

## CSET ECONOMICS REVIEW

1. The main concern of economic efficiency is...
  - a. the dilemma of limited wants and unlimited resources
  - b. equity in the distribution of wealth
  - c. obtaining the maximum output from resources that are available
  - d. using resources to create the greatest societal satisfaction
  - e. the equitable transfer of wealth
  
2. A production possibility curve is “bowed out” from the origin because...
  - a. to produce two alternative goods, input resources are not equally efficient
  - b. Keynes understood this reality and modern economists fall in line with his theory
  - c. input potential is increased due to specialization of output
  - d. resources are scarce
  - e. wants are unlimited
  
3. Opportunity cost...
  - a. is shown in the convex curve of cost models
  - b. does not apply to socialistic economies due to central planning
  - c. proposes that the use of resources in any particular line of production means that alternative outputs will have to be forgone
  - d. is irrelevant as long as the production possibilities curve is shifting to the right
  - e. states that insatiable wants can be fulfilled
  
4. Assume that the demand schedule for sand is downward sloping. If the price of steel falls from \$3.00 to \$2.50 a pound...
  - a. there will be a decrease in the quantity demanded for steel
  - b. there will be a decrease in the demand for steel
  - c. there will be an increase in the quantity demanded for steel
  - d. there will be an increase in the demand for steel
  - e. the demand for steel will shift to the left
  
5. It is desirable to specialize in production because it...
  - a. permits everyone to have a job that he or she likes
  - b. guarantees full employment
  - c. encourages trade by bartering
  - d. increases the output of goods or services at higher prices
  - e. allows for a larger output from the production with fixed amounts of resources

6. The first diet cola drink yields Craig 18 units of utility and the second yields him an additional 12 units of utility. His total utility from three diet cola drinks is 36 units of utility. The marginal utility of the third diet cola drink is...
- 12 units of utility
  - 54 total utils
  - 8 units of utility
  - 6 units of utility
  - 38 total utils
7. The definition of marginal cost is...
- the rate of change in total fixed cost that is the result of producing one more unit of output
  - the change in total cost that is the result of producing one more unit of output
  - the increase in revenue that is caused by one more unit being consumed
  - the change in average variable cost that is the result of producing one more unit of output
  - the change in average total cost that is the result from producing one more unit of output
8. In the United States, professional basketball players earn much higher incomes than professional hockey players. This is because...
- most basketball players could be good hockey players while the opposite is not true
  - consumers have a greater demand for basketball games than they do for hockey games
  - there is a high degree for most consumers of substituting basketball for hockey games
  - the total productivity of hockey players typically exceeds that of basketball players
  - most hockey players are foreign-born whereas most basketball players are native-born

9. In the used SUV market, new government regulation increasing SUV quality standards would...
- a. reduce both the price and demand for used SUVs
  - b. give owners of SUVs that are “lemons” more incentive than owners of high-quality new SUVs to sell their cars due to the refusal of buyers to pay high prices for “lemons”
  - c. increase demand for used SUVs, and keep their prices low
  - d. increase the price and decrease the supply of used SUVs
  - e. reduce the price of new SUVs due to an increase in demand
10. Because some resources are \_\_\_\_\_, trade-offs must be made between alternative uses of those resources.
- a. available
  - b. unlimited
  - c. sold in markets
  - d. tangible
  - e. scarce
11. Suppose two countries are each capable of individually producing two given products. For example, the United States can produce steel and Brazil can produce coffee. Both countries specialize in producing the good for which they have a comparative advantage and then trade with the other country. Which of the following is most likely to be true?
- a. both the United States and Brazil will benefit from increased production of goods
  - b. there will be an increase in unemployment in one country and decrease in the other
  - c. there will be more efficient production in one country but less efficient production in the other
  - d. both the United States and Brazil will become more independent of each other
  - e. both the United States and Brazil will be harmed by increased productive inefficiency
12. Another way to define GDP is as the market value of...
- a. the resource inputs used in the production of output in an economy
  - b. national income earned by consumers, producers and exporters
  - c. all final and intermediate goods and services produced in a given year
  - d. all final goods and services produced in an economy in a given year
  - e. national income earned by producers and consumers

13. The economic indicator that uses a fixed market basket of typical goods and services to measure the price change over time is the...
- a. producer price index
  - b. national income index
  - c. GDP
  - d. CPI
  - e. consumer price index
14. John has lost his job in an aerospace plant because the company began using automated machines for parts sorting. John plans to go to technical school to learn how to repair automated sorting machines. The type of unemployment John is faced with is...
- a. frictional
  - b. structural
  - c. educational
  - d. cyclical
  - e. natural
15. Automatic stabilizers attempt to reduce the severity of fluctuations in the business cycle because they produce changes in the government's budget that...
- a. help to offset changes in employment
  - b. result in a constant growth of GDP
  - c. ultimately lead to long-run balance budgets
  - d. promote a cyclically adjusted budget
  - e. promote a full employment budget

Source:

Sattora, R.J. (2003). *AP Microeconomics and Macroeconomics*. New Jersey: Research & Education Association.