ALASKA ECONOMICS · FINAL EXAM · 50 QUESTIONS

Final Exam — Practice Test

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1 **When the price of fresh salmon in Anchorage rises and all else stays the same, the quantity demanded**

- A Rises
- B Stays the same
- C Becomes zero
- D Falls

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2 **What does gross domestic product measure?**

- A The value of all final goods and services produced in a country in a year
- B The total money held in banks
- C The total value of exports only
- D The total income of the government

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3 **If the price of beef rises, what happens to the demand for chicken, a substitute for beef?**

- A It falls
- B It stays the same
- C It becomes zero
- D It rises

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4 **How does real gross domestic product differ from nominal gross domestic product?**

- A Real GDP counts only services
- B Real GDP counts only exports
- C Real GDP ignores government spending
- D Real GDP adjusts for price changes

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5 **A villager spends a day fishing for food instead of working a guiding job that pays 200. The opportunity cost of fishing that day is**

- A The cost of fishing gear
- B The 200 in wages given up
- C The cost of the guiding license
- D The value of every other choice

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6 **A labor force of 250 people includes 20 unemployed people. What is the unemployment rate, in percent?**

ANSWER _____

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7 **Household incomes in Fairbanks rise. What happens to the demand for restaurant meals, a normal good?**

- A It falls
- B It rises
- C It stays the same
- D It becomes zero

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8 **A fishing guide in Seward quits one job and searches for another job. This is an example of which type of unemployment?**

- A Frictional
- B Structural
- C Cyclical
- D Seasonal

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9 **If the price of fishing boats falls, what happens to the demand for boat fuel, a complement to fishing boats?**

- A It rises
- B It falls
- C It stays the same
- D It becomes zero

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10 **Unemployment that rises during a recession is best described as**

- A Frictional
- B Structural
- C Cyclical
- D Voluntary

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11 **Cheaper fuel lowers the cost of running tour boats in Juneau. What happens to the supply of boat tours?**

A It decreases

B It stays the same

C It increases

D It becomes zero

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12 **The consumer price index rises from 240 to 264. What is the inflation rate, in percent?**

ANSWER _____

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13 **A city sets a rent ceiling below the equilibrium rent. What market outcome is most likely?**

- A A surplus of housing
- B A shortage of housing
- C No change in housing
- D Equilibrium in housing

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14 **To fight a recession, an expansionary fiscal policy would**

- A Cut spending and raise taxes
- B Raise spending and raise taxes
- C Raise spending and cut taxes
- D Cut spending and cut taxes

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15 **If price is 12 and quantity sold is 40, what is total revenue?**

ANSWER _____

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16 **Monetary policy refers to central bank decisions about**

A Tax rates

B Government spending

C The money supply and interest rates

D Trade quotas

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17 **The price of a good rises from 50 to 55, a 10 percent increase. Quantity demanded falls from 200 to 160, a 20 percent decrease. What is the price elasticity of demand?**

ANSWER _____

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18 **If a central bank raises interest rates, what is the most likely effect on inflation?**

A Inflation rises

B Inflation falls

C Inflation stays the same

D Inflation becomes zero

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19 **A fishing lodge has total revenue of 900 and total cost of 650. What is its profit?**

ANSWER _____

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20 **A deposit of 2000 enters a banking system with a money multiplier of 4. What is the maximum total amount of money that can result?**

ANSWER _____

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21 **A cannery has total cost of 720 and produces 24 units. What is its average total cost?**

ANSWER _____

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22 **Consumer confidence rises sharply. What happens to aggregate demand?**

A It shifts left

B It shifts right

C It stays the same

D It becomes vertical

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23 **A buyer is willing to pay 60 for a guided trip but pays only 45. What is the best name for the 15 difference?**

- A Producer surplus
- B Consumer surplus
- C Deadweight loss
- D Marginal cost

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24 **In the short run, the Phillips curve shows a tradeoff between**

- A Inflation and unemployment
- B Taxes and spending
- C Exports and imports
- D Saving and investment

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25 **Which of the following is closest to a public good?**

A A lighthouse warning ships

B A salmon fillet

C A hotel room

D A guided tour

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26 **Which of the following is an automatic stabilizer for a fishing town in the off season?**

A Unemployment insurance

B A new highway bill

C A tax rate change passed by Congress

D A change in the discount rate

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27 **Only one firm provides ferry service on a remote route and new firms cannot enter easily. This market is best described as**

A Perfect competition

B Monopolistic competition

C Oligopoly

D Monopoly

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28 **Money is used to buy goods and services. This is money serving as a**

A Store of value

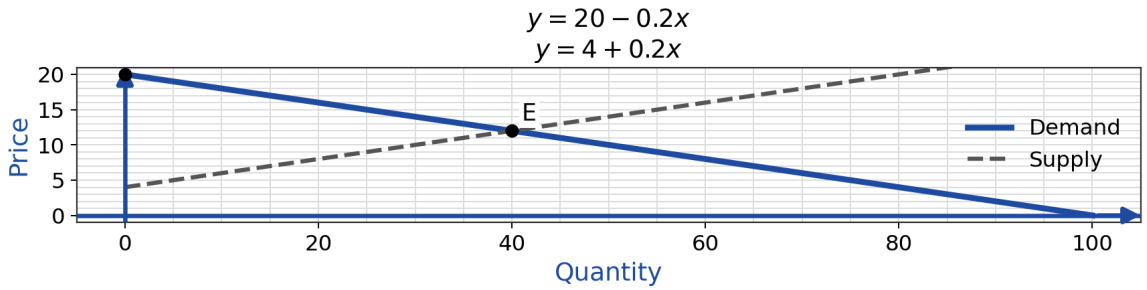
B Unit of account

C Standard of deferred payment

D Medium of exchange

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29 **The graph shows supply and demand for halibut in a coastal town. The equilibrium price is**



A 8

B 10

C 12

D 14

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30 **If the dollar appreciates, what happens to the price of United States exports for foreign buyers?**

- A They become cheaper
- B They become more expensive
- C They stay the same
- D They become free

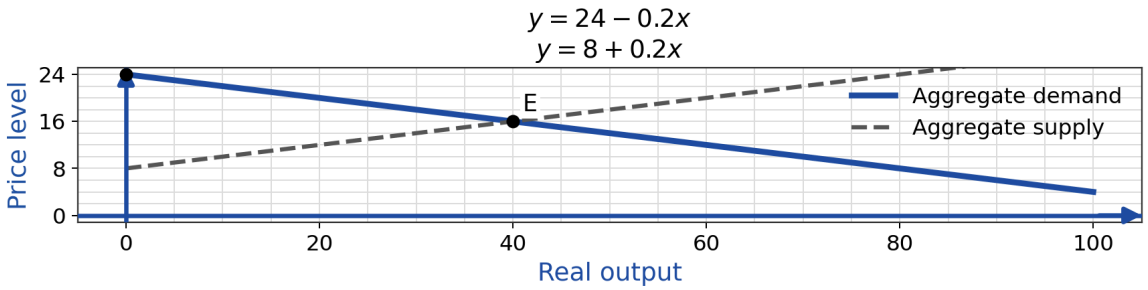
Understand It with Pulse | Flag a mistake

31 **If the wage for deckhands rises, what happens to the quantity of labor supplied, all else equal?**

- A It falls
- B It stays the same
- C It becomes zero
- D It rises

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32 **The graph shows aggregate demand and short run aggregate supply for an economy. The equilibrium price level is**



A 12

B 14

C 16

D 18

Understand It with Pulse | Flag a mistake

33 **If income rises and demand for instant noodles falls, instant noodles are**

A An inferior good

B A normal good

C A luxury good

D A substitute good

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34 **A person stops looking for work after months without success. In the official unemployment count this person is**

A Counted as unemployed

B Counted as employed

C Counted in the labor force

D Not counted as unemployed

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35 **A tour company has fixed costs of 150 and variable costs of 350. What is its total cost?**

ANSWER _____

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36 **A rise in worker productivity most directly increases**

A The price level only

B The unemployment rate

C Potential output

D Government debt

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37 **A firm has fixed costs of 300. It sells each unit for 25 and its variable cost per unit is 10. How many units must it sell to break even?**

ANSWER _____

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38 **When a central bank buys government bonds, the money supply most likely**

A Falls

B Stays the same

C Rises

D Becomes zero

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39 **A government subsidy to producers of a good will most likely**

A Shift supply right

B Shift supply left

C Raise the price paid by buyers

D Reduce quantity sold

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40 **A Permanent Fund Dividend paid to Alaska residents most directly increases their**

A Tax rate

B Disposable income

C Reserve ratio

D Import quota

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41 **An import quota limits the quantity of a good that can be imported. What happens to the domestic price?**

A It falls

B It stays the same

C It rises

D It becomes zero

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42 **When oil prices fall sharply, Alaska oil revenue falls. If the state cuts spending in response, aggregate demand in Alaska most likely**

- A Shifts left
- B Shifts right
- C Stays the same
- D Becomes vertical

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43 **Which market structure has many firms selling differentiated products?**

- A Perfect competition
- B Monopoly
- C Oligopoly
- D Monopolistic competition

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44

A tariff on imported goods most directly

A Lowers the price of imports

B Raises the price of imports

C Bans all trade

D Lowers government revenue

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45

A firm should shut down in the short run when price falls below

A Average total cost

B Marginal cost

C Average variable cost

D Total revenue

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46 **A worker earns 20 per hour. The price level rises by 25 percent. What is the real wage in base year dollars?**

ANSWER _____

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47 **The tragedy of the commons describes a shared fishing ground that is**

A Underused because no one owns it

B Protected by high prices

C Used only by one firm

D Overused because no one owns it

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48 **Government revenue is 500 and government spending is 620. What is the budget deficit?**

ANSWER _____

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49 **A worker can catch 6 salmon or gather 12 baskets of berries in one day. What is the opportunity cost of one salmon, in baskets?**

ANSWER _____

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50 **Heavy government borrowing pushes interest rates up and reduces private investment. This effect is called**

A Crowding out

B Comparative advantage

C Stagflation

D Deflation

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ANSWER KEY

1. D
2. A
3. D
4. D
5. B
6. 8
7. B
8. A
9. A
10. C
11. C
12. 10
13. B
14. C
15. 480
16. C
17. 2
18. B
19. 250
20. 8000
21. 30
22. B
23. B
24. A
25. A
26. A
27. D
28. D
29. C
30. B
31. D
32. C
33. A
34. D
35. 500
36. C
37. 20
38. C
39. A
40. B
41. C
42. A
43. D
44. B
45. C
46. 16
47. D
48. 120
49. 2
50. A

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