Chapter 01 Testbank

1. Economics is best defined as the study of

   A. prices and quantities.

   B. inflation and interest rates.

   C. how people make choices under the conditions of scarcity and the results of the choices.

   D. wages and incomes.

2. Economic questions always deal with

   A. financial matters.

   B. political matters.

   C. insufficient resources.

   D. choice in the face of limited resources.

3. The range of topics or issues that fit within the definition of economics is

   A. limited to market activities, e.g., buying soap.

   B. limited to individuals and firms.

   C. extremely wide, requiring only the ideas of choice and scarcity.

   D. very limited.

4. The central concern of economics is

   A. poverty.

   B. scarcity.

   C. wealth accumulation.

   D. overconsumption.

5. The scarcity principle indicates that

   A. no matter how much one has, it is never enough.

   B. compared to 100 years ago, individuals have less time today.

   C. with limited resources, having more of "this" means having less of "that."

   D. because tradeoffs must be made, resources are therefore scarce.

6. The logical implication of the scarcity principle is that

   A. one will never be satisfied with what one has.

   B. as wealth increases, making tradeoffs becomes less necessary.

   C. as wealth decreases, making tradeoffs becomes less necessary.

   D. choices must be made.

7. If all the world's resources were to magically increase 100 fold, then

   A. the scarcity principle would still govern behavior.

   B. economics would no longer be relevant.

   C. the scarcity principle would disappear.

   D. tradeoffs would become unnecessary.

8. The principle of scarcity applies to

    A. the poor exclusively.

    B. all consumers.

    C. all firms.

    D. everyone; consumers, firms, governments, and nations.

9. At the very least, poor and wealthy individuals are identically limited by

    A. their wealth.

    B. the 24 hours that comprise a day.

    C. their knowledge.

    D. their influence.

10. Forest is a mountain man living in complete isolation. He is completely self-sufficient through hunting, fishing, and farming. He has not been in the city to buy anything in five years. One can infer

    A. the scarcity principle does not apply to Forest.

    B. Forest is not required to make choices.

    C. the scarcity principle still applies because more hunting means less fishing and farming.

    D. Forest is very satisfied.

11. The scarcity principle applies to

    A. all decisions.

    B. only market decisions, e.g., buying a car.

    C. only non-market decisions, e.g., watching a sunset.

    D. only the poor.

12. Karim has a one-hour break between classes every Wednesday. Karim can either stay at the library and study or go to the gym and work out. This is

    A. not an economic problem, because neither one costs money.

    B. not an economic problem, because it's an hour that is wasted no matter what Karim does.

    C. an economic problem because the tuition Karim pays covers both the gym and the library.

    D. an economic problem, because the one-hour time limit means Karim must make a choice.

13. Jamal wants to go to the football game this weekend, but he has a paper due on Monday. It will take him the whole weekend to write the paper. Jamal decided to stay home and work on the paper. According to the scarcity principle, the reason Jamal didn't go to the game is that

    A. Jamal prefers schoolwork to football games

    B. writing the paper is easier than going to the game

    C. Jamal doesn't have enough time for writing the paper and going to the game

    D. it's too expensive to go to the game

14. Whether studying the size of an economy or the number of children a couple will choose to have, the unifying concept is that wants are

    A. limited, resources are limited, and thus tradeoffs must be made.

    B. unlimited, resources are limited, and thus tradeoffs must be made.

    C. unlimited, resources are limited to some but not to others and thus some people must make tradeoffs.

    D. unlimited, resources are limited, and thus government needs to do more.

15. The cost-benefit principle indicates that an action should be taken

    A. if the total benefits exceed the total costs.

    B. if the average benefits exceed the average costs.

    C. if the net benefit (benefit minus cost) is zero.

    D. if the extra benefit is greater than or equal to the extra costs.

16. When a person decides to pursue an activity as long as the extra benefits are at least equal to the extra costs, that person is

    A. violating the cost-benefit principle.

    B. following the scarcity principle.

    C. following the cost-benefit principle.

    D. pursuing the activity too long.

17. Choosing to study for an exam until the extra benefit (improved score) equals the extra cost (mental fatigue) is

    A. not rational.

    B. an application of the cost-benefit principle.

    C. an application of the scarcity principle.

    D. the relevant opportunity cost.

18. The scarcity principle indicates that _____ and the cost-benefit principle indicates _____.

    A. choices must be made; how to make the choices

    B. choices must be made; the costs can never outweigh the benefits of the choices

    C. rare goods are expensive; the costs should outweigh the benefits of the choices

    D. rare goods are expensive; the costs can never outweigh the benefits of the choices

19. According to the cost-benefit principle,

    A. the lowest cost activity usually gives the lowest benefit.

    B. a person should always choose the activity with the lowest cost.

    C. a person should always choose the activity with the greatest benefit.

    D. the extra costs and benefits of an activity are more important considerations than the total costs and benefits.

20. A rational person is one who

    A. is reasonable.

    B. makes choices that are easily understood.

    C. possesses well-defined goals and seeks to achieve them.

    D. is highly cynical.

21. The 7th glass of soda that Tariq consumes will produce an extra benefit of 10 cents and has an extra cost of zero (Tariq is eating at the cafeteria). The cost-benefit principle predicts that Tariq will

    A. realize he has had too much soda to drink and go home.

    B. drink the 7th glass and continue until the marginal benefit of drinking another glass of soda is zero.

    C. volunteer to empty out the fountain.

    D. not drink the 7th glass.

22. Jihan must either mow the lawn or wash clothes, earning her a benefit of $30 or $45, respectively. She dislikes both equally and they both take the same amount of time. Jihan will therefore choose to _____ because the economic surplus is _____.

    A. mow; greater

    B. wash; greater

    C. mow; smaller

    D. wash; smaller

23. Darwish decided to play tennis rather than prepare for his exam in economics that is the day after tomorrow. One can infer that

A. Darwish has made an irrational choice.

B. Darwish is doing poorly in his economics class.

C. the economic surplus from playing tennis exceeded the surplus from studying.

D. the cost of studying was less than the cost of playing tennis.

Lutfi was accepted at three different graduate schools, and must choose one. Elite U costs $50,000 per year and did not offer Lutfi any financial aid. Lutfi values attending Elite U at $60,000 per year. Public College costs $30,000 per year, and offered Lutfi an annual $10,000 scholarship. Lutfi values attending State College at $40,000 per year. NoName U costs $20,000 per year, and offered Lutfi a full $20,000 annual scholarship. Lutfi values attending NoName at $15,000 per year.

24. The opportunity cost of attending Elite U is

A. $50,000

B. $10,000

C. $20,000

D. $15,000

25. The opportunity cost of attending Public College is

A. $30,000

B. $20,000

C. $15,000

D. $10,000

26. Lutfi maximizes his surplus by attending

   A. Elite U, because $60,000 is greater than the benefit at the other schools.

   B. Public College, because the difference between the benefit and cost is greatest there.

   C. NoName U, because Lutfi has a full scholarship there.

   D. Elite U, because the opportunity costs of attending Elite U are the lowest.

27. Lutfi has decided to go to Elite U. He must have

   A. calculated his surplus from each choice and picked the one with the highest surplus.

   B. underestimated the benefits of attending NoName.

   C. overestimated the benefits of attending Elite U.

   D. determined the opportunity cost of each choice and picked the one with the lowest opportunity cost.

28. Jamila spends her afternoon at the beach, paying $1 to rent a beach umbrella and $11 for food and drinks rather than spending an equal amount of money to go to a movie. The opportunity cost of going to the beach is:

   A. the $12 she spent on the umbrella, food and drinks.

   B. only $2 because she would have spent the money on food and drinks whether or not she went to the beach.

   C. the movie she missed seeing.

   D. the movie she missed seeing plus the $12 she spent on the umbrella, food and drinks.

29. Relative to a person who earns minimum wage, a person who earns $30 per hour has

    A. a lower opportunity cost of working longer hours.

    B. a higher opportunity cost of taking a day off.

    C. a lower opportunity cost of driving farther to work.

    D. the same opportunity cost of spending time on leisure activities.

30. The opportunity cost of an activity is the value of

    A. an alternative forgone.

    B. the next-best alternative forgone.

    C. the least-best alternative forgone.

    D. the difference between the chosen activity and the next-best alternative forgone.

31. Amira is thinking about going to the movies tonight. A ticket costs $7 and she will have to cancel her baby-sitting job that pays $30. The cost of seeing the movie is

    A. $7.

    B. $30.

    C. $37.

    D. $37 minus the benefit of seeing the movie.

32. Economic surplus is

    A. the benefit gained by taking an action.

    B. the price paid to take an action.

    C. the difference between the benefit gained and the cost incurred of taking an action.

    D. the wage someone would have to earn in order to take an action.

33. The government has cut the budget for your university and increased spending on health care. This is an example of

    A. the pitfall of considering average costs instead of marginal costs.

    B. poor normative economic decision making.

    C. poor positive economic decision making.

    D. choice in the face of limited resources.

34. Sanaa earned $25,000 per year before she became a mother. After she became a mother she told her employer that she would not be willing to work for anything less than $50,000. Her decision is based on

    A. the high cost of raising a child.

    B. her desire to save for her child's college expenses.

    C. her increased value to her employer.

    D. the value she places on spending time with her child.

35. Alaa received a four-year scholarship to attend a university that covered tuition and fees, room and board, and books and supplies. As a result

    A. attending the university for four years is costless for Alaa.

    B. Alaa has no incentive to work hard while at the university.

    C. the cost of attending the university is the amount of money Alaa could have earned working for four years.

    D. the cost of attending the university is the sum of the benefits Alaa would have had attending each of the four other schools to which Alaa had been admitted.

36. Suppose Maryam is willing to pay up to $15,000 for a used Ford pick-up truck, but she finds one for $12,000. Her _____ is _____.

    A. benefit; $12,000

    B. cost; $15,000

    C. economic surplus; $3,000

    D. economic surplus; $12,000

37. In general, rational decision making requires one to choose the actions that yield the

    A. largest total benefit.

    B. smallest total cost.

    C. smallest net benefit.

    D. largest economic surplus.

38. Suppose the most you would be willing to pay for a plane ticket home is $250, but you buy one online for $175. The economic surplus of buying the online ticket is:

    A. $175.

    B. $250.

    C. $75.

    D. $0.

39. The use of economic models, like the cost-benefit principle, means economists believe that

    A. this is exactly how people choose between alternatives.

    B. this is a reasonable abstraction of how people choose between alternatives.

    C. those who explicitly make decisions this way are smarter.

    D. with enough education, all people will start to explicitly make decisions this way.

40. Jannah decides to see a movie that costs $7 for the ticket and has an opportunity cost of $20. After the movie, she says to one of her friends that the movie was not worth it. Apparently,

    A. Jannah failed to apply the cost-benefit model to her decision.

    B. Jannah was not rational.

    C. Jannah overestimated the benefits of the movie.

    D. Jannah underestimated the benefits of the movie.

41. Most of us make sensible decisions most of the time, because

    A. we know the cost-benefit principle.

    B. subconsciously we are weighing costs and benefits.

    C. most people know about the scarcity principle.

    D. we conduct hypothetical mental auctions when we make decisions.

42. Suppose a person makes a choice that seems inconsistent with the cost-benefit principle. Which of the following statements represents the most reasonable conclusion to draw?

A. The person (explicitly or implicitly) over-estimated the benefits or under-estimated the costs or both.

B. The cost-benefit principle is rarely true.

C. The person does not grasp how decisions should be made.

D. The person is simply irrational.

43. Economic models are intended to

A. apply to all examples equally well.

B. eliminate differences in the way people behave.

C. generalize about patterns in decision-making.

D. distinguish economics students from everyone else.

44. Economic models claim to be a(n)

A. reasonable abstraction of how people make choices, highlighting the most important factors.

B. exact replication of the decision-making process people use.

C. interesting chalkboard exercise with little applicability to the real world.

D. exceptionally accurate method of predicting nearly all behavior of everyone.

45. The cost-benefit model used by economists is

    A. unrealistic because it is too detailed and specific to apply to a variety of situations.

    B. unrealistic because everyone can think of times when he or she violated the principle.

    C. useful because everyone follows it all of the time.

    D. useful because most people follow it most of the time.

46. Bashir owns a clothing store in the mall and has asked two economic consultants to develop models of consumer behavior that he can use to increase sales. Bashir should choose the model that

    A. does not include simplifying assumptions.

    B. is the most detailed and complex.

    C. assumes that consumers apply the cost-benefit principle.

    D. predicts that consumers will always prefer Bashir's store to the competing stores.

47. Economists use abstract models because

    A. every economic situation is unique, so it is impossible to make generalizations.

    B. every economic situation is essentially the same, so specific details are unnecessary.

    C. they are useful for describing general patterns of behavior.

    D. computers have allowed economists to develop abstract models.

48. Most people make some decisions based on intuition rather than calculation. This is

    A. irrational, because intuition is often wrong.
    B. consistent with the economic model of decision-making, because calculating costs and
       benefits leads to decision-making pitfalls.
    C. consistent with the economic model because people intuitively compare the relative costs and
       benefits of the choices they face.
    D. inconsistent with the economic model but rational, because intuition takes into account non-
       financial considerations.

49. Muhannad has a big exam tomorrow. He considered studying this evening, but decided to go out
    with Fawzi instead. Since Muhannad always chooses rationally, it must be true that

    A. the opportunity cost of studying tonight is less than the value Muhannad gets from spending
       time with Fawzi.
    B. the opportunity cost of studying tonight is equal to the value Muhannad gets from spending
       time with Fawzi minus the cost of earning a low grade on the exam.
    C. Muhannad gets more benefit from spending time with Fawzi than from studying.
    D. Muhannad gets less benefit from spending time with Fawzi than from studying.

50. If one fails to account for opportunity costs in decision making, then applying the cost-benefit rule
    will be flawed because

    A. the benefits will be overstated.
    B. the costs will be understated.
    C. the benefits will be understated.
    D. the costs will be overstated.

Your classmates are planning to go to Agadir for spring break, and you are undecided about whether you should go with them. The round-trip airfares are $600, but you have a frequent-flyer coupon worth $500 that you could use to pay part of the airfare. All other costs for the vacation are exactly $900. The most you would be willing to pay for the trip is $1400. Your only alternative use for your frequent-flyer coupon is for your trip to Cairo two weeks after the break to attend your sister's graduation, which your parents are forcing you to attend. The round-trip airfares to Cairo are $450.

51. If you do not use the frequent-flyer coupon to fly, should you go to Agadir?

    A. Yes, your benefit is more than your cost
    B. No, your benefit is less than your cost
    C. Yes, your benefit is equal to your cost
    D. No, because there are no benefits in the trip

52. What is the opportunity cost of using the coupon for the Agadir trip?

    A. $100
    B. $450
    C. $500
    D. $550

53. If you use the frequent-flyer coupon to fly to Cairo, would you get any economic surplus by making the trip?

    A. No, there is a loss of $50.
    B. Yes, surplus of $350.
    C. Yes, surplus of $400.
    D. Yes, surplus of $100.

54. If the round-trip air fare to Cairo is $350, should you go to Agadir?

A. No, there is a loss of $50.

B. No, there is a loss of $100.

C. Yes, there is economic surplus of $50.

D. Yes, there is economic surplus of $400.

55. Amira earns $25,000 per year (after taxes), and Amira's husband, Abbas, earns $35,000 (after taxes). They have two pre-school children. Childcare for their children costs $12,000 per year. Amira has decided to stay home and take care of the children. Amira must

A. value spending time with the children by more than $25,000.

B. value spending time with the children by more than $12,000.

C. value spending time with the children by more than $13,000.

D. value spending time with the children as much than does Abbas.

You paid $35 for a ticket (which is non-refundable) to see your favorite singer in concert on Saturday. (Assume that you would not have been willing to pay any more than $35 for this concert.) Your boss called and she is looking for someone to cover a shift on Saturday at the same time as your concert. You will have to work 4 hours and she will pay you 50 percent more than your usual rate of $6/hr, which is $9/hr.

56. Should you go to the concert instead of working Saturday?

A. Yes, your benefit is more than your cost

B. No, your benefit is less than your cost

C. Yes, your benefit is equal to your cost

D. No, because there are no benefits in the concert

57. What is the opportunity cost of going to the concert?

    A. $1

    B. $9

    C. $35

    D. $36

58. What is your opportunity cost, if you go to work on Saturday?

    A. $0

    B. $9

    C. $35

    D. $36

59. Your economic surplus of going to work on Saturday is

    A. $0

    B. $1

    C. $35

    D. $36

Mazin has decided to purchase his textbooks for the semester. His options are to purchase the books via the Internet with next day delivery to his home at a cost of $175, or to drive to campus tomorrow to buy the books at the university bookstore at a cost of $170. Last week he drove to campus to buy a concert ticket because they offered 25 percent off the regular price of $16.

60. Mazin's benefit of buying his books at the bookstore is _____.

A. $5

B. $9

C. $170

D. $175

61. Mazin's benefit was ____ from driving to campus to buy the concert ticket last week.

A. $2

B. $4

C. $9

D. $16

62. According to the cost-benefit principle:

A. it would not be rational for Mazin to drive to campus to purchase the books because the $5 saving is only two percent of the cost of the books, and that is much less than the 25 percent he saved on the concert ticket.

B. it would be rational for Mazin to drive to campus because it costs less to buy the books there than via the Internet.

C. it would be rational for Mazin to drive to campus because the $5 saving is more than he saved by driving there to buy the concert ticket.

D. it would not be rational for Mazin to drive to campus to purchase the books because the cost of gas and his time must certainly be more than the $5 he would save.

63. Assume the minimum that Mazin would be willing to accept to drive to the university campus is equal to the amount he saved on the concert ticket. What would be the amount of his economic surplus if he bought his textbooks at the university bookstore rather than via the Internet?

A. $5

B. $1

C. $50

D. $20

64. The marginal benefit of an activity is the

A. same as the total benefits of the activity.

B. total benefit divided by the level of the activity.

C. extra benefit associated with an extra unit of the activity.

D. total benefit associated with an extra unit of the activity.

65. If the marginal costs of 1, 2, and 3 hours of talking on the phone are $50, $75, and $105, then the total costs are

A. $50, $150, and $315.

B. $50, $41.67, and $115.

C. $50, $125, and $230.

D. $50, $175, and $405.

66. If the total benefits of watching 1, 2, and 3 football games on TV are 100, 120, and 125 then the marginal benefits are

A. 100, 120, and 125.

B. 100, 20, and 5.

C. 100, 609, and 41.67.

D. 100, 240, and 375.

67. The extra benefit that comes from an extra unit of activity is called the _____of the activity.

A. marginal benefit.

B. marginal cost.

C. average benefit.

D. reservation benefit.

68. The marginal cost of an activity is the

A. change in the cost of the activity that results from an extra unit of the activity.

B. same as the total cost of the activity.

C. ratio of total cost to the level of the activity.

D. change in the level of the activity divided by the change in the cost of the activity.

69. The extra cost that results from an extra unit of an activity is the

A. marginal benefit.

B. marginal cost.

C. reservation cost.

D. same as the opportunity cost.

70. Dividing the total cost of n units of an activity by n reveals the

    A. average benefit.
    B. marginal cost.
    C. units per cost.
    D. average cost.

71. You had to pay $600 (non-refundable) for your meal plan for the Fall semester which gives you up to150 meals. If you eat all of the meals, your average cost for a meal equals

    A. $6.
    B. $5.
    C. $4.
    D. $0.25.

72. You had to pay $600 (non-refundable) for your meal plan for Fall semester which gives you up to 150 meals. If you eat only 100 meals, your average cost for a meal

    A. $6.
    B. $5.
    C. $4.
    D. $0.25.

73. You had to pay $600 (non-refundable) for your meal plan for Fall semester which gives you up to150 meals. If you eat only 100 meals, your marginal cost for the 100th meal is

A. $6

B. $4

C. $0.25

D. $0

74. The average benefit of an activity is the

A. total benefit of the activity divided by the number of units.

B. number of units divided by the total benefit of the activity.

C. number of units times the total benefit of the activity.

D. extra benefit for one additional unit of the activity.

75. You save $10 on gas every week since you live close to the bus stop. You have class five days a week. What is your average benefit per day for living close to the bus stop?

A. $10

B. $5

C. $2

D. $1.43

76. Your scholarship depends on your maintaining a 3.5 cumulative GPA. Your GPA for last semester was 3.6, which brought your cumulative GPA down. What must be true?

A. Your marginal grades (last semester's grades) were higher than your overall GPA.

B. Your marginal grades were lower than your overall GPA.

C. If this semester's grades are the same as last semester's, your overall GPA will stay the same.

D. If this semester's grades are the same as last semester's, you might lose your scholarship.

Units of Activity	Total Cost	Total Benefit
1	$30	$100
2	$40	$160
3	$60	$180
4	$100	$200
5	$150	$205
6	$175	$210

77. Refer to the figure above. The average cost of 4 units of activity is

A. $20

B. $25

C. $30

D. $40

78. Refer to the figure above. The marginal cost of the 3rd unit of activity is

A. $30

B. $25

C. $20

D. $10

79. Refer to the figure above. The average benefit of 3 units of activity is

A. $80

B. $60

C. $40

D. $20

80. Refer to the figure above. The marginal benefit of the 5th unit of activity is

A. $60

B. $50

C. $5

D. $0

81. Refer to the figure above. According to the cost-benefit principle, the level of activity that provides the largest net benefit is

A. 1

B. 3

C. 4

D. 6

Units of Activity	Total Cost	Total Benefit
1	$3	$10
2	$4	$14
3	$6	$16
4	$10	$20
5	$15	$24
6	$21	$28
7	$28	$29

82. Refer to the figure above. The average cost of 5 units of activity is

A. $1

B. $2

C. $3

D. $4

83. Refer to the figure above. The marginal cost of the 4th unit of activity is

A. $1

B. $2

C. $3

D. $4

84. Refer to the figure above. The average benefit of 4 units of activity is

A. $4

B. $5

C. $6

D. $10

85. Refer to the figure above. The marginal benefit of the 6th unit of activity is

A. $1

B. $2

C. $4

D. $10

86. Refer to the figure above. According to the cost-benefit principle, the level of activity that provides the largest net benefit is

A. 1

B. 4

C. 5

D. 7

Fundraisers for What'sAMatterU

Fund Raising Employees	Total Donations	Average Donations	Total Labor Costs	Average Costs
1	$30,000			$8,000
2	$42,426		$17,000	
3		$17,321	$27,000	
4	$60,000			$9,500
5		$13, 416	$50,000	

87. Refer to the figure above. Total donations raised by three employees is

A. $43,899.

B. $45,000.

C. $48,911.

D. $51,963.

88. Refer to the figure above. The total labor cost of 4 employees is

A. $21,500.

B. $22,000.

C. $38,000.

D. $43,121.

89. Refer to the figure above. The President of What's A Matter U decides to hire fundraisers as long as the average benefit exceeds the average cost, resulting in _____ employees being hired and a net benefit (total donations minus total labor costs) of _____.

    A. 5; $17,080
    B. 5; $67,080
    C. 4; $60,000
    D. 4; $22,000

90. Refer to the figure above. The marginal benefit (extra donations) of the 2nd employee is

    A. $42,426.
    B. $21,213.
    C. $12,426.
    D. $11,337.

91. Refer to the figure above. The marginal labor cost (extra labor cost) of the 4th employee is

    A. $9,500.
    B. $10,750.
    C. $11,000.
    D. $13,000.

92. Refer to the figure above. The Chairman of the Economics Department at What's A Matter U says that fundraisers should be hired as long as their marginal donations exceed their marginal labor costs. Following this criterion, _____ employees are hired and net benefits are _____.

    A. 1; $22,000

    B. 2; $25,426

    C. 3; $25,426

    D. 2; $3,476

93. Refer to the figure above. The net benefit of hiring fundraisers is largest when _____ employees are hired.

    A. 4

    B. 3

    C. 2

    D. 1

94. Tariq notes that an electronics store is offering a flat $20 off all prices in the store. Tariq reasons that if he wants to buy something with a price of $50 that it is a good offer, but if he wants to buy something with a price of $500 it is not a good offer. This is an example of

    A. inconsistent reasoning; saving $20 is saving $20.

    B. the proper application of the cost-benefit principle.

    C. rational choice because in the first case he saves 40% and in the second case he saves 4%.

    D. marginal cost equals marginal benefit thinking.

95. Suppose a retail store was offering 10% off all prices on all goods. The incentive to take advantage of the 10% savings is

    A. unrelated to the list price of one good.

    B. inversely related to the list price of the good.

    C. directly related to the list price of the good.

    D. independent of the list price.

    Apple employs Nadia to assemble personal computers. Nadia can assemble 1 computer if she works 1 hour, 4 computers in 2 hours, 8 computers in 3 hours, 10 computers in 4 hours, and 11 computers in 5 hours. Each computer consists of a motherboard that costs $200, a hard drive that costs $100, a case that costs $20, a monitor that costs $200, a keyboard at $60 and a mouse that costs $20. The cost of employing Nadia is $40 per hour.

96. What is the marginal cost of producing the computers Nadia assembles during her 3rd hour of work?

    A. $1,200

    B. $1,240

    C. $2,400

    D. $2,440

97. What is the marginal cost of producing the computers Nadia assembles during her 4th hour of work?

    A. $1,200

    B. $1,240

    C. $2,400

    D. $2,440

98. Apple sells each computer for $620. How many hours should Apple employ Nadia to maximize its benefit from her employment?

    A. 1 hour

    B. 2 hours

    C. 3 hours

    D. 4 hours

99. Apple sells each computer for computers $640. How many hours should Apple employ Nadia to maximize its benefit from her employment?

    A. 2 hours

    B. 3 hours

    C. 4 hours

    D. 5 hours

100. If Maryam works for 6 hours she can rent 12 apartments, and if she works for 7 hours she can rent 15 apartments. The marginal benefit of the 7th hour of Maryam's work equals:

    A. 12 apartments.

    B. 15 apartments.

    C. 1 apartment.

    D. 3 apartments.

The following table shows the relationship between the speed of a computer's CPU and the benefits and costs. Assume that all other features of the computer are the same, i.e., CPU speed is the only source of variation.

CPU Mhz	Total Benefit	Marginal Benefit	Total Cost	Margin
600	$1,000		$900	
700	$1,500			$100
800		$400	$1,400	
900	$2,200		$1,900	
1,000	$2,400			$600

101.The marginal benefit of upgrading from a 600 Mhz computer to a 700 Mhz computer is

A. $1,500.

B. $500.

C. $50.

D. $5.

102.The total benefit of an 800 Mhz computer is

A. $400.

B. $800.

C. $1,900.

D. $2,200.

103.The total cost of a 700 Mhz computer is

A. $1,000.

B. $900.

C. $200.

D. $100.

104.The marginal cost of upgrading from a 700 to an 800 Mhz computer is

A. $500.

B. $400.

C. $200.

D. $100.

105.Application of the cost-benefit principle would lead one to purchase a _____ computer because _____.

A. 900 Mhz; the total benefit exceeds the total cost

B. 700 Mhz; the marginal benefit is $500 and the marginal cost is $100

C. 600 Mhz; it is certainly fast enough

D. 800 Mhz; the marginal benefits and marginal costs are equal

106.Choosing the 1,000 Mhz computer would be inefficient because

A. the marginal benefit is less than the marginal cost.

B. the marginal benefit is equal to the marginal cost.

C. it is impossible to tell the difference compared to a 600 Mhz computer.

D. the marginal benefit is more than the marginal cost.

107.Karam and Nada both own homes with similar size lawns. Karam mows her own lawn while Nada hires someone to mow hers. Assume both women are rational decision makers. Which is the best explanation of the different decisions they make?

A. The opportunity cost of Nada's time is higher than her cost to hire someone to mow the lawn.

B. Nada can get her lawn mowed for less than Karam.

C. Nada doesn't own a lawnmower.

D. Nada earns more than Karam does.

108.What is the opportunity cost of living in a house that you already own?

A. Zero, because you already own it.

B. That mostly depends on current mortgage rates.

C. The rent you could receive if you rented the house out to someone else.

D. The taxes you pay your local government.

109.Jamila has purchased a non-refundable $25 ticket to attend a lecture on Friday evening. Subsequently, she is invited to a musical concert at no expense to her. If she uses cost-benefit analysis to choose between going to the lecture and going to the concert, she should

A. include only the educational value of the lecture in the opportunity cost of going to the concert.

B. include the cost of the ticket plus the educational value of the lecture in the opportunity cost of going to the concert.

C. include only the cost of the lecture ticket in the opportunity cost of going to the concert.

D. include neither the cost of the ticket nor the educational value of the lecture in the opportunity cost of going to the concert.

Samir studied 5 hours for his first Economics test and his test score was 85; 6 hours for his second Economics test and scored 90; and 7 hours for his third Economics test and scored 95. He also studied 5 hours for his first Math test and his test score was 68; 6 hours for his second Math test and scored 78; and 7 hours for his third Math test and scored 88.

110. The average benefit per hour studied for the Economics tests was _____ and the average benefit per hour studied for the Math tests was _____ .

A. 15; 13

B. 5; 10

C. 13; 15

D. 10; 5

111. Samir's marginal benefit from the seventh hour spent studying Economics is

A. 5

B. 10

C. 15

D. 45

112. Samir's marginal benefit from the seventh hour spent studying Math is:

A. 5

B. 10

C. 15

D. 78

113.If Samir has already spent 5 hours studying Economics and 5 hours studying Math, he should spend the next hour

A. Studying Math for half an hour and Economics for half an hour

B. Studying only Economics

C. Studying only Math

D. Studying Economics for 45 minutes and Math for 15 minutes

You need a TV, DVD player, and CD player. The sale flyer you got in the mail shows the TV that you want to buy is 10% off regular price this week. DVD and CD players are 20% off next week. Last week you drove downtown to save $30 on some concert tickets, a 15% savings. The regular prices for TVs, DVD players, and CD players are:

TV	$250
DVD Player	$120
CD Player	$200

114.Should you drive downtown next week to buy the DVD player and the CD player?

A. Yes, because you will save $32

B. No, because you will save less than $30

C. Yes, because you will save $64

D. Yes, because it is always worth it to drive downtown to earn a 20% discount

115. If the regular price for the TV is $300, should you drive downtown to buy the TV this week?

   A. Yes, because you will save $30.

   B. No, because next week's discount on the DVD player and CD player will save you even more.

   C. Yes, because you will save $60.

   D. Yes, because it is always worth it to drive downtown to earn a 10% discount.

116. Suppose instead that the DVD player is 20% off and the CD player is 5% off regular price. Should you drive downtown to buy the VCR and the CD player?

   A. Yes, because you will save $24.

   B. Yes, because you will save $34.

   C. Yes, because you will save $64.

   D. Yes, because it is always worth it to drive downtown to earn a 20% discount.

You own a pizza shop called "Pizza's' Us". Currently you are paying your cooks an hourly wage of $20. You sell a medium pizza for $10 a pie. By hiring more cooks, you can increase your pizza production as shown in the following table.

Number of cooks	Total production of pizzas each hour
0	0
1	4
2	7
3	9
4	10
5	10

117. What is the total cost per day of hiring 3 cooks if they work 8 hour shifts?

    A. $60

    B. $160

    C. $320

    D. $480

118. What is the dollar value of total production each 8-hour shift if you hire 2 cooks?

    A. $320

    B. $560

    C. $70

    D. $140

119.What is the average labor cost per pizza if you hire 4 cooks?

A. $6

B. $8

C. $10

D. $12

120.What is the average benefit per pizza if you hire 2 cooks?

A. $4

B. $6

C. $8

D. $10

121.If you operate one hour every day what is the marginal cost of the 3rd cook?

A. $10

B. $20

C. $40

D. $60

122.If you operate one hour every day what is the marginal benefit of the 3rd cook?

A. $10

B. $20

C. $30

D. $40

123.How many cooks should you hire to maximize your net benefit?

A. 1

B. 3

C. 4

D. 5

124.Microeconomics is distinguished from macroeconomics in that microeconomics focuses on

A. the performance of the national economy.

B. the overall price level.

C. choices made by individuals or groups in the context of individual markets.

D. how to improve the performance of the national economy.

125.Macroeconomics is distinguished from microeconomics by its concentration on

A. choices.

B. the performance of national economies and ways to improve upon their performance.

C. individual markets.

D. the level of prices in specific markets.

126.The study of individual choices and group behavior in individual markets defines

A. microeconomics.

B. economics.

C. the scarcity principle.

D. macroeconomics.

127. Which branch of economics is most likely to study differences in countries' growth rates?

A. microeconomics

B. normative economics

C. macroeconomics

D. experimental economics

128. Which of the following decisions would not be part of microeconomics?

A. How to make the largest profit.

B. Whether to study or watch TV tonight.

C. How an early freeze in Turkey will affect the price of cherries.

D. Whether the federal budget should always be balanced.

129. Which of the following questions would not be part of macroeconomics?

A. What caused the global financial crisis of 2008?

B. At what rate does the Egyptian economy typically grow?

C. Did the sharp increase in gasoline prices alter SUV sales?

D. How does government spending affect the economy?

130. By convention there are two major divisions of economics, called

A. marginal benefit and marginal cost.

B. reservation price and opportunity cost.

C. microeconomics and macroeconomics.

D. rational economics and irrational economics.

131. The study that deals with the salaries of university professors would be considered

A. macroeconomics

B. microeconomics

C. economic naturalism

D. marginal benefit

132. Studying how Sarah allocates her time between teaching classes and assisting undergrad students is an example of

A. microeconomics

B. macroeconomics

C. individual economics

D. economic naturalism

133. In deciding the number of guitars to buy for his shop before the holiday season, Mark is making a(n) _____ decision.

A. microeconomic

B. macroeconomic

C. economic surplus

D. marginal choice

134. Studying government policies towards building new roads and highways is

A. microeconomics

B. macroeconomics

C. government economics

D. marginal economics

135. Last year interest rates fell. It was the focus of

A. microeconomics

B. macroeconomics

C. economic naturalism

D. marginal economics

136. Positive economic principles are those that

A. are always correct.

B. are not influenced by political ideology.

C. predict how people should behave.

D. predict how people will behave.

137. One thing that distinguishes normative principles from positive principles is that

    A. normative principles are pessimistic and positive principles are optimistic.

    B. normative principles reflect the social norms of the community, and positive principles reflect universal truths.

    C. normative principles tell us how people should make economic decisions, and positive principles tell us how people actually do make decisions.

    D. normative principles tell us how people actually make economic decisions, and positive principles tell us how people should make decisions.

138. Normative economics is concerned with how people _____ make decisions while positive economics is concerned with how people _____ make decisions.

    A. in the real world; in models

    B. should; do

    C. in power; in ordinary life

    D. in ordinary life; in power

139. An editorial in the paper argues that students should only be allowed to attend school so long as the marginal cost of educating that student is less than the marginal benefit of that student's education. The writer's reasoning is an application of

    A. positive economics.

    B. negative economics.

    C. normative economics.

    D. economic naturalism.

140. The incentive principle states that a person is more likely to do something if

A. the opportunity costs are high.

B. the benefits from doing it increase.

C. everyone else is doing the same thing.

D. he is paid to do it.

141. The incentive principle is an example of

A. an economic decision-making pitfall.

B. over-estimating the benefits of an action.

C. a positive economic principle.

D. a normative economic principle.

142. If the government wanted to use the incentive principle to discourage smoking, it would

A. publicize the health risks associated with second-hand smoke.

B. increase taxes on cigarettes, raising the price of a pack.

C. subsidize hospitals for treating lung disease.

D. invest more money in health research.

143. According to the incentive principle,

A. it is irrational to perform volunteer services.

B. people will always take the highest-paying job.

C. benefits are more important than costs in making a decision.

D. people tend to do more of something when the benefits are greater.

144. An economic naturalist is described as someone who

    A. uses economic arguments to protect forests and wetlands from development.

    B. has a natural talent for drawing graphs.

    C. applies economic insights to everyday life.

    D. studies the process of natural selection in a marginal cost and marginal benefit framework.

145. With ATMs it is possible to retrieve cash from the bank at any time. One hundred years ago, one could only get cash from the bank during business hours, say, 9 am to 3 pm. The difference is because

    A. flexibility was not valued 100 years ago.

    B. it was impossible to provide 24 hour a day service 100 years ago.

    C. the cost of providing 24 hour a day service is much lower today.

    D. government forced banks to become more convenient.

146. The number of households around the world with access to the Internet and those with broadband connections is growing rapidly. As an economic naturalist, one could predict that when a major purchase is being considered, families will

    A. always buy online.

    B. never buy online.

    C. collect more information before making the purchase because the cost of finding and acquiring it is lower.

    D. collect more information before making the purchase because the benefit of information is now larger.

147. Every time you go to the grocery store, you try to choose the shortest line. But all of the lines always seem to be the same length. Why?

A. The store manager tells the cashiers to speed up or slow down to maintain equal line lengths.

B. Everyone else is trying to choose the shortest line, too.

C. The cashiers all work at the same speed.

D. Cashiers do not have an incentive to work faster.

Chapter 01 Testbank Key

1. Economics is best defined as the study of

   A. prices and quantities.

   B. inflation and interest rates.

   <u>C.</u> how people make choices under the conditions of scarcity and the results of the choices.

   D. wages and incomes.

2. Economic questions always deal with

   A. financial matters.

   B. political matters.

   C. insufficient resources.

   <u>D.</u> choice in the face of limited resources.

3.   The range of topics or issues that fit within the definition of economics is

   A. limited to market activities, e.g., buying soap.

   B. limited to individuals and firms.

   C. extremely wide, requiring only the ideas of choice and scarcity.

   D. very limited.

4.   The central concern of economics is

   A. poverty.

   B. scarcity.

   C. wealth accumulation.

   D. overconsumption.

5.   The scarcity principle indicates that

   A. no matter how much one has, it is never enough.

   B. compared to 100 years ago, individuals have less time today.

   C. with limited resources, having more of "this" means having less of "that."

   D. because tradeoffs must be made, resources are therefore scarce.

6.   The logical implication of the scarcity principle is that

A. one will never be satisfied with what one has.

B. as wealth increases, making tradeoffs becomes less necessary.

C. as wealth decreases, making tradeoffs becomes less necessary.

<u>D.</u> choices must be made.

7.   If all the world's resources were to magically increase 100 fold, then

<u>A.</u> the scarcity principle would still govern behavior.

B. economics would no longer be relevant.

C. the scarcity principle would disappear.

D. tradeoffs would become unnecessary.

8.   The principle of scarcity applies to

     A. the poor exclusively.

     B. all consumers.

     C. all firms.

     D. everyone; consumers, firms, governments, and nations.

9.   At the very least, poor and wealthy individuals are identically limited by

     A. their wealth.

     B. the 24 hours that comprise a day.

     C. their knowledge.

     D. their influence.

10. Forest is a mountain man living in complete isolation. He is completely self-sufficient through hunting, fishing, and farming. He has not been in the city to buy anything in five years. One can infer

A. the scarcity principle does not apply to Forest.

B. Forest is not required to make choices.

C. the scarcity principle still applies because more hunting means less fishing and farming.

D. Forest is very satisfied.

11. The scarcity principle applies to

A. all decisions.

B. only market decisions, e.g., buying a car.

C. only non-market decisions, e.g., watching a sunset.

D. only the poor.

12. Karim has a one-hour break between classes every Wednesday. Karim can either stay at the library and study or go to the gym and work out. This is

A. not an economic problem, because neither one costs money.

B. not an economic problem, because it's an hour that is wasted no matter what Karim does.

C. an economic problem because the tuition Karim pays covers both the gym and the library.

<u>D.</u> an economic problem, because the one-hour time limit means Karim must make a choice.

13. Jamal wants to go to the football game this weekend, but he has a paper due on Monday. It will take him the whole weekend to write the paper. Jamal decided to stay home and work on the paper. According to the scarcity principle, the reason Jamal didn't go to the game is that

A. Jamal prefers schoolwork to football games

B. writing the paper is easier than going to the game

<u>C.</u> Jamal doesn't have enough time for writing the paper and going to the game

D. it's too expensive to go to the game

14. Whether studying the size of an economy or the number of children a couple will choose to have, the unifying concept is that wants are

    A. limited, resources are limited, and thus tradeoffs must be made.

    B. unlimited, resources are limited, and thus tradeoffs must be made.

    C. unlimited, resources are limited to some but not to others and thus some people must make tradeoffs.

    D. unlimited, resources are limited, and thus government needs to do more.

15. The cost-benefit principle indicates that an action should be taken

    A. if the total benefits exceed the total costs.

    B. if the average benefits exceed the average costs.

    C. if the net benefit (benefit minus cost) is zero.

    D. if the extra benefit is greater than or equal to the extra costs.

16. When a person decides to pursue an activity as long as the extra benefits are at least equal to the extra costs, that person is

    A. violating the cost-benefit principle.

    B. following the scarcity principle.

    <u>C.</u> following the cost-benefit principle.

    D. pursuing the activity too long.

17. Choosing to study for an exam until the extra benefit (improved score) equals the extra cost (mental fatigue) is

    A. not rational.

    <u>B.</u> an application of the cost-benefit principle.

    C. an application of the scarcity principle.

    D. the relevant opportunity cost.

18.   The scarcity principle indicates that _____ and the cost-benefit principle indicates

_____.

A. choices must be made; how to make the choices

B. choices must be made; the costs can never outweigh the benefits of the choices

C. rare goods are expensive; the costs should outweigh the benefits of the choices

D. rare goods are expensive; the costs can never outweigh the benefits of the choices

19.   According to the cost-benefit principle,

A. the lowest cost activity usually gives the lowest benefit.

B. a person should always choose the activity with the lowest cost.

C. a person should always choose the activity with the greatest benefit.

D. the extra costs and benefits of an activity are more important considerations than the total

costs and benefits.

20. A rational person is one who

    A. is reasonable.

    B. makes choices that are easily understood.

    C. possesses well-defined goals and seeks to achieve them.

    D. is highly cynical.

21. The 7th glass of soda that Tariq consumes will produce an extra benefit of 10 cents and has an extra cost of zero (Tariq is eating at the cafeteria). The cost-benefit principle predicts that Tariq will

    A. realize he has had too much soda to drink and go home.

    B. drink the 7th glass and continue until the marginal benefit of drinking another glass of soda is zero.

    C. volunteer to empty out the fountain.

    D. not drink the 7th glass.

22. Jihan must either mow the lawn or wash clothes, earning her a benefit of $30 or $45, respectively. She dislikes both equally and they both take the same amount of time. Jihan will therefore choose to _____because the economic surplus is _____.

    A. mow; greater

    <u>B.</u> wash; greater

    C. mow; smaller

    D. wash; smaller

23. Darwish decided to play tennis rather than prepare for his exam in economics that is the day after tomorrow. One can infer that

    A. Darwish has made an irrational choice.

    B. Darwish is doing poorly in his economics class.

    <u>C.</u> the economic surplus from playing tennis exceeded the surplus from studying.

    D. the cost of studying was less than the cost of playing tennis.

Lutfi was accepted at three different graduate schools, and must choose one. Elite U costs $50,000 per year and did not offer Lutfi any financial aid. Lutfi values attending Elite U at $60,000 per year. Public College costs $30,000 per year, and offered Lutfi an annual $10,000 scholarship. Lutfi values attending State College at $40,000 per year. NoName U costs $20,000 per year, and offered Lutfi a full $20,000 annual scholarship. Lutfi values attending NoName at $15,000 per year.

24.   The opportunity cost of attending Elite U is

A. $50,000

B. $10,000

C. $20,000

D. $15,000

25.   The opportunity cost of attending Public College is

A. $30,000

B. $20,000

C. $15,000

D. $10,000

26.   Lutfi maximizes his surplus by attending

   A. Elite U, because $60,000 is greater than the benefit at the other schools.

   B. Public College, because the difference between the benefit and cost is greatest there.

   C. NoName U, because Lutfi has a full scholarship there.

   D. Elite U, because the opportunity costs of attending Elite U are the lowest.

27.   Lutfi has decided to go to Elite U. He must have

   A. calculated his surplus from each choice and picked the one with the highest surplus.

   B. underestimated the benefits of attending NoName.

   C. overestimated the benefits of attending Elite U.

   D. determined the opportunity cost of each choice and picked the one with the lowest opportunity cost.

28. Jamila spends her afternoon at the beach, paying $1 to rent a beach umbrella and $11 for food and drinks rather than spending an equal amount of money to go to a movie. The opportunity cost of going to the beach is:

A. the $12 she spent on the umbrella, food and drinks.

B. only $2 because she would have spent the money on food and drinks whether or not she went to the beach.

<u>C.</u> the movie she missed seeing.

D. the movie she missed seeing plus the $12 she spent on the umbrella, food and drinks.

29. Relative to a person who earns minimum wage, a person who earns $30 per hour has

A. a lower opportunity cost of working longer hours.

<u>B.</u> a higher opportunity cost of taking a day off.

C. a lower opportunity cost of driving farther to work.

D. the same opportunity cost of spending time on leisure activities.

30.   The opportunity cost of an activity is the value of

    A. an alternative forgone.

    B. the next-best alternative forgone.

    C. the least-best alternative forgone.

    D. the difference between the chosen activity and the next-best alternative forgone.

31.   Amira is thinking about going to the movies tonight. A ticket costs $7 and she will have to cancel her baby-sitting job that pays $30. The cost of seeing the movie is

    A. $7.

    B. $30.

    C. $37.

    D. $37 minus the benefit of seeing the movie.

32.   Economic surplus is

A. the benefit gained by taking an action.

B. the price paid to take an action.

C. the difference between the benefit gained and the cost incurred of taking an action.

D. the wage someone would have to earn in order to take an action.

33.   The government has cut the budget for your university and increased spending on health care. This is an example of

A. the pitfall of considering average costs instead of marginal costs.

B. poor normative economic decision making.

C. poor positive economic decision making.

D. choice in the face of limited resources.

34. Sanaa earned $25,000 per year before she became a mother. After she became a mother she told her employer that she would not be willing to work for anything less than $50,000. Her decision is based on

    A. the high cost of raising a child.

    B. her desire to save for her child's college expenses.

    C. her increased value to her employer.

    <u>D.</u> the value she places on spending time with her child.

35. Alaa received a four-year scholarship to attend a university that covered tuition and fees, room and board, and books and supplies. As a result

    A. attending the university for four years is costless for Alaa.

    B. Alaa has no incentive to work hard while at the university.

    <u>C.</u> the cost of attending the university is the amount of money Alaa could have earned working for four years.

    D. the cost of attending the university is the sum of the benefits Alaa would have had attending each of the four other schools to which Alaa had been admitted.

36.   Suppose Maryam is willing to pay up to $15,000 for a used Ford pick-up truck, but she finds one for $12,000. Her _____ is _____.

   A. benefit; $12,000

   B. cost; $15,000

   C. economic surplus; $3,000

   D. economic surplus; $12,000

37.   In general, rational decision making requires one to choose the actions that yield the

   A. largest total benefit.

   B. smallest total cost.

   C. smallest net benefit.

   D. largest economic surplus.

38. Suppose the most you would be willing to pay for a plane ticket home is $250, but you buy one online for $175. The economic surplus of buying the online ticket is:

A. $175.

B. $250.

C. $75.

D. $0.

39. The use of economic models, like the cost-benefit principle, means economists believe that

A. this is exactly how people choose between alternatives.

B. this is a reasonable abstraction of how people choose between alternatives.

C. those who explicitly make decisions this way are smarter.

D. with enough education, all people will start to explicitly make decisions this way.

40.   Jannah decides to see a movie that costs $7 for the ticket and has an opportunity cost of $20. After the movie, she says to one of her friends that the movie was not worth it. Apparently,

A. Jannah failed to apply the cost-benefit model to her decision.

B. Jannah was not rational.

C. Jannah overestimated the benefits of the movie.

D. Jannah underestimated the benefits of the movie.

41.   Most of us make sensible decisions most of the time, because

A. we know the cost-benefit principle.

B. subconsciously we are weighing costs and benefits.

C. most people know about the scarcity principle.

D. we conduct hypothetical mental auctions when we make decisions.

42. Suppose a person makes a choice that seems inconsistent with the cost-benefit principle. Which of the following statements represents the most reasonable conclusion to draw?

A. The person (explicitly or implicitly) over-estimated the benefits or under-estimated the costs or both.

B. The cost-benefit principle is rarely true.

C. The person does not grasp how decisions should be made.

D. The person is simply irrational.

43. Economic models are intended to

A. apply to all examples equally well.

B. eliminate differences in the way people behave.

C. generalize about patterns in decision-making.

D. distinguish economics students from everyone else.

44. Economic models claim to be a(n)

    <u>A.</u> reasonable abstraction of how people make choices, highlighting the most important factors.

    B. exact replication of the decision-making process people use.

    C. interesting chalkboard exercise with little applicability to the real world.

    D. exceptionally accurate method of predicting nearly all behavior of everyone.

45. The cost-benefit model used by economists is

    A. unrealistic because it is too detailed and specific to apply to a variety of situations.

    B. unrealistic because everyone can think of times when he or she violated the principle.

    C. useful because everyone follows it all of the time.

    <u>D.</u> useful because most people follow it most of the time.

46. Bashir owns a clothing store in the mall and has asked two economic consultants to develop models of consumer behavior that he can use to increase sales. Bashir should choose the model that

   A. does not include simplifying assumptions.

   B. is the most detailed and complex.

   C. assumes that consumers apply the cost-benefit principle.

   D. predicts that consumers will always prefer Bashir's store to the competing stores.

47. Economists use abstract models because

   A. every economic situation is unique, so it is impossible to make generalizations.

   B. every economic situation is essentially the same, so specific details are unnecessary.

   C. they are useful for describing general patterns of behavior.

   D. computers have allowed economists to develop abstract models.

48.   Most people make some decisions based on intuition rather than calculation. This is

    A. irrational, because intuition is often wrong.
    B. consistent with the economic model of decision-making, because calculating costs and benefits leads to decision-making pitfalls.
    C. consistent with the economic model because people intuitively compare the relative costs and benefits of the choices they face.
    D. inconsistent with the economic model but rational, because intuition takes into account non-financial considerations.

49.   Muhannad has a big exam tomorrow. He considered studying this evening, but decided to go out with Fawzi instead. Since Muhannad always chooses rationally, it must be true that

    A. the opportunity cost of studying tonight is less than the value Muhannad gets from spending time with Fawzi.
    B. the opportunity cost of studying tonight is equal to the value Muhannad gets from spending time with Fawzi minus the cost of earning a low grade on the exam.
    C. Muhannad gets more benefit from spending time with Fawzi than from studying.
    D. Muhannad gets less benefit from spending time with Fawzi than from studying.

50.   If one fails to account for opportunity costs in decision making, then applying the cost-benefit rule will be flawed because

A. the benefits will be overstated.

B. the costs will be understated.

C. the benefits will be understated.

D. the costs will be overstated.

Your classmates are planning to go to Agadir for spring break, and you are undecided about whether you should go with them. The round-trip airfares are $600, but you have a frequent-flyer coupon worth $500 that you could use to pay part of the airfare. All other costs for the vacation are exactly $900. The most you would be willing to pay for the trip is $1400. Your only alternative use for your frequent-flyer coupon is for your trip to Cairo two weeks after the break to attend your sister's graduation, which your parents are forcing you to attend. The round-trip airfares to Cairo are $450.

51.   If you do not use the frequent-flyer coupon to fly, should you go to Agadir?

A. Yes, your benefit is more than your cost

B. No, your benefit is less than your cost

C. Yes, your benefit is equal to your cost

D. No, because there are no benefits in the trip

52.   What is the opportunity cost of using the coupon for the Agadir trip?

      A. $100

      <u>B.</u> $450

      C. $500

      D. $550

53.   If you use the frequent-flyer coupon to fly to Cairo, would you get any economic surplus by making the trip?

      <u>A.</u> No, there is a loss of $50.

      B. Yes, surplus of $350.

      C. Yes, surplus of $400.

      D. Yes, surplus of $100.

54. If the round-trip air fare to Cairo is $350, should you go to Agadir?

    A. No, there is a loss of $50.

    B. No, there is a loss of $100.

    C. Yes, there is economic surplus of $50.

    D. Yes, there is economic surplus of $400.

55. Amira earns $25,000 per year (after taxes), and Amira's husband, Abbas, earns $35,000 (after taxes). They have two pre-school children. Childcare for their children costs $12,000 per year. Amira has decided to stay home and take care of the children. Amira must

    A. value spending time with the children by more than $25,000.

    B. value spending time with the children by more than $12,000.

    C. value spending time with the children by more than $13,000.

    D. value spending time with the children as much than does Abbas.

You paid $35 for a ticket (which is non-refundable) to see your favorite singer in concert on Saturday. (Assume that you would not have been willing to pay any more than $35 for this concert.) Your boss called and she is looking for someone to cover a shift on Saturday at the same time as your concert. You will have to work 4 hours and she will pay you 50 percent more than your usual rate of $6/hr, which is $9/hr.

56.   Should you go to the concert instead of working Saturday?

       A. Yes, your benefit is more than your cost

       B. No, your benefit is less than your cost

       C. Yes, your benefit is equal to your cost

       D. No, because there are no benefits in the concert

57.   What is the opportunity cost of going to the concert?

       A. $1

       B. $9

       C. $35

       D. $36

58.   What is your opportunity cost, if you go to work on Saturday?

       A. $0

       B. $9

       C. $35

       D. $36

59.   Your economic surplus of going to work on Saturday is

A. $0

B. $1

C. $35

D. $36

AACSB: Analytical Skills

Blooms: Analysis

Frank - Chapter 01 #59

Learning Objective: 01-04 The pitfall of measuring costs and benefits as proportions rather than as absolute dollar amounts.

Section: Three Important Decision Pitfalls

Mazin has decided to purchase his textbooks for the semester. His options are to purchase the books via the Internet with next day delivery to his home at a cost of $175, or to drive to campus tomorrow to buy the books at the university bookstore at a cost of $170. Last week he drove to campus to buy a concert ticket because they offered 25 percent off the regular price of $16.

60.   Mazin's benefit of buying his books at the bookstore is _____.

A. $5

B. $9

C. $170

D. $175

AACSB: Analytical Skills

Blooms: Application

Frank - Chapter 01 #60

Learning Objective: 01-04 The pitfall of measuring costs and benefits as proportions rather than as absolute dollar amounts.

61.   Mazin's benefit was ____ from driving to campus to buy the concert ticket last week.

    A. $2

    <u>B.</u> $4

    C. $9

    D. $16

62.   According to the cost-benefit principle:

    A. it would not be rational for Mazin to drive to campus to purchase the books because the $5 saving is only two percent of the cost of the books, and that is much less than the 25 percent he saved on the concert ticket.

    B. it would be rational for Mazin to drive to campus because it costs less to buy the books there than via the Internet.

    <u>C.</u> it would be rational for Mazin to drive to campus because the $5 saving is more than he saved by driving there to buy the concert ticket.

    D. it would not be rational for Mazin to drive to campus to purchase the books because the cost of gas and his time must certainly be more than the $5 he would save.

63. Assume the minimum that Mazin would be willing to accept to drive to the university campus is equal to the amount he saved on the concert ticket. What would be the amount of his economic surplus if he bought his textbooks at the university bookstore rather than via the Internet?

A. $5

B. $1

C. $50

D. $20

64. The marginal benefit of an activity is the

A. same as the total benefits of the activity.

B. total benefit divided by the level of the activity.

C. extra benefit associated with an extra unit of the activity.

D. total benefit associated with an extra unit of the activity.

65. If the marginal costs of 1, 2, and 3 hours of talking on the phone are $50, $75, and $105, then the total costs are

A. $50, $150, and $315.

B. $50, $41.67, and $115.

C. $50, $125, and $230.

D. $50, $175, and $405.

66. If the total benefits of watching 1, 2, and 3 football games on TV are 100, 120, and 125 then the marginal benefits are

A. 100, 120, and 125.

B. 100, 20, and 5.

C. 100, 609, and 41.67.

D. 100, 240, and 375.

67.   The extra benefit that comes from an extra unit of activity is called the _____ of the activity.

A. marginal benefit.

B. marginal cost.

C. average benefit.

D. reservation benefit.

68.   The marginal cost of an activity is the

A. change in the cost of the activity that results from an extra unit of the activity.

B. same as the total cost of the activity.

C. ratio of total cost to the level of the activity.

D. change in the level of the activity divided by the change in the cost of the activity.

69.   The extra cost that results from an extra unit of an activity is the

A. marginal benefit.

B. marginal cost.

C. reservation cost.

D. same as the opportunity cost.

70.   Dividing the total cost of n units of an activity by n reveals the

A. average benefit.

B. marginal cost.

C. units per cost.

D. average cost.

71. You had to pay $600 (non-refundable) for your meal plan for the Fall semester which gives you up to150 meals. If you eat all of the meals, your average cost for a meal equals

A. $6.

B. $5.

<u>C.</u> $4.

D. $0.25.

72. You had to pay $600 (non-refundable) for your meal plan for Fall semester which gives you up to 150 meals. If you eat only 100 meals, your average cost for a meal

<u>A.</u> $6.

B. $5.

C. $4.

D. $0.25.

73. You had to pay $600 (non-refundable) for your meal plan for Fall semester which gives you up to150 meals. If you eat only 100 meals, your marginal cost for the 100th meal is

A. $6

B. $4

C. $0.25

D. $0

74. The average benefit of an activity is the

A. total benefit of the activity divided by the number of units.

B. number of units divided by the total benefit of the activity.

C. number of units times the total benefit of the activity.

D. extra benefit for one additional unit of the activity.

75.   You save $10 on gas every week since you live close to the bus stop. You have class five

        days a week. What is your average benefit per day for living close to the bus stop?

        A. $10

        B. $5

        C. $2

        D. $1.43

76.   Your scholarship depends on your maintaining a 3.5 cumulative GPA. Your GPA for last

        semester was 3.6, which brought your cumulative GPA down. What must be true?

        A. Your marginal grades (last semester's grades) were higher than your overall GPA.

        B. Your marginal grades were lower than your overall GPA.

        C. If this semester's grades are the same as last semester's, your overall GPA will stay the

        same.

        D. If this semester's grades are the same as last semester's, you might lose your scholarship.

Units of Activity	Total Cost	Total Benefit
1	$30	$100
2	$40	$160
3	$60	$180
4	$100	$200
5	$150	$205
6	$175	$210

77. Refer to the figure above. The average cost of 4 units of activity is

A. $20

B. $25

C. $30

D. $40

78. Refer to the figure above. The marginal cost of the 3rd unit of activity is

A. $30

B. $25

C. $20

D. $10

79.   Refer to the figure above. The average benefit of 3 units of activity is

A. $80

B. $60

C. $40

D. $20

80.   Refer to the figure above. The marginal benefit of the 5th unit of activity is

A. $60

B. $50

C. $5

D. $0

81.   Refer to the figure above. According to the cost-benefit principle, the level of activity that provides the largest net benefit is

A. 1

B. 3

C. 4

D. 6

Units of Activity	Total Cost	Total Benefit
1	$3	$10
2	$4	$14
3	$6	$16
4	$10	$20
5	$15	$24
6	$21	$28
7	$28	$29

82. Refer to the figure above. The average cost of 5 units of activity is

A. $1

B. $2

C. $3

D. $4

83. Refer to the figure above. The marginal cost of the 4th unit of activity is

A. $1

B. $2

C. $3

D. $4

84. Refer to the figure above. The average benefit of 4 units of activity is

A. $4

B. $5

C. $6

D. $10

85.   Refer to the figure above. The marginal benefit of the 6th unit of activity is

A. $1

B. $2

C. $4

D. $10

86.   Refer to the figure above. According to the cost-benefit principle, the level of activity that provides the largest net benefit is

A. 1

B. 4

C. 5

D. 7

Fundraisers for What'sAMatterU

Fund Raising Employees	Total Donations	Average Donations	Total Labor Costs	Average Costs
1	$30,000			$8,000
2	$42,426		$17,000	
3		$17,321	$27,000	
4	$60,000			$9,500
5		$13,416	$50,000	

87.   Refer to the figure above. Total donations raised by three employees is

A. $43,899.

B. $45,000.

C. $48,911.

D. $51,963.

88.   Refer to the figure above. The total labor cost of 4 employees is

A. $21,500.

B. $22,000.

C. $38,000.

D. $43,121.

89. Refer to the figure above. The President of What's A Matter U decides to hire fundraisers as long as the average benefit exceeds the average cost, resulting in _____ employees being hired and a net benefit (total donations minus total labor costs) of _____.

A. 5; $17,080
B. 5; $67,080
C. 4; $60,000
D. 4; $22,000

90. Refer to the figure above. The marginal benefit (extra donations) of the 2nd employee is

A. $42,426.
B. $21,213.
C. $12,426.
D. $11,337.

91.   Refer to the figure above. The marginal labor cost (extra labor cost) of the 4th employee is

A. $9,500.

B. $10,750.

C. $11,000.

D. $13,000.

92.   Refer to the figure above. The Chairman of the Economics Department at What's A Matter U says that fundraisers should be hired as long as their marginal donations exceed their marginal labor costs. Following this criterion, _____ employees are hired and net benefits are _____.

A. 1; $22,000

B. 2; $25,426

C. 3; $25,426

D. 2; $3,476

93. Refer to the figure above. The net benefit of hiring fundraisers is largest when _____ employees are hired.

A. 4

B. 3

<u>C.</u> 2

D. 1

94. Tariq notes that an electronics store is offering a flat $20 off all prices in the store. Tariq reasons that if he wants to buy something with a price of $50 that it is a good offer, but if he wants to buy something with a price of $500 it is not a good offer. This is an example of

<u>A.</u> inconsistent reasoning; saving $20 is saving $20.

B. the proper application of the cost-benefit principle.

C. rational choice because in the first case he saves 40% and in the second case he saves 4%.

D. marginal cost equals marginal benefit thinking.

95. Suppose a retail store was offering 10% off all prices on all goods. The incentive to take advantage of the 10% savings is

A. unrelated to the list price of one good.

B. inversely related to the list price of the good.

C. directly related to the list price of the good.

D. independent of the list price.

Apple employs Nadia to assemble personal computers. Nadia can assemble 1 computer if she works 1 hour, 4 computers in 2 hours, 8 computers in 3 hours, 10 computers in 4 hours, and 11 computers in 5 hours. Each computer consists of a motherboard that costs $200, a hard drive that costs $100, a case that costs $20, a monitor that costs $200, a keyboard at $60 and a mouse that costs $20. The cost of employing Nadia is $40 per hour.

96. What is the marginal cost of producing the computers Nadia assembles during her 3rd hour of work?

A. $1,200

B. $1,240

C. $2,400

D. $2,440

97. What is the marginal cost of producing the computers Nadia assembles during her 4th hour of work?

A. $1,200

B. $1,240

C. $2,400

D. $2,440

98. Apple sells each computer for $620. How many hours should Apple employ Nadia to maximize its benefit from her employment?

A. 1 hour

B. 2 hours

C. 3 hours

D. 4 hours

99. Apple sells each computer for computers $640. How many hours should Apple employ Nadia to maximize its benefit from her employment?

    A. 2 hours

    B. 3 hours

    C. 4 hours

    D. 5 hours

100. If Maryam works for 6 hours she can rent 12 apartments, and if she works for 7 hours she can rent 15 apartments. The marginal benefit of the 7th hour of Maryam's work equals:

    A. 12 apartments.

    B. 15 apartments.

    C. 1 apartment.

    D. 3 apartments.

The following table shows the relationship between the speed of a computer's CPU and the benefits and costs. Assume that all other features of the computer are the same, i.e., CPU speed is the only source of variation.

CPU Mhz	Total Benefit	Marginal Benefit	Total Cost	Margin
600	$1,000		$900	
700	$1,500			$100
800		$400	$1,400	
900	$2,200		$1,900	
1,000	$2,400			$600

101. The marginal benefit of upgrading from a 600 Mhz computer to a 700 Mhz computer is

A. $1,500.

B. $500.

C. $50.

D. $5.

102. The total benefit of an 800 Mhz computer is

A. $400.

B. $800.

C. $1,900.

D. $2,200.

103. The total cost of a 700 Mhz computer is

A. $1,000.

B. $900.

C. $200.

D. $100.

104. The marginal cost of upgrading from a 700 to an 800 Mhz computer is

A. $500.

B. $400.

C. $200.

D. $100.

105. Application of the cost-benefit principle would lead one to purchase a _____ computer because _____.

    A. 900 Mhz; the total benefit exceeds the total cost

    B. 700 Mhz; the marginal benefit is $500 and the marginal cost is $100

    C. 600 Mhz; it is certainly fast enough

    <u>D.</u> 800 Mhz; the marginal benefits and marginal costs are equal

106. Choosing the 1,000 Mhz computer would be inefficient because

    <u>A.</u> the marginal benefit is less than the marginal cost.

    B. the marginal benefit is equal to the marginal cost.

    C. it is impossible to tell the difference compared to a 600 Mhz computer.

    D. the marginal benefit is more than the marginal cost.

107. Karam and Nada both own homes with similar size lawns. Karam mows her own lawn while Nada hires someone to mow hers. Assume both women are rational decision makers. Which is the best explanation of the different decisions they make?

A. The opportunity cost of Nada's time is higher than her cost to hire someone to mow the lawn.
B. Nada can get her lawn mowed for less than Karam.
C. Nada doesn't own a lawnmower.
D. Nada earns more than Karam does.

108. What is the opportunity cost of living in a house that you already own?

A. Zero, because you already own it.
B. That mostly depends on current mortgage rates.
C. The rent you could receive if you rented the house out to someone else.
D. The taxes you pay your local government.

109. Jamila has purchased a non-refundable $25 ticket to attend a lecture on Friday evening. Subsequently, she is invited to a musical concert at no expense to her. If she uses cost-benefit analysis to choose between going to the lecture and going to the concert, she should

A. include only the educational value of the lecture in the opportunity cost of going to the concert.

B. include the cost of the ticket plus the educational value of the lecture in the opportunity cost of going to the concert.

C. include only the cost of the lecture ticket in the opportunity cost of going to the concert.

D. include neither the cost of the ticket nor the educational value of the lecture in the opportunity cost of going to the concert.

Samir studied 5 hours for his first Economics test and his test score was 85; 6 hours for his second Economics test and scored 90; and 7 hours for his third Economics test and scored 95. He also studied 5 hours for his first Math test and his test score was 68; 6 hours for his second Math test and scored 78; and 7 hours for his third Math test and scored 88.

110. The average benefit per hour studied for the Economics tests was _____ and the average benefit per hour studied for the Math tests was _____ .

A. 15; 13

B. 5; 10

C. 13; 15

D. 10; 5

111. Samir's marginal benefit from the seventh hour spent studying Economics is

A. 5

B. 10

C. 15

D. 45

112. Samir's marginal benefit from the seventh hour spent studying Math is:

A. 5

B. 10

C. 15

D. 78

113. If Samir has already spent 5 hours studying Economics and 5 hours studying Math, he should spend the next hour

    A. Studying Math for half an hour and Economics for half an hour

    B. Studying only Economics

    <u>C.</u> Studying only Math

    D. Studying Economics for 45 minutes and Math for 15 minutes

You need a TV, DVD player, and CD player. The sale flyer you got in the mail shows the TV that you want to buy is 10% off regular price this week. DVD and CD players are 20% off next week. Last week you drove downtown to save $30 on some concert tickets, a 15% savings. The regular prices for TVs, DVD players, and CD players are:

TV	$250
DVD Player	$120
CD Player	$200

114. Should you drive downtown next week to buy the DVD player and the CD player?

    A. Yes, because you will save $32

    B. No, because you will save less than $30

    <u>C.</u> Yes, because you will save $64

    D. Yes, because it is always worth it to drive downtown to earn a 20% discount

115. If the regular price for the TV is $300, should you drive downtown to buy the TV this week?

A. Yes, because you will save $30.

B. No, because next week's discount on the DVD player and CD player will save you even more.

C. Yes, because you will save $60.

D. Yes, because it is always worth it to drive downtown to earn a 10% discount.

116. Suppose instead that the DVD player is 20% off and the CD player is 5% off regular price. Should you drive downtown to buy the VCR and the CD player?

A. Yes, because you will save $24.

B. Yes, because you will save $34.

C. Yes, because you will save $64.

D. Yes, because it is always worth it to drive downtown to earn a 20% discount.

You own a pizza shop called "Pizza's' Us". Currently you are paying your cooks an hourly wage of $20. You sell a medium pizza for $10 a pie. By hiring more cooks, you can increase your pizza production as shown in the following table.

Number of cooks	Total production of pizzas each hour
0	0
1	4
2	7
3	9
4	10
5	10

117. What is the total cost per day of hiring 3 cooks if they work 8 hour shifts?

A. $60

B. $160

C. $320

D. $480

118. What is the dollar value of total production each 8-hour shift if you hire 2 cooks?

A. $320

B. $560

C. $70

D. $140

119. What is the average labor cost per pizza if you hire 4 cooks?

A. $6

B. $8

C. $10

D. $12

120. What is the average benefit per pizza if you hire 2 cooks?

A. $4

B. $6

C. $8

D. $10

121. If you operate one hour every day what is the marginal cost of the 3rd cook?

    A. $10

    B. $20

    C. $40

    D. $60

122. If you operate one hour every day what is the marginal benefit of the 3rd cook?

    A. $10

    B. $20

    C. $30

    D. $40

123. How many cooks should you hire to maximize your net benefit?

    A. 1

    B. 3

    C. 4

    D. 5

124. Microeconomics is distinguished from macroeconomics in that microeconomics focuses on

    A. the performance of the national economy.

    B. the overall price level.

    C. choices made by individuals or groups in the context of individual markets.

    D. how to improve the performance of the national economy.

125. Macroeconomics is distinguished from microeconomics by its concentration on

    A. choices.

    <u>B.</u> the performance of national economies and ways to improve upon their performance.

    C. individual markets.

    D. the level of prices in specific markets.

126. The study of individual choices and group behavior in individual markets defines

    <u>A.</u> microeconomics.

    B. economics.

    C. the scarcity principle.

    D. macroeconomics.

127. Which branch of economics is most likely to study differences in countries' growth rates?

    A. microeconomics

    B. normative economics

    C. macroeconomics

    D. experimental economics

128. Which of the following decisions would not be part of microeconomics?

    A. How to make the largest profit.

    B. Whether to study or watch TV tonight.

    C. How an early freeze in Turkey will affect the price of cherries.

    D. Whether the federal budget should always be balanced.

129. Which of the following questions would not be part of macroeconomics?

    A. What caused the global financial crisis of 2008?

    B. At what rate does the Egyptian economy typically grow?

    <u>C.</u> Did the sharp increase in gasoline prices alter SUV sales?

    D. How does government spending affect the economy?

130. By convention there are two major divisions of economics, called

    A. marginal benefit and marginal cost.

    B. reservation price and opportunity cost.

    <u>C.</u> microeconomics and macroeconomics.

    D. rational economics and irrational economics.

131. The study that deals with the salaries of university professors would be considered

    A. macroeconomics

    B. microeconomics

    C. economic naturalism

    D. marginal benefit

132. Studying how Sarah allocates her time between teaching classes and assisting undergrad students is an example of

    A. microeconomics

    B. macroeconomics

    C. individual economics

    D. economic naturalism

133.   In deciding the number of guitars to buy for his shop before the holiday season, Mark is making a(n) _____ decision.

   A. microeconomic

   B. macroeconomic

   C. economic surplus

   D. marginal choice

134.   Studying government policies towards building new roads and highways is

   A. microeconomics

   B. macroeconomics

   C. government economics

   D. marginal economics

135. Last year interest rates fell. It was the focus of

A. microeconomics

B. macroeconomics

C. economic naturalism

D. marginal economics

136. Positive economic principles are those that

A. are always correct.

B. are not influenced by political ideology.

C. predict how people should behave.

D. predict how people will behave.

137. One thing that distinguishes normative principles from positive principles is that

    A. normative principles are pessimistic and positive principles are optimistic.

    B. normative principles reflect the social norms of the community, and positive principles reflect universal truths.

    <u>C.</u> normative principles tell us how people should make economic decisions, and positive principles tell us how people actually do make decisions.

    D. normative principles tell us how people actually make economic decisions, and positive principles tell us how people should make decisions.

138. Normative economics is concerned with how people _____ make decisions while positive economics is concerned with how people _____ make decisions.

    A. in the real world; in models

    <u>B.</u> should; do

    C. in power; in ordinary life

    D. in ordinary life; in power

139. An editorial in the paper argues that students should only be allowed to attend school so long as the marginal cost of educating that student is less than the marginal benefit of that student's education. The writer's reasoning is an application of

A. positive economics.

B. negative economics.

C. normative economics.

D. economic naturalism.

140. The incentive principle states that a person is more likely to do something if

A. the opportunity costs are high.

B. the benefits from doing it increase.

C. everyone else is doing the same thing.

D. he is paid to do it.

141.   The incentive principle is an example of

    A. an economic decision-making pitfall.

    B. over-estimating the benefits of an action.

    C. a positive economic principle.

    D. a normative economic principle.

142.   If the government wanted to use the incentive principle to discourage smoking, it would

    A. publicize the health risks associated with second-hand smoke.

    B. increase taxes on cigarettes, raising the price of a pack.

    C. subsidize hospitals for treating lung disease.

    D. invest more money in health research.

143. According to the incentive principle,

    A. it is irrational to perform volunteer services.

    B. people will always take the highest-paying job.

    C. benefits are more important than costs in making a decision.

    <u>D.</u> people tend to do more of something when the benefits are greater.

144. An economic naturalist is described as someone who

    A. uses economic arguments to protect forests and wetlands from development.

    B. has a natural talent for drawing graphs.

    <u>C.</u> applies economic insights to everyday life.

    D. studies the process of natural selection in a marginal cost and marginal benefit framework.

145. With ATMs it is possible to retrieve cash from the bank at any time. One hundred years ago, one could only get cash from the bank during business hours, say, 9 am to 3 pm. The difference is because

    A. flexibility was not valued 100 years ago.

    B. it was impossible to provide 24 hour a day service 100 years ago.

    <u>C.</u> the cost of providing 24 hour a day service is much lower today.

    D. government forced banks to become more convenient.

146. The number of households around the world with access to the Internet and those with broadband connections is growing rapidly. As an economic naturalist, one could predict that when a major purchase is being considered, families will

    A. always buy online.

    B. never buy online.

    <u>C.</u> collect more information before making the purchase because the cost of finding and acquiring it is lower.

    D. collect more information before making the purchase because the benefit of information is now larger.

147. Every time you go to the grocery store, you try to choose the shortest line. But all of the lines always seem to be the same length. Why?

    A. The store manager tells the cashiers to speed up or slow down to maintain equal line lengths.

    B. Everyone else is trying to choose the shortest line, too.

    C. The cashiers all work at the same speed.

    D. Cashiers do not have an incentive to work faster.

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