

**Economics 152**

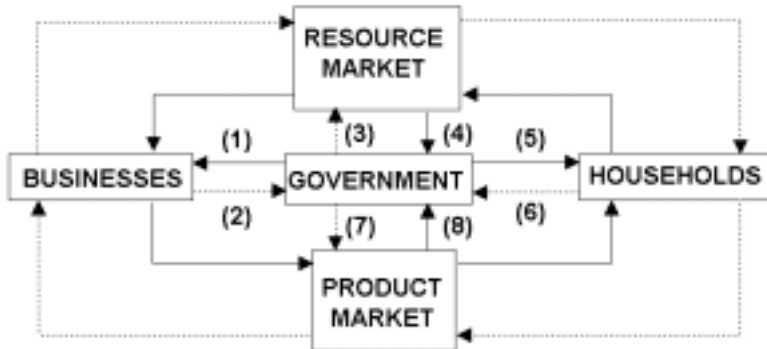
**Quiz # 1**

**Each question is worth 1 point.**

1. Even though local newspapers are very inexpensive, people rarely buy more than one of them each day. This fact:
  - A) is an example of irrational behavior.
  - B) implies that reading should be taught through phonics rather than the whole language method.
  - C) contradicts the economic perspective.
  - D) implies that, for most people, the marginal benefit of reading a second newspaper is less than the marginal cost.
  
2. Suppose an economist says that "Other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that:
  - A) the quantity of bananas purchased determines the price of bananas.
  - B) all factors other than the price of bananas (for example, consumer tastes and incomes) are assumed to be constant.
  - C) economists can conduct controlled laboratory experiments.
  - D) one cannot generalize about the relationship between the price of bananas and the quantity purchased.
  
3. Ben says that "An increase in the tax on beer will raise its price." Holly argues that "Taxes should be increased on beer because college students drink too much." We can conclude that:
  - A) Ben's statement is normative, but Holly's is positive.
  - B) Holly's statement is normative, but Ben's is positive.
  - C) Both statements are normative.
  - D) Both statements are positive.
  
4. The term "mixed economy" refers to an economy:
  - A) comprised of both product and resource markets.
  - B) which engages in both domestic and international trade.
  - C) comprised of both extensive private markets and government involvement in the economy.
  - D) Which functions primarily on the basis of custom and tradition.
  
5. A shift to the right in the demand curve for product A can be most reasonably explained by saying that:
  - A) consumer incomes have declined and they now want to buy less of A at each possible price.
  - B) the price of A has increased and, as a result, consumers want to purchase less of it.
  - C) consumer preferences have changed in favor of A so that they now want to buy more at each possible price.
  - D) the price of A has declined and, as a result, consumers want to purchase more of it.
  
6. Which of the following statements is *correct*?
  - A) If demand increases and supply decreases, equilibrium price will fall.
  - B) If supply increases and demand decreases, equilibrium price will fall.
  - C) If demand decreases and supply increases, equilibrium price will rise.
  - D) If supply declines and demand remains constant, equilibrium price will fall.

7. The simple circular flow model shows that:
- A) households are on the demand side of both product and resource markets.
  - B) businesses are on the supply side of both product and resource markets.
  - C) households are on the supply side of the resource market and on the demand side of the product market.
  - D) businesses are on the demand side of the product market and on the supply side of the resource market.

Use the following to answer questions 8-9:



8. Refer to the above diagram, Flow (1) might represent:
- A) corporate income tax payments.
  - B) government provision of highways for truck transportation.
  - C) business property tax payments.
  - D) transfer payments to low-income families.
9. Refer to the above diagram, Flow (4) might represent:
- A) the services of NASA astrophysicists.
  - B) the purchase of Stealth bombers.
  - C) personal income taxes.
  - D) investment spending by private corporations.
10. Transfer payments differ from government purchases in that the:
- A) former make a contribution to the domestic output, while the latter do not.
  - B) former are associated with state and local governments, while the latter are associated with the Federal government.
  - C) latter are not directly resource absorbing, while the former are.
  - D) former are not directly resource absorbing, while the latter are.

**Answer Key -- Quiz 1\_01S**

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