Name_____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Positively related variables change such that as the value of one variable   1) _____
    A) increases, the value of the other variable decreases.
    B) decreases, the value of the other variable remains the same.
    C) decreases, the value of the other variable decreases.
    D) increases, the value of the other variable remains the same.
    E) decreases, the value of the other variable increases.

Answer: C
Explanation: A)
                  B)
                  C)
                  D)
                  E)

2) Which of the following statements belongs more properly in the field of normative economics than   2) _____
positive economics?
    A) Canadian governments should provide assistance to the auto industry.
    B) Technological change has reduced the cost of cell phone service.
    C) An increase in the minimum wage leads to more unemployment.
    D) The price of one Canadian dollar is $0.85 U.S.
    E) When a drought occurs, the price of vegetables tends to rise.

Answer: A
Explanation: A)
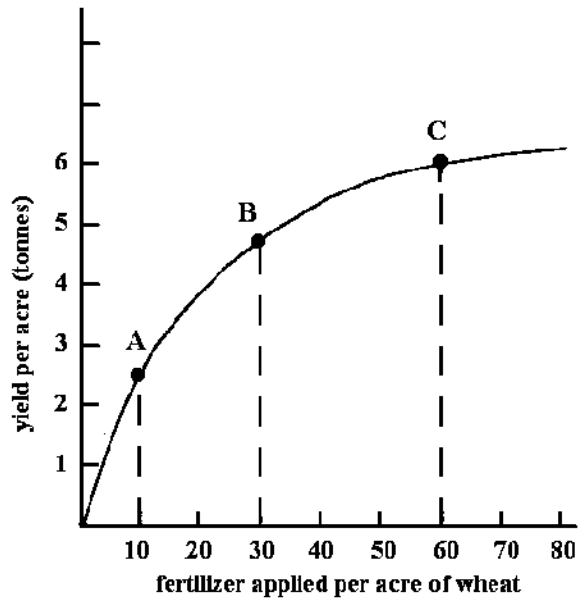   B)
                  C)
                  D)
                  E)

FIGURE 2-4

3) Refer to Figure 2-4. The slope of the non-linear function changes as we move along the curve. The slope is

    A) positive and decreasing, indicating a diminishing marginal response.
    B) negative and decreasing, indicating a diminishing marginal response.
    C) positive and increasing, indicating an increasing marginal response.
    D) constant at all points, indicating a constant marginal response.
    E) negative and increasing, indicating an increasing marginal response.

3) _____

Answer: A
Explanation: A)
                       B)
                       C)
                       D)
                       E)

4) The assumptions of a theory

    A) must be realistic if the theory is to be of any use.
    B) are not necessary for the scientific approach.
    C) are indirectly refuted if and when the theory itself is rejected by empirical observation.
    D) are assumed to be true even when empirical observation rejects the predictions of the theory.
    E) are supposed to be as unrealistic as possible.

4) _____

Answer: C
Explanation: A)
                       B)
                       C)
                       D)
                       E)

5) Which of the following best describes the relationship between positive and normative statements in economics?   5) _____
   A) Normative statements evaluate the desirability of certain economic changes; positive statements do not.
   B) Neither positive nor normative statements are concerned with the desirability of certain economic changes.
   C) Normative statements are those with which all economists agree; positive statements may give rise to some disagreement.
   D) Positive and normative statements are alternate ways of describing the desirability of certain economic policies.
   E) Economists generally agree with each other regardless of whether a question is positive or normative.

   Answer: A
   Explanation: A)
                  B)
                  C)
                  D)
                  E)

6) Data collected of several variables but for the same time period are called   6) _____
   A) cross-sectional data.
   B) topographic data.
   C) time-series data.
   D) logarithmic data.
   E) time-analysis data.

   Answer: A
   Explanation: A)
                  B)
                  C)
                  D)
                  E)

7) Suppose we observe that consumption of electricity decreases when the price of electricity rises. We can say that the two variables are related   7) _____
   A) non-linearly.
   B) exogenously.
   C) linearly.
   D) positively.
   E) negatively.

   Answer: E
   Explanation: A)
                  B)
                  C)
                  D)
                  E)

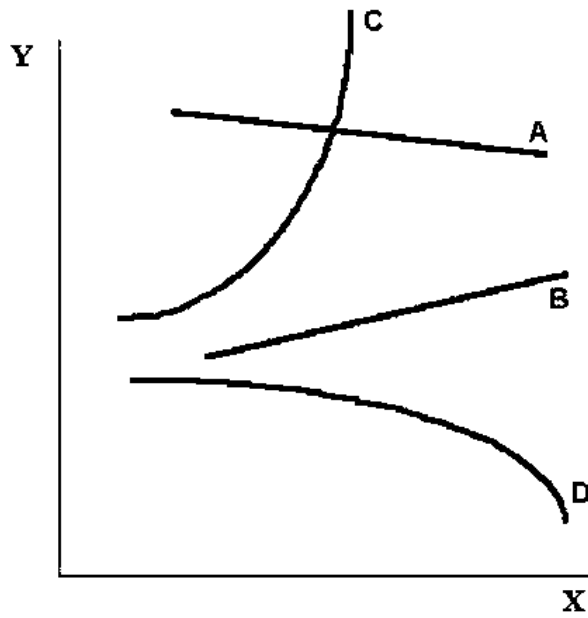FIGURE 2-2

8) Refer to Figure 2-2. The slope of curve B is   8) _____
      A) negative and constant.
      B) undefined.
      C) positive and changing.
      D) negative and changing.
      E) positive and constant.

   Answer: E
   Explanation: A)
                   B)
                   C)
                   D)
                   E)

The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

9) Refer to Table 2-3. Suppose we choose Year 1 as the base year and construct a series of index numbers with which to analyze the sales data. The index numbers for volumes of e-books sold (starting with Year 1) is:

    A) 100; 126.1; 360.1
    B) 100; 226.1; 460.9
    C) 23 000; 52 000; 106 000
    D) 1; 0.442; 0.217
    E) 100; 44.2; 21.7

9) _____

Answer: B
Explanation: A)
                 B)
                 C)
                 D)
                 E)

10) A theory

    A) can only be tested with a controlled experiment.
    B) is used to impose order on the world.
    C) is designed to explain and predict what we observe.
    D) assumes definitions for variables.
    E) enables one to make prophesies about the future.

10) _____

Answer: C
Explanation: A)
                 B)
                 C)
                 D)
                 E)

11) Suppose point A represents coordinates ($X = 2$, $Y = 12$) and point B represents coordinates ($X = 6$, $Y = 4$). The slope of the straight line joining points A and B is

11) _____

    A) $\frac{1}{2}$.   B) 2.   C) -2.   D) 5.   E) $-\frac{1}{2}$.

Answer: C
Explanation: A)
                 B)
                 C)
                 D)
                 E)

12) According to the Bank of Canada's website, Canada's Consumer Price Index (CPI) in August 2009   12) _____
was 114.7, August 2010 was 116.7, August 2011 was 120.3 and August 2012 was 121.8. Given this
set of index numbers, what can we conclude about average prices in Canada between August 2009
and August 2012?
    A) average prices decreased each year
    B) average prices increased over this time period by 7.1%
    C) average prices increased each year
    D) average prices increased over this time period by 21.8%
    E) average prices decreased over this time period by 7.1%

Answer: C

Explanation: A)
                    B)
                    C)
                    D)
                    E)
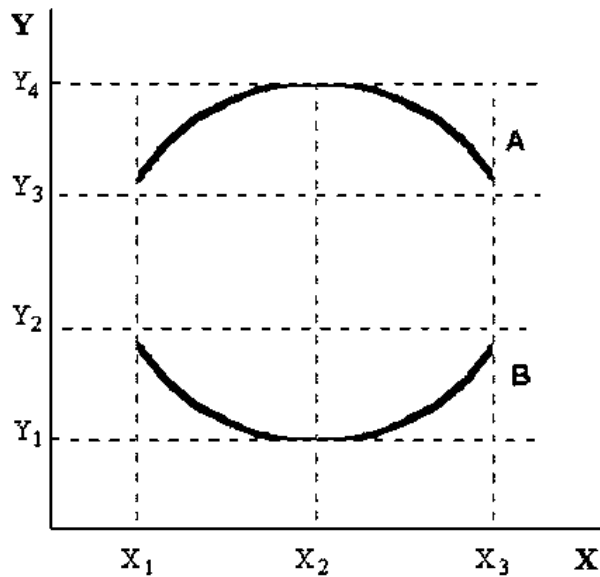

FIGURE 2-3

13) Refer to Figure 2-3. At X_2 on curve A, the   13) _____
    A) maximum occurs at Y_1.
    B) slope of the curve is zero.
    C) minimum occurs at Y_4.
    D) slope is increasing.
    E) slope is decreasing.

Answer: B

Explanation: A)
                    B)
                    C)
                    D)
                    E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

14) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. What   14) _____
is the percentage change in the per-minute charge from 2011 to 2012?

    A) -10.0%   B) -35.0%   C) -25.0%   D) -28.6%   E) -71.4%

Answer: D

Explanation: A)
                      B)
                      C)
                      D)
                      E)

The table below shows hypothetical tuition costs at a Canadian university.

Year	Tuition
2008	$5000
2009	$5050
2010	$5100
2011	$5150
2012	$5200

TABLE 2-1

15) Refer to Table 2-1. Assume that 2008 is used as the base year, with the index number = 100. The   15) _____
value of the index number in 2010 is calculated as follows:

    A) 5100/5100 = 100
    B) 5000/5100 = 0.98
    C) 5100/5000 = 1.02
    D) (5100/5000) × 100 = 102
    E) (5000/5100) × 100 = 98

Answer: D

Explanation: A)
                      B)
                      C)
                      D)
                      E)

16) When it is said that variable A depends on variable B, then A is

    A) a function of B.
    B) independent of B.
    C) a derivative of B.
    D) partially exclusive of B.
    E) proportional to B.

16) _____

Answer: A
Explanation: A)
             B)
             C)
             D)
             E)

17) Suppose an economist tells you that, on average, people in Canada have too much personal debt. This is an example of a(n) _____ statement.

    A) normative
    B) independent
    C) autonomous
    D) positive
    E) induced

17) _____

Answer: A
Explanation: A)
             B)
             C)
             D)
             E)

18) The slope of a straight line is necessarily

    A) positive.
    B) zero.
    C) negative.
    D) constant.
    E) increasing as one moves up the line.

18) _____

Answer: D
Explanation: A)
             B)
             C)
             D)
             E)

19) Which is the best description of positive statements? Positive statements

    A) have been verified by appeal to factual evidence.
    B) are falsifiable in principle by appeal to factual evidence.
    C) have no place in economics because economics deals only with value judgments.
    D) are seldom employed in social sciences like economics.
    E) form the basis of all normative arguments.

19) _____

Answer: B
Explanation: A)
             B)
             C)
             D)
             E)

20) When an increase in one variable is associated with an increase in a second variable, the two variables are

    A) inversely proportionally related.
    B) proportionally related.
    C) negatively related.
    D) positively related.
    E) equivalent.

Answer: D

Explanation: A)
                 B)
                 C)
                 D)
                 E)

20) _____

21) Choose the statement that best characterizes an economic theory. A valid theory

    A) allows one to prove irrefutably one's hypothesis.
    B) extrapolates from the past behaviour of a variable to predict its future course.
    C) allows one to deduce a normative statement.
    D) appeals to the law of large numbers.
    E) generates a hypothesis that can predict future events.

Answer: E

Explanation: A)
                 B)
                 C)
                 D)
                 E)

21) _____

22) Which of the following statements is NOT correct?

    A) Positive statements can best be tested by exposing them to empirical evidence.
    B) Normative statements cannot be tested by the scientific method.
    C) Economists test their theories by confronting the predictions of their theories with the evidence drawn from the real world.
    D) Economic predictions cannot be tested because human decisions involve free will.
    E) An economic model can be useful even if its underlying assumptions are unrealistic.

Answer: D

Explanation: A)
                 B)
                 C)
                 D)
                 E)

22) _____

23) The mathematical expression of a relationship between two or more variables is usually known as   23) _____
    A) an assumption.
    B) a theory.
    C) a definition.
    D) a function.
    E) an observation.

Answer: D
Explanation: A)
                   B)
                   C)
                   D)
                   E)

24) A hypothesis (or a prediction) is a statement about   24) _____
    A) how two or more variables are related to each other.
    B) what will happen in the future.
    C) the relationship between facts explained by the hypothesis.
    D) how assumptions affect theories.
    E) those things which we believe to be true, but cannot prove.

Answer: A
Explanation: A)
                   B)
                   C)
                   D)
                   E)

25) Suppose point A represents co-ordinates (x=2, y=16) and point B represents coordinates (x=10,   25) _____
y=4). What is the slope of the straight line joining points A and B?
    A) 1.5   B) -1.5   C) 0.75   D) -0.43   E) -0.75

Answer: B
Explanation: A)
                   B)
                   C)
                   D)
                   E)

26) Consider the line which is the graph of the function Y = 60 - 4X. The slope of this line is   26) _____
    A) 60.   B) 4.   C) -40.   D) -2.5.   E) -4.0.

Answer: E
Explanation: A)
                   B)
                   C)
                   D)
                   E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

27) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. The 27) _____
value of the index number in 2011 is calculated as follows:
   A) (0.55/0.35) × 100 = 157.14
   B) (0.35/0.55) × 100 = 63.64
   C) 0.55/0.35 = 1.57
   D) 0.35/0.55 = 0.64
   E) 0.35 × 100 = 35

Answer: B
Explanation: A)
                B)
                C)
                D)
                E)

28) When studying economic data, and when comparing the magnitude of changes in variables with 28) _____
different scales it is best to
   A) use only time-series data.
   B) express each variable as a logarithmic number.
   C) compare the relative data on each variable.
   D) express each variable as an index number.
   E) compare the absolute data on each variable.

Answer: D
Explanation: A)
                B)
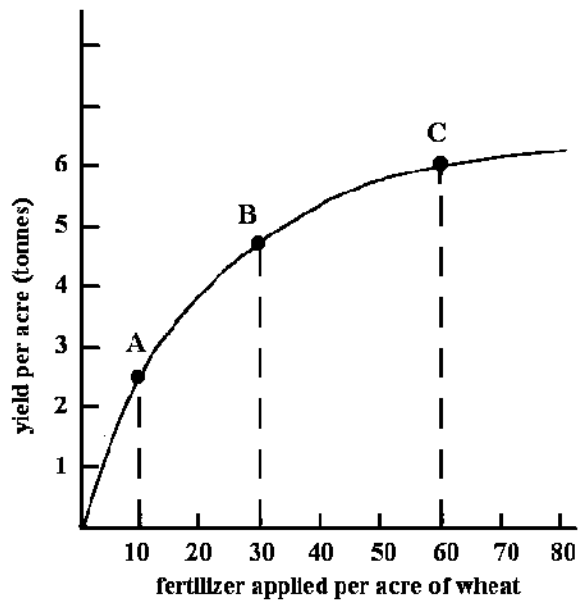   C)
                D)
                E)

FIGURE 2-4

29) Refer to Figure 2-4. If we want to know the marginal response of "yield per acre" due to a change in "fertilizer applied per acre of wheat" at point B, then we should determine the

29) _____

    A) the slope of a straight line from the origin to point B.
    B) quantity of fertilizer applied at point B.
    C) yield per acre at 30 units of fertilizer.
    D) slope of a straight line tangent to point B.
    E) slope of a straight line joining points B and C.

Answer: D
Explanation: A)
                  B)
                  C)
                  D)
                  E)

30) Of the following, which is the most important characteristic of a successful theory?

30) _____

    A) the theory allows us to predict behaviour reasonably accurately
    B) the theory provides a basis for facts about economic behaviour
    C) the theory could never be refuted
    D) all assumptions on which the theory is based are true
    E) the theory adequately explains all economic behaviour

Answer: A
Explanation: A)
                  B)
                  C)
                  D)
                  E)

31) The base year for an index number is

31) _____

    A) declared by the federal government.
    B) chosen arbitrarily by those who construct the data.
    C) the year in which 2 or more index numbers are equal to 100.
    D) dependant upon the type of data.
    E) determined by the year the variable equals exactly 100.

Answer: B
Explanation: A)
                    B)
                    C)
                    D)
                    E)

32) At the minimum or the maximum of the graph of a non-linear function (with x on the horizontal axis and y on the vertical axis) the marginal response of y to a small change in x is

32) _____

    A) 0.
    B) -1.
    C) 1.
    D) undefined.
    E) infinite.

Answer: A
Explanation: A)
                    B)
                    C)
                    D)
                    E)

33) When an economist assumes that the owners of firms are motivated only by the desire to maximize profits, the economist most likely believes that

33) _____

    A) the assumption is descriptively accurate, since surveys have been taken and the owners of firms have admitted that their only objective is to maximize profits.
    B) all people enter business for their own selfish gain.
    C) the assumption is inaccurate, since surveys have been taken and the owners of firms have admitted that they care about more than just profits.
    D) individuals entering business are quite narrow in their personal objectives.
    E) it doesn't matter whether or not the assumption is descriptively accurate; what matters is whether a theory built on the assumption predicts well.

Answer: E
Explanation: A)
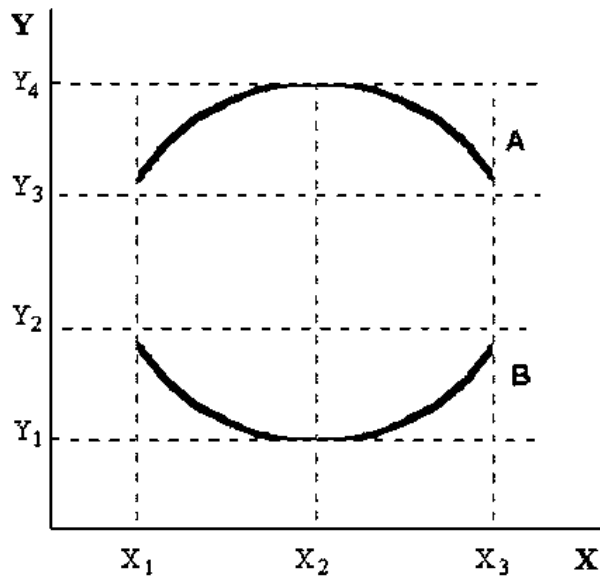   B)
                    C)
                    D)
                    E)

FIGURE 2-3

34) Refer to Figure 2-3. The slope of curve A is   34) _____

    A) negative from X_1 to X_2 and positive from X_2 to X_3.

    B) negative and variable.

    C) positive from X_1 to X_2 and negative from X_2 to X_3.

    D) zero.

    E) positive and variable.

Answer: C

Explanation: A)

                      B)

                      C)

                      D)

                      E)

35) Which is an example of a positive statement?   35) _____

    A) Substitutes for fossil fuels should be developed.

    B) Corporations in Canada should pay more taxes.

    C) The higher the price for gasoline, the less of it will be consumed.

    D) Canada should reduce its imports of consumer goods.

    E) There should be one price for gasoline throughout Canada.

Answer: C

Explanation: A)

                      B)

                      C)

                      D)

                      E)

36) Suppose a theory predicts that lowering tuition fees at Canadian universities will increase   36) _____
enrollment from low-income households. If empirical evidence consistently rejects this prediction,
then we
    A) should change the empirical data.
    B) change the exogenous variables in the theory.
    C) should test the theory again.
    D) need to amend the theory.
    E) should increase tuition fees back to their initial level.

Answer: D
Explanation: A)
                 B)
                 C)
                 D)
                 E)

37) If a theory's prediction is tested and rejected,   37) _____
    A) the original data and assumptions should be discarded.
    B) inquiry into the matter should cease.
    C) it is rejected with certainty, because it is not possible to reject a hypothesis that is actually true.
    D) the statistical tolerance of risk for accepting a false hypothesis should be increased.
    E) a new hypothesis is usually suggested and tested.

Answer: E
Explanation: A)
                 B)
                 C)
                 D)
                 E)

38) An economist has data showing Canadian GDP for the years 1945-2012. The best way to illustrate   38) _____
these data is
    A) a logarithmic scale diagram.
    B) a time-series line graph.
    C) a cross-sectional bar-chart graph.
    D) a scatter diagram.
    E) a time-series pie chart.

Answer: B
Explanation: A)
                 B)
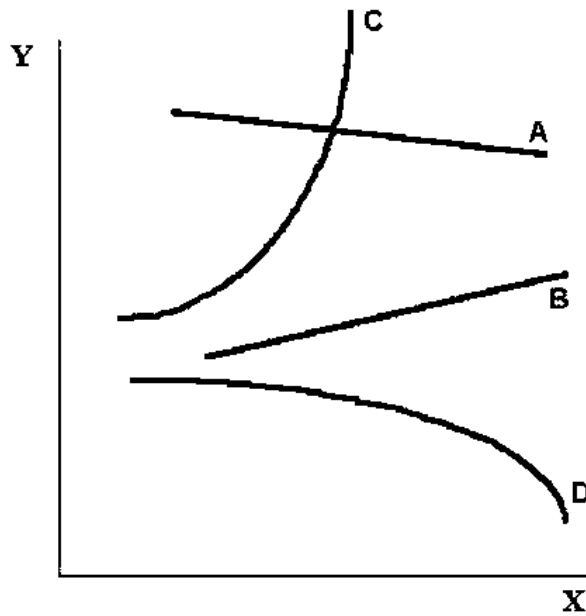   C)
                 D)
                 E)

FIGURE 2-2

39) Refer to Figure 2-2. The slope of curve D is   39) _____
    A) negative and constant.
    B) positive and changing.
    C) positive and constant.
    D) negative and changing.
    E) undefined.

Answer: D
Explanation: A)
                B)
                C)
                D)
                E)

40) What is the best way to display the unemployment rate in each of the world's developed economies   40) _____
in 2012?
    A) a cross-sectional bar chart graph
    B) a cross-sectional graph with time-series data
    C) a scatter diagram with two variables
    D) a scatter diagram
    E) a time series line graph

Answer: A
Explanation: A)
                B)
                C)
                D)
                E)

41) Which of the following is a normative statement?

    A) The higher is the level of taxes, the higher are wage demands.

    B) Tuition fees should be waived for low-income students.

    C) A reduction in export taxes on petroleum would result in higher wages.

    D) The higher is the level of taxes, the lower is consumption spending.

    E) A free-trade agreement between two countries will result in an increase in trade.

41) _____

Answer: B

Explanation: A)
                B)
                C)
                D)
                E)

42) Suppose that over a 12-month period, Sonali's income (Y) rises from $27 000 to $35 000 per year and, as a result, her spending on travel (T) increases from $1500 to $2500 per year. Assume there is a linear relation between the two variables, Y and T. What is the *marginal response* in T to a change in Y?

    A) 0.125   B) 0.25   C) 0   D) 8   E) 4

42) _____

Answer: A

Explanation: A)
                B)
                C)
                D)
                E)

43) Suppose that a particular theory predicts that on sunny days consumption of ice cream will rise and that on cloudy days consumption of ice cream will fall. If an economist tests this theory and finds that over a six-month period the theory predicts accurately, the economist would likely say

    A) the evidence fails to reject the theory.

    B) that the theory is not useful because consumption involves irrational human behaviour.

    C) the theory is always reliable.

    D) the theory has been proven correct.

    E) the theory shouldn't be taken seriously.

43) _____

Answer: A

Explanation: A)
                B)
                C)
                D)
                E)

44) Suppose we have data for 1000 students for a period of one year. The data show that those students who spend more hours studying have a higher grade point average (GPA). We can say that

    A) having a higher GPA leads students to spend more time studying.
    B) more hours spent studying leads to a higher GPA.
    C) there is a causal relationship between hours of study time and GPA.
    D) if hours of study time increase, then GPA will automatically increase.
    E) there is a positive correlation between hours of study time and GPA.

44) _____

Answer: E
Explanation: A)
                      B)
                      C)
                      D)
                      E)

45) A scientific prediction is

    A) not testable.
    B) a causal statement of the following form: A will occur because B occurred.
    C) a prophesy of how the future will unfold.
    D) always based on the law of large numbers.
    E) a conditional statement of the following form: if A occurs, then B will follow.

45) _____

Answer: E
Explanation: A)
                      B)
                      C)
                      D)
                      E)

46) Suppose an individual wheat farmer's income is influenced by the region's average daily temperature. When examining the determinants of individual farmer income, the average daily temperature is a(n) _____ variable.

    A) flow
    B) endogenous
    C) exogenous
    D) dependent
    E) induced

46) _____

Answer: C
Explanation: A)
                      B)
                      C)
                      D)
                      E)

47) Disagreements over positive statements   47) _____

    A) arise from the failure to distinguish between a positive and a normative statement.
    B) are best handled by an appeal to the facts.
    C) are basically devoid of any emotion.
    D) never occur.
    E) cannot arise because positive statements are facts.

Answer: B
Explanation: A)
               B)
               C)
               D)
               E)

48) If the graph of a function is a horizontal line, the slope of this line is   48) _____

    A) 1.
    B) undefined.
    C) -1.
    D) 0.
    E) infinity.

Answer: D
Explanation: A)
               B)
               C)
               D)
               E)

49) Suppose point A represents coordinates (X = 5, Y = 6) and point B represents coordinates (X = 2, Y   49) _____
    = 3). Then the slope of the straight line joining points A and B is

    A) 3/2.   B) 2/3.   C) 5/6.   D) -1.   E) 1.

Answer: E
Explanation: A)
               B)
               C)
               D)
               E)

50) On a coordinate graph, what is the Y intercept of the function X = 60 + 3Y?   50) _____
    A) 0.1   B) 20   C) -20   D) 60   E) 3.0

Answer: C
Explanation: A)
               B)
               C)
               D)
               E)

51) According to the Bank of Canada's website, Canada's Consumer Price Index (CPI) in August 2009   51) _____
was 114.7, August 2010 was 116.7, August 2011 was 120.3 and August 2012 was 121.8. Given this
set of index numbers, what is the percentage change in the average level of prices between August
2009 and August 2012?

    A) 121.8%   B) 6.2%   C) 114.7%   D) 7.1%   E) 5.8%

Answer: B
Explanation: A)
                     B)
                     C)
                     D)
                     E)

The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

52) Refer to Table 2-3. Between Year 1 and Year 3, what is the percentage change in sales of e-books?   52) _____

    A) 360.9%   B) 21.7%   C) 83%   D) 83 000%   E) 460.9%

Answer: A
Explanation: A)
                     B)
                     C)
                     D)
                     E)

The table below shows hypothetical tuition costs at a Canadian university.

Year	Tuition
2008	$5000
2009	$5050
2010	$5100
2011	$5150
2012	$5200

TABLE 2-1

53) Refer to Table 2-1. Assume that 2008 is used as the base year, with the index number = 100. The   53) _____
value of the index number in 2012 is

    A) 104   B) 100   C) 0.96   D) 96   E) 1.04

Answer: A
Explanation: A)
                     B)
                     C)
                     D)
                     E)

54) Suppose economists at the World Bank discover a positive correlation between family income and female education levels in developing countries. We can say that

54) _____

    A) there is a causal relationship between family income and female education.

    B) the observed correlation is consistent with a theory that an increase in female education levels causes an increase in family income.

    C) the correlation is inconsistent with a theory that an increase in female education levels causes an increase in family income.

    D) an increase in female education levels causes an increase in family incomes.

    E) an increase in family income causes an increase in female education levels.

Answer: B

Explanation: A)

                       B)
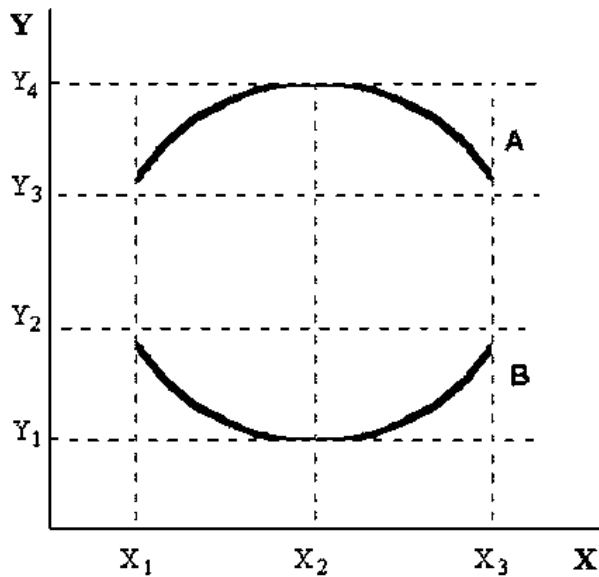
                       C)

                       D)

                       E)

FIGURE 2-3

55) Refer to Figure 2-3. The slope of curve B is

55) _____

    A) zero at X_2.

    B) undefined at X_2.

    C) always positive but variable.

    D) always negative but variable.

    E) positive from Y_1 to Y_2 and negative between Y_2 and Y_3.

Answer: A

Explanation: A)

                       B)

                       C)

                       D)

                       E)

The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

56) Refer to Table 2-3. Between Year 1 and Year 3, what is the percentage change in sales of hardcover books?   56) _____

    A) -56.9%   B) 0.569%   C) -0.569%   D) -569%   E) 56.9%

Answer: A
Explanation: A)
                  B)
                  C)
                  D)
                  E)

57) The slope of a curve is   57) _____
    A) always positive.
    B) always constant.
    C) always negative.
    D) negative if the curve rises to the right.
    E) positive if the curve rises to the right.

Answer: E
Explanation: A)
                  B)
                  C)
                  D)
                  E)

58) Which is the best description of a normative statement? A normative statement   58) _____
    A) has no place in the study and practice of economics.
    B) is a statement that is empirically testable.
    C) can be derived logically from facts.
    D) is one that involves a value judgment.
    E) concerns what is provable.

Answer: D
Explanation: A)
                  B)
                  C)
                  D)
                  E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

59) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. Which of the following series is the correct set of index numbers for the per-minute cell phone charges from 2008 to 2012?
    A) 100; 91; 73; 64; 45
    B) 55; 50; 40; 35; 25
    C) 100%; 91%; 73%; 64%; 45%
    D) 0.55; 0.50; 0.40; 0.35; 0.25
    E) 1.0; 0.91; 0.73; 0.64; 0.45

59) _____

Answer: A
Explanation: A)
                B)
                C)
                D)
                E)

60) Economics is scientific because
    A) individual behaviour is predictable.
    B) economists use data.
    C) economists test hypotheses by appealing to empirical evidence.
    D) economists routinely conduct controlled experiments.
    E) economists routinely conduct laboratory experiments.

60) _____

Answer: C
Explanation: A)
                B)
                C)
                D)
                E)

61) Suppose point A represents co-ordinates (X=10, Y=12) and point B represents co-ordinates (X=5, Y=7). The slope of the straight line joining points A and B is
    A) 1.   B) 2/3.   C) -1.   D) 3/2.   E) 5/6.

61) _____

Answer: A
Explanation: A)
                B)
                C)
                D)
                E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

62) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. The value of the index number in 2010 is   62) _____

    A) 100   B) 1.375   C) 0.72   D) 137.5   E) 72.73

Answer: E
Explanation: A)
                 B)
                 C)
                 D)
                 E)

63) Using the scientific method to approach an economic issue involves   63) _____
    A) building a theory to explain the issue and then determining if the theory can be refuted by evidence.
    B) considering stock and flow variables.
    C) the use of controlled experiments to confirm the evidence presented by the data.
    D) finding the correct data to validate the theory.
    E) formulating normative statements about it.

Answer: A
Explanation: A)
                 B)
                 C)
                 D)
                 E)

64) As a science, economics is disadvantaged in that   64) _____
    A) it is usually not possible to conduct controlled experiments in economics, in contrast with certain other sciences.
    B) economic variables do not change enough to provide reliable data for testing hypotheses.
    C) economic hypotheses cannot be accepted with complete certainty, by contrast with the other sciences.
    D) some economic variables are determined within the theory.
    E) it deals with human behaviour and thus is not open to empirical testing.

Answer: A
Explanation: A)
                 B)
                 C)
                 D)
                 E)

65) Suppose there is a linear relationship between the ticket price (P) to a university basketball game and the number of tickets sold (Q). If the ticket price is $20, then 600 tickets are sold; if the ticket price is $8, then $3000 tickets are sold. What is the slope of the function if Q is plotted on the horizontal axis and P is plotted on the vertical axis?

65) _____

    A) 0   B) -0.005   C) 0.005   D) -0.05   E) 0.05

Answer: B
Explanation: A)
                     B)
                     C)
                     D)
                     E)

66) Consider the following equation: $Y = 10 + 5X - X^2$. This equation is an expression of

66) _____

    A) a functional relation in a verbal format.
    B) a functional relation between X and Y.
    C) a functional relation in a schedule format.
    D) two dependent variables in a functional relation.
    E) two independent variables in a functional relation.

Answer: B
Explanation: A)
                     B)
                     C)
                     D)
                     E)

67) An economic hypothesis will be rejected when

67) _____

    A) a single empirical observation is encountered in which its predictions fail.
    B) the possibility of error has been completely eliminated.
    C) the probability that it is wrong, based on repeated empirical observations, is judged to be unacceptably high.
    D) it is rejected by a single empirical observation.
    E) one or more of the assumptions on which it is based fails to conform with reality.

Answer: C
Explanation: A)
                     B)
                     C)
                     D)
                     E)

68) The statement that a 2% increase in the money supply leads to a 2% increase in the price level is an example of a(n)

68) _____

   A) variable.

   B) normative statement.

   C) prediction.

   D) assumption.

   E) model.

Answer: C

Explanation: A)

                B)

                C)

                D)

                E)

69) Choose the statement that best characterizes an economic theory. An economic theory

69) _____

   A) will be useful only if all human behaviour is rational.

   B) is only useful if its underlying assumptions are realistic.

   C) must be judged on its ability to explain and predict real-world phenomena.

   D) will predict more accurately if it contains a greater number of mathematical equations.

   E) will be useful as long as it is logically consistent.

Answer: C

Explanation: A)

                B)

                C)

                D)

                E)
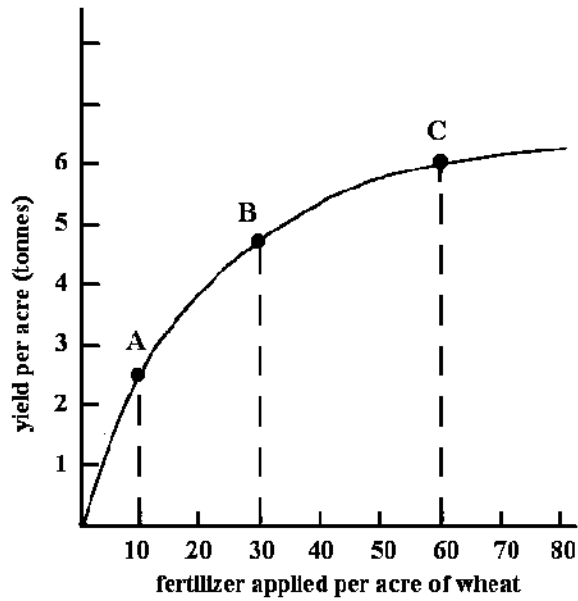
FIGURE 2-4

70) Refer to Figure 2-4. The functional relation shown between fertilizer applied and wheat yield can be described as a

    A) diminishing marginal response.
    B) constant marginal response.
    C) increasing partial response.
    D) increasing marginal response.
    E) decreasing total response.

Answer: A

Explanation: A)
                       B)
                       C)
                       D)
                       E)

71) When an increase in one variable is associated with a decrease in a second variable, the two variables are

    A) positively related.
    B) equivalent.
    C) negatively related.
    D) inversely proportionally related.
    E) proportionally related.

Answer: C

Explanation: A)
                       B)
                       C)
                       D)
                       E)

The table below shows hypothetical data for the volume of gold and nickel output across several years.

	Gold (troy ounces)	Index	Nickel (lbs)	Index
Year 1	1 230 000		4500	
Year 2	1 416 000		4551	
Year 3	1 349 000	100	4623	100
Year 4	947 000		4791	
Year 5	1 012 000		4802	
Year 6	1 321 000		4867	
Year 7	1 450 000		5002	
Year 8	1 510 000		5117	

TABLE 2-4

72) Refer to Table 2-4. What is the index number for gold output in Year 8?   72) _____
    A) 111.9%   B) 1.119   C) 11.9%   D) 111.9   E) 11.9

Answer: D
Explanation: A)
                    B)
                    C)
                    D)
                    E)

73) Choose the answer that best explains why economists build models that abstract from the   73) _____
complexities of reality.
    A) Because they believe they gain a greater understanding of reality.
    B) Because economics deals only in the abstract.
    C) Because this allows economists to conduct controlled experiments to test their theories.
    D) Because the complexities of reality are unimportant.
    E) Because economists are not interested in reality.

Answer: A
Explanation: A)
                    B)
                    C)
                    D)
                    E)

74) An assertion about the desirability of reducing unemployment by lowering payroll taxes is most   74) _____
likely
    A) a testable proposition.
    B) a positive statement.
    C) a hypothesis.
    D) a theory.
    E) a normative statement.

Answer: E
Explanation: A)
                    B)
                    C)
                    D)
                    E)

75) An index number expresses the value of a variable in any given period   75) _____
   A) as a proportional weighted average.
   B) as a weighted average.
   C) as a percentage of its value in the base period.
   D) as an absolute compared to the base period.
   E) as an average of its value in the base period.

   Answer: C
   Explanation: A)
                    B)
                    C)
                    D)
                    E)

76) A scatter diagram   76) _____
   A) is a graph of a theoretical relationship between two variables.
   B) plots a series of observations, showing the relationship between two variables.
   C) shows the dependence of one variable on another.
   D) relates time series data only.
   E) relates cross-sectional data only.

   Answer: B
   Explanation: A)
                    B)
                    C)
                    D)
                    E)

77) Which of the following is a normative statement?   77) _____
   A) A government deficit will reduce unemployment and cause an increase in prices.
   B) The sun rises in the west and sets in the east.
   C) Reducing unemployment is more important than reducing inflation.
   D) Queen Elizabeth II is the wealthiest woman in the world.
   E) An increase in the price of lumber is followed by a decrease in the construction of new
      houses.

   Answer: C
   Explanation: A)
                    B)
                    C)
                    D)
                    E)

78) Suppose there is a theory that several things influence the price of fish in Halifax, one of which is
the weather during the fishing season. When examining the determinants of the price of fish, the
weather is

78) _____

A) an exogenous variable, as it is determined outside the theory.
B) an endogenous variable, as it influences the price of fish.
C) an act of God and, therefore, has no legitimate connection with the theory.
D) an endogenous variable, as it is determined within the theory.
E) a stock, as it influences the quantity of fish caught.

Answer: A
Explanation: A)
B)
C)
D)
E)

79) When using statistics in economics, the possibility of error

79) _____

A) is not considered to be important.
B) can be eliminated with more sophisticated statistical techniques.
C) cannot be controlled.
D) cannot be evaluated.
E) cannot be eliminated.

Answer: E
Explanation: A)
B)
C)
D)
E)

The table below shows hypothetical data for the volume of gold and nickel output across several years.

	Gold (troy ounces)	Index	Nickel (lbs)	Index
Year 1	1 230 000		4500	
Year 2	1 416 000		4551	
Year 3	1 349 000	100	4623	100
Year 4	947 000		4791	
Year 5	1 012 000		4802	
Year 6	1 321 000		4867	
Year 7	1 450 000		5002	
Year 8	1 510 000		5117	

TABLE 2-4

80) Refer to Table 2-4. What is the index number for gold output in Year 1?   80) _____

A) 109.7   B) 0.91   C) 91.2   D) 1.097   E) 99.7

Answer: C
Explanation: A)
B)
C)
D)
E)

81) Suppose that two points on a straight line are (X = 4, Y = 5), and (X = 2, Y = 1). The slope of this line   81) _____
is

A) $-\dfrac{1}{2}$.   B) $\dfrac{4}{5}$.   C) $\dfrac{1}{2}$.   D) 2.   E) -2.

Answer: D
Explanation: A)
                        B)
                        C)
                        D)
                        E)

82) Suppose that a particular theory predicts that on Monday, Wednesday, and Friday the stock market   82) _____
will rise and that on Tuesday and Thursday the stock market will fall. If an economist tests this
theory and finds that over a six-month period the theory predicts accurately, the economist would
likely say that the theory
    A) has been proven correct.
    B) is reliable.
    C) is not rejected by the evidence.
    D) is not useful because stock markets involve irrational human behaviour.
    E) shouldn't be taken seriously.

Answer: C
Explanation: A)
                        B)
                        C)
                        D)
                        E)

FIGURE 2-2

83) Refer to Figure 2-2. The slope of curve C is

    83) _____

    A) negative and constant.
    B) impossible to describe.
    C) negative and changing.
    D) positive and changing.
    E) positive and constant.

Answer: D
Explanation: A)
                    B)
                    C)
                    D)
                    E)

84) Economic theories

    84) _____

    A) can be used to help explain and predict economic behaviour.
    B) cannot help to predict future behaviour.
    C) cannot be tested because we cannot do economic "experiments."
    D) must apply to all economies to be true.
    E) are not useful because of the unrealistic assumptions they contain.

Answer: A
Explanation: A)
                    B)
                    C)
                    D)
                    E)

The table below shows hypothetical data for volumes of e-books and hardcover books sold over a 3-year period in a particular city.

	E-books	Hardcover Books
Year 1	23 000	72 000
Year 2	52 000	59 000
Year 3	106 000	31 000

TABLE 2-3

85) Refer to Table 2-3. Suppose we choose Year 1 as the base year and construct a series of index   85) _____
numbers with which to analyze sales data. The index numbers for volumes of hardcover books sold
(starting with Year 1) is:
   A) 431; 819; 100
   B) 0.431; 0.819; 100
   C) 100; 81.9; 43.1
   D) 43.1; 81.9; 100
   E) 100; 0.819; 0.431

Answer: C
Explanation: A)
                B)
                C)
                D)
                E)

The table below shows hypothetical per-minute cell phone charges for "pay-and-talk" service over several years.

2008	0.55
2009	0.50
2010	0.40
2011	0.35
2012	0.25

TABLE 2-2

86) Refer to Table 2-2. Assume that 2008 is used as the base year, with the index number = 100. The   86) _____
value of the index number in 2012 is
   A) 0.45   B) 45.45   C) 25.0   D) 2.5   E) 0.25

Answer: B
Explanation: A)
                B)
                C)
                D)
                E)

87) The statement "Y is a function of X" means that the 87) _____

    A) values of Y and X are independent.

    B) value of Y depends on that of X.

    C) values of Y and X are related to some third variable.

    D) value of X depends on that of Y.

    E) values of Y and X are the same.

Answer: B

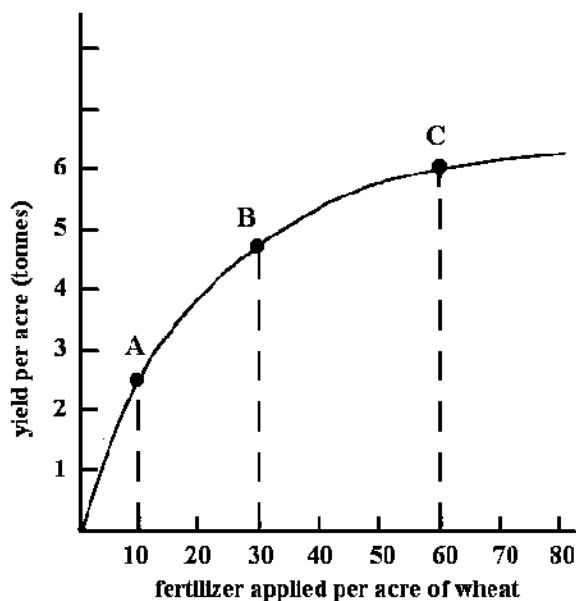Explanation: A)

                     B)

                     C)

                     D)

                     E)

FIGURE 2-4

88) Refer to Figure 2-4. This non-linear function shows that over the range shown, 88) _____

    A) as more fertilizer is applied, the marginal change in yield is diminishing.

    B) as the yield per acre increases, the amount of fertilizer required per acre is increasing.

    C) as the yield per acre increases, the amount of fertilizer required per acre is diminishing.

    D) as more fertilizer is applied, the total yield per acre is diminishing.

    E) as more fertilizer is applied, the marginal response in yield is increasing

Answer: A

Explanation: A)

                     B)

                     C)

                     D)

                     E)

89) An economist has data showing household income and energy consumption for 10 000 Canadian households. The best way to illustrate these data is

    A) a logarithmic scale diagram.
    B) a cross-sectional bar-chart graph.
    C) a time-series line graph.
    D) a time-series bar chart diagram.
    E) a scatter diagram.

Answer: E
Explanation: A)
                  B)
                  C)
                  D)
                  E)

90) The statement that introducing a policy of legislated rent controls will lead to a housing shortage is an example of a(n)

    A) normative statement.
    B) model.
    C) theory.
    D) prediction.
    E) assumption.

Answer: D
Explanation: A)
                  B)
                  C)
                  D)
                  E)

The table below shows hypothetical tuition costs at a Canadian university.

Year	Tuition
2008	$5000
2009	$5050
2010	$5100
2011	$5150
2012	$5200

TABLE 2-1

91) Refer to Table 2-1. The increase in tuition fees from 2008 to 2012 is

    A) 4%.   B) 200/5200.   C) 0.04%.   D) 200.   E) 100/5000.

Answer: A
Explanation: A)
                  B)
                  C)
                  D)
                  E)

92) Consider the functional relationship between two variables, X and Y. If Y is an increasing function   92) _____
   of X, then
      A) X remains constant as Y increases.
      B) Y increases when X decreases.
      C) Y decreases when X increases.
      D) X decreases when Y increases.
      E) Y increases when X increases.

   Answer: E
   Explanation: A)
                   B)
                   C)
                   D)
                   E)

93) At the minimum or the maximum of the graph of a non-linear function (with x on the horizontal   93) _____
   axis and y on the vertical axis) the slope of the curve is
      A) -1.
      B) infinite.
      C) undefined.
      D) 1.
      E) 0.

   Answer: E
   Explanation: A)
                   B)
                   C)
                   D)
                   E)

94) Economists build models that abstract from the complexities of reality because   94) _____
      A) economists do not understand the real world.
      B) economists are not interested in reality.
      C) they believe they gain a greater understanding of reality.
      D) the complexities of reality are unimportant.
      E) it is easier to do so.

   Answer: C
   Explanation: A)
                   B)
                   C)
                   D)
                   E)

95) An economic theory requires, among other things, 95) _____
    A) a set of definitions of the variables to be considered.
    B) a set of value judgments to interpret the empirical evidence.
    C) that the set of predictions be correct.
    D) the use of endogenous variables only.
    E) a controlled laboratory setting in which the theory can be tested.

Answer: A
Explanation: A)
                  B)
                  C)
                  D)
                  E)

96) Choose the statement that best describes how endogenous variables differ from exogenous 96) _____
variables.
    A) An endogenous variable is a function of the exogenous variable, and both are stock variables.
    B) An endogenous variable is a flow, while an exogenous variable is a stock.
    C) An exogenous variable is a function of the endogenous variable, and both are flow variables.
    D) An endogenous variable is explained outside the theory and influences an exogenous variable
       while an exogenous variable is explained within the theory.
    E) An endogenous variable is explained within the theory, while an exogenous variable
       influences the endogenous variables but is determined outside the theory.

Answer: E
Explanation: A)
                  B)
                  C)
                  D)
                  E)

97) Negatively related variables change such that as the value of one variable 97) _____
    A) increases, the value of the other decreases.
    B) decreases, the value of the other variable remains the same.
    C) increases, the value of the other variable increases.
    D) decreases, the value of the other variable decreases.
    E) increases, the value of the other variable remains the same.

Answer: A
Explanation: A)
                  B)
                  C)
                  D)
                  E)

98) Suppose an economist tells you that the unemployment rate in Canada last year was 7.8%. This is an example of a(n) _____ statement.

    A) imputed
    B) autonomous
    C) induced
    D) positive
    E) normative

Answer: D
Explanation: A)
                  B)
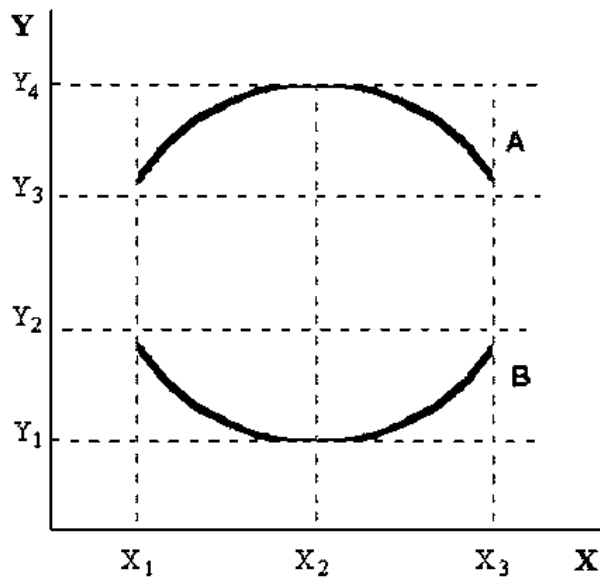   C)
                  D)
                  E)

98) _____

FIGURE 2-3

99) Refer to Figure 2-3. On curve A, the maximum value of Y occurs at

    A) X_1.
    B) X_3.
    C) $X = 0$.
    D) X_2.
    E) values of X greater than X_3.

Answer: D
Explanation: A)
                  B)
                  C)
                  D)
                  E)

99) _____

100) Suppose Ahmoud would spend $1200 per year on travel, even if his annual income were zero. As his income rises, he would spend 20% of each additional dollar of income on travel. Choose the correct mathematical equation that describes the functional relation between his travel spending (T) and his income (Y).

   A) T = 1200 + 0.2Y
   B) T = 1200 + 0.8Y
   C) Y = 1200 + 0.2T
   D) Y = 1200 - 0.2T
   E) T = 0.2 + 1200Y

Answer: A
Explanation: A)
                 B)
                 C)
                 D)
                 E)

101) A positive statement is one that states

   A) non-negative numbers.
   B) what should be but is not.
   C) what is desirable.
   D) what is, was, or will be.
   E) what is and what should be.

Answer: D
Explanation: A)
                 B)
                 C)
                 D)
                 E)

102) Let *1* stand for "any given period" and *2* stand for "base period." The formula of any index number can be written as:

   A) value of index at *1* $= \dfrac{\text{relative value at } 1}{\text{relative value at } 2}$

   B) value of index at *1* $= \dfrac{\text{absolute value at } 1}{\text{absolute value at } 2} \times 100$

   C) value of index at *1* $= \dfrac{\text{relative value at } 1}{\text{relative value at } 2} \times 100$

   D) value of index at *1* $= \dfrac{\text{absolute value at } 1}{\text{absolute value at } 2}$

   E) value of index at *1* $= \dfrac{\text{absolute value at } 2}{\text{absolute value at } 1} \times 100$

Answer: B
Explanation: A)
                 B)
                 C)
                 D)
                 E)

103) In order to test a theory, one must

    A) present a series of normative statements and positive statements.

    B) develop normative statements from the law of large numbers.

    C) use assumptions that most closely reflect reality.

    D) develop a better explanation than the one presented.

    E) confront the predictions of the theory with evidence.

103)

Answer: E

Explanation: A)

                  B)

                  C)

                  D)

                  E)

104) Data collected repeatedly over successive periods of time are called

    A) logarithmic data.

    B) time-series data.

    C) time-analysis data.

    D) cross-sectional data.

    E) topographic data.

104)

Answer: B

Explanation: A)

                  B)

                  C)

                  D)

                  E)

105) For a given year, an index number of average prices across the economy (such as the Consumer Price Index) is the ratio of the

    A) weighted prices of a typical bundle of goods purchased in the base year to that in the given year.

    B) price of several goods in the given year to that in the base year.

    C) average price of all goods in the given year to that in the base year.

    D) weighted prices of a typical bundle of goods purchased in a given year to that in the base year.

    E) average price of several goods in the base year to that in the given year.

105)

Answer: D

Explanation: A)

                  B)

                  C)

                  D)

                  E)

106) An economic model that contains a highly realistic set of assumptions is   106) _____
   A) certainly superior to a model whose assumptions are highly unrealistic.
   B) necessarily better able to predict the future.
   C) more abstract than a model whose assumptions are further removed from reality.
   D) not likely to be useful because of its particularized nature and its complexity.
   E) useful because there is then very little difference between "theory" and "reality."

Answer: D
Explanation: A)
               B)
               C)
               D)
               E)
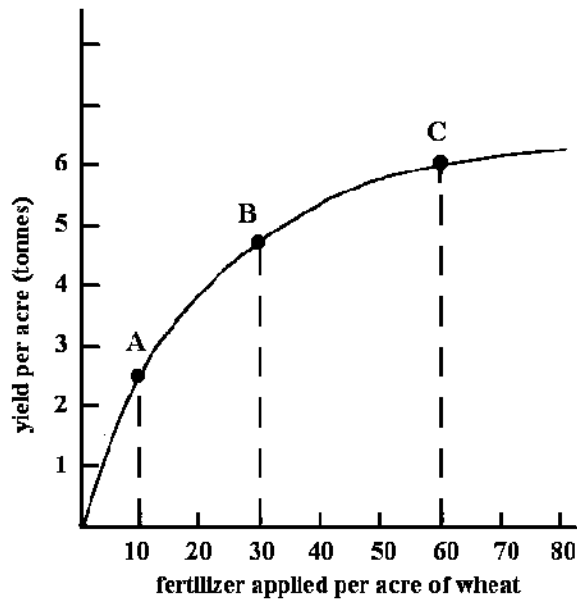
FIGURE 2-4

107) Refer to Figure 2-4. Suppose we draw a straight line tangent to point B of the non-linear function.   107) _____
   The straight line has a slope of 0.075. What information is conveyed to us by this measurement?
   A) Because point B is midway between point A and point C, the yield per acre is 0.075 tonnes of
      wheat when fertilizer applied is between 10 and 60 units per acre.
   B) At point B, when fertilizer is applied at a rate of 30 units per acre, the yield is 0.075 tonnes per
      acre.
   C) At point B, if one additional unit of fertilizer is applied per acre, the marginal response is
      0.075 tonnes of wheat per acre.
   D) At point B, the marginal response to the application of 0.075 units of fertilizer is between 4
      and 5 tonnes per acre.
   E) At point B, the marginal response to the application of 30 units of fertilizer per acre is 0.075
      tonnes of wheat.

Answer: C
Explanation: A)
               B)
               C)
               D)
               E)

41

108) An economist collects data comparing per-capita expenditures on health care across provinces and territories for the year 2012. The best way to illustrate this data is

    A) a time-series line graph.
    B) a time-series bar chart diagram.
    C) a scatter diagram.
    D) a cross-sectional bar-chart graph.
    E) a logarithmic scale diagram.

108) _____

Answer: D
Explanation: A)
                 B)
                 C)
                 D)
                 E)

109) If we seek to explain the number of seats sold on a particular air route, say Toronto to Halifax, over a one-year period, we would consider many variables. Which of the following variables would be *endogenous* to our theory?

    A) the unemployment rate in Toronto
    B) the average salary of Canadian airline pilots
    C) the price of jet fuel
    D) the number of fog days in Halifax
    E) the number of airline seats sold on this route

109) _____

Answer: E
Explanation: A)
                 B)
                 C)
                 D)
                 E)

110) Which of the following pairs of words have similar meanings?

    A) dependent and exogenous
    B) independent and exogenous
    C) endogenous and autonomous
    D) induced and exogenous
    E) induced and autonomous

110) _____

Answer: B
Explanation: A)
                 B)
                 C)
                 D)
                 E)
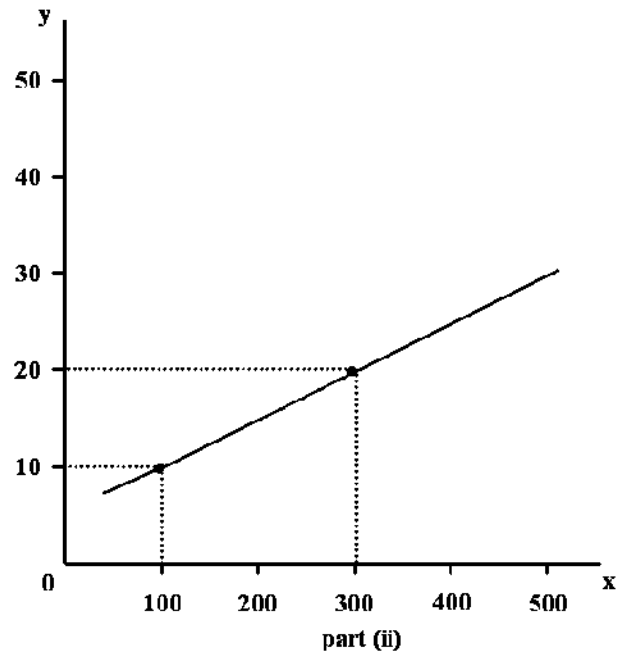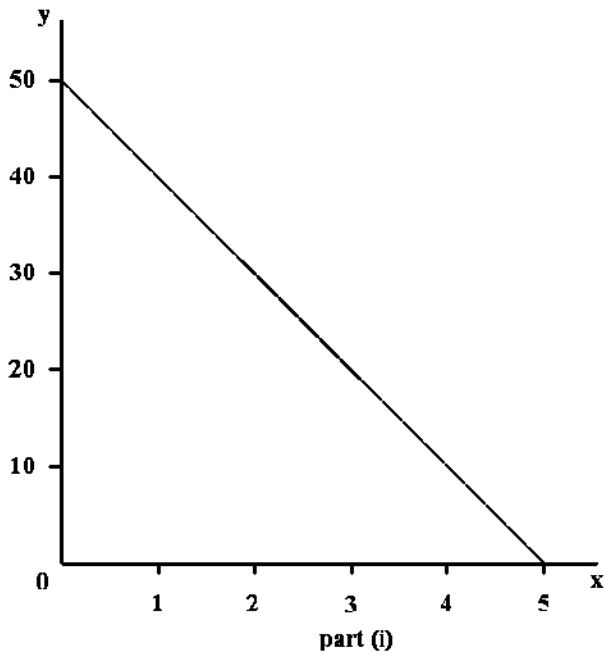
FIGURE 2-1

111) Refer to Figure 2-1. What is the slope of the line in part (i) of the figure?   111) _____

    A) -1   B) 1   C) -10   D) 5   E) -5

Answer: C

Explanation: A)

                  B)

                  C)

                  D)

                  E)

112) The scientific approach to economic inquiry involves   112) _____

    A) choosing data that will support the predictions.

    B) using only independent variables.

    C) testing the reality of the assumptions of the model.

    D) testing the predictions with empirical data.

    E) using only endogenous variables in economic models.

Answer: D

Explanation: A)

                  B)

                  C)

                  D)

                  E)
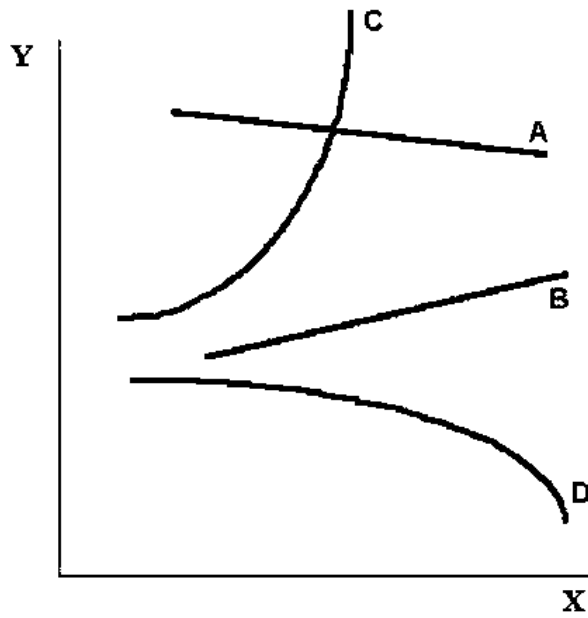
FIGURE 2-2

113) Refer to Figure 2-2. The slope of curve A is

    A) negative and changing.
    B) negative and constant.
    C) positive and constant.
    D) undefined.
    E) positive and changing.

113) _____

Answer: B
Explanation: A)
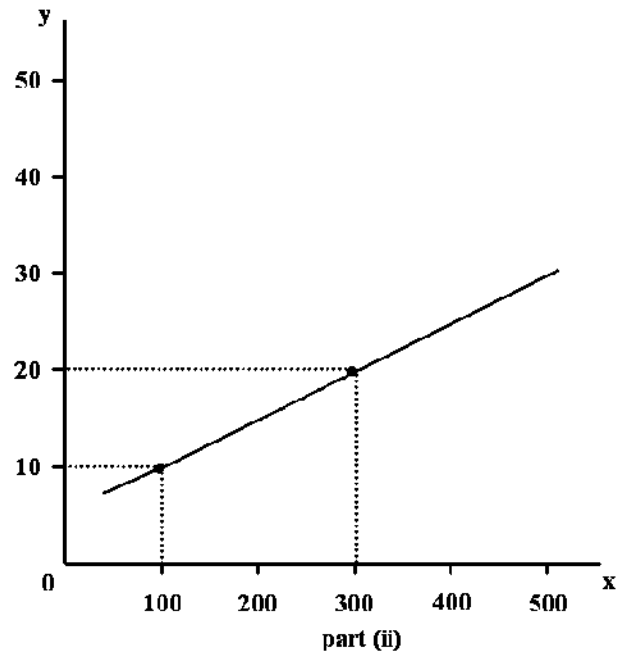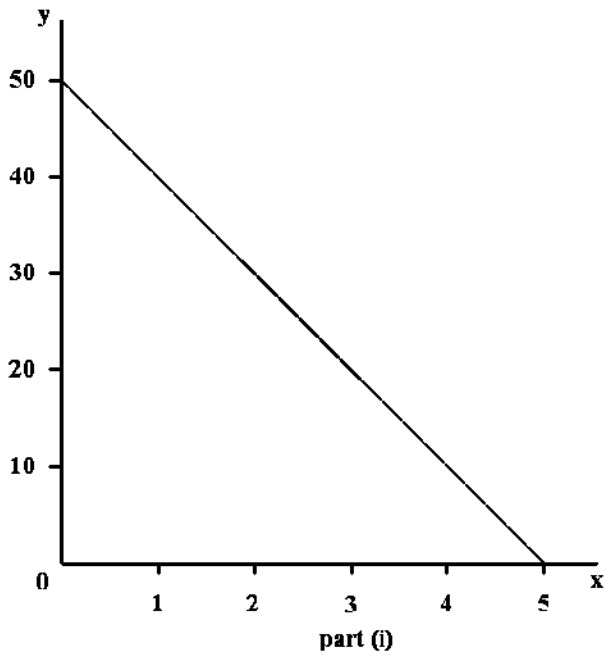   B)
                      C)
                      D)
                      E)

FIGURE 2-1

114) Refer to Figure 2-1. What is the slope of the line in part (ii) of the figure?   114) _____

    A) 0.08　　　　　　B) 12.5　　　　　　C) 1　　　　　　D) -12.5　　　　　　E) 0.05

    Answer: E
    Explanation:　　A)
                B)
                C)
                D)
                E)

115) The statement that a country's rate of GDP growth is influenced by individuals' saving behaviour is   115) _____
    an example of a(n)
    A) prediction.
    B) normative statement.
    C) economic law.
    D) theory.
    E) variable.

    Answer: D
    Explanation:　　A)
                B)
                C)
                D)
                E)

116) Suppose economists at the Department of Finance in Ottawa employ an economic model that predicts the effects of an increase in the GST. After implementation of the change, researchers find that the empirical data rejects the prediction. They are likely to

    A) reject the empirical data as faulty because it did not support the theory.

    B) modify the prediction in light of the new evidence.

    C) ignore the empirical evidence and continue using the model.

    D) modify the theory in light of this newly acquired empirical knowledge.

    E) modify the data to suit the definitions and assumptions.

116) _____

Answer: D

Explanation: A)

              B)

              C)

              D)

              E)

117) When considering how a family's level of consumption changes in response to changes in its income,

    A) consumption is the dependent variable and income is the independent variable.

    B) income is the dependent variable and family consumption is the independent variable.

    C) there is no relationship between the variables.

    D) both of the variables are dependent.

    E) both of the variables are independent.

117) _____

Answer: A

Explanation: A)

              B)

              C)

              D)

              E)

118) The statement that a country's rate of economic growth is influenced by its firms' investment behaviour is an example of a(n)

    A) prediction.

    B) normative statement.

    C) economic law.

    D) theory.

    E) variable.

118) _____

Answer: D

Explanation: A)

              B)

              C)

              D)

              E)

119) When studying economic data, index numbers are especially valuable when comparing

119) _____

    A) relative movements in real and nominal variables.

    B) relative movements in different variables measured in different units.

    C) linear and logarithmic data.

    D) government data with private-sector data.

    E) time-series data with cross-sectional data.

Answer: B

Explanation: A)

                  B)

                  C)

                  D)

                  E)

The table below shows hypothetical data for the volume of gold and nickel output across several years.

	Gold (troy ounces)	Index	Nickel (lbs)	Index
Year 1	1 230 000		4500	
Year 2	1 416 000		4551	
Year 3	1 349 000	100	4623	100
Year 4	947 000		4791	
Year 5	1 012 000		4802	
Year 6	1 321 000		4867	
Year 7	1 450 000		5002	
Year 8	1 510 000		5117	

TABLE 2-4

120) Refer to Table 2-4. What is the index number for nickel output in Year 6?

120) _____

    A) 110.7   B) 108.2   C) 95.0   D) 95.0%   E) 105.3

Answer: E

Explanation: A)

                  B)

                  C)

                  D)

                  E)

121) Most economists believe that economic analysis _____ be made completely free of judgement, in part because it is _____ to absolutely refute a theory on the basis of factual evidence.

121) _____

    A) can; possible

    B) cannot; impossible

    C) cannot; possible

    D) can; impossible

    E) will; necessary

Answer: B

Explanation: A)

                  B)

                  C)

                  D)

                  E)

122) On a coordinate graph, what is the X intercept of the function X = 60 + 3Y?   122) _____
   A) -60   B) 60   C) 0   D) 20   E) -20

   Answer: B
   Explanation: A)
                   B)
                   C)
                   D)
                   E)

123) In a co-ordinate graph, with Y on the vertical axis and X on the horizontal axis, the variable X is   123) _____
   positive and the variable Y is negative in the _____ quadrant.
   A) bottom, right   B) bottom, left   C) top, right   D) top, left

   Answer: A
   Explanation: A)
                   B)
                   C)
                   D)

124) Suppose economists at the World Bank develop a theory with a prediction that increased levels of   124) _____
   foreign aid lead to increases in per capita GDP in the recipient developing countries. They find
   empirical evidence that is consistent with this theory. The economists are able to conclude that
   A) the assumptions used in the theory have been proven correct.
   B) the evidence is rejected by the theory.
   C) the theory is always reliable.
   D) the theory has been proven correct.
   E) the evidence fails to reject the theory.

   Answer: E
   Explanation: A)
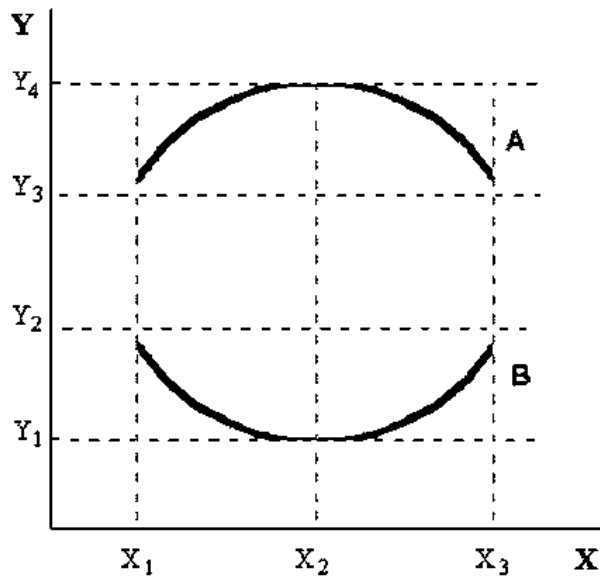   B)
                   C)
                   D)
                   E)

FIGURE 2-3

125) Refer to Figure 2-3. At X_2 on curve B, the   125) _____

    A) maximum occurs at Y_1.

    B) minimum occurs at Y_4.

    C) slope is decreasing.

    D) slope is increasing.

    E) slope of the curve is zero.

  Answer: E

  Explanation: A)

                       B)

                       C)

                       D)

                       E)

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

51) B
52) A
53) A
54) B
55) A
56) A
57) E
58) D
59) A
60) C
61) A
62) E
63) A
64) A
65) B
66) B
67) C
68) C
69) C
70) A
71) C
72) D
73) A
74) E
75) C
76) B
77) C
78) A
79) E
80) C
81) D
82) C
83) D
84) A
85) C
86) B
87) B
88) A
89) E
90) D
91) A
92) E
93) E
94) C
95) A
96) E
97) A
98) D
99) D
100) A

101) D
102) B
103) E
104) B
105) D
106) D
107) C
108) D
109) E
110) B
111) C
112) D
113) B
114) E
115) D
116) D
117) A
118) D
119) B
120) E
121) B
122) B
123) A
124) E
125) E