**Economics Practice Exercises**

**Topics: Scarcity and Opportunity Costs, Supply and Demand (2019/20 Fall Semester)**

1. If everyone had unlimited wealth but limited time, then.
A. scarcity would not exist.
**B.** scarcity would still exist.
C. economics would be irrelevant.
D. one would need to study macroeconomics only.

Here are the costs of going to college: tuition - $5,000; books - $200; housing $1,000; food - $1,000; lost income from work - $10,000. Studying and work are equally desirable in your mind. *Food is required independent of where you live.*

2. Suppose that you could work part-time and make $5,000 at a job you would volunteer to do. You live on campus instead of at home. What is the cost of going to school?
A. $16,200
B. $ 7,200
C. $ 5,200
D. $15,200
**E.** $11,200

You are considering renting a car for the weekend. It costs $200 for the car plus $0.20 per mile (including gas).



3. Refer to the figure above. Suppose that the government requires that resources are used efficiently. Which of the following would the government definitely not allow?
A. Specialization in warhead production.
B. Specialization in medical care production.
C. Production at a point other than C.
**D.** Production at Point D.



4. Refer to the figure above. Of the labeled points, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ are efficient.
A. only *t* and *u*
B. only *x*, *y*, and *z*
**C.** only *w*, *x*, *y*, *z*, and *v*
D. only *w*, *x*, *y*, *z*, *v*, and *t*

5. Which is not true of market equilibrium?
A. All sellers who want to sell at the equilibrium price can find a buyer to sell to.
**B.** The highest possible welfare is achieved even if many externalities exist.
C. All buyers who want to buy at the equilibrium price can find a seller to buy from.
D. Circumstances can change from day to day which make any equilibrium very tentative.

6. A new technology is announced which allows manufacturers to produce widgets for less. Widgets are a key input in the production of whatchamacallits. What would we expect to happen to the market for whatchamacallits?
A. The demand curve would shift left.
B. The supply curve would shift left.
C. The demand curve would shift right.
**D.** The supply curve would shift right.

7. Two factors are affecting the domestic auto industry: (1) an increase in cheap Korean imports (2) an increase in the cost of materials. What can we say about equilibrium price and quantity of domestic autos?
A. Equilibrium price will rise.
B. Equilibrium price will fall.
C. Equilibrium quantity will rise.
**D.** Equilibrium quantity will fall.
E. The answer cannot be determined from the information given above.

8. Let demand be given by P = 10 – Q; let supply be given by P = Q. What is the equilibrium quantity?
A. 10
**B.** 5
C. 2
D. none of the above

9. If a good is inferior, then an increase in income will cause the demand curve to
A. shift right.
**B.** shift left.
C. stay the same.
D. do none of the above.

10. If you are at an all-you-can-eat buffet dinner and you are considering whether to eat another dessert, you, as a rational consumer should decide to eat the desert
**A.** if it brings you any pleasure at all.
B. if it brings you more pleasure than the price you paid for the meal.
C. if It brings you as much pleasure as the desert costs if it is ordered ala carte.
D. no matter what because you want to get more for your money.

11. Your bank account pays 3% interest. You loan a friend $100 for one year at zero interest. Assuming the loan is paid on time the opportunity cost of the loan is
**A.** $3.
B. $100.
C. $103.
D. $0.

12. Ginger and Maryann are lost in the jungle, where the only things to eat are mangoes and fish. Ginger can gather mangoes faster than Maryann and can also catch more fish per hour than can Maryann. Therefore:
A. Ginger should specialize in fishing because it is harder than gathering mangoes, and Maryann should specialize in gathering mangoes.
B. Ginger should strike out on her own, because Maryann reduces their combined productivity.
**C.** Maryann should specialize in the activity for which she has a comparative advantage.
D. Ginger should specialize in the activity for which she has an absolute advantage.

13. You decide to go skiing this weekend. It costs $50 for transportation, $50 for lodging, $30 for ski lift tickets and you could have earned $100 as a waiter. What is the total cost of the ski weekend? You would quit your job if they paid one penny less.
**A**. $230
B. $130
C. $100
D. $80.

 

14. In the diagram if the supply curve is S, the equilibrium price is
A. 4.
**B.** 3.
C. 2.
D. none of the above.



15. Refer to the figure above. Moving from Point C to Point B, the opportunity cost of 25 more salads is:
**A***.*5 fewer pizzas.
B. 10 fewer pizzas.
C. 15 fewer pizzas.
D. 30 fewer pizzas.