WASHINGTON ECONOMICS · FINAL EXAM

Final Exam — Practice Test

Washington Economics • 50 questions

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1 **If the price of printers falls, what happens to the demand for printer ink, a complement to printers?**

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

Understand It with Pulse | Flag a mistake

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 in banks

C The total value of exports only

D The total income of the government

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3 **When demand is inelastic, a rise in price will cause total revenue to**

A Fall

B Stay the same

C Become zero

D Rise

Understand It with Pulse | Flag a mistake

4 **A sharp rise in oil prices shifts aggregate supply left. What combination is most likely?**

- A Higher output and lower prices
- B Lower output and lower prices
- C Higher output and higher prices
- D Lower output and higher prices

Understand It with Pulse | Flag a mistake

5 **If household incomes rise, what happens to the demand for a normal good?**

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

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6 **A labor force of 200 people includes 16 unemployed people. What is the unemployment rate, in percent?**

ANSWER _____

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7 **At a price of 8, quantity demanded is 80 units and quantity supplied is 50 units. How large is the shortage, in units?**

ANSWER _____

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8 **A worker who quits one job and is looking for another is an example of which type of unemployment?**

A Frictional

B Structural

C Cyclical

D Seasonal

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9 **A price floor is set above the equilibrium price. What market outcome is most likely?**

- A A shortage
- B No change
- C A surplus
- D Equilibrium

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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 **If price is 12 and quantity sold is 25, what is total revenue?**

ANSWER _____

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12 **The consumer price index rises from 200 to 220. What is the inflation rate, in percent?**

ANSWER _____

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13 **Total cost is 200 when output is 10 units and 260 when output is 11 units. What is the marginal cost of the 11th unit?**

ANSWER _____

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14 **Which of the following is NOT counted in gross domestic product?**

A A newly built house

B A new car

C A haircut

D The sale of a used car

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

A Perfect competition

B Monopoly

C Oligopoly

D Monopolistic competition

Understand It with Pulse | Flag a mistake

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 **On a production possibilities curve, what does a point outside the curve represent?**

A An efficient outcome

B An inefficient outcome

C An outcome with idle resources

D An unattainable outcome

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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

Understand It with Pulse | Flag a mistake

19 **Which market structure has a single seller protected by barriers to entry?**

A Perfect competition

B Monopoly

C Monopolistic competition

D Oligopoly

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20 **A deposit of 1000 enters a banking system with a money multiplier of 5. What is the maximum total amount of money that can result?**

ANSWER _____

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21 **A factory pollutes a river. The pollution is a negative externality because**

A. Private cost exceeds social cost

B. Private benefit exceeds social benefit

C. Social cost exceeds private cost

D. Social benefit exceeds private benefit

Understand It with Pulse | Flag a mistake

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

Understand It with Pulse | Flag a mistake

23 **What does the law of diminishing marginal utility state?**

- A Each extra unit gives more satisfaction than the last
- B Each extra unit gives less additional satisfaction than the last
- C Total utility always falls
- D Marginal utility is always zero

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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 **A worker can make 4 pizzas or 8 salads in one hour. What is the opportunity cost of one pizza, in salads?**

ANSWER _____

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26 **Which of the following is an automatic stabilizer?**

- **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 **A buyer is willing to pay 30 for a book but pays only 20. What is the best name for the 10 difference?**

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

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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 Medium of exchange

D Standard of deferred payment

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29 **If the wage for a job rises, what happens to the quantity of labor supplied, all else equal?**

A It falls

B It stays the same

C It rises

D It becomes zero

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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

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31 **A business owner gives up a salary of 40000 to run her own shop. That forgone salary is an example of**

A An explicit cost

B A fixed cost

C An implicit cost

D A sunk cost

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32 **If interest rates fall, what is the most likely effect on business investment?**

A It falls

B It rises

C It stays the same

D It becomes zero

Understand It with Pulse | Flag a mistake

33 **If income rises and demand for a good falls, the good is**

A An inferior good

B A normal good

C A luxury good

D A substitute good

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34 **A labor force of 150 people comes from a working age population of 200 people. What is the labor force participation rate, in percent?**

ANSWER _____

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35 **A firm has fixed costs of 100 and variable costs of 250. What is its total cost?**

ANSWER _____

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36 **Stagflation is best described as**

A High inflation and high unemployment together

B Low inflation and low unemployment together

C High growth and low inflation

D Low growth and low inflation

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37 **A firm has total cost of 600 and produces 30 units. What is its average total cost?**

ANSWER _____

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38 **Crowding out occurs when government borrowing**

A Lowers interest rates and raises private investment

B Raises interest rates and reduces private investment

C Lowers taxes and raises saving

D Raises exports and lowers imports

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39 **A tax is placed on a good with inelastic demand. Who bears most of the tax burden?**

A Buyers

B Sellers

C The government

D Foreign producers

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40 **Supply side economic policy aims mainly to**

A Raise consumer spending only

B Increase the economy capacity to produce

C Fix the exchange rate

D Control the money supply only

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

A Shift supply left

B Raise the price paid by buyers

C Shift supply right

D Reduce quantity sold

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42 **A contractionary monetary policy would most likely include**

A Buying government bonds

B Lowering the discount rate

C Selling government bonds

D Lowering reserve requirements

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43 **A minimum wage is set above the equilibrium wage. What labor market outcome is most likely?**

A A shortage of workers

B A surplus of workers

C No change

D Equilibrium

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44 **If the dollar depreciates, what happens to the price of imports for United States buyers?**

A They become cheaper

B They become more expensive

C They stay the same

D They become free

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45 **In an oligopoly, firms are best described as**

A Price takers

B Interdependent

C Independent

D Identical

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46 **If the marginal propensity to consume is 0.8, what is the spending multiplier?**

ANSWER _____

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47 **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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48 **Government spending rises by 200 and the spending multiplier is 4. By how much does GDP rise?**

ANSWER _____

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49 **Total revenue is 400 when 10 units are sold and 440 when 11 units are sold. What is the marginal revenue of the 11th unit?**

ANSWER _____

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50

The discount rate is the interest rate

A Banks charge each other overnight

B The central bank charges banks for loans

C Consumers pay on credit cards

D The government pays on bonds

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ANSWER KEY

1. D
2. A
3. D
4. D
5. A
6. 8
7. 30
8. A
9. C
10. C
11. 300
12. 10
13. 60
14. D
15. D
16. C
17. D
18. B
19. B
20. 5000
21. C
22. B
23. B
24. A
25. 2
26. A
27. B
28. C
29. C
30. B
31. C
32. B
33. A
34. 75
35. 350
36. A
37. 20
38. B
39. A
40. B
41. C
42. C
43. B
44. B
45. B
46. 5
47. C
48. 800
49. 40
50. B

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