have to go hungry. | |  | d. | Efficiency and equality can both be achieved if the economic pie is cut into equal pieces. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 025.01.1 - MC - MANK08 | |

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| 26. As a result of a successful attempt by government to cut the economic pie into more equal slices,   |  |  |  | | --- | --- | --- | |  | a. | the pie gets larger, and there will be more pie overall. | |  | b. | the pie gets smaller, and there will be less pie overall. | |  | c. | it increases the reward for working hard, resulting in people producing more goods and services. | |  | d. | those who earn more income pay less in taxes. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 026.01.1 - MC - MANK08 | |

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| 27. When the government redistributes income from the wealthy to the poor,   |  |  |  | | --- | --- | --- | |  | a. | efficiency is improved, but equality is not. | |  | b. | both wealthy people and poor people benefit directly. | |  | c. | people work less and produce fewer goods and services. | |  | d. | the government collects more revenue in total. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 027.01.1 - MC - MANK08 | |

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| 28. When the government attempts to improve equality in an economy the result is often   |  |  |  | | --- | --- | --- | |  | a. | an increase in overall output in the economy. | |  | b. | additional government revenue since overall income will increase. | |  | c. | a reduction in equality. | |  | d. | a reduction in efficiency. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 028.01.1 - MC - MANK08 | |

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| 29. When the government implements programs such as progressive income tax rates, which of the following is likely to occur?   |  |  |  | | --- | --- | --- | |  | a. | equality is increased and efficiency is increased. | |  | b. | equality is increased and efficiency is decreased. | |  | c. | equality is decreased and efficiency is increased. | |  | d. | equality is decreased and efficiency is decreased. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 029.01.1 - MC - MANK08 | |

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| 30. A likely effect of government policies that redistribute income and wealth from the wealthy to the poor is that those policies   |  |  |  | | --- | --- | --- | |  | a. | enhance equality. | |  | b. | reduce efficiency. | |  | c. | reduce the reward for working hard. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 030.01.1 - MC - MANK08 | |

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| 31. A likely effect of government policies that redistribute income and wealth from the wealthy to the poor is that those policies   |  |  |  | | --- | --- | --- | |  | a. | enhance equality. | |  | b. | enhance efficiency. | |  | c. | increase the reward for working hard. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 031.01.1 - MC - MANK08 | |

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| 32. Government policies designed to equalize the distribution of economic well-being include   |  |  | | --- | --- | | (i) | the welfare system | | (ii) | unemployment insurance | | (iii) | progressive income tax |  |  |  |  | | --- | --- | --- | |  | a. | (i) only | |  | b. | (ii) only | |  | c. | (i) and (ii) only | |  | d. | (i), (ii), and (iii) |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 032.01.1 - MC - MANK08 | |

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| 33. Government policies resulting in reduced efficiency include   |  |  | | --- | --- | | (i) | the welfare system | | (ii) | unemployment insurance | | (iii) | progressive income tax |  |  |  |  | | --- | --- | --- | |  | a. | (i) only | |  | b. | (ii) only | |  | c. | (i) and (ii) only | |  | d. | (i), (ii), and (iii) |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 033.01.1 - MC - MANK08 | |

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| 34. When government policies are enacted,   |  |  |  | | --- | --- | --- | |  | a. | equality can usually be enhanced without an efficiency loss, but efficiency can never be enhanced without a reduction in equality. | |  | b. | efficiency can usually be enhanced without a reduction in equality, but equality can never be enhanced without an efficiency loss. | |  | c. | it is always the case that either efficiency and equality are both enhanced, or efficiency and equality are both diminished. | |  | d. | None of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 034.01.1 - MC - MANK08 | |

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| 35. Senator Brown wants to increase taxes on people with high incomes and use the money to help the poor. Senator Johnson argues that such a tax will discourage successful people from working and will therefore make society worse off. An economist would say that   |  |  |  | | --- | --- | --- | |  | a. | we should agree with Senator Brown. | |  | b. | we should agree with Senator Johnson. | |  | c. | a good decision requires that we recognize both viewpoints. | |  | d. | there are no tradeoffs between equity and efficiency. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.024 - Classify the different functions an economist may serve. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 035.01.1 - MC - MANK08 | |

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| 36. A certain state legislature is considering an increase in the state gasoline tax. Representative Campbell argues that an increase in the gasoline tax would harm low-income drivers disproportionately. Representative Richards responds by saying that low-income drivers own smaller cars that use less gasoline, and that low-income drivers therefore would *not* be harmed disproportionately.   |  |  |  | | --- | --- | --- | |  | a. | Representative Campbell’s argument is based primarily on efficiency, while Representative Richards’ argument is based primarily on equality. | |  | b. | Representative Campbell’s argument is based primarily on equality, while Representative Richards’ argument is based primarily on efficiency. | |  | c. | Both representatives’ arguments are based primarily on efficiency. | |  | d. | Both representatives’ arguments are based primarily on equality. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 036.01.1 - MC - MANK08 | |

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| 37. Senator Jackson argues that replacing the federal income tax with a national sales tax would increase the level of output. Senator Feldman objects that this policy would benefit the rich at the expense of the poor.   |  |  |  | | --- | --- | --- | |  | a. | Both senators’ arguments are primarily about equality. | |  | b. | Both senators’ arguments are primarily about efficiency. | |  | c. | Senator Jackson’s argument is primarily about equality, while Senator Feldman’s argument is primarily about efficiency. | |  | d. | Senator Jackson’s argument is primarily about efficiency, while Senator Feldman’s argument is primarily about equality. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 037.01.1 - MC - MANK08 | |

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| 38. Suppose the government taxes the wealthy at a higher rate than it taxes the poor and then develops programs to redistribute the tax revenue from the wealthy to the poor. This redistribution of wealth   |  |  |  | | --- | --- | --- | |  | a. | is more efficient and more equal for society. | |  | b. | is more efficient but less equal for society. | |  | c. | is more equal but less efficient for society. | |  | d. | is less equal and less efficient for society. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 038.01.1 - MC - MANK08 | |

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| 39. The government has just passed a law requiring that all residents earn the same annual income regardless of work effort. This law is likely to   |  |  |  | | --- | --- | --- | |  | a. | increase efficiency and increase equality. | |  | b. | increase efficiency but decrease equality. | |  | c. | decrease efficiency but increase equality. | |  | d. | decrease efficiency and decrease equality. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 039.01.1 - MC - MANK08 | |

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| 40. The opportunity cost of an item is   |  |  |  | | --- | --- | --- | |  | a. | the number of hours needed to earn money to buy the item. | |  | b. | what you give up to get that item. | |  | c. | usually less than the dollar value of the item. | |  | d. | the dollar value of the item. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 040.01.1 - MC - MANK08 | |

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| 41. In economics, the cost of something is   |  |  |  | | --- | --- | --- | |  | a. | the dollar amount of obtaining it. | |  | b. | always measured in units of time given up to get it. | |  | c. | what you give up to get it. | |  | d. | often impossible to quantify, even in principle. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.15.2.1a - LO: Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 041.01.1 - MC - MANK08 | |

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| 42. What you give up to obtain an item is called your   |  |  |  | | --- | --- | --- | |  | a. | opportunity cost. | |  | b. | explicit cost. | |  | c. | monetary cost. | |  | d. | direct cost. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 042.01.1 - MC - MANK08 | |

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| 43. Which of the following is correct concerning opportunity cost?   |  |  |  | | --- | --- | --- | |  | a. | Except to the extent that you pay more for them, opportunity costs should not include the cost of things you would have purchased anyway. | |  | b. | To compute opportunity costs, you should subtract benefits from costs. | |  | c. | Opportunity costs and the idea of trade-offs are not closely related. | |  | d. | Rational people should compare various options without considering opportunity costs. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 043.01.1 - MC - MANK08 | |

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| 44. High-school athletes who skip college to become professional athletes   |  |  |  | | --- | --- | --- | |  | a. | obviously do not understand the value of a college education. | |  | b. | usually do so because they cannot get into college. | |  | c. | understand that the opportunity cost of attending college is very high. | |  | d. | are not making a rational decision since the marginal benefits of college outweigh the marginal costs of college for high-school athletes. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 044.01.1 - MC - MANK08 | |

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| 45. Suppose that you have received $300 as a birthday gift. You can spend it today or you can put the money in a bank account for a year and earn 5 percent interest. The opportunity cost of spending the money today, in terms of what you could have after one year, is   |  |  |  | | --- | --- | --- | |  | a. | $0. | |  | b. | $15. | |  | c. | $305. | |  | d. | $315. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 045.01.1 - MC - MANK08 | |

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| 46. When computing the opportunity cost of attending a basketball game you should include   |  |  |  | | --- | --- | --- | |  | a. | the price you pay for the ticket and the value of your time. | |  | b. | the price you pay for the ticket, but not the value of your time. | |  | c. | the value of your time, but not the price you pay for the ticket. | |  | d. | neither the price of the ticket nor the value of your time. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 046.01.1 - MC - MANK08 | |

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| 47. Melody decides to spend three hours working overtime rather than going to the park with her friends. She earns $20 per hour for overtime work. Her opportunity cost of working is   |  |  |  | | --- | --- | --- | |  | a. | the $60 she earns working. | |  | b. | the $60 minus the enjoyment she would have received from going to the park. | |  | c. | the enjoyment she would have received had she gone to the park. | |  | d. | nothing, since she would have received less than $60 worth of enjoyment from going to the park. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 047.01.1 - MC - MANK08 | |

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| 48. Ramona decides to spend two hours taking a nap rather than attending her classes. Her opportunity cost of napping is   |  |  |  | | --- | --- | --- | |  | a. | the value of the knowledge she would have received had she attended class. | |  | b. | the $24 she could have earned if she had worked at her job for those two hours. | |  | c. | the value of her nap minus the value of attending class. | |  | d. | nothing, since she valued sleep more than attendance at class. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 048.01.1 - MC - MANK08 | |

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| 49. Hamid spends an hour studying instead of watching TV with his friends. The opportunity cost to him of studying is   |  |  |  | | --- | --- | --- | |  | a. | the improvement in his grades from studying for the hour. | |  | b. | the improvement in his grades from studying minus the enjoyment of watching TV. | |  | c. | the enjoyment he would have received if he had watched TV with his friends. | |  | d. | zero. Since Hamid chose to study rather than to watch TV, the value of studying must have been greater to him than the value of watching TV. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 049.01.1 - MC - MANK08 | |

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| 50. For most students, the largest single cost of a college education is   |  |  |  | | --- | --- | --- | |  | a. | the wages given up to attend school. | |  | b. | tuition, fees, and books. | |  | c. | room and board. | |  | d. | transportation, parking, and entertainment. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 050.01.1 - MC - MANK08 | |

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| 51. For most students, the earnings they give up to attend college are   |  |  |  | | --- | --- | --- | |  | a. | a minor cost when compared to the costs of tuition, room and board, and the like. | |  | b. | the single largest cost of their education. | |  | c. | about equal to the costs of room and board at college. | |  | d. | not considered true costs by an economist. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 051.01.1 - MC - MANK08 | |

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| 52. The opportunity cost of going to college is   |  |  |  | | --- | --- | --- | |  | a. | the total spent on food, clothing, books, transportation, tuition, lodging, and other expenses. | |  | b. | the value of the best opportunity a student gives up to attend college. | |  | c. | zero for students who are fortunate enough to have all of their college expenses paid by someone else. | |  | d. | zero, since a college education will allow a student to earn a larger income after graduation. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 052.01.1 - MC - MANK08 | |

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| 53. Which of the following is *not* an example of the opportunity cost of going to school?   |  |  |  | | --- | --- | --- | |  | a. | The money a student could have earned by working if he had not gone to college. | |  | b. | The nap a student could have enjoyed if he had not attended class. | |  | c. | The party a student could have enjoyed if he had not stayed in to study for his exam. | |  | d. | The money a student spends on rent for his apartment while attending school. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 053.01.1 - MC - MANK08 | |

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| 54. For a college student who wishes to calculate the true costs of going to college, the costs of room and board   |  |  |  | | --- | --- | --- | |  | a. | should be counted in full, regardless of the costs of eating and sleeping elsewhere. | |  | b. | should be counted only to the extent that they are more expensive at college than elsewhere. | |  | c. | usually exceed the opportunity cost of going to college. | |  | d. | plus the cost of tuition, equals the opportunity cost of going to college. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 054.01.1 - MC - MANK08 | |

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| 55. When you calculate your true costs of going to college, what portion of your room-and-board expenses should be included?   |  |  |  | | --- | --- | --- | |  | a. | Your full room-and-board expenses should always be included. | |  | b. | None of your room-and-board expenses should ever be included. | |  | c. | You should include only the amount by which your room-and-board expenses exceed the income you earn while attending college. | |  | d. | You should include only the amount by which your room-and-board expenses exceed the expenses for rent and food if you were not in college. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 055.01.1 - MC - MANK08 | |

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| 56. Consider Frank’s decision to go to college. If he goes to college, he will spend $21,000 on tuition, $11,000 on room and board, and $1,800 on books. If he does not go to college, he will earn $16,000 working in a store and spend $7,200 on room and board. Frank’s cost of going to college is   |  |  |  | | --- | --- | --- | |  | a. | $33,800. | |  | b. | $42,600. | |  | c. | $49,800. | |  | d. | $57,000. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 056.01.1 - MC - MANK08 | |

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| 57. Suppose after graduating from college you get a job working at a bank earning $30,000 per year. After two years of working at the bank earning the same salary, you have an opportunity to enroll in a one-year graduate program that would require you to quit your job at the bank. Which of the following should *not* be included in a calculation of your opportunity cost?   |  |  |  | | --- | --- | --- | |  | a. | the cost of tuition and books to attend the graduate program | |  | b. | the $30,000 salary that you could have earned if you retained your job at the bank | |  | c. | the $45,000 salary that you will be able to earn after having completed your graduate program | |  | d. | the value of insurance coverage and other employee benefits you would have received if you retained your job at the bank |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 057.01.1 - MC - MANK08 | |

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| 58. For which of the following individuals would the opportunity cost of going to college be highest?   |  |  |  | | --- | --- | --- | |  | a. | a promising young mathematician who will command a high salary once she earns her college degree | |  | b. | a student with average grades who has never held a job | |  | c. | a famous, highly-paid actor who wants to take time away from show business to finish college and earn a degree | |  | d. | a student who is the best player on his college basketball team, but who lacks the skills necessary to play professional basketball |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 058.01.1 - MC - MANK08 | |

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| 59. Consider Mandy’s decision to go to college. If she goes to college, she will spend $20,000 on tuition, $10,000 on room and board, and $2,000 on books. If she does not go to college, she will earn $18,000 working in a store and spend $8,000 on room and board. Mandy’s cost of going to college is   |  |  |  | | --- | --- | --- | |  | a. | $32,000. | |  | b. | $42,000. | |  | c. | $50,000. | |  | d. | $58,000. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 059.01.1 - MC - MANK08 | |

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| 60. Consider Noah’s decision to go to college. If he goes to college, he will spend $80,000 on tuition, $15,000 on room and board, and $4,000 on books. If he does not go to college, he will earn $22,000 working in a store and he will spend $13,000 on room and board. Noah’s cost of going to college is   |  |  |  | | --- | --- | --- | |  | a. | $99,000. | |  | b. | $103,000. | |  | c. | $108,000. | |  | d. | $121,000. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 060.01.1 - MC - MANK08 | |

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| 61. Consider Paul’s decision to go to college. If he goes to college, he will spend $90,000 on tuition, $15,000 on room and board, and $7,000 on books. If he does not go to college, he will earn $22,000 working at a construction job and he will spend $11,000 on room and board. Paul’s cost of going to college is   |  |  |  | | --- | --- | --- | |  | a. | $96,000. | |  | b. | $110,000. | |  | c. | $114,000. | |  | d. | $123,000. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 061.01.1 - MC - MANK08 | |

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| 62. If Faith attends college, it will take her four years, during which time she will earn no income. She will pay $50,000 for tuition, $12,000 for room and board, and $5,000 for books. If she spends the four years working rather than attending college, she will pay $18,000 for room and board, pay no intuition, and buy no books. Based on this information, Faith’s economic cost of attending college would be $67,000 if, over the four years, she could earn   |  |  |  | | --- | --- | --- | |  | a. | $12,000 instead of attending college. | |  | b. | $14,000 instead of attending college. | |  | c. | $16,000 instead of attending college. | |  | d. | $18,000 instead of attending college. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 062.01.1 - MC - MANK08 | |

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| 63. Maureen’s college raises the cost of room and board per semester. This increase raises Maureen’s opportunity cost of attending college   |  |  |  | | --- | --- | --- | |  | a. | even if the amount she would have to pay for room and board if she didn’t attend college rose by the same amount. An increase in opportunity cost reduces Maureen’s incentive to attend college. | |  | b. | even if the amount she would have to pay for room and board if she didn’t attend college rose by the same amount. An increase in opportunity cost increases Maureen’s incentive to attend college. | |  | c. | only if the amount she would have to pay for room and board if she didn’t attend college rose by less than the increase in the amount her college charges. An increase in opportunity cost reduces Maureen’s incentive to attend college. | |  | d. | only if the amount she would have to pay for room and board if she didn’t attend college rose by less than the increase in the amount her college charges. An increase in opportunity cost increases Maureen’s incentive to attend college. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 063.01.1 - MC - MANK08 | |

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| 64. When calculating the cost of college, which of the following should you probably *not* include?   |  |  |  | | --- | --- | --- | |  | a. | The cost of tuition | |  | b. | The cost of books required for college classes | |  | c. | The income you would have earned had you not gone to college | |  | d. | The cost of rent for your off-campus apartment. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 064.01.1 - MC - MANK08 | |

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| 65. When calculating the cost of college, which of the following should you probably include?   |  |  |  | | --- | --- | --- | |  | a. | The cost of your meal plan for the cafeteria. | |  | b. | The cost of books required for college classes | |  | c. | The income you earn at your part-time job. | |  | d. | The cost of living in the dormitory. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 065.01.1 - MC - MANK08 | |

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| 66. Suppose your college institutes a new policy requiring you to pay for a permit to park your car in a campus parking lot.   |  |  |  | | --- | --- | --- | |  | a. | The cost of the parking permit is not part of the opportunity cost of attending college if you would not have to pay for parking otherwise. | |  | b. | The cost of the parking permit is part of the opportunity cost of attending college if you would not have to pay for parking otherwise. | |  | c. | Only half of the cost of the parking permit is part of the opportunity cost of attending college. | |  | d. | The cost of the parking permit is not part of the opportunity cost of attending college under any circumstances. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 066.01.1 - MC - MANK08 | |

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| 67. You have driven 800 miles on a vacation and then you notice that you are only 15 miles from an attraction you hadn’t known about, but would really like to see. In computing the opportunity cost of visiting this attraction you had not planned to visit, you should include   |  |  |  | | --- | --- | --- | |  | a. | both the cost of driving the first 800 miles and the next 15 miles. | |  | b. | the cost of driving the first 800 miles, but not the cost of driving the next 15 miles. | |  | c. | the cost of driving the next 15 miles, but not the cost of driving the first 800 miles. | |  | d. | neither the cost of driving the first 800 miles nor the cost of driving the next 15 miles. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 067.01.1 - MC - MANK08 | |

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| 68. Barb’s aunt gave her $100 for her birthday with the condition that Barb buy herself something. In deciding how to spend the money, Barb narrows her options down to four choices: Option A, Option B, Option C, and Option D. Each option costs $100. Finally she decides on Option B. The opportunity cost of this decision is   |  |  |  | | --- | --- | --- | |  | a. | the value to Barb of the option she would have chosen had Option B not been available. | |  | b. | the value to Barb of Options A, C and D combined. | |  | c. | the average of the values to Barb of Options A, C, and D. | |  | d. | $100. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 068.01.1 - MC - MANK08 | |

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| 69. College-age athletes who drop out of college to play professional sports   |  |  |  | | --- | --- | --- | |  | a. | are not rational decision makers. | |  | b. | are well aware that their opportunity cost of attending college is very high. | |  | c. | are concerned more about present circumstances than their future. | |  | d. | underestimate the value of a college education. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 069.01.1 - MC - MANK08 | |

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| 70. A rational decisionmaker   |  |  |  | | --- | --- | --- | |  | a. | ignores marginal changes and focuses instead on “the big picture.” | |  | b. | ignores the likely effects of government policies when he or she makes choices. | |  | c. | takes an action only if the marginal benefit of that action exceeds the marginal cost of that action. | |  | d. | takes an action only if the combined benefits of that action and previous actions exceed the combined costs of that action and previous actions. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 070.01.1 - MC - MANK08 | |

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| 71. In the context of decisionmaking, the word “marginal” is most closely associated with the word   |  |  |  | | --- | --- | --- | |  | a. | “unimportant.” | |  | b. | “slow.” | |  | c. | “edge.” | |  | d. | “irrational.” |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 071.01.1 - MC - MANK08 | |

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| 72. A rational decision maker takes an action only if the   |  |  |  | | --- | --- | --- | |  | a. | marginal benefit is less than the marginal cost. | |  | b. | marginal benefit is greater than the marginal cost. | |  | c. | average benefit is greater than the average cost. | |  | d. | marginal benefit is greater than both the average cost and the marginal cost. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 072.01.1 - MC - MANK08 | |

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| 73. A rational decisionmaker takes an action if and only if   |  |  |  | | --- | --- | --- | |  | a. | the marginal benefit of the action exceeds the marginal cost of the action. | |  | b. | the marginal cost of the action exceeds the marginal benefit of the action. | |  | c. | the marginal cost of the action is zero. | |  | d. | the opportunity cost of the action is zero. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 073.01.1 - MC - MANK08 | |

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| 74. Rational people make decisions at the margin by   |  |  |  | | --- | --- | --- | |  | a. | following marginal traditions. | |  | b. | behaving in a random fashion. | |  | c. | thinking in black-and-white terms. | |  | d. | comparing marginal costs and marginal benefits. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 074.01.1 - MC - MANK08 | |

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| 75. Rational people make decisions “at the margin” by comparing   |  |  |  | | --- | --- | --- | |  | a. | average costs and benefits. | |  | b. | total costs and benefits. | |  | c. | additional costs and benefits. | |  | d. | opportunity costs and benefits. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 075.01.1 - MC - MANK08 | |

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| 76. Making rational decisions "at the margin" means that people   |  |  |  | | --- | --- | --- | |  | a. | make those decisions that do not impose a marginal cost. | |  | b. | evaluate how easily a decision can be reversed if problems arise. | |  | c. | compare the marginal costs and marginal benefits of each decision. | |  | d. | always calculate the dollar costs for each decision. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 076.01.1 - MC - MANK08 | |

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| 77. A marginal change is a   |  |  |  | | --- | --- | --- | |  | a. | change that involves little, if anything, that is important. | |  | b. | large, significant adjustment. | |  | c. | change for the worse, and so it is usually a short-term change. | |  | d. | small, incremental adjustment. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 077.01.1 - MC - MANK08 | |

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| 78. People are willing to pay more for a diamond than for a bottle of water because   |  |  |  | | --- | --- | --- | |  | a. | the marginal cost of producing an extra diamond far exceeds the marginal cost of producing an extra bottle of water. | |  | b. | the marginal benefit of an extra diamond far exceeds the marginal benefit of an extra bottle of water. | |  | c. | producers of diamonds have a much greater ability to manipulate diamond prices than producers of water have to manipulate water prices. | |  | d. | water prices are held artificially low by governments, since water is necessary for life. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 078.01.1 - MC - MANK08 | |

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| 79. It costs a meat-processing company $50,000 to produce 5,000 pounds of steak. The company’s cost will be $50,009 if it produces an additional pound of steak. If the company produces 5,001 pounds of steak then   |  |  |  | | --- | --- | --- | |  | a. | its average cost is greater than its marginal cost. | |  | b. | its average cost and its marginal cost are equal. | |  | c. | its average cost is less than its marginal cost. | |  | d. | there is insufficient information to compute average and marginal costs. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 079.01.1 - MC - MANK08 | |

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| 80. The marginal benefit Kyra gets from eating a second sandwich is   |  |  |  | | --- | --- | --- | |  | a. | the total benefit Kyra gets from eating two sandwiches minus the total benefit she gets from eating one sandwich. | |  | b. | the same as the total benefit she gets from eating two sandwiches. | |  | c. | less than the marginal cost of eating the second sandwich since she chose to eat the second sandwich. | |  | d. | the total benefit Kyra gets from eating three sandwiches minus the total benefit she gets from eating two sandwiches. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 080.01.1 - MC - MANK08 | |

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| 81. The marginal benefit Susie gets from purchasing a third pair of gloves is   |  |  |  | | --- | --- | --- | |  | a. | the same as the total benefit she gets from purchasing three pairs of gloves. | |  | b. | more than the marginal cost of purchasing the third pair of gloves. | |  | c. | the total benefit she gets from purchasing three pairs of gloves minus the total benefit she gets from purchasing two pairs of gloves. | |  | d. | the total benefit she gets from purchasing four pairs of gloves minus the total benefit she gets from purchasing three pairs of gloves. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 081.01.1 - MC - MANK08 | |

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| 82. A rational decision maker takes an action if and only if   |  |  |  | | --- | --- | --- | |  | a. | the average benefit of the action exceeds the average cost. | |  | b. | the average cost of the action exceeds the average benefit. | |  | c. | the marginal benefit of the action exceeds the marginal cost. | |  | d. | the marginal cost of the action exceeds the marginal benefit. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 082.01.1 - MC - MANK08 | |

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| 83. Ashley eats two bananas during a particular day. The marginal benefit she enjoys from eating the second banana   |  |  |  | | --- | --- | --- | |  | a. | can be thought of as the total benefit Ashley enjoys by eating two bananas minus the total benefit she would have enjoyed by eating just the first banana. | |  | b. | determines Ashley’s marginal cost of the first and second bananas. | |  | c. | does not depend on how many bananas Ashley has already eaten. | |  | d. | cannot be determined unless we know how much she paid for the bananas. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 083.01.1 - MC - MANK08 | |

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| 84. After much consideration, you have chosen Cancun over Ft. Lauderdale as your Spring Break destination this year. However, Spring Break is still months away, and you may reverse this decision. Which of the following events would prompt you to reverse this decision?   |  |  |  | | --- | --- | --- | |  | a. | The marginal benefit of going to Cancun increases. | |  | b. | The marginal cost of going to Cancun decreases. | |  | c. | The marginal benefit of going to Ft. Lauderdale decreases. | |  | d. | The marginal cost of going to Ft. Lauderdale decreases. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 084.01.1 - MC - MANK08 | |

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| 85. After much consideration, you have chosen Ireland over Spain for your Study Abroad program next year. However, the deadline for your final decision is still months away and you may reverse this decision. Which of the following events would prompt you to reverse this decision?   |  |  |  | | --- | --- | --- | |  | a. | The marginal benefit of going to Spain increases. | |  | b. | The marginal cost of going to Spain increases. | |  | c. | The marginal benefit of going to Ireland increases. | |  | d. | The marginal cost of going to Ireland decreases. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 085.01.1 - MC - MANK08 | |

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| 86. A barber currently cuts hair for 50 clients per week and earns a profit. He is considering expanding his operation in order to serve more clients. Should he expand?   |  |  |  | | --- | --- | --- | |  | a. | Yes, because cutting hair is profitable. | |  | b. | No, because he may not be able to sell more services. | |  | c. | It depends on the marginal cost of serving more clients and the marginal revenue he will earn from serving more clients. | |  | d. | It depends on the average cost of serving more clients and the average revenue he will earn from serving more clients. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 086.01.1 - MC - MANK08 | |

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| 87. The Get-There-Safe Bus company incurs an average cost of $45 for each passenger it carries on its trip from Atlanta to Chattanooga. In advance of a particular trip, four seats remain unsold. The bus company could increase its profit only if it   |  |  |  | | --- | --- | --- | |  | a. | charged any ticket price above $0 for the four remaining seats. | |  | b. | charged at least $11.25 for each of the four remaining seats. | |  | c. | charged at least $45 for each of the four remaining seats. | |  | d. | paid four people to occupy the four remaining seats. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 087.01.1 - MC - MANK08 | |

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| 88. Suppose the cost of flying a 200-seat plane for an airline is $100,000 and there are 10 empty seats on a flight. If the marginal cost of flying a passenger is $200 and a standby passenger is willing to pay $300, the airline should   |  |  |  | | --- | --- | --- | |  | a. | sell the ticket because the marginal benefit exceeds the marginal cost. | |  | b. | sell the ticket because the marginal benefit exceeds the average cost. | |  | c. | not sell the ticket because the marginal benefit is less than the marginal cost. | |  | d. | not sell the ticket because the marginal benefit is less than the average cost. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 088.01.1 - MC - MANK08 | |

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| 89. Suppose the cost of flying a 100-seat plane for an airline is $50,000 and there are 10 empty seats on a flight. The average cost per seat is   |  |  |  | | --- | --- | --- | |  | a. | $50. | |  | b. | $500. | |  | c. | $50,000. | |  | d. | This cannot be determined from the information given. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 089.01.1 - MC - MANK08 | |

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| 90. Suppose the cost of flying a 100-seat plane for an airline is $50,000 and there are 10 empty seats on a flight. The marginal cost of flying a passenger is   |  |  |  | | --- | --- | --- | |  | a. | $50. | |  | b. | $500. | |  | c. | $50,000. | |  | d. | This cannot be determined from the information given. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 090.01.1 - MC - MANK08 | |

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| 91. Suppose the cost of flying a 200-seat plane for an airline is $100,000 and there are 10 empty seats on a flight. The airline should sell a ticket to a standby passenger only if the passenger is willing to pay   |  |  |  | | --- | --- | --- | |  | a. | more than $200. | |  | b. | more than $300. | |  | c. | more than $500. | |  | d. | This cannot be determined from the information given. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 091.01.1 - MC - MANK08 | |

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| 92. Stephen is restoring a car and has already spent $4,000 on the restoration. He expects to be able to sell the car for $5800. Stephen discovers that he needs to do an additional $2,400 of work to make the car worth $5,800 to potential buyers. He could also sell the car now, without completing the additional work, for $3,800. What should he do?   |  |  |  | | --- | --- | --- | |  | a. | He should sell the car now for $3,800. | |  | b. | He should keep the car since it wouldn’t be rational to spend $6,400 restoring a car and then sell it for only $5,800. | |  | c. | He should complete the additional work and sell the car for $5,800. | |  | d. | It does not matter which action he takes since the outcome will be the same either way. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 092.01.1 - MC - MANK08 | |

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| 93. Bill is restoring a car and has already spent $4000 on the restoration. He expects to be able to sell the car for $6200. Bill discovers that he needs to do an additional $2400 of work to make the car worth $6200 to potential buyers. He could also sell the car now, without completing the additional work, for $3800. What should he do?   |  |  |  | | --- | --- | --- | |  | a. | He should sell the car now for $3800. | |  | b. | He should keep the car since it wouldn’t be rational to spend $6400 restoring a car and then sell it for only $6200. | |  | c. | He should complete the additional work and sell the car for $6200. | |  | d. | It does not matter if Bill sells the car now or completes the work and then sells it at the higher price because the outcome will be the same either way. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 093.01.1 - MC - MANK08 | |

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| 94. Cole is refinishing an antique china cabinet and has already spent $180 on the restoration. He expects to be able to sell the cabinet for $360. Cole discovers that he needs to do an additional $200 worth of work to make the cabinet worth $360 to potential buyers. He could also sell the cabinet now, without completing the additional work, for $100. What should Cole do?   |  |  |  | | --- | --- | --- | |  | a. | He should sell the cabinet now for $100. | |  | b. | He should keep the cabinet since it wouldn’t be rational to spend $380 restoring a cabinet and then sell it for only $360. | |  | c. | He should complete the additional work and sell the cabinet for $360. | |  | d. | It does not matter which action he takes since the outcome will be the same either way. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 094.01.1 - MC - MANK08 | |

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| 95. Katie is planning to sell her house, and she is considering making two upgrades to the house before listing it for sale. Replacing the carpeting will cost her $2,500 and replacing the roof will cost her $9,000. Katie expects the new carpeting to increase the value of her house by $3,000 and the new roof to increase the value of her house by $7,000.   |  |  |  | | --- | --- | --- | |  | a. | She should make both improvements to her house. | |  | b. | She should replace the carpeting but not replace the roof. | |  | c. | She should replace the roof but not replace the carpeting. | |  | d. | She should not make either improvement to her house. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 095.01.1 - MC - MANK08 | |

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| 96. Bridget drinks three sodas during a particular day. The marginal benefit she enjoys from drinking the third soda   |  |  |  | | --- | --- | --- | |  | a. | can be thought of as the total benefit Bridget enjoys by drinking three sodas minus the total benefit she would have enjoyed by drinking just two sodas. | |  | b. | determines Bridget’s willingness to pay for the third soda. | |  | c. | is likely different from the marginal benefit provided to Bridget by the second soda. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 096.01.1 - MC - MANK08 | |

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| 97. A construction company has built 30 houses so far this year at a total cost to the company of $7.5 million. If the company builds a 31st house, its total cost will increase to $7.76 million. Which of the following statements is correct?   |  |  |  | | --- | --- | --- | |  | a. | For the first 30 houses, the average cost per house was $250,000. | |  | b. | The marginal cost of the 31st house, if it is built, will be $260,000. | |  | c. | If the company can experience a marginal benefit of $275,000 by building the 31st house, then the company should build it. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 097.01.1 - MC - MANK08 | |

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| 98. Acme Home Builders, Inc., has built 24 houses so far this year at a total cost to the company of $4.80 million. If the company builds a 25th house, its total cost will increase to $5.05 million. Which of the following statements is correct?   |  |  |  | | --- | --- | --- | |  | a. | For the first 24 houses, the average cost per house was $205,000. | |  | b. | The marginal cost of the 25th house, if it is built, will equal $250,000. | |  | c. | If the company can sell the 25th house for at least $202,000, then it should build it. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 098.01.1 - MC - MANK08 | |

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| 99. It costs a furniture company $8,750 to produce 25 tables. The company’s total cost will be $9,125 if it produces a 26th table. If the company produces 26 tables, then   |  |  |  | | --- | --- | --- | |  | a. | its average cost is greater than its marginal cost. | |  | b. | its average cost and its marginal cost are equal. | |  | c. | its average cost is less than its marginal cost. | |  | d. | This cannot be determined from the information given. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 099.01.1 - MC - MANK08 | |

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| 100. Suppose the cost of operating a 100 room hotel for a night is $10,000 and there are 5 empty rooms for tonight. If the marginal cost of operating one room for one night is $30 and a customer is willing to pay $60 for the night, the hotel manager should   |  |  |  | | --- | --- | --- | |  | a. | rent the room because the marginal benefit exceeds the marginal cost. | |  | b. | rent the room because the marginal benefit exceeds the average cost. | |  | c. | not rent the room because the marginal benefit is less than the marginal cost. | |  | d. | not rent the room because the marginal benefit is less than the average cost. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 100.01.1 - MC - MANK08 | |

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| 101. Suppose the cost of operating a 75 room hotel for a night is $6,000 and there are 5 empty rooms for tonight. The marginal cost per room per night   |  |  |  | | --- | --- | --- | |  | a. | is $40. | |  | b. | is $80. | |  | c. | is $120. | |  | d. | cannot be determined from the information given. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 101.01.1 - MC - MANK08 | |

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| 102. Suppose the cost of operating a 75 room hotel for a night is $6,000 and there are 5 empty rooms for tonight. If the marginal cost of operating one room for one night is $40, the hotel manager should rent one of the empty rooms only if a customer is willing to pay   |  |  |  | | --- | --- | --- | |  | a. | more than $40, as the average benefit will exceed the marginal cost. | |  | b. | more than $40, as the marginal benefit will exceed the marginal cost. | |  | c. | more than $80, as the average benefit will exceed the marginal cost. | |  | d. | more than $80, as the marginal benefit will exceed the marginal cost. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 102.01.1 - MC - MANK08 | |

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| 103. It costs a company $35,000 to produce 500 graphing calculators. The company’s cost will be $35,080 if it produces an additional graphing calculator. If the company produces 501 graphing calculators then   |  |  |  | | --- | --- | --- | |  | a. | its average cost is greater than its marginal cost. | |  | b. | its average cost and its marginal cost are equal. | |  | c. | its average cost is less than its marginal cost. | |  | d. | This cannot be determined from the information given. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 103.01.1 - MC - MANK08 | |

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| 104. DeShawn has spent $600 purchasing and repairing an old fishing boat, which he expects to sell for $900 once the repairs are complete. DeShawn discovers that, in addition to the $600 he has already spent, he needs to make an additional repair, which will cost another $400, in order to make the boat worth $900 to potential buyers. He can sell the boat as it is now for $400. What should he do?   |  |  |  | | --- | --- | --- | |  | a. | He should sell the boat as it is now for $400. | |  | b. | He should keep the boat since it would not be rational to spend $1,000 on repairs and then sell the boat for $900. | |  | c. | He should complete the repairs and sell the boat for $900. | |  | d. | It does not matter which action he takes; the outcome is the same either way. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 104.01.1 - MC - MANK08 | |

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| 105. Betty’s Bakery bakes fresh bread every morning. Any bread not sold by the end of the day is thrown away. A loaf of bread costs Betty $2.00 to produce, and she prices loaves of bread at $3.50 per loaf. Suppose near the end of one day Betty still has 12 loaves of bread on hand. Which of the following is correct?   |  |  |  | | --- | --- | --- | |  | a. | Betty should only sell the remaining bread for $3.50 per loaf since that is the regular price. | |  | b. | Betty should only sell the remaining bread for $2.00 per loaf or more since that is what the bread costs to make. | |  | c. | Betty should be willing to sell the remaining bread for any price above $0 per loaf since she will have to throw it away if she does not sell it for something. | |  | d. | Betty should just throw the bread away and change the price of her bread starting tomorrow to make sure she sells all of her bread each day. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 105.01.1 - MC - MANK08 | |

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| 106. A bagel shop sells fresh baked bagels from 5 a.m. until 7 p.m. every day. The shop does not sell day-old bagels, so all unsold bagels are thrown away at 7 p.m. each day. The cost of making and selling a dozen bagels is $1.00; there are no costs associated with throwing bagels away. If the manager has 8 dozen bagels left at 6:30 p.m. on a particular day, which of the following alternatives is most attractive?   |  |  |  | | --- | --- | --- | |  | a. | Lower the price of the remaining bagels, even if the price falls below $1.00 per dozen. | |  | b. | Lower the price of the remaining bagels, but under no circumstances should the price fall below $1.00 per dozen. | |  | c. | Throw the bagels away and produce 8 fewer dozen bagels tomorrow. | |  | d. | Starting tomorrow, lower the price on all bagels so they will all be sold earlier in the day. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 106.01.1 - MC - MANK08 | |

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| 107. Rick buys a 1966 Mustang for $3,000, planning to restore and sell the car. He goes on to spend $9,000 restoring the car. At this point he can sell the car for $10,000. As an alternative, he can spend an additional $3,000 replacing the engine. With a new engine the car would sell for $13,000. Rick should   |  |  |  | | --- | --- | --- | |  | a. | complete the repairs and sell the car for $13,000. | |  | b. | sell the car now for $10,000. | |  | c. | never try such an expensive project again. | |  | d. | be indifferent between (i) selling the car now and (ii) replacing the engine and then selling it. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 107.01.1 - MC - MANK08 | |

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| 108. Yvette buys and sells real estate. Two weeks ago, she paid $300,000 for a house on Pine Street, intending to spend $50,000 on repairs and then sell the house for $400,000. Last week, the city government announced a plan to build a new landfill on Pine Street just down the street from the house Yvette purchased. As a result of the city’s announced plan, Yvette is weighing two alternatives: She can go ahead with the $50,000 in repairs and then sell the house for $290,000, or she can forgo the repairs and sell the house as it is for $250,000. She should   |  |  |  | | --- | --- | --- | |  | a. | keep the house and live in it. | |  | b. | go ahead with the $50,000 in repairs and sell the house for $290,000. | |  | c. | forgo the repairs and sell the house as it is for $250,000. | |  | d. | move the house from Pine Street to a more desirable location, regardless of the cost of doing so. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 108.01.1 - MC - MANK08 | |

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| 109. You are considering staying in college another semester so that you can complete a major in economics. In deciding whether or not to stay you should   |  |  |  | | --- | --- | --- | |  | a. | compare the total cost of your education to the total benefits of your education. | |  | b. | compare the total cost of your education to the benefits of staying one more semester. | |  | c. | compare the cost of staying one more semester to the benefits of staying one more semester. | |  | d. | compare the total benefits of your education to the cost of staying one more semester. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 109.01.1 - MC - MANK08 | |

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| 110. Kyle is planning to take a roadtrip. After he makes his plans, he has to make some unexpected auto repairs. Also, he sees the price of gas has gone up. Which of these two events should Kyle consider in deciding if it is still worthwhile to go on the trip?   |  |  |  | | --- | --- | --- | |  | a. | the unexpected repairs and the increase in the price of gas | |  | b. | the unexpected increase for repairs, but not the increase in the price of gas | |  | c. | the increase in the price of gas, but not the unexpected repairs | |  | d. | neither the unexpected increase in the price of gas nor the unexpected repairs |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 110.01.1 - MC - MANK08 | |

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| 111. You have eaten two bowls of ice cream at Sundae School Ice Cream store. You consider eating a third. As a rational consumer you should make your choice by comparing   |  |  |  | | --- | --- | --- | |  | a. | the benefits from eating all three bowls of ice cream to how much three bowls of ice cream costs. | |  | b. | the benefits from eating all three bowls of ice cream to how much one more bowl of ice cream costs. | |  | c. | the benefits from eating one more bowl of ice cream to how much three bowls of ice cream costs. | |  | d. | the benefits from eating one more bowl of ice cream to how much one more bowl of ice cream costs. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 111.01.1 - MC - MANK08 | |

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| 112. Olivia was accepted by Northwestern and by another university. She is trying to decide where to go. Which of the following should influence her decision?   |  |  |  | | --- | --- | --- | |  | a. | how much she spent applying to Northwestern, and the difference between living expenses at Northwestern and the other university | |  | b. | how much she spent applying to Northwestern, but not the difference between living expenses at Northwestern and the other university | |  | c. | the difference between living expenses at Northwestern and her second choice, but not how much she spent applying to Northwestern | |  | d. | neither how much she spent applying to Northwestern nor the difference between living expenses at Northwestern and her second choice |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 112.01.1 - MC - MANK08 | |

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| 113. You go to the movieplex where movies ordinarily cost $9. You are intending to see a movie for which you have a $3 off coupon good for only that movie at that time. However, when you get there you see a friend who asks if you would rather see a new release. Both movies start and end at the same time. If you decide to see the new release with your friend, what is your opportunity cost?   |  |  |  | | --- | --- | --- | |  | a. | the amount you value the first movie + $3 | |  | b. | the amount you value the first movie + $9 | |  | c. | $3 | |  | d. | $9 |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 113.01.1 - MC - MANK08 | |

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| 114. Max and Maddy charge people to park on their lawn while attending a nearby craft fair. At the current price of $10, seven people park on their lawn. If they raise the price to $15, they know that only five people will want to park on their lawn. Whether they have seven or five cars parked on their lawn does not affect their costs. From this information it follows that   |  |  |  | | --- | --- | --- | |  | a. | they should leave the price at $10. | |  | b. | it does not matter if they charge $10 or $15. | |  | c. | they would do better charging $15 than $10. | |  | d. | they should raise the price even more. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 114.01.1 - MC - MANK08 | |

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| 115. Your professor loves her work, teaching economics. She has been offered other positions in the corporate world that would increase her income by 25 percent, but she has decided to continue working as a professor. Her decision would not change unless the marginal   |  |  |  | | --- | --- | --- | |  | a. | cost of teaching increased. | |  | b. | benefit of teaching increased. | |  | c. | cost of a corporate job increased. | |  | d. | benefit of a corporate job decreased. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 115.01.1 - MC - MANK08 | |

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| 116. Suppose your management professor has been offered a corporate job with a 30 percent pay increase. He has decided to take the job. For him, the marginal   |  |  |  | | --- | --- | --- | |  | a. | cost of leaving was greater than the marginal benefit. | |  | b. | benefit of leaving was greater than the marginal cost. | |  | c. | benefit of teaching was greater than the marginal cost. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Economic thinking Marginal thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 116.01.1 - MC - MANK08 | |

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| 117. Something that induces a person to act is called   |  |  |  | | --- | --- | --- | |  | a. | a trade-off. | |  | b. | a policy. | |  | c. | an incentive. | |  | d. | an opportunity cost. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 117.01.1 - MC - MANK08 | |

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| 118. Economists are particularly adept at understanding that people respond to   |  |  |  | | --- | --- | --- | |  | a. | laws. | |  | b. | incentives. | |  | c. | punishments more than rewards. | |  | d. | rewards more than punishments. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 118.01.1 - MC - MANK08 | |

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| 119. A tax on gasoline encourages people to drive smaller, more fuel-efficient cars. Which principle of economics does this illustrate?   |  |  |  | | --- | --- | --- | |  | a. | People face tradeoffs. | |  | b. | The cost of something is what you give up to get it. | |  | c. | Rational people think at the margin. | |  | d. | People respond to incentives. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 119.01.1 - MC - MANK08 | |

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| 120. People are likely to respond to a policy change   |  |  |  | | --- | --- | --- | |  | a. | only if they think the policy is a good one. | |  | b. | only if the policy change changes the costs of their behavior. | |  | c. | only if the policy change changes the benefits of their behavior. | |  | d. | if the policy changes either the costs or benefits of their behavior. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 120.01.1 - MC - MANK08 | |

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| 121. Suppose the state of Wyoming passes a law that increases the tax on cigarettes. As a result, smokers who live in Wyoming start purchasing their cigarettes in surrounding states. Which of the following principles does this best illustrate?   |  |  |  | | --- | --- | --- | |  | a. | People respond to incentives. | |  | b. | Rational people think at the margin. | |  | c. | Trade can make everyone better off. | |  | d. | Markets are usually a good way to organize economic activity. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 121.01.1 - MC - MANK08 | |

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| 122. Government policies can change the costs and benefits that people face. Those policies have the potential to   |  |  |  | | --- | --- | --- | |  | a. | alter people’s behavior. | |  | b. | alter people’s decisions at the margin. | |  | c. | produce results that policymakers did not intend. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 122.01.1 - MC - MANK08 | |

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| 123. Ralph Nader's book *Unsafe at Any Speed* caused Congress to require   |  |  |  | | --- | --- | --- | |  | a. | safety glass in all new cars. | |  | b. | seat belts in all new cars. | |  | c. | air bags in all new cars. | |  | d. | stricter drunk driving laws in all states. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 123.01.1 - MC - MANK08 | |

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| 124. Following the implementation of laws requiring automobiles to have seat belts, which of the following occurred?   |  |  |  | | --- | --- | --- | |  | a. | An individual’s probability of surviving an auto accident rose. | |  | b. | There was an increase in pedestrian deaths. | |  | c. | There was an increase in automobile accidents. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 124.01.1 - MC - MANK08 | |

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| 125. U.S. laws requiring that drivers wear seat belts have resulted in   |  |  |  | | --- | --- | --- | |  | a. | a reduction in both driver deaths and pedestrian deaths. | |  | b. | fewer accidents and fewer deaths per accident. | |  | c. | fewer driver deaths, fewer accidents and fewer pedestrian deaths. | |  | d. | little change in the number of driver deaths, but more accidents and more pedestrian deaths. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 125.01.1 - MC - MANK08 | |

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| 126. Evidence indicates that seat belt laws have led to   |  |  |  | | --- | --- | --- | |  | a. | fewer pedestrian deaths. | |  | b. | fewer automobile accidents. | |  | c. | fewer deaths per automobile accident. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 126.01.1 - MC - MANK08 | |

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| 127. One effect of the government-imposed seat belt law in the U.S. has been   |  |  |  | | --- | --- | --- | |  | a. | a dramatic decrease in the number of pedestrian deaths. | |  | b. | safer driving. | |  | c. | an increase in the number of accidents. | |  | d. | a dramatic decrease in the number of driver deaths. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 127.01.1 - MC - MANK08 | |

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| 128. Based on the available evidence, which of the following groups benefits most from mandatory seat belt laws?   |  |  |  | | --- | --- | --- | |  | a. | automakers | |  | b. | pedestrians | |  | c. | drivers | |  | d. | owners of collision-repair shops |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 128.01.1 - MC - MANK08 | |

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| 129. Which of the following can policy do?   |  |  |  | | --- | --- | --- | |  | a. | alter incentives | |  | b. | alter trade-offs | |  | c. | change opportunity costs | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 129.01.1 - MC - MANK08 | |

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| 130. Suppose the state of Illinois passes a law that bans smoking in restaurants. As a result, residents of Wisconsin who do not like breathing second-hand smoke begin driving across the border to Illinois to eat at restaurants there. Which of the following principles does this best illustrate?   |  |  |  | | --- | --- | --- | |  | a. | People respond to incentives | |  | b. | Rational people think at the margin | |  | c. | Trade can make everyone better off | |  | d. | Markets are usually a good way to organize economic activity |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 130.01.1 - MC - MANK08 | |

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| 131. In the former Soviet Union, producers were paid for meeting output targets, not for selling products. Under those circumstances, what were the economic incentives for producers?   |  |  |  | | --- | --- | --- | |  | a. | to produce good quality products so that society would benefit from the resources used | |  | b. | to conserve on costs, so as to maintain efficiency in the economy | |  | c. | to produce enough to meet the output target, without regard for quality or cost | |  | d. | to produce those products that society desires most |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 131.01.1 - MC - MANK08 | |

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| 132. Which of the following is *not* one of the four principles of *individual* decision making?   |  |  |  | | --- | --- | --- | |  | a. | People face trade-offs. | |  | b. | Trade can make everyone better off. | |  | c. | People respond to incentives. | |  | d. | Rational people think at the margin. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 132.01.1 - MC - MANK08 | |

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| 133. Which of the following statements exemplifies a principle of individual decisionmaking?   |  |  |  | | --- | --- | --- | |  | a. | Trade can make everyone better off. | |  | b. | Governments can sometimes improve market outcomes. | |  | c. | The cost of something is what you give up to get it. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 133.01.1 - MC - MANK08 | |

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| 134. Which of the following is *not* an example of a group responding to an incentive?   |  |  |  | | --- | --- | --- | |  | a. | Students attend class because of an attendance policy that reduces their grade for absences. | |  | b. | Consumers buy more of a product when it is on sale at a reduced price. | |  | c. | Universities offer fewer online classes when they generate more revenue than traditional classes. | |  | d. | Employees work harder to earn higher commissions. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. | | *TOPICS:* | Economic thinking Incentives | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 134.01.1 - MC - MANK08 | |

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| 135. Michael is a college student. He can either buy a textbook for $100 or save up for a road trip he wants to take during the summer. This illustrates the principle that   |  |  |  | | --- | --- | --- | |  | a. | trade can make everyone better off. | |  | b. | people face trade-offs. | |  | c. | rational people think at the margin. | |  | d. | people respond to incentives. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Tradeoffs | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 135.01.1 - MC - MANK08 | |

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| 136. The balance between maximizing a society's income and an equal distribution of that income is an illustration of   |  |  |  | | --- | --- | --- | |  | a. | ​scarcity. | |  | b. | ​trade-offs. | |  | c. | ​the forces of supply and demand. | |  | d. | ​none of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 136.01.1 - MC - MANK08 | |

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| 137. The balance between efficiency and equality is an illustration of   |  |  |  | | --- | --- | --- | |  | a. | ​scarcity. | |  | b. | ​trade-offs. | |  | c. | ​the forces of supply and demand. | |  | d. | ​none of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Tradeoffs | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 137.01.1 - MC - MANK08 | |

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| 138. Tim decides to spend four hours playing video games rather than attending his classes. His opportunity cost of playing games is   |  |  |  | | --- | --- | --- | |  | a. | the value of the knowledge he would have received had he attended his classes. | |  | b. | the $50 he could have earned if he had worked at his job for those four hours. | |  | c. | the value of his time playing video games minus the value of attending classes. | |  | d. | nothing, since he valued playing video games more than attending classes. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 138.01.1 - MC - MANK08 | |

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| 139. Jane decides to spend four hours working overtime rather than going to a family gathering. She earns $12.50 per hour for overtime work. Her opportunity cost of working is   |  |  |  | | --- | --- | --- | |  | a. | the $50 she earns working. | |  | b. | the $50 minus the enjoyment she would have received from going to the family gathering. | |  | c. | the enjoyment she would have received had she gone to the family gathering | |  | d. | nothing, since she wanted to work more than she wanted to attend the family gathering |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 139.01.1 - MC - MANK08 | |

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| 140. Consider Larry's decision to go to college. If he goes to college, he will spend a total of $120,000 on tuition, $30,000 on room and board, and $3,500 on books over four years. If he does not go to college, he will earn $30,000 annually working in a store and spend $7,000 on room and board each year. Larry's cost of going to college is   |  |  |  | | --- | --- | --- | |  | a. | $123,500. | |  | b. | $153,500. | |  | c. | $190,500 | |  | d. | $245,500 |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 140.01.1 - MC - MANK08 | |

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| 141. If Jane attends graduate school, it will take her two years, during which time she will earn no income. She will pay a total of $100,000 for tuition, $20,000 for room and board, and $2,000 for books. If she spends the two years working rather than attending college, she will pay a total of $18,000 for room and board, pay no intuition, and buy no books. Based on this information, Jane's economic cost of attending graduate school would be $175,000 if, over the two years, she could earn a total of   |  |  |  | | --- | --- | --- | |  | a. | $53,000 instead of attending graduate school. | |  | b. | $55,000 instead of attending graduate school. | |  | c. | $71,000 instead of attending graduate school. | |  | d. | $73,000 instead of attending graduate school. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Difficult | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Opportunity cost | | *KEYWORDS:* | BLOOM'S: Analysis | | *CUSTOM ID:* | 141.01.1 - MC - MANK08 | |

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| 142. ​Which of the following industries has a marginal cost that is close to zero?   |  |  |  | | --- | --- | --- | |  | a. | ​automobile | |  | b. | ​aircraft | |  | c. | ​software | |  | d. | ​furniture |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Difficult | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. ECON.MANK.051 - Describe what it means to think at the margin. | | *TOPICS:* | Marginal thinking Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 142.01.1 - MC - MANK08 | |