Multiple Choice Questions: (3 points each)

1. I am taking ____________ of the exam.
   B. Version B

2. Which of the following could NOT result in a “Change in Demand” for “Good X”?
   A. A change in consumers’ perceived value of consuming Good X.
   B. A change in consumer income.
   C. A change in the price of Good X.
   D. A change in the price of Good Y.

3. The essay _______________ illustrates the importance of spontaneous order in a market system.
   A. “I, Pencil” by Leonard Read
   B. “The Better Angels of Our Nature” by Steven Pinker
   C. “An Inconvenient Truth” by Al Gore
   D. “The Communist Manifesto” by Karl Marx and Friedrich Engels

4. The present day economic system of Norway is best described as ________________.
   A. Pure Capitalism
   B. Pure Socialism
   C. Pure Communism
   D. a Mixed Economy

5. _______________ observed that the government or the state differs from other decision making entities in that it alone has established “the monopoly of the legitimate use of physical force within a given territory.”
   A. Milton Friedman
   B. Daniel Kahneman
   C. Gordon Tullock
   D. Max Weber

6. The Preliminary Circular Flow Diagram illustrates
   A. how the interplay of Supply and Demand gives rise to an equilibrium price and equilibrium quantity of trade for a good.
   B. how profit maximizing firms exploit workers.
   C. the limits of production that a society faces, by identifying the maximum amount of one good that can be produced for every possible level of production of another good.
   D. the movement of economic resources (i.e., factors of production and finished goods/services) between households and firms.

7. Alec Nove described ____________ as “when the state uses influence, subsidies, grants, [and] taxes [to influence economic decisions], but does not compel.”
   A. Capitalism
   B. Indicative Planning
   C. Spontaneous Order
   D. the Invisible Hand
8. Chipotle is Danny’s favorite restaurant. After recently joining their frequent diner club for free, he got a coupon by e-mail which can be redeemed for either a free side order of guacamole or a free fountain drink. When he went to Chipotle for dinner last night, he used the coupon to get a free fountain drink. His Opportunity Cost of the fountain drink was
   A. zero, since he received the coupon for free.
   B. the value he places on a side order of guacamole.
   C. the regular menu price of a fountain drink.
   D. the maximum amount of money he would have been willing to pay for both a fountain drink and a side order of guacamole (since the coupon gave him the option to get either).

9. Which of the following economic institutions is NOT a decision-maker”?
   A. Markets.
   B. Households.
   C. Firms.
   D. None of the above answers is correct (since each institution listed IS a decision-maker).

10. Consider the level of “economic freedom” in the three countries of India, Singapore, and the United States. According to the results of the “Economic Freedom of the World” study, of these three countries, the amount of economic freedom is
   A. greatest in the United States and least in India.
   B. greatest in the United States and least in Singapore.
   C. greatest in Singapore and least in India.
   D. greatest in India and least in Singapore.

For Questions 11 through 13, consider the following scenario. Arthur and Bedevere spend their workdays producing coconuts and shrubberies. The table below provides a summary of the number of units of each good that each worker produces in a full workday. Answer the following questions based upon these values.

<table>
<thead>
<tr>
<th></th>
<th>Coconuts</th>
<th>Shrubberies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arthur</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Bedevere</td>
<td>24</td>
<td>48</td>
</tr>
</tbody>
</table>

11. ____________ has an Absolute Advantage in the production of coconuts, and ____________ has an Absolute Advantage in the production of shrubberies.
   A. Arthur; Arthur.
   B. Bedevere; Bedevere.
   C. Bedevere; Arthur.
   D. Arthur; Bedevere.

12. Bedevere’s Opportunity Cost for producing one unit of coconuts is _______ units of shrubberies.
   A. 0.5 = ½
   B. 2
   C. 4
   D. 24

13. ____________ has a Comparative Advantage in the production of coconuts, and ____________ has a Comparative Advantage in the production of shrubberies.
   A. Arthur; Arthur.
   B. Bedevere; Bedevere.
   C. Arthur; Bedevere.
   D. Bedevere; Arthur.
14. The ________________ states that: (i) if the marginal benefit of an activity increases, then a rational person will engage in more of the activity, whereas (ii) if the marginal cost of an activity increases, then a rational person will engage in less of the activity.
A. Cost-Benefit Principle.
B. Incentive Principle.
C. Law of Comparative Advantage.

15. Consider the following two statements. Statement 1: “Tariffs and import quotas always increase the general welfare of society.” Statement 2: “A minimum wage increases unemployment among young and unskilled workers.” As discussed in lecture and the textbook, most economists would
A. disagree with both Statement 1 and Statement 2.
B. agree with Statement 1, but disagree with Statement 2.
C. disagree with Statement 1, but agree with Statement 2.
D. agree with both Statement 1 and Statement 2.

For questions 16 through 18, consider a market with demand and supply as illustrated below.

16. In this market there would be _______________________ at a price of $25.00.
A. neither “excess demand” nor “excess supply.”
B. “excess supply”
C. “excess demand”
D. both “excess demand” and “excess supply.”

17. In equilibrium, ________ units would be traded each at a price of ________.
A. 585; $14.00.
B. 810; $23.25.
C. 810; $51.50.
D. 1,680; $66.50.

18. Focusing on the “585th unit,” the Buyer’s Reservation Price for this unit _______ and the Seller’s Reservation Price for this unit _______.
A. is $33.75; is $8.25.
B. is $32.75; is $18.75.
C. is $9.50; is $4.50.
D. cannot be determined from the information conveyed in the graph; cannot be determined from the information conveyed in the graph.
19. Feudalism is defined as an economic system in which
   A. land ownership is restricted to an aristocratic nobility.
   B. the means of production are privately owned and operated for a profit.
   C. the means of production are owned by the government.
   D. the means of production are collectively owned by all people in society.

20. Which of the following would be considered a “Natural Asset”?
   A. The “college education” which has been acquired by roughly 27% of the U.S. population.
   B. Kennesaw State University’s Prillaman Health Sciences Building.
   C. The Mississippi River.
   D. More than one (perhaps all) of the above answers is correct.

21. “New Soviet Man” refers to a person that
   A. lives in a world without scarcity.
   B. is motivated primarily by selfless benevolence.
   C. is rational and self-interested.
   D. is irrational and self-interested.

Answer Questions 22 and 23 based upon the information conveyed in the following graph (which illustrates the Marginal Cost and Marginal Benefit of an activity for a decision maker):

22. Total Economic Surplus is maximized at
   A. $Q_1$ (the level where Marginal Costs are smallest).
   B. $Q_2$ (the level where Marginal Benefits are largest).
   C. $Q_3$ (the level where Marginal Benefits are equal to Marginal Costs).
   D. $Q_4$ (the level where Marginal Benefits are equal to zero).

23. If the decision maker increased the amount which she was engaging in the activity from $Q_2$ to $Q_3$, then
   A. Total Costs would increase, but Total Benefits and Total Economic Surplus would both decrease.
   B. Total Costs and Total Benefits would both increase, but Total Economic Surplus would decrease.
   C. Total Costs, Total Benefits, and Total Economic Surplus would all increase.
   D. Total Costs, Total Benefits, and Total Economic Surplus would all decrease.
24. Which of the following two statements is a “normative statement”?
   A. “Super Bowl LIV was the most exciting Super Bowl ever played.”
   B. “The Kansas City Chiefs defeated the San Francisco 49ers by a score of 31 to 20 in Super Bowl LIV.”
   C. Both “A” and “B” are normative statements.
   D. Neither “A” nor “B” is a normative statement.

25. Output combination “A” (i.e., 90 Guns and 110 Roses) is
   A. unattainable.
   B. attainable but characterized by productive inefficiency.
   C. attainable and characterized by productive efficiency.
   D. attainable and characterized by both productive inefficiency and productive efficiency.

26. If each worker produced only Roses, _________ could produce the most in a single day.
   A. Axl
   B. Duff
   C. Izzy
   D. Slash

27. _________ has the highest Opportunity Cost for producing a Gun.
   A. Slash
   B. Izzy
   C. Duff
   D. Axl
28. Ken is concerned that his nine year old daughter is not performing up to her full potential in school. In order to give her an additional reason to bring up her grades, he offers to pay his daughter $25 for every “A” that she gets on her next report card. Ken is trying to alter his daughter’s behavior by way of
   A. moral suasion.
   B. specialization in production.
   C. coercion.
   D. a material reward.

29. Consider the market for corn. Green beans are a substitute for corn. Corn is a normal good. Potassium is typically used as a fertilizer when growing corn. If consumer income in this market were to increase, then the market equilibrium price of corn would __________ and the market equilibrium quantity of corn would __________.
   A. increase; increase.
   B. increase; decrease.
   C. decrease; increase.
   D. decrease; decrease.

30. Alpha Industries is a privately owned firm which produces “Good A” in order to earn a profit. In 2019 when the price of “Good A” was $479, James chose to buy the good. In 2020 when Alpha Industries increased the price to $549, James chose to not buy the good. These choices by James to buy the good in 2019 but not buy the good in 2020
   A. explain the difference between positive statements and normative statements.
   B. provide an example of James exercising his consumer sovereignty.
   C. provide an example of James exercising his right to restitution.
   D. illustrate how a system of Command Planning operates.

31. Caden recently spent $480 at the KSU bookstore on textbooks for his spring semester classes. He was able to use the money to acquire these books since money serves as a/an
   A. medium of exchange.
   B. store of value.
   C. Spontaneous Order.
   D. unit of account.

32. Chris recently went on a skiing trip with his friends to Colorado. His Total Benefits from this trip were $3,250, while his Total Costs were $2,750. From this information, it follows that his Economic Surplus from this trip was
   A. $2,750 – $3,250 = – $500 (i.e., negative $500).
   B. $3,250 – $2,750 = $500.
   C. ($3,250 + $2,750) ÷ 2 = $3,000.
   D. $3,250 + $2,750 = $6,000.

33. Which of the following illustrates the “Law of Supply” in the market for pizza?
   A. After the price of burritos increases, consumers want to buy more pizza.
   B. Beth chooses to produce/sell more pizza at a price of $3.00 per slice than she chooses to produce/sell at a price of $2.50 per slice.
   C. After the price of low skilled labor increased by $2.00 per hour, Al chooses to produce/sell less pizza.
   D. More than one (perhaps all) of the above illustrate the “Law of Supply” in the market for pizza.