Ch. 19-22 Quiz

Ch. 19

1. When the supply of workers is plentiful, one would predict that market wages would be

|  |  |
| --- | --- |
| a. | determined outside the domain of economic theory. |
| b. | determined solely by factors that affect demand. |
| c. | low, other things equal. |
| d. | high, other things equal. |

2. Other things equal, when the supply of workers is low, one would predict that market wages would be

|  |  |
| --- | --- |
| a. | relatively high. |
| b. | relatively low. |
| c. | determined solely by factors that affect demand. |
| d. | determined outside the domain of economic theory. |

3. Other things equal, one would predict that market wages would be relatively high when

|  |  |
| --- | --- |
| a. | the supply of labor is high. |
| b. | the demand for labor is low. |
| c. | the supply of labor is low. |
| d. | Both (a.) and (b.) are correct |

4. Hapland and Genoshia have just started to trade with each other. Hapland exports goods produced with skilled labor and imports goods made with unskilled labor from Genoshia. Over time, we would expect that the wages of skilled labor in Hapland will

|  |  |
| --- | --- |
| a. | rise, and the wages of unskilled labor in Hapland will fall. |
| b. | fall, and the wages of unskilled labor in Hapland will rise. |
| c. | rise, and the wages of unskilled labor in Hapland will rise. |
| d. | fall, and the wages of unskilled labor in Hapland will fall. |

5. The characteristics of jobs and workers affect

|  |  |
| --- | --- |
| a. | labor supply. |
| b. | labor demand. |
| c. | equilibrium wages. |
| d. | All of the above are correct. |

6. A difference in wages that arises to offset the nonmonetary characteristics of different jobs is known as

|  |  |
| --- | --- |
| a. | a compensating differential. |
| b. | an inefficiency wage. |
| c. | the equilibrium difference. |
| d. | a union wage. |

7. A compensating differential is

|  |  |
| --- | --- |
| a. | a difference in pay due to nonmonetary characteristics of jobs. |
| b. | an high wage paid by employers to entice workers to be more productive. |
| c. | the difference between the quantity of labor supplied and the quantity of labor demanded at the minimum wage. |
| d. | equivalent to a union wage. |

8. Working in a slaughterhouse is much riskier and more unpleasant than working in a bookstore. As a result, we'd expect a difference in wages between the two jobs. The difference is known as

|  |  |
| --- | --- |
| a. | an efficiency wage. |
| b. | a compensating differential. |
| c. | a wage adjustment. |
| d. | a minimum wage. |

Ch. 20

1. Which of the following is *not* correct?

|  |  |
| --- | --- |
| a. | Economics is a study of the choices that people make and the resulting interactions they have with one another. |
| b. | Economists are not interested in finding new areas to study and new phenomena to explain. |
| c. | Economists are trying to expand their understanding of human behavior and society. |
| d. | The economics of asymmetric information, political economy, and behavioral economics are all topics at the frontier of microeconomics. |

2. Asymmetric information, political economy, and behavioral economics

|  |  |
| --- | --- |
| a. | are topics at the frontier of microeconomics. |
| b. | are topics that economists no longer research. |
| c. | are being studied as economists try to expand their understanding of human behavior and society. |
| d. | both a and c are correct. |

3. When one party is better informed about an economic situation than another party, economists describe the problem as one of

|  |  |
| --- | --- |
| a. | asymmetric information. |
| b. | moral hazard. |
| c. | political economy. |
| d. | behavioral economics |

4. When markets fail, which of the following is true?

|  |  |
| --- | --- |
| a. | Government intervention can always improve outcomes. |
| b. | Government intervention can potentially improve outcomes. |
| c. | Government intervention can never improve outcomes. |
| d. | Markets do not fail. |

5. The field of behavioral economics builds a more subtle and complex model of economic behavior using insights from

|  |  |
| --- | --- |
| a. | physics. |
| b. | biology. |
| c. | psychology. |
| d. | anthropology. |

6. Which of the following frontier areas of economics incorporates some findings from psychology into the study of economic issues?

|  |  |
| --- | --- |
| a. | Asymmetric information |
| b. | Political economy |
| c. | Behavioral economics |
| d. | Public economics |

7. In economics, a difference in access to relevant knowledge is called a(n)

|  |  |
| --- | --- |
| a. | relevancy frontier. |
| b. | knowledge gap. |
| c. | information asymmetry. |
| d. | information equilibrium.  Ch. 21 |

1. Which of the following does *not* represent a tradeoff facing a consumer?

|  |  |
| --- | --- |
| a. | choosing to purchase more of all goods |
| b. | choosing to spend more time on leisure and less time on work |
| c. | choosing to spend more now and consume less in the future |
| d. | choosing to purchase less of one good in order to purchase more of another good |

2. How are the following three questions related: 1) Do all demand curves slope downward? 2) How do wages affect labor supply? 3) How do interest rates affect household saving?

|  |  |
| --- | --- |
| a. | They all relate to macroeconomics. |
| b. | They all relate to monetary economics. |
| c. | They all relate to the theory of consumer choice. |
| d. | They are not related to each other in any way. |

3. Just as the theory of the competitive firm provides a more complete understanding of supply, the theory of consumer choice provides a more complete understanding of

|  |  |
| --- | --- |
| a. | demand. |
| b. | profits. |
| c. | production possibility frontiers. |
| d. | wages. |

4. The theory of consumer choice most closely examines which of the following *Ten Principles of Economics*?

|  |  |
| --- | --- |
| a. | People face trade-offs. |
| b. | Governments can sometimes improve market outcomes. |
| c. | Trade can make everyone better off. |
| d. | Markets are usually a good way to organize economic activity. |

5. Which of the following statements is correct?

|  |  |
| --- | --- |
| a. | The theory of consumer choice provides a more complete understanding of supply, just as the theory of the competitive firm provides a more complete understanding of demand. |
| b. | The theory of consumer choice provides a more complete understanding of demand, just as the theory of the competitive firm provides a more complete understanding of supply. |
| c. | Monetary theory provides a more complete understanding of demand, just as the theory of the competitive firm provides a more complete understanding of supply. |
| d. | The theory of public choice provides a more complete understanding of supply, just as the theory of the competitive firm provides a more complete understanding of demand. |

6. When a consumer spends less time enjoying leisure and more time working, she has

|  |  |
| --- | --- |
| a. | lower income and therefore cannot afford more consumption. |
| b. | lower income and therefore can afford more consumption. |
| c. | higher income and therefore cannot afford more consumption. |
| d. | higher income and therefore can afford more consumption. |

7. The theory of consumer choice provides the foundation for understanding the

|  |  |
| --- | --- |
| a. | structure of a firm. |
| b. | profitability of a firm. |
| c. | demand for a firm's product. |
| d. | supply of a firm's product. |

8. The theory of consumer choice examines

|  |  |
| --- | --- |
| a. | the determination of output in competitive markets. |
| b. | the tradeoffs inherent in decisions made by consumers. |
| c. | how consumers select inputs into manufacturing production processes. |
| d. | the determination of prices in competitive markets.  Ch. 22  1. Which of the following is *not* correct?   |  |  | | --- | --- | | a. | Economics is a study of the choices that people make and the resulting interactions they have with one another. | | b. | Economists are not interested in finding new areas to study and new phenomena to explain. | | c. | Economists are trying to expand their understanding of human behavior and society. | | d. | The economics of asymmetric information, political economy, and behavioral economics are all topics at the frontier of microeconomics. |   2. Asymmetric information, political economy, and behavioral economics   |  |  | | --- | --- | | a. | are topics at the frontier of microeconomics. | | b. | are topics that economists no longer research. | | c. | are being studied as economists try to expand their understanding of human behavior and society. | | d. | both a and c are correct. |   3. When one party is better informed about an economic situation than another party, economists describe the problem as one of   |  |  | | --- | --- | | a. | asymmetric information. | | b. | moral hazard. | | c. | political economy. | | d. | behavioral economics |   4. When markets fail, which of the following is true?   |  |  | | --- | --- | | a. | Government intervention can always improve outcomes. | | b. | Government intervention can potentially improve outcomes. | | c. | Government intervention can never improve outcomes. | | d. | Markets do not fail. |   5. The field of behavioral economics builds a more subtle and complex model of economic behavior using insights from   |  |  | | --- | --- | | a. | physics. | | b. | biology. | | c. | psychology. | | d. | anthropology. |   6. Which of the following frontier areas of economics incorporates some findings from psychology into the study of economic issues?   |  |  | | --- | --- | | a. | Asymmetric information | | b. | Political economy | | c. | Behavioral economics | | d. | Public economics |   7. In economics, a difference in access to relevant knowledge is called a(n)   |  |  | | --- | --- | | a. | relevancy frontier. | | b. | knowledge gap. | | c. | information asymmetry. | | d. | information equilibrium. | |