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| 1. Which of the following is a principle concerning how people interact?   |  |  |  | | --- | --- | --- | |  | a. | Markets are usually a good way to organize economic activity. | |  | b. | Rational people think at the margin. | |  | c. | People respond to incentives. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 001.01.2 - MC - MANK08 | |

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| 2. Which is the most accurate statement about trade?   |  |  |  | | --- | --- | --- | |  | a. | Trade can make every nation better off. | |  | b. | Trade makes some nations better off and others worse off. | |  | c. | Trading for a good can make a nation better off only if the nation cannot produce that good itself. | |  | d. | Trade helps rich nations and hurts poor nations. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 002.01.2 - MC - MANK08 | |

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| 3. The principle that "trade can make everyone better off" applies to interactions and trade between   |  |  |  | | --- | --- | --- | |  | a. | families. | |  | b. | states within the United States. | |  | c. | nations. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 003.01.2 - MC - MANK08 | |

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| 4. The principle that trade can make everyone better off applies to   |  |  |  | | --- | --- | --- | |  | a. | individuals. | |  | b. | families. | |  | c. | countries. | |  | d. | All of the above |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 004.01.2 - MC - MANK08 | |

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| 5. Which of the following statements about trade is false?   |  |  |  | | --- | --- | --- | |  | a. | Trade increases competition. | |  | b. | With trade, one country wins and one country loses. | |  | c. | Bulgaria can benefit, potentially, from trade with any other country. | |  | d. | Trade allows people to buy a greater variety of goods and services at lower cost. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 005.01.2 - MC - MANK08 | |

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| 6. Trade between the United States and Guatemala   |  |  |  | | --- | --- | --- | |  | a. | benefits both the United States and Guatemala. | |  | b. | is a losing proposition for the United States because Guatemalan labor is less expensive than U.S. labor. | |  | c. | is a losing proposition for Guatemala because capital is much more abundant in the U.S. than in Guatemala. | |  | d. | is a losing proposition for Guatemala because U.S. workers are more productive than Guatemalan workers. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 006.01.2 - MC - MANK08 | |

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| 7. England can benefit from trade   |  |  |  | | --- | --- | --- | |  | a. | only with nations that can produce goods England cannot produce. | |  | b. | only with less developed nations. | |  | c. | only with nations outside of Europe. | |  | d. | with any nation. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 007.01.2 - MC - MANK08 | |

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| 8. If Switzerland chooses to engage in trade, it   |  |  |  | | --- | --- | --- | |  | a. | will only benefit if it trades with countries that produce goods Switzerland cannot produce. | |  | b. | cannot benefit if it trades with less developed countries. | |  | c. | should first attempt to produce the good itself. | |  | d. | can benefit by trading with any other country. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 008.01.2 - MC - MANK08 | |

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| 9. If the United States decides to trade with Yemen, we know that   |  |  |  | | --- | --- | --- | |  | a. | Yemen will benefit, but trade with a less developed country could not benefit the United States. | |  | b. | it will not benefit Yemen because workers in the United States are more productive. | |  | c. | Yemen and the United States can both benefit. | |  | d. | it will not benefit either country because their cultural differences are too vast. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 009.01.2 - MC - MANK08 | |

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| 10. Dee is an accomplished actress and a homeowner who pays a landscaper to maintain her lawn rather than do it herself. Dee has determined that she can earn more in the hour it would take her to work on her lawn than she must pay her landscaper. This scenario is an example of which principle of economics?   |  |  |  | | --- | --- | --- | |  | a. | Trade can make everyone better off. | |  | b. | Markets are usually a good way to organize economic activity. | |  | c. | Governments can sometimes improve market outcomes. | |  | d. | Prices rise when the government prints too much money. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 010.01.2 - MC - MANK08 | |

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| 11. Annie is an excellent baker and Sam has a plentiful farm. If Sam trades eggs and butter to Annie for some of Annie’s bread and pastries,   |  |  |  | | --- | --- | --- | |  | a. | only Sam is made better off by trade. | |  | b. | only Annie is made better off by trade. | |  | c. | both Sam and Annie are made better off by trade. | |  | d. | neither Sam nor Annie are made better off by trade. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 011.01.2 - MC - MANK08 | |

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| 12. Dale is a guitar teacher and Terrence is a tile layer. If Dale teaches Terrence’s daughter to play the guitar in exchange for Terrence tiling Dale’s kitchen floor,   |  |  |  | | --- | --- | --- | |  | a. | only Dale is made better off by trade. | |  | b. | only Terrence is made better off by trade. | |  | c. | both Dale and Terrence are made better off by trade. | |  | d. | neither Dale nor Terrence are made better off by trade. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 012.01.2 - MC - MANK08 | |

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| 13. Senator Bright, who understands economic principles, is trying to convince workers in her district that trade with other countries is beneficial. Senator Bright should argue that trade can be beneficial   |  |  |  | | --- | --- | --- | |  | a. | only if it allows us to obtain things that we couldn't make for ourselves. | |  | b. | because it allows specialization, which increases total output. | |  | c. | to us if we can gain and the others involved in the trade lose. | |  | d. | in only a limited number of circumstances because others are typically self-interested. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 013.01.2 - MC - MANK08 | |

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| 14. Suppose that a country that has a high level of output per person agrees to trade with a country that has a low level of output per person. Which country can benefit?   |  |  |  | | --- | --- | --- | |  | a. | only the one with a low level of output per person. | |  | b. | only the one with a high level of output per person. | |  | c. | both | |  | d. | neither |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 014.01.2 - MC - MANK08 | |

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| 15. Suppose that a country that has a high average wage level agrees to trade with a country that has a low average wage level. Which country can benefit?   |  |  |  | | --- | --- | --- | |  | a. | only the one with a low level of output per person. | |  | b. | only the one with a high level of output per person. | |  | c. | both | |  | d. | neither |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 015.01.2 - MC - MANK08 | |

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| 16. Suppose Country A has a high average wage level and a high level of output per person, while Country B has a low average wage level and a low level of output per person. Which country can benefit from trade?   |  |  |  | | --- | --- | --- | |  | a. | Only Country A can benefit. | |  | b. | Only Country B can benefit. | |  | c. | Both Country A and Country B can benefit. | |  | d. | Neither Country A nor Country B can benefit. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 016.01.2 - MC - MANK08 | |

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| 17. Trade between countries tends to   |  |  |  | | --- | --- | --- | |  | a. | reduce both competition and specialization. | |  | b. | reduce competition and increase specialization. | |  | c. | increase competition and reduce specialization. | |  | d. | increase both competition and specialization. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 017.01.2 - MC - MANK08 | |

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| 18. Trade   |  |  |  | | --- | --- | --- | |  | a. | allows specialization, which increases costs. | |  | b. | allows specialization, which reduces costs. | |  | c. | reduces specialization, which increases costs. | |  | d. | reduces specialization, which reduces costs. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 018.01.2 - MC - MANK08 | |

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| 19. Trade makes costs   |  |  |  | | --- | --- | --- | |  | a. | higher and reduces the variety of goods and services available. | |  | b. | higher but raises the variety of goods and services available. | |  | c. | lower but reduces the variety of goods and services available. | |  | d. | lower and raises the variety of goods and services available. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 019.01.2 - MC - MANK08 | |

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| 20. When the United States trades with China,   |  |  |  | | --- | --- | --- | |  | a. | both countries will likely benefit. | |  | b. | only United States will benefit. | |  | c. | only China will benefit. | |  | d. | neither country will benefit. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 020.01.2 - MC - MANK08 | |

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| 21. When Ukraine trades with Italy,   |  |  |  | | --- | --- | --- | |  | a. | both countries are likely made better off. | |  | b. | only Italy benefits since Ukraine can produce all goods at a higher level of quality than Italy. | |  | c. | only Ukraine benefits since Italy’s low wages guarantee that Italian firms will be profitable regardless of trade. | |  | d. | neither country will benefit since Ukraine is more efficient than Italy in the production of all goods. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 021.01.2 - MC - MANK08 | |

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| 22. Benefits from trade would *not* include   |  |  |  | | --- | --- | --- | |  | a. | the ability of people and nations to specialize. | |  | b. | a greater variety of goods and services becoming available. | |  | c. | less competition. | |  | d. | lower prices. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. | | *TOPICS:* | International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 022.01.2 - MC - MANK08 | |

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| 23. Central planning refers to   |  |  |  | | --- | --- | --- | |  | a. | markets guiding economic activity. Today many countries that had this system have abandoned it. | |  | b. | markets guiding economic activity. Today many countries that did not have this system have implemented it. | |  | c. | government guiding economic activity. Today many countries that had this system have abandoned it. | |  | d. | government guiding economic activity. Today many countries that did not have this system have implemented it. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 023.01.2 - MC - MANK08 | |

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| 24. In communism, central planners decide which of the following?   |  |  |  | | --- | --- | --- | |  | a. | what goods and services will be produced | |  | b. | how much will be produced | |  | c. | who will produce and consume the goods and services | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 024.01.2 - MC - MANK08 | |

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| 25. One advantage market economies have over centrally-planned economies is that market economies   |  |  |  | | --- | --- | --- | |  | a. | provide an equal distribution of goods and services to households. | |  | b. | establish a significant role for government in the allocation of resources. | |  | c. | solve the problem of scarcity. | |  | d. | are more efficient. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 025.01.2 - MC - MANK08 | |

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| 26. The basic principles of economics suggest that   |  |  |  | | --- | --- | --- | |  | a. | markets are seldom, if ever, a good way to organize economic activity. | |  | b. | government should become involved in markets when trade between countries is involved. | |  | c. | government should become involved in markets when those markets fail to produce efficient or fair outcomes. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems International trade | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 026.01.2 - MC - MANK08 | |

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| 27. Which of the following statements best characterizes a basic difference between market economies and centrally planned economies?   |  |  |  | | --- | --- | --- | |  | a. | Society relies more upon prices to allocate resources when the economy is centrally-planned than when it is market-based. | |  | b. | The self-interest of households is reflected more fully in the outcome of a centrally-planned economy than in the outcome of a market economy. | |  | c. | Government plays a larger role in the economic affairs of a market economy than in the economic affairs of a centrally planned economy. | |  | d. | None of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 027.01.2 - MC - MANK08 | |

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| 28. Market economies are distinguished from other types of economies largely on the basis of   |  |  |  | | --- | --- | --- | |  | a. | the political affiliations of government officials. | |  | b. | the process by which government officials are elected or appointed. | |  | c. | the ways in which scarce resources are allocated. | |  | d. | the number of retail outlets available to consumers. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 028.01.2 - MC - MANK08 | |

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| 29. The collapse of communism in the Soviet Union and Eastern Europe took place mainly in the   |  |  |  | | --- | --- | --- | |  | a. | 1960s. | |  | b. | 1970s. | |  | c. | 1980s. | |  | d. | 1990s. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 029.01.2 - MC - MANK08 | |

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| 30. The economy of the former Soviet Union is best described as a   |  |  |  | | --- | --- | --- | |  | a. | primitive economy. | |  | b. | market economy. | |  | c. | hybrid economy. | |  | d. | centrally-planned economy. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 030.01.2 - MC - MANK08 | |

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| 31. Communist countries worked under the premise that   |  |  |  | | --- | --- | --- | |  | a. | people, when left on their own without government intervention, will find the best use of available resources | |  | b. | central planners were in the best position to determine the allocation of scarce resources in the economy. | |  | c. | households and firms, guided by an “invisible hand,” could achieve the most efficient allocation of scarce resources. | |  | d. | allowing the market forces of supply and demand to operate with no government intervention would achieve the most efficient allocation of scarce resources. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 031.01.2 - MC - MANK08 | |

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| 32. Prior to the collapse of communism, communist countries worked on the premise that economic well-being could be best attained by   |  |  |  | | --- | --- | --- | |  | a. | a market economy. | |  | b. | a strong reliance on prices and individuals’ self-interests. | |  | c. | a system of large privately-owned firms. | |  | d. | the actions of government central planners. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 032.01.2 - MC - MANK08 | |

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| 33. The failure of communism in a large number of countries is at least partly explained by   |  |  |  | | --- | --- | --- | |  | a. | the fact that those countries relied absolutely on the invisible hand. | |  | b. | the fact that those countries did little or nothing to restrict trade with other countries. | |  | c. | the lack of information, on the part of central planners in those countries, about tastes and preferences in their economies. | |  | d. | the lack of information, on the part of central planners in those countries, about how much authority the government had in affecting economic outcomes. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 033.01.2 - MC - MANK08 | |

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| 34. The idea that only the government can organize economic activity in a way that promotes economic well-being for a country as a whole   |  |  |  | | --- | --- | --- | |  | a. | is a basic principle regarding individual decisionmaking. | |  | b. | amounts to a denial of one of the basic principles regarding interactions among people. | |  | c. | supports the idea that the "invisible hand" should guide economic activity. | |  | d. | was promoted by the economist Adam Smith in a well-known 1776 book. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 034.01.2 - MC - MANK08 | |

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| 35. Which of the following statements about markets is most accurate?   |  |  |  | | --- | --- | --- | |  | a. | Markets are usually a good way to organize economic activity. | |  | b. | Markets are usually inferior to central planning as a way to organize economic activity. | |  | c. | Markets fail and are therefore not an acceptable way to organize economic activity. | |  | d. | Markets are a good way to organize economic activity in developed nations, but not in less developed nations. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 035.01.2 - MC - MANK08 | |

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| 36. Which of the following observations was made famous by Adam Smith in his book *The Wealth of Nations?*   |  |  |  | | --- | --- | --- | |  | a. | There is no such thing as a free lunch. | |  | b. | People buy more when prices are low than when prices are high. | |  | c. | No matter how much people earn, they tend to spend more than they earn. | |  | d. | Households and firms interacting in markets are guided by an "invisible hand" that leads them to desirable market outcomes. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 036.01.2 - MC - MANK08 | |

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| 37. The term "invisible hand" was coined by   |  |  |  | | --- | --- | --- | |  | a. | Adam Smith. | |  | b. | David Ricardo. | |  | c. | Karl Marx. | |  | d. | Benjamin Franklin. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 037.01.2 - MC - MANK08 | |

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| 38. The "invisible hand" refers to   |  |  |  | | --- | --- | --- | |  | a. | the government. | |  | b. | the free market. | |  | c. | central planners. | |  | d. | large businesses. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 038.01.2 - MC - MANK08 | |

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| 39. The famous observation that households and firms interacting in markets act as if they are guided by an “invisible hand” that leads them to desirable market outcomes comes from whose 1776 book?   |  |  |  | | --- | --- | --- | |  | a. | David Ricardo | |  | b. | Thorstein Veblen | |  | c. | John Maynard Keynes | |  | d. | Adam Smith |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 039.01.2 - MC - MANK08 | |

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| 40. Adam Smith's book *The Wealth of Nations* was published in   |  |  |  | | --- | --- | --- | |  | a. | 1692. | |  | b. | 1776. | |  | c. | 1816. | |  | d. | 1936. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 040.01.2 - MC - MANK08 | |

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| 41. Both *The Wealth of Nations* and the Declaration of Independence share the point of view that   |  |  |  | | --- | --- | --- | |  | a. | every person is entitled to life, liberty, and the pursuit of happiness. | |  | b. | individuals are best left to their own devices without the government guiding their actions. | |  | c. | the government plays a central role in organizing a market economy. | |  | d. | because of human nature a strong legal system is necessary for a market system to survive. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 041.01.2 - MC - MANK08 | |

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| 42. The "invisible hand" directs economic activity through   |  |  |  | | --- | --- | --- | |  | a. | advertising. | |  | b. | prices. | |  | c. | central planning. | |  | d. | government regulations. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 042.01.2 - MC - MANK08 | |

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| 43. The “invisible hand” refers to   |  |  |  | | --- | --- | --- | |  | a. | how central planners made economic decisions. | |  | b. | how the decisions of households and firms lead to desirable market outcomes. | |  | c. | the control that large firms have over the economy. | |  | d. | government regulations without which the economy would be less efficient. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 043.01.2 - MC - MANK08 | |

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| 44. The invisible hand's ability to coordinate the decisions of the firms and households in the economy can be hindered by   |  |  |  | | --- | --- | --- | |  | a. | government actions that distort prices. | |  | b. | increased competition in markets. | |  | c. | enforcement of property rights. | |  | d. | too much attention paid to efficiency. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 044.01.2 - MC - MANK08 | |

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| 45. When the "invisible hand" guides economic activity, prices of products reflect   |  |  |  | | --- | --- | --- | |  | a. | only the values that society places on those products. | |  | b. | only the costs to society of producing those products. | |  | c. | both the values that society places on those products and the costs to society of producing those products. | |  | d. | none of the above; when the "invisible hand" guides economic activity, prices of products are set by the government in a manner that is thought to be "fair." |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 045.01.2 - MC - MANK08 | |

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| 46. The “invisible hand” works to promote general well-being in the economy primarily through   |  |  |  | | --- | --- | --- | |  | a. | government intervention. | |  | b. | the political process. | |  | c. | people’s pursuit of self-interest. | |  | d. | altruism. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 046.01.2 - MC - MANK08 | |

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| 47. According to Adam Smith, the success of decentralized market economies is primarily due to   |  |  |  | | --- | --- | --- | |  | a. | the basic benevolence of society. | |  | b. | society's legal system. | |  | c. | individuals' pursuit of self-interest. | |  | d. | partnerships that are forged between business and government. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 047.01.2 - MC - MANK08 | |

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| 48. The self-interest of the participants in an economy is guided into promoting general economic self-interest by   |  |  |  | | --- | --- | --- | |  | a. | the invisible hand. | |  | b. | market power. | |  | c. | government intervention. | |  | d. | *oikonomos*. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 048.01.2 - MC - MANK08 | |

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| 49. In an economy in which decisions are guided by prices and individual self-interest, there is   |  |  |  | | --- | --- | --- | |  | a. | the potential to achieve efficiency in production. | |  | b. | a strong need for government intervention in the market. | |  | c. | less efficiency than would be observed in a centrally-planned economy. | |  | d. | more need for a strong legal system to control individual greed than would be needed in a centrally-planned economy. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 049.01.2 - MC - MANK08 | |

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| 50. In a market economy, who makes the decisions that guide most economic activity?   |  |  |  | | --- | --- | --- | |  | a. | firms only | |  | b. | households only | |  | c. | firms and households | |  | d. | government |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 050.01.2 - MC - MANK08 | |

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| 51. In a market economy, economic activity is guided by   |  |  |  | | --- | --- | --- | |  | a. | the government. | |  | b. | public-interest groups. | |  | c. | central planners. | |  | d. | self-interest and prices. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 051.01.2 - MC - MANK08 | |

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| 52. In a market economy,   |  |  |  | | --- | --- | --- | |  | a. | households decide which firms to work for and what to buy with their incomes. | |  | b. | firms decide whom to hire and what to make. | |  | c. | a central planner makes decisions about production and consumption. | |  | d. | Both a and b are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Invisible hand principle Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 052.01.2 - MC - MANK08 | |

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| 53. Which of the following statements does *not* apply to a market economy?   |  |  |  | | --- | --- | --- | |  | a. | Firms decide whom to hire and what to produce. | |  | b. | The “invisible hand” usually maximizes the income of society as a whole. | |  | c. | Households decide which firms to work for and what to buy with their incomes. | |  | d. | Government policies are the primary forces that guide the decisions of firms and households. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 053.01.2 - MC - MANK08 | |

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| 54. In a market economy, economic activity is guided by   |  |  |  | | --- | --- | --- | |  | a. | the government. | |  | b. | central planners. | |  | c. | large businesses. | |  | d. | prices and self-interest. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Invisible hand principle Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 054.01.2 - MC - MANK08 | |

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| 55. Which of the following statements about market economies is correct?   |  |  |  | | --- | --- | --- | |  | a. | In a market economy, no one is looking out for the economic well-being of society as a whole. | |  | b. | Market economies are characterized by decentralized decision making and self-interested decision makers. | |  | c. | Market economies have proven remarkably successful in promoting overall economic well-being. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Economic systems Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 055.01.2 - MC - MANK08 | |

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| 56. The decisions of firms and households are guided by prices and self-interest in a   |  |  |  | | --- | --- | --- | |  | a. | command economy. | |  | b. | centrally-planned economy. | |  | c. | market economy. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. | | *TOPICS:* | Invisible hand principle Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 056.01.2 - MC - MANK08 | |

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| 57. For markets to work well, there must be   |  |  |  | | --- | --- | --- | |  | a. | market power. | |  | b. | a central planner. | |  | c. | property rights. | |  | d. | abundant, not scarce, resources. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Public economics Property rights | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 057.01.2 - MC - MANK08 | |

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| 58. Prices usually reflect   |  |  |  | | --- | --- | --- | |  | a. | only the value of a good to society. | |  | b. | only the cost to society of making a good. | |  | c. | both the value of a good to society and the cost to society of making the good. | |  | d. | neither the value of a good to society nor the cost to society of making the good. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 058.01.2 - MC - MANK08 | |

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| 59. Prices direct economic activity in a market economy by   |  |  |  | | --- | --- | --- | |  | a. | influencing the actions of buyers and sellers. | |  | b. | reducing scarcity of the goods and services produced. | |  | c. | reducing opportunity cost of goods and services produced. | |  | d. | allocating goods and services in the most equitable way. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Invisible hand principle Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 059.01.2 - MC - MANK08 | |

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| 60. A friend of yours asks you why market prices are better than government-determined prices. Because you understand economic principles, you say that market-determined prices are better because they generally reflect   |  |  |  | | --- | --- | --- | |  | a. | the value of a good to society, but not the cost of making it. | |  | b. | the cost of making a good to society, but not its value. | |  | c. | both the value of a good to society and the cost of making it. | |  | d. | neither the value of a good to society nor the cost of making it. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 060.01.2 - MC - MANK08 | |

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| 61. If the government were to intervene in a market economy and fix the price of visiting a health care provider below the market price, then we would expect, relative to the market outcome,   |  |  |  | | --- | --- | --- | |  | a. | an increase in the number of visits people want to make and an increase in the number of visits health care providers want to provide. | |  | b. | an increase in the number of visits people want to make and a decrease in the number of visits health care providers want to provide. | |  | c. | a decrease in the number of visits people want to make and an increase in the number of visits health care providers want to provide. | |  | d. | a decrease in the number of visits people want to make and a decrease in the number of visits health care providers want to provide. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 061.01.2 - MC - MANK08 | |

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| 62. If the government were to intervene and set the rent for apartments in New York City below the market rent, then we would expect, relative to the market outcome,   |  |  |  | | --- | --- | --- | |  | a. | an increase in the number of people wanting to live in apartments in New York City. | |  | b. | a decrease in the number of people wanting to live in apartments in New York City. | |  | c. | an increase in the number of apartments available for rent in New York City. | |  | d. | None of the above is correct. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 062.01.2 - MC - MANK08 | |

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| 63. If the government were to intervene and set the price of a dozen eggs above the market price, then we would expect, relative to the market outcome,   |  |  |  | | --- | --- | --- | |  | a. | an increase in the number of eggs people want to buy and an increase in the number of eggs farmers want to sell. | |  | b. | an increase in the number of eggs people want to buy and a decrease in the number of eggs farmers want to sell. | |  | c. | a decrease in the number of eggs people want to buy and an increase in the number of eggs farmers want to sell. | |  | d. | a decrease in the number of eggs people want to buy and a decrease in the number of eggs farmers want to sell. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 063.01.2 - MC - MANK08 | |

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| 64. If the government were to intervene and set a wage for unskilled labor above the market wage, then we would expect, relative to the market outcome,   |  |  |  | | --- | --- | --- | |  | a. | an increase in the number of unskilled jobs available. | |  | b. | a decrease in the number of unskilled jobs available. | |  | c. | a decrease in the number of workers wanting unskilled jobs. | |  | d. | None of the above is correct. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 064.01.2 - MC - MANK08 | |

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| 65. When the government prevents prices from adjusting naturally to supply and demand,   |  |  |  | | --- | --- | --- | |  | a. | it equates the amount buyers want to buy with the amount sellers want to sell. | |  | b. | it adversely affects the allocation of resources. | |  | c. | it improves equality and efficiency. | |  | d. | it improves efficiency but reduces equality. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 065.01.2 - MC - MANK08 | |

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| 66. One reason we need government, even in a market economy, is that   |  |  |  | | --- | --- | --- | |  | a. | there is insufficient market power in the absence of government. | |  | b. | property rights are too strong in the absence of government. | |  | c. | the invisible hand is not perfect. | |  | d. | Both a and b are correct. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 066.01.2 - MC - MANK08 | |

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| 67. The ability of an individual to own and exercise control over scarce resources is called   |  |  |  | | --- | --- | --- | |  | a. | market failure. | |  | b. | property rights. | |  | c. | externality. | |  | d. | market power. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Property rights | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 067.01.2 - MC - MANK08 | |

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| 68. The government enforces property rights by   |  |  |  | | --- | --- | --- | |  | a. | requiring property owners to pay property taxes. | |  | b. | providing police and courts. | |  | c. | forcing people to own property. | |  | d. | providing public parks and recreation facilities. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Public economics Property rights | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 068.01.2 - MC - MANK08 | |

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| 69. A company that formerly produced music CDs went out of business because too many potential customers bought illegally-produced copies of the CDs instead of buying the product directly from the company. This instance serves as an example of   |  |  |  | | --- | --- | --- | |  | a. | market power. | |  | b. | inefficient trade. | |  | c. | inadequate enforcement of property rights. | |  | d. | the invisible hand at work. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Public economics Property rights | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 069.01.2 - MC - MANK08 | |

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| 70. For which of the following problems can well-designed public policy enhance economic efficiency?   |  |  |  | | --- | --- | --- | |  | a. | both externalities and market power | |  | b. | externalities, but not market power | |  | c. | market power, but not externalities | |  | d. | neither externalities nor market power |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 070.01.2 - MC - MANK08 | |

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| 71. Public policies   |  |  |  | | --- | --- | --- | |  | a. | may be able to improve either economic efficiency or equality. | |  | b. | may be able to improve economic efficiency but cannot improve equality. | |  | c. | may be able to improve equality but cannot improve economic efficiency. | |  | d. | cannot improve either equality or economic efficiency. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 071.01.2 - MC - MANK08 | |

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| 72. To say that government intervenes in the economy to promote efficiency is to say that government is attempting to   |  |  |  | | --- | --- | --- | |  | a. | create a more fair distribution of income. | |  | b. | change the way in which the economic pie is divided. | |  | c. | enlarge the economic pie. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 072.01.2 - MC - MANK08 | |

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| 73. To say that government intervenes in the economy to promote equality is to say that government is aiming to   |  |  |  | | --- | --- | --- | |  | a. | create a more fair distribution of income. | |  | b. | change the ingredients that are used to “bake” the economic pie. | |  | c. | enlarge the economic pie. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Equality | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 073.01.2 - MC - MANK08 | |

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| 74. Which of the following could reduce economic efficiency?   |  |  |  | | --- | --- | --- | |  | a. | laws that encourage lawsuits | |  | b. | policies that redistribute income | |  | c. | policies that impose significant restrictions on international trade | |  | d. | All of the above are correct |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking Efficiency | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 074.01.2 - MC - MANK08 | |

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| 75. A rationale for government involvement in a market economy is   |  |  |  | | --- | --- | --- | |  | a. | markets sometimes fail to produce a fair distribution of economic well-being. | |  | b. | markets sometimes fail to produce an efficient allocation of resources. | |  | c. | property rights have to be enforced. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 075.01.2 - MC - MANK08 | |

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| 76. The term used to describe a situation in which markets do not allocate resources efficiently is   |  |  |  | | --- | --- | --- | |  | a. | economic meltdown. | |  | b. | market failure. | |  | c. | equilibrium. | |  | d. | the effect of the invisible hand. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 076.01.2 - MC - MANK08 | |

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| 77. The term *market failure* refers to   |  |  |  | | --- | --- | --- | |  | a. | a situation in which the market on its own fails to allocate resources efficiently. | |  | b. | an unsuccessful advertising campaign which reduces demand for a product. | |  | c. | a situation in which competition among firms becomes ruthless. | |  | d. | a firm that is forced out of business because of losses. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 077.01.2 - MC - MANK08 | |

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| 78. Which of the following do economists *not* generally regard as a legitimate reason for the government to intervene in a market?   |  |  |  | | --- | --- | --- | |  | a. | to promote efficiency | |  | b. | to promote equality | |  | c. | to enforce property rights | |  | d. | to protect an industry from foreign competition |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Public economics | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 078.01.2 - MC - MANK08 | |

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| 79. Which of the following can lead to market failure?   |  |  |  | | --- | --- | --- | |  | a. | externalities and market power | |  | b. | externalities but not market power | |  | c. | market power but not externalities | |  | d. | neither externalities nor market power |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 079.01.2 - MC - MANK08 | |

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| 80. Causes of market failure include   |  |  |  | | --- | --- | --- | |  | a. | externalities and market power. | |  | b. | market power and incorrect forecasts of consumer demand. | |  | c. | externalities and foreign competition. | |  | d. | incorrect forecasts of consumer demand and foreign competition. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 080.01.2 - MC - MANK08 | |

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| 81. Market failure can be caused by   |  |  |  | | --- | --- | --- | |  | a. | low consumer demand. | |  | b. | equilibrium prices. | |  | c. | externalities and market power. | |  | d. | high prices and foreign competition. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 081.01.2 - MC - MANK08 | |

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| 82. Thousands of people develop lung cancer from second-hand exposure to cigarette smoke. This is an example of   |  |  |  | | --- | --- | --- | |  | a. | a market failure caused by an externality. | |  | b. | a market failure caused by market power. | |  | c. | a market failure caused by equality. | |  | d. | There is no market failure in this case. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 082.01.2 - MC - MANK08 | |

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| 83. A species of snakes became extinct due to pollution in a river where the snakes once lived. This is an example of   |  |  |  | | --- | --- | --- | |  | a. | a market failure caused by an externality. | |  | b. | a market failure caused by market power. | |  | c. | a market failure caused by equality. | |  | d. | There is no market failure in this case. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 083.01.2 - MC - MANK08 | |

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| 84. The term "market failure"   |  |  |  | | --- | --- | --- | |  | a. | means the same thing as "market power." | |  | b. | refers to the dissolution of a market when firms decide to quit producing a certain product. | |  | c. | refers to the failure of a market to produce an efficient allocation of resources. | |  | d. | refers to government's failure to enforce the property rights of households or firms that participate in a certain market. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic systems | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 084.01.2 - MC - MANK08 | |

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| 85. If an externality is present in a market, economic efficiency may be enhanced by   |  |  |  | | --- | --- | --- | |  | a. | government intervention. | |  | b. | a decrease in foreign competition. | |  | c. | fewer market participants. | |  | d. | weaker property rights. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 085.01.2 - MC - MANK08 | |

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| 86. An example of an externality is the impact of   |  |  |  | | --- | --- | --- | |  | a. | bad weather on the income of farmers. | |  | b. | the personal income tax on a person's ability to purchase goods and services. | |  | c. | pollution from a factory on the health of people in the vicinity of the factory. | |  | d. | increases in health care costs on the health of individuals in society. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 086.01.2 - MC - MANK08 | |

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| 87. Which of the following is an example of an externality?   |  |  |  | | --- | --- | --- | |  | a. | Annie purchases a new dress. | |  | b. | Antonio’s dog barks loudly during the night, waking his neighbors. | |  | c. | Harold sells a book to Cathy, who reads the book and then gives it to James as a gift. | |  | d. | Gloria watches a scary movie. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 087.01.2 - MC - MANK08 | |

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| 88. The willingness of citizens to pay for vaccinations does not include the benefit society receives from having vaccinated citizens who cannot transmit an illness to others. This extra benefit society gets from vaccinating its citizens is known as   |  |  |  | | --- | --- | --- | |  | a. | productivity. | |  | b. | an externality. | |  | c. | market power. | |  | d. | property rights. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 088.01.2 - MC - MANK08 | |

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| 89. If an electric power plant does *not* bear the entire cost of the pollution it emits, it will   |  |  |  | | --- | --- | --- | |  | a. | not emit any pollution so as to avoid the entire cost of the pollution. | |  | b. | emit lower levels of pollution. | |  | c. | emit an acceptable level of pollution. | |  | d. | emit too much pollution. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 089.01.2 - MC - MANK08 | |

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| 90. Laws that restrict the smoking of cigarettes in public places are examples of government intervention that is intended to reduce   |  |  |  | | --- | --- | --- | |  | a. | efficiency. | |  | b. | equality. | |  | c. | externalities. | |  | d. | productivity. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 090.01.2 - MC - MANK08 | |

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| 91. Which of the following is an example of an externality?   |  |  |  | | --- | --- | --- | |  | a. | A paper mill dumps waste into the river. | |  | b. | A neighbor’s loud music disrupts sleep. | |  | c. | A drunk driver causes an accident that injures another person. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 091.01.2 - MC - MANK08 | |

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| 92. Which of these activities will most likely impose an external cost?   |  |  |  | | --- | --- | --- | |  | a. | An athlete works out at a gym. | |  | b. | A secretary smokes a cigarette in a crowded break room. | |  | c. | A young mother pushes her baby in a stroller. | |  | d. | A construction worker eats a hotdog during his lunch break. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 092.01.2 - MC - MANK08 | |

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| 93. Which of these activities will most likely impose an external cost?   |  |  |  | | --- | --- | --- | |  | a. | Betty plants flowers in her garden. | |  | b. | Bonnie gets a flu vaccine. | |  | c. | Bridget drives her car after having too much alcohol to drink. | |  | d. | Becky buys a new flat screen television. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 093.01.2 - MC - MANK08 | |

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| 94. Which of these activities will most likely result in an external benefit?   |  |  |  | | --- | --- | --- | |  | a. | A college student buys a deck of cards to play solitaire in her dorm room. | |  | b. | An elderly woman plants a flower garden on the vacant lot next to her house. | |  | c. | An executive purchases a book to read on a business trip. | |  | d. | A ten-year-old uses his allowance to buy new Nike shoes. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 094.01.2 - MC - MANK08 | |

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| 95. Which of these activities will most likely result in an external benefit?   |  |  |  | | --- | --- | --- | |  | a. | Ted purchases a dilapidated house and cleans up the yard and exterior of the house. | |  | b. | Tim purchases an iPhone and downloads new apps. | |  | c. | Terri purchases a new SUV and drives it to work every day. | |  | d. | Thomas purchases a suit and wears it on his interviews. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Public economics Externalities | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 095.01.2 - MC - MANK08 | |

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| 96. When a single person (or small group) has the ability to influence market prices, there is   |  |  |  | | --- | --- | --- | |  | a. | competition. | |  | b. | market power. | |  | c. | an externality. | |  | d. | a lack of property rights. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 096.01.2 - MC - MANK08 | |

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| 97. Market power refers to the   |  |  |  | | --- | --- | --- | |  | a. | power of a single person or small group to influence market prices. | |  | b. | ability of a person or small group to successfully market new products. | |  | c. | power of the government to regulate a market. | |  | d. | importance of a certain market in relation to the overall economy. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Knowledge | | *CUSTOM ID:* | 097.01.2 - MC - MANK08 | |

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| 98. Which of the following firms is likely to have the greatest market power?   |  |  |  | | --- | --- | --- | |  | a. | an electric company | |  | b. | a farmer | |  | c. | a grocery store | |  | d. | a local electronics retailer |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 098.01.2 - MC - MANK08 | |

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| 99. Which of the following firms is most likely to have market power?   |  |  |  | | --- | --- | --- | |  | a. | a grocery store in a metropolitan area | |  | b. | a convenience store in a suburb | |  | c. | a pub in a college town | |  | d. | the only gasoline station in a rural area |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 099.01.2 - MC - MANK08 | |

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| 100. An example of a firm with market power is a   |  |  |  | | --- | --- | --- | |  | a. | delicatessen in New York. | |  | b. | cable TV provider in Tulsa. | |  | c. | clothing store in Chicago. | |  | d. | family farm in Kansas. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 100.01.2 - MC - MANK08 | |

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| 101. The price of diamonds is high, in part because the majority of the world’s diamonds are controlled by a single firm. This is an example of   |  |  |  | | --- | --- | --- | |  | a. | a market failure caused by an externality. | |  | b. | a market failure caused by market power. | |  | c. | a market failure caused by equality. | |  | d. | There is no market failure in this case. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | | *CUSTOM ID:* | 101.01.2 - MC - MANK08 | |

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| 102. Air pollution from burning fossil fuels causes damages to crops and public health. This is an example of   |  |  |  | | --- | --- | --- | |  | a. | a market failure caused by an externality. | |  | b. | a market failure caused by market power. | |  | c. | a market failure caused by equality. | |  | d. | There is no market failure in this case. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 102.01.2 - MC - MANK08 | |

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| 103. Water pollution from pulp and paper mills harms plants, animals, and humans. This is an example of   |  |  |  | | --- | --- | --- | |  | a. | a market failure caused by an externality. | |  | b. | a market failure caused by market power. | |  | c. | a market failure caused by equality. | |  | d. | There is no market failure in this case. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.215 - Given a scenario, identify if an externality is present. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 103.01.2 - MC - MANK08 | |

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| 104. Mary and Martha both can make cookies and cakes of the same quality, though Mary can make more of both cookies and cakes per hour than Martha. With the bake-sale quickly approaching, they want to make as many cookies and cakes as possible. In which of the following situations will the most cookies and cakes be made?   |  |  |  | | --- | --- | --- | |  | a. | Mary makes as many cookies and cakes as she can, while Martha does nothing. | |  | b. | Martha makes as many cookies and cakes as she can, while Mary does nothing. | |  | c. | ​Mary and Martha both specialize in what they are better at making. | |  | d. | There is not enough information. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.074 - Determine the gains from trade for two producers with different productivity levels. ECON.MANK.089 - Evaluate the potential gains from trade using comparative and absolute advantage. | | *TOPICS:* | Gains from trade Comparative advantage Absolute advantage | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 104.01.2 - MC - MANK08 | |

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| 105. Adam Smith's insight was that prices adjust to guide individual buyers and sellers to reach outcomes where, in many cases,   |  |  |  | | --- | --- | --- | |  | a. | opportunity cost is minimized for buyers. | |  | b. | scarcity is reduced for society. | |  | c. | well-being of society is maximized. | |  | d. | opportunity cost of production is maximized. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.110 - Explain how prices allocate resources. | | *TOPICS:* | Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 105.01.2 - MC - MANK08 | |

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| 106. Which of the following is true about how  the "invisible hand" influences economic activity through prices when a product has lower demand than supply?​   |  |  |  | | --- | --- | --- | |  | a. | ​The price must decrease, causing more buyers to buy and less sellers to sell. | |  | b. | ​The price must decrease, causing more buyers to buy and more sellers to sell. | |  | c. | ​The price must increase, causing less buyers to buy and more sellers to sell. | |  | d. | ​The price must increase, causing less buyers to buy and less sellers to sell. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.110 - Explain how prices allocate resources. | | *TOPICS:* | Invisible hand principle | | *KEYWORDS:* | BLOOM'S: Comprehension | | *CUSTOM ID:* | 106.01.2 - MC - MANK08 | |