Student name:\_\_\_\_\_\_\_\_\_\_

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.
1)** Microeconomics is primarily the study of how

 A) the stock market works.
 B) people choose among alternatives.
 C) businesses can make money.
 D) the economy functions as a whole.

**2)** If you are at an all-you-can-eat buffet dinner and you are considering whether to eat another dessert, you, as a rational consumer should decide to eat the desert

 A) if it brings you any pleasure at all.
 B) if it brings you more pleasure than the price you paid for the meal.
 C) if it brings you as much pleasure as the desert costs if it is ordered a la carte.
 D) no matter what because you want to get more for your money.

**3)** Say your girlfriend has received two free tickets to the Sunday movie matinee and she wants you to go with her. Nevertheless, the movie plays at the same time you were planning to watch the football game on the TV. As a rational person you should decide to go to the movie

 A) always, since the tickets were free.
 B) only if you would gain some pleasure from it.
 C) only if the pleasure you will gain from it outweighs the pleasure you would gain from watching the football game.
 D) only if it brings you more pleasure than the cost of the tickets.

**4)** The reservation price of good X is

 A) the market price for a good.
 B) any price above what you would be willing to pay for the good.
 C) the price at which one would be indifferent between good X and simply keeping the money.
 D) the cost of producing good X.

**5)** If the benefits of X = $50 and the price of X = $50, then

 A) $100 is the reservation price.
 B) you will be indifferent between buying X and keeping your money.
 C) $0 is the reservation price.
 D) you should buy X.

**6)** Your bank account pays 3% interest per year. You loan a friend $100 for one year at zero interest. Assuming the loan is paid on time the opportunity cost of the loan is

 A) $3.
 B) $100.
 C) $103.
 D) $0.

**7)** Your bank account pays 6% interest per year. You loan a friend $300 for one year at zero interest. Assuming the loan is paid on time the opportunity cost of the loan is

 A) $282.
 B) $300.
 C) $18.
 D) $318.

**8)** You decide to go skiing this weekend. It costs $50 for transportation, $50 for lodging, $30 for ski lift tickets and you could have earned $100 as a waiter. What is the total cost of the ski weekend?

 A) $230
 B) $130
 C) $100
 D) $80

**9)** You decide to go skiing this weekend. It costs $60 for transportation, $100 for lodging, $30 for ski lift tickets and you could have earned $150 as a waiter. What is the total cost of the ski weekend?

 A) $190
 B) $150
 C) $130
 D) $340

**10)** You decide to go skiing this weekend. It costs $50 for transportation, $50 for lodging, $30 for ski lift tickets. You are unemployed. What is the total cost of the ski weekend?

 A) $230
 B) $130
 C) $100
 D) $80

**11)** You decide to go skiing this weekend. It costs $50 for transportation, $50 for lodging, $30 for ski lift tickets. You are unemployed. What is the total cost of the ski weekend?

 A) $30
 B) $130
 C) $100
 D) $80

**12)** You decide to go skiing this weekend. It costs $50 for transportation, $50 for lodging, $30 for ski lift tickets and you could have earned $100 as a waiter at a job you love so much you would do it as a volunteer. What is the total cost of the ski weekend?

 A) $230
 B) $130
 C) $100
 D) $80

**13)** You decide to go skiing this weekend. It costs $60 for transportation, $100 for lodging, $30 for ski lift tickets and you could have earned $150 as a waiter at a job you love so much you would do it as a volunteer. What is the total cost of the ski weekend?

 A) $150
 B) $190
 C) $130
 D) $340

**14)** Here are the costs of going to college: tuition $5,000; books $200; housing $1,000; food $1,000; lost income from work $10,000. Studying and work are equally desirable in your mind. Suppose that you could live at home at no cost to you if you worked, but must live on campus if you go to school. What is the total opportunity cost to you of going to school rather than working? (Food costs the same at school or home.)

 A) $16,200
 B) $7,200
 C) $5,200
 D) $15,200

**15)** Here are the costs of going to college: tuition $5,000; books $200; housing $1,000; food $1,000; lost income from work $10,000. Studying and work are equally desirable in your mind. Suppose you must live at home. (Food costs the same at school or home.) What is the cost of going to school?

 A) $17,200
 B) $7,200
 C) $15,200
 D) $16,200

**16)** Here are the costs of going to college: tuition $7,000; books $400; housing $1,000; food $1,000; lost income from work $10,000. Studying and work are equally desirable in your mind. Suppose you must live at home. (Food costs the same at school or home.) What is the cost of going to school?

 A) $17,400
 B) $19,400
 C) $9,400
 D) $18,400

**17)** Here are the costs of going to college: tuition $5,000; books $200; housing $1,000; food $1,000; lost income from work $10,000. Studying and work are equally desirable in your mind. Suppose that you could work part-time and make $5,000 at a job you would volunteer to do. You live on campus instead of at home. (Food costs the same at school or home.) What is the cost of going to school?

 A) $16,200
 B) $7,200
 C) $5,200
 D) $11,200

**18)** Here are the costs of going to college: tuition $5,000; books $300; housing $1,000; food $1,000; lost income from work $10,000. Studying and work are equally desirable in your mind. Suppose that you could work part-time and make $5,000 at a job you would volunteer to do. You live on campus instead of at home. (Food costs the same at school or home.) What is the cost of going to school?

 A) $7,300
 B) $5,300
 C) $11,300
 D) $16,300

**19)** You decide to lend $100 to a friend interest free for one year. You calculate that you could have earned 10% interest. What is the opportunity cost of the loan if it is paid on time?

 A) $10
 B) $100
 C) $110
 D) $0

**20)** You are considering renting a car for the weekend. It costs $200 for the car plus $0.20 per mile (including gas). If you decide to go on a 300 mile voyage what is the total cost of the rental?

 A) $200
 B) $60
 C) $260
 D) $0

**21)** You are considering renting a car for the weekend. It costs $200 for the car plus $0.20 per mile (including gas). Suppose you have already rented the car for the week and then add a 300-mile addition to your trip. Now what is the cost of the journey?

 A) $100
 B) $60
 C) $260
 D) $0

**22)** You are considering renting a car for the weekend. It costs $300 for the car plus $0.20 per mile (including gas). Suppose you have already rented the car for the week and then add a 300-mile addition to your trip. Now what is the cost of the journey?

 A) $150
 B) $0
 C) $360
 D) $60

**23)** You are considering renting a car for the weekend. It costs $200 for the car plus $0.20 per mile (including gas). If you decide to take a detour that adds 50 miles in addition to the 300 miles of your trip that was already planned, what is the cost of the detour?

 A) $10
 B) $70
 C) $270
 D) $200

**24)** You are considering renting a car for the weekend. It costs $300 for the car plus $0.30 per mile (including gas). If you decide to take a detour that adds 50 miles in addition to the 350 miles of your trip that was already planned, what is the cost of the detour?

 A) $405
 B) $300
 C) $15
 D) $105

**25)** Adam Smith in The Wealth of Nations argued that

 A) society benefits overall when people act in their own interest.
 B) society benefits overall when people act unselfishly.
 C) society works best when people act as if they were invisible to others.
 D) the social order needs the guidance of the government's visible hand.

**26)** Joe is one mile from the finish of a grueling 26-mile marathon. Tim is at the 4-mile mark of a 5-mile run. Which runner is most likely to be emotionally energized for the race to the finish line?

 A) Joe
 B) Tim
 C) Joe and Tim should be equally energized.
 D) Without knowing more about the runners there is no way to predict which runner will be most energized.

**27)** Suppose you buy two tickets to the concert; one for you and one for your girlfriend. Nevertheless, the day of the concert your car breaks down preventing both of you from attending it. Assuming both you and your girlfriend had the same preferences, which of the two of you stand to lose the most from not being able to attend the concert?

 A) You
 B) Your girlfriend
 C) Both of you stand to lose the same.
 D) None of you would stand to lose anything.

**28)** When one is considering costs of taking a trip in their car, the average cost per mile includes some items of cost that are not included in the marginal cost of a mile driven. This statement is

 A) always true.
 B) always false.
 C) sometimes true and sometimes false depending on the circumstances.
 D) absurd because marginal costs do not apply to mileage costs.

**29)** We say economists are doing positive economics when they

 A) focus on policies and rhetoric that encourage people to be optimistic about the future.
 B) look for regularities and principles in economic life that can help show how the economy works.
 C) claim that there is no value free social science so articulating one's values is important.
 D) try to improve the welfare of all citizens.

**30)** You can drive to campus, take a bus, or walk. Driving costs you $1/mile in gas and maintenance, the bus costs $1 for unlimited distance, and walking is free but involves a disutility equivalent to $1/mile. If you live 2 miles from campus, and are a rational decision maker, what is your reservation price for a bus ticket?

 A) $0
 B) $1
 C) $2
 D) $4

**31)** Unbridled self-interest fails to coordinate resource flows most effectively in which of the following cases?

 A) the production of bread
 B) the building of a tornado warning siren
 C) the production of cars
 D) the production of haircuts

**32)** If you receive $18 worth of pleasure from the first hole of golf played and your additional pleasure from succeeding holes drops $1 for each hole played, how many holes of golf would you play if you had to pay $2.10 per hole?

 A) 9
 B) 12
 C) 14
 D) 16

**33)** If you receive $18 worth of pleasure from the first hole of golf played and your additional pleasure from succeeding holes drops $1 for each hole played, if the cost per hole is zero, how many holes of golf will you play?

 A) 16
 B) 17
 C) 18
 D) 19

**34)** If you receive $18 worth of pleasure from the first hole of golf played and your additional pleasure from succeeding holes drops $1 for each hole played. You must pay $25 up front to get on the course but you can then play as many holes as you like for the day without any further charge. How many holes of golf will you play?

 A) 9
 B) 12
 C) 18
 D) As many holes as can be played from dawn until dusk.

**35)** Suppose the first hour of study today will allow you to answer 10 correct questions in tomorrow's exam. After the first hour, the marginal benefit of each additional hour of study is reduced by 2 (meaning if you study 2 hours today your total number of correct responses tomorrow will be 18 and if you study 3 hours it will be 24 and so on). If the costs of studying each additional hour are zero, how many hours you should study?

 A) 18
 B) 10
 C) 6
 D) 0

**36)** The marginal benefit of a typical activity

 A) increases as long as the activity has any value to you.
 B) decreases as you do more of the activity.
 C) stays the same if the cost of doing the activity stays the same.
 D) can never be negative.

**37)** If the benefits of X = $100 and the price of X = $50, then

 A) $100 is the reservation price.
 B) you will be indifferent between buying X and keeping your money.
 C) $0 is the reservation price.
 D) you should not buy X.

**38)** You have just won a ticket to see John Mayer in concert this Saturday evening. Nevertheless, it would cost you around $20 in transportation costs to go to the concert since you would have to drive to the neighboring city (where the concert is taking place). Tickets for the concert are selling for $100 in your town. Assuming you only work Monday-Fridays, the cost of going to the concert is

 A) $0.
 B) $100.
 C) $120.
 D) $80.

**39)** You are in the line to go see a movie when you suddenly realized you have lost your ticket. It would cost you $10 to buy a new ticket. Now you are deciding whether to buy a new ticket or not. Assuming you have enough money to buy a new ticket, you would always buy the new ticket as long as

 A) your reservation price for it is equal or larger than $10.
 B) the new ticket is free.
 C) your reservation price for it is equal or larger than $20.
 D) the new ticket is less expensive than the first.

**40)** Which of the following statements could be considered a normative statement?

 A) Food stamps are a good way to help low-income people to afford food.
 B) Food stamps allow low-income people to buy more food.
 C) Most low-income people use Food Stamps to buy food.
 D) A large portion of the government budget is used to provide Food Stamps to low-income people.

**41)** According to the text, standard economic models based on self-interest, where calculations appear to be made for every decision,

 A) are accurate descriptions of human behavior and the motivations that drive it.
 B) describe the motivations of people but fail as useful predictors of behavior.
 C) provide good predictions of behavior even if they don't describe what actually happens.
 D) are often criticized by other social sciences that use less formal modeling.

**42)** Adam Smith wrote two very important books. The Wealth of Nations describes how markets work when people exercise self-interest. The other claims that humans

 A) constantly miscalculate and make bad decisions.
 B) have a moral sense which gives them an interest in the wellbeing of others.
 C) have not relied enough on the visible hand of government to control markets.
 D) who reject religion will be unsuccessful in markets.

**43)** Which of the following is an external cost of a community rock concert?

 A) the fee paid to the performers
 B) the loud music heard by rock lovers all over town who could not afford the tickets
 C) the loud music heard by rock haters all over town who did not want to attend the concert
 D) the extra business the local merchants received from the crowds that attended

**44)** The narrow self-interest of homo economicus may work to his disadvantage more then he realizes because

 A) there are implicit social costs to blatant self-interested behavior.
 B) the pursuit of self-interest is no fun.
 C) there are no social benefits from individual self-interested behavior.
 D) all of these are true.

**45)** Which of the following is a normative statement?

 A) Economists have a higher life expectancy than do miners.
 B) Economists deserve to have lower life insurance rates than do miners.
 C) Economists receive higher pay on the average than do miners.
 D) Economists pay more taxes on the average than do miners.

**46)** Which of the following statements is false?

 A) Macro tries to explain how entrepreneurs go about profit maximization.
 B) Micro examines the process of individual markets in the economy.
 C) Macro explores the causes and cures of inflation.
 D) All of these are false.

**47)** Which of the following should be counted in the charge for lending your car to your roommate if your intention is not to gain benefit from such a rental?

 A) a portion of the regular maintenance charges
 B) a portion of the insurance payment on the car
 C) part of the license fee of the car
 D) some of the fee the college charges you for parking your car

**Answer Key**Test name: Unnamed Test1

1) B

2) A

3) C

4) C

5) B

6) A

7) C

8) A

9) D

10) B

11) B

12) A

13) D

14) A

15) C

16) A

17) D

18) C

19) A

20) C

21) B

22) D

23) A

24) C

25) A

26) A

27) C

28) A

29) B

30) C

31) B

32) D

33) C

34) C

35) C

36) B

37) A

38) C

39) A

40) A

41) C

42) B

43) C

44) A

45) B

46) A

47) A