Test Bank for Microeconomics 2026 Canadian Release 1st Karlan

Correct answers located at the end of the chapter.

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

1) Which one of the following statements is an example of how the study of economics can help us?
   A) Become more irrational when voting.
   B) Improve one’s ability to make assumptions.
   C) Make better choices around how we spend our time and money.
   D) How we can fully satisfy our wants and needs.

2) Which of the following statements expresses what is fundamental to the study of economics?
   A) The government's decision-making process.
   B) Why both provincial and federal governments disagree.
   C) How society manages its scarce resources to satisfy people's wants and needs.
   D) To understand how firms can maximize profits.

3) Which of the following questions can the principles of economics help to answer?
   A) Why some people are more productive than others.
   B) Why one country might prefer more capital goods than another.
   C) Why most people exhibit rational behaviour.
   D) How markets allocate scarce resources.

4) Which of the following best illustrates a decision about how to allocate resources?
   A) A student choosing to spend two hours studying instead of watching television
   B) A factory manager reporting last year’s total level of production
   C) A newspaper publishing statistics on national unemployment rates
   D) A historian describing how trade developed in the nineteenth century

5) Which of the following statements best describes the study of economics?
   - A) Economics studies how the Bank of Canada handles fluctuation in business cycles.
   - B) Economics studies how individuals and groups manage resources.
   - C) Economics studies how people maximize returns in the stock market.
   - D) Economics studies how governments determine appropriate tax rates.

6) All the following decisions, except one, could be aided by the principles of economic decision making. Which is the exception?
   - A) How to spend a paycheque.
   - B) Which partner to marry.
   - C) What to have for dinner.
   - D) What colour of bank notes would be most attractive.

7) The two broad fields that make up the subject of economics are:
   - A) microeconomics and macroeconomics.
   - B) personal investments and business investments.
   - C) fiscal policy and monetary policy.
   - D) imports and exports.

8) Which of the following is considered a microeconomic issue?
   - A) The local university decides to raise tuition for online course offerings.
   - B) Canada has experienced a significant rise in inflation.
   - C) The economic growth rate was reported at 2.4 percent in the first quarter of 2021 for the United States.
   - D) The unemployment rate in Greece is 22.8 percent.

9) Which of the following is NOT considered a microeconomic issue?
   - A) A country decides to fight inflation.
   - B) Apple releases a new version of the iPhone.
   - C) Sleeman’s packages alcohol in bottles that turn blue when cold.
   - D) Toronto taxi drivers develop their own app to compete with Uber.

10) Canada's Wonderland decides to charge local residents a lower price than other park visitors. This would fall under which field of economics?
   - A) Macroeconomics
   - B) Public policy
   - C) Customer service
   - D) Microeconomics

11) Which of the following is considered a microeconomic issue?

A) Chinese economic growth has declined.

B) The Bank of Canada cuts key interest rates in order to stimulate lending.

C) Walmart decides to add more self-checkout machines as the cost of labour rises.

D) India experiences a reduction in unemployment after opening its borders to trade.

12) Which of the following is considered a microeconomic topic?

A) The review of quarterly national income accounting data

B) A firm decides to purchase pay-per-click online advertising

C) The Bank of Canada decides to increase the discount rate

D) The CPI reports a rise in inflation during July

13) Which of the following could be an example of a question that would be studied in microeconomics?

A) Why did our economic growth rate slow down during the 2000s?

B) How did the recession end in 2009 if unemployment continued to rise?

C) How will the legalization of marijuana affect the market for cigarettes?

D) When should Parliament raise taxes in order to tackle the debt crisis?

14) Which broad field of economics would most likely study how consumers respond to a hike in cigarette taxes?

A) Microeconomics

B) Marginal economics

C) Macroeconomics

D) Monetary economics

15) The field of ______________ would most likely study how all consumers respond to a hike in gasoline taxes, and the field of _______________ would most likely study how Theon responds to the tax.

A) microeconomics; microeconomics

B) microeconomics; macroeconomics

C) macroeconomics; microeconomics

D) macroeconomics; macroeconomics

16) Which of the following is considered a macroeconomic topic?

A) Spotify raises the price of all its music.

B) Spotify raises the price of its pop artists music only.

C) Jay-Z decides to sell his Brooklyn Nets minority ownership.

D) The labour force participation rate fell by 1 percentage point in 2026.

17) Which of the following could be considered a macroeconomic issue?

A) Telus and Rogers finalize a merger.

B) Twinkies goes bankrupt, and the entire snack industry experiences losses.

C) The unemployment rate falls to 7.5 percent from 7.7 percent during the month of June.

D) All of these are examples of macroeconomic issues.

18) Which of the following questions would a macroeconomist most likely try to answer?

A) What stage of the business cycle is our economy currently in?

B) Why do Broadway musicals and airlines have different price discrimination strategies?

C) How much would marijuana consumption change if the market became legal?

D) Should an energy firm increase its distribution from national to international?

19) Which of the following is a topic studied in macroeconomics?

A) Gasoline price changes

B) Unemployment rates over time

C) Taxation strategies of major corporations

D) Consumer participation in Facebook

20) Macroeconomics includes the study of:

A) how the economy works on a regional, national, or international scale.

B) how rent ceilings impact the construction rates of new apartments.

C) how the increase in the labour force participation rate by females impacts childhood obesity.

D) how grocery cart rental fees impact parking lot accident rates.

21) Which of the following economic decisions would most likely be studied by a macroeconomist?

A) Domino's Pizza decides to provide quantity discounts in order to increase revenue.
B) A local entrepreneur decides to open a Waffle House in the local Walmart parking lot.
C) The government of Estonia implements a flat rate personal income tax for all citizens.
D) Prices for train fares rise as labour unions negotiate higher wage rates.

22) Which of the following states why economists assume behaviour when modelling economic phenomenon?

A) It offers a perfect framework for how people actually behave.
B) It helps economists explain a lot about the real world by assuming that people behave in the way that will best achieve their goals.
C) It explains why people voluntarily engage in decisions for which costs exceed benefits.
D) It is best applied to psychology and should not be used in the science of economics.

23) A rational choice is one that:

A) allows individuals to be happy.
B) involves the use of strategic decision making to reach a goal.
C) does not involve self-interested behaviour.
D) is usually optimized when decision makers are poorly informed about alternatives.

24) When we believe the best result will come from the decision we have made, we are being:

A) gullible.
B) short-sighted.
C) rational.
D) considerate.

25) When we assume that consumers want to pay the lowest price possible, we assume that consumers are:

A) cheap.
B) deceitful.
C) rational.
D) informed.

26) Which is *not* one of the four basic questions used by economists to break down problems?

A) What do others think?
B) What are the trade-offs?
C) How will others respond?
D) Why isn't everyone already doing it?

27) Which of the following is one of the basic questions used by economists to break down problems?

A) What are the wants and constraints of those involved?
B) How will individuals feel about the change?
C) Why has the market failed?
D) Economists don't ask any of these questions.

28) Which of the following is a question that an economist would use to break down a problem?

A) Will the average income per person for the society increase?
B) Does the decision maker have a track record of being rational?
C) Is there a scarce resource that must be allocated?
D) What are the trade-offs faced by firms when deciding to use scarce resources?

29) Scarcity can best be defined as a situation in which:

A) consumers look for bargains.
B) producers are selfish with resources.
C) people respond to incentives.
D) all wants cannot be satisfied due to resource constraints.

30) Scarcity reflects our inability to satisfy wants due to:

A) unlimited resources.
B) limited resources.
C) inefficient political systems.
D) unemployed workers.

31) The economic concept of scarcity refers to the fact that:

A) there are shortages of goods and services everywhere.
B) resources are used inefficiently.
C) income must be redistributed through taxation in order to address income disparity.
D) limited resources require economies to make choices among production alternatives.

32) Which of the following is NOT a direct result of scarcity?

A) Buildings in Toronto are taller than buildings in Hamilton due to differences in bylaws.
B) Due to high gas prices, Shana decides to trade her Chevy Tahoe for a Tesla.
C) A college student misses a test review in order to sleep in.
D) Prices of fruit in Canada are more expensive in the winter than in the summer.

33) Which of the following does NOT describe a problem created by scarcity?

A) The course you need to take in the fall is offered at times that conflict with your work schedule.
B) Parliament eliminates tours due to budget constraints.
C) Your cell phone battery is low, and you decide to screen a phone call from your friend just in case that special someone calls later.
D) Governments around the world have recently passed legislation to limit the amount of “fake news” circulating on the Internet.

34) Individuals, firms, and societies are limited in the amount of goods and services that they can produce. This is a direct result of:

A) unemployment.
B) waste.
C) irrational behaviour.
D) scarcity.

35) The problem created by "scarcity":

A) could be solved if more people worked overtime.
B) is not a concern for the top income earners.
C) is an individual concern but not a concern on a macro level.
D) applies to everyone because it is a fact of life.

36) Scarcity is:

A) a fact of life.
B) not a problem for Bill Gates because he is a billionaire.
C) can be eliminated by rational decision making.
D) is a problem studied in microeconomics but is not a macroeconomic concern.

37) Scarcity requires that we:

A) make sure we only want things that we are capable of consuming and producing.
B) change our fiscal policy until the situation of scarcity is eliminated.
C) make decisions in order to arrange our resources rationally.
D) adopt economic policies that will lead to unlimited resources.

38) The problem of having unlimited wants under the constraint of limited resources can describe the problem of:

A) opportunity cost.
B) sunk costs.
C) scarcity.
D) the marginal principle.

39) The greatest constraint faced by banks considering the alternative of lending to Bangladeshi villagers is:

A) not having qualified loan officers.
B) having limited funds available for loans.
C) not being able to determine appropriate currency exchange rates.
D) counterfeit Carfax reports that make it difficult to properly assess collateral.

40) What does it illustrate when the only rental cottage available at your favourite lake on July 1 is priced higher than you can afford?

A) Facing a constraint
B) Experiencing a market failure
C) Incurring a sunk cost
D) Reaching an inefficient outcome

41) "There is no such thing as a free lunch." This is an example of which economic concept?

A) Maximization
B) Trade-offs
C) Basic necessities
D) Income effect

42) You decide to purchase a smartphone data plan, premium movie channels, and football season tickets. Due to budget constraints, you must give up your car insurance plan. This decision best illustrates which economic concept?

A) a trade-off.
B) a sunk cost.
C) a negative incentive.
D) marginal analysis.

43) Trade-offs are:

A) associated with every decision.
B) do not exist if we receive something for free.
C) always result in market-failure.
D) can be avoided through economic planning.

44) Which of the following best illustrates the principle of marginal decision making?

A) Deciding whether to visit Canada's Wonderland based on the $25 admission fee already paid
B) Comparing the enjoyment of one more roller coaster ride with the $5 cost of that ride
C) Feeling obligated to go on additional rides to justify the initial $25 admission expense
D) Choosing never to borrow from banks because of high fees and interest rates

45) People choose to do something:

A) when they believe the benefits outweigh the costs of the decision.
B) when they believe the costs outweigh the benefits of the decision.
C) when they believe equilibrium will be reached.
D) when they believe it won't harm anyone and will better themselves.

46) What is opportunity cost?

A) only includes explicit, out of pocket expenses.
B) is the value of your next best alternative.
C) is never provided in dollar values.
D) would not include the wages lost from working when deciding to take a vacation.

47) You decide to drive your car on a long road trip of 1,500 kilometers. The opportunity cost of driving your car:

A) is the amount of money spent on gas.
B) is zero because the car is paid for.
C) includes lost wages that you could have earned instead of driving.
D) None of these.

48) If Johnny weren't in economics class this morning, he'd be sleeping. The value Johnny places on sleeping represents his:

A) marginal benefit.
B) incentives.
C) sunk cost.
D) opportunity cost.

49) Your sister always brags about how savvy of a grocery shopper she is. She believes that she saves lots of money by paying with coupons and making her grocery purchases at multiple stores to get the lowest prices on all goods. Which of the following is NOT a reason why she may overestimate her savings?

A) She does not count the value of the time it took to sort and clip coupons as a cost.
B) She does not count the cost of the gas used driving extra kilometres to multiple grocery stores.
C) She does not count the value of the extra time it takes to stand in multiple lines at multiple stores and use multiple coupons compared to a trip to one store with no coupons.
D) She does not consider the extra burden she places on the staff in terms of their time and effort.

50) In the early 1990s, before pay at the pump was an option, a gas station decided to force people to pre-pay due to drive-offs. What is a possible opportunity cost of this decision?

A) The value of the gas that is no longer stolen.

B) The time spent performing the pre-pay transaction inside the gas station.

C) The revenue lost because people will "low ball" how much they think their tanks will hold to avoid having to come back into the store to get change from overpayment.

D) The revenue that gasoline suppliers will lose as a result of this decision.

51) The Ministry of Health passes a regulation that slows the pace at which helpful medications reach the marketplace. The alternative of having the medication available to consumers earlier is an example of:

A) the opportunity cost of the Ministry's regulation.

B) how easy it is to identify and evaluate costs.

C) the marginal benefit of the Ministry's regulation.

D) promoting consumer health.

52) On a Saturday afternoon you can either attend a street festival, work and earn $100, or study for your midterm exam. Not considering working as an option, you flip a coin to choose between the street festival and studying. The coin flip determined that you would stay home and study. The opportunity cost of the time spent studying includes:

A) the loss of $100 worth of wages and going to the street festival.

B) earning a high score on your midterm.

C) the benefit that could have been received at the street festival.

D) None of the choices are correct.

53) Jorah is very excited about the costume party with a 1990s theme. He is planning to dress up as MC Hammer but is also considering going as a lifeguard from Baywatch. His opportunity cost of arriving dressed like MC Hammer is:

A) the cost of parachute pants.

B) the savings from not purchasing red swimming trunks.

C) giving up the alternative of dressing like a lifeguard.

D) there is no opportunity cost because he attended the party either way.

54) A local fast-food restaurant mails out coupons for a free sandwich to every home in the community. Which of the following is an opportunity cost of redeeming the sandwich?

A) The satisfaction gained from eating the sandwich
B) The money saved by not paying for the sandwich
C) The time spent travelling to and from the restaurant
D) The coupon itself being free of charge

55) You are shopping at the local mall with an $80 gift certificate. Only three items catch your attention. The items include a Justin Bieber sheet set, a remote-control helicopter, and an "Amazing Ab Belt." You are willing to give up $60 for the sheets, $70 for the belt, and $80 for the helicopter. Knowing this, you decide to purchase the helicopter. The opportunity cost of the helicopter was:

A) $130, the combined value of all the alternatives forgone.
B) $80, the amount of the gift certificate spent.
C) $70, the value of the ab belt.
D) $60, the value of the sheets.

56) Cameron can spend the afternoon playing golf, driving his boat, or cleaning his house. Although he enjoys golf, he sometimes becomes frustrated when playing. He decides to enjoy a more relaxing afternoon on his boat. Cameron never thought about cleaning the house but did give golf some serious consideration. Cameron's opportunity cost of taking his boat out was:

A) a dirty house.
B) the enjoyment he would have received from playing golf.
C) a dirty house and not playing golf.
D) enjoying a relaxing day on the lake.

57) Which of the following correctly describes the comparison made in marginal decision making?

A) Additional benefits against additional costs.
B) Total benefits against total costs, which include benefits and costs from past decisions.
C) Sunk costs against opportunity costs.
D) Total benefits against marginal costs.

58) After purchasing a coffee cup from your local gas station for $5.00, you can always refill your cup for $0.50. The marginal cost of your 10th cup of coffee purchased at the gas station is:

A) $0.50.
B) $5.00.
C) $10.00.
D) $5.50.

59) After purchasing a coffee cup from your local gas station for $5.00, you can always refill your cup for $0.50. The sunk cost of the first coffee purchased at the gas station is:

A) $0.50.
B) $5.00.
C) $10.00.
D) $5.50.

60) A local street festival that previously sold bracelets in exchange for unlimited beer is now concerned about the overconsumption of alcohol. If they switch to selling tickets per beer, will overall consumption at next year's festival decrease?

A) No, because the marginal cost per extra beer will decrease for consumers.
B) No, because the marginal cost per extra beer will increase for consumers.
C) Yes, because the marginal cost per extra beer will increase for consumers.
D) Yes, because the marginal benefit per extra beer will increase for consumers.

61) A college student decides to spend the afternoon watching three movies rented from Red Box. The cost of each movie is $1. The student was willing to pay $4 to rent each of the first two movies and $2 to rent the third movie. What was the marginal benefit received by the student when renting the 2nd movie?

A) $1
B) $8
C) $4
D) $2

62) The extra cost associated with producing or consuming the next unit is called the:

A) variable cost.
B) marginal cost.
C) utility cost.
D) sunk cost.

63) Many theatres sell empty seats at a deep discount just before show time. What economic concept is displayed by this behaviour?

A) Consumer demand
B) Sunk costs
C) Price optimization
D) Thinking at the margin

64) The extra benefit associated with producing or consuming the next unit is called the:

A) revenue product.
B) spillover.
C) marginal benefit.
D) economic benefit.

65) The deadline for your research paper is tomorrow and you still need a day of work to complete the paper. Unfortunately, you are scheduled to work all day in the cafeteria. You can turn the paper in one day late for a 10 percent penalty or take the day off of work and turn the paper in by the deadline. Losing a day of wages will cost you $90. What is the marginal cost of turning the paper in on time?

A) Ten percent deducted from your final score.
B) A total of $90 in forgone wages.
C) Not getting to lounge around all day.
D) The physical effort associated with working in the cafeteria.

66) A movie costs you and your friend $15 each. After one hour of watching the movie, you have struggled to stay awake while your friend has been on Facebook and is also bored with the movie. You suggest that you and your friend leave the movie and go to the park. Your friend responds by stating that he is not going to waste his $15 that was previously spent on the movie. Your friend is considering:

A) an opportunity cost of the movie.
B) a sunk cost.
C) the marginal benefit.
D) depreciation.

67) You have paid all expenses to travel to a beautiful tropical resort for a vacation. You made these payments early in order to receive a discount and all payments are non-refundable. Unfortunately, a hurricane is likely to crash into the coast during your vacation dates. What should NOT be considered as you make a decision to take your trip or not?

A) The cost to be evacuated from the resort in the event of a hurricane.
B) The satisfaction you are likely to receive at the beach during a hurricane.
C) The best alternative use of your time if you do not take the trip.
D) What else you could have bought with the money you paid for the vacation.

68) You decided to take a college accounting course to brush up on your knowledge of the language of business. The tuition expense was $500. After the date has expired to receive a refund for the course, you are offered a job that would conflict with your class time. In making the decision to accept or decline the offer, the $500 is:

A) the opportunity cost of the job.
B) the expected gain in pay from taking the accounting course.
C) a sunk cost.
D) a sunk benefit.

69) Your favorite team has a commanding lead toward the end of the ballgame. You suggest to your friend that you leave early to beat traffic. Your friend does not like the idea because he paid $50 to see the game. The $50 already spent on the game is an example of a(n):

A) implicit cost.
B) sunk cost.
C) normal cost.
D) variable cost.

70) What do economists call costs that cannot be recovered?

A) Marginal costs
B) Sunk costs
C) Opportunity costs
D) Refundable costs

71) An incentive is a concept that addresses which question used by economists?

A) What are the wants and constraints of those involved?
B) What are the trade-offs?
C) How will others respond?
D) Why isn't everyone already doing it?

72) The price of pizza falls relative to the price of spaghetti, so people buy more pizza instead of spaghetti. This is an example of responding to:

A) marginal science.
B) incentives.
C) disincentives.
D) sunk benefit.

73) To provide an incentive for villagers to repay loans, Muhammad Yunus:
- A) forced villagers to offer collateral for loans.
- B) made loans using group responsibility.
- C) threatened to call the borrower's mothers.
- D) would increase interest rates by 1 percentage point after each late payment.

74) Entrepreneurs tend to take greater risks if low tax rates offer greater after-tax profit potentials. The government's decision to offer low tax rates to entrepreneurs is:
- A) providing room for an economic expansion.
- B) providing an incentive, in the hopes that more entrepreneurs will take risk and create economic growth.
- C) providing a disincentive, in the hopes that more entrepreneurs will avoid risk and not grow.
- D) providing a disincentive, in the hopes that entrepreneurs will not get into tax default after assuming too much risk.

75) Harvey's announces "buy one get one free" breakfast sandwiches. This is an example of:
- A) the use of incentives.
- B) a macroeconomic decision.
- C) hoarding scarce resources.
- D) this is not an example of any of these concepts.

76) A car dealer advertises free satellite radio for one year with the purchase of a new car. This is an example of:
- A) bait and switch.
- B) marginal sales.
- C) an incentive.
- D) voluntary exchange.

77) Applying for a loan in five-person groups is called:
- A) family and friends lending.
- B) party-of-five lending.
- C) group responsibility.
- D) pooling.

78) Late registration will result in an additional $30 fee. This is an example of:
- A) price gauging.
- B) a disincentive.
- C) marginal cost.
- D) limited time pricing.

79) Muhammad Yunus was highly successful in his use of applying social incentives through group responsibility in order to maximize loan repayment rates. What incentive did this create for other banks?

A) To offer similar loans to the poor
B) To expand their current services
C) To seek government action to support group responsibility lending
D) To lend to the poor at high interest rates

80) Which of the following is a positive incentive?

A) Discover credit cards offer 0 percent balance transfer rates for someone to open an account.
B) McDonalds decides to offer a white chocolate mocha.
C) A schoolteacher decides to retire and focus on gardening.
D) A business decides to leave the industry.

81) An incentive is:

A) the marginal cost of engaging in a course of action.
B) the marginal benefit of engaging in a course of action.
C) something that causes people to behave in a certain way by changing the trade-offs they face.
D) rational behaviour that involves thinking on the margin.

82) Which of the following is a positive incentive?

A) Deciding not to play golf due to rain
B) Donating to the Red Cross
C) Hiring 10 new workers as you decide to expand your operations
D) Offering a reward to anyone who can find your missing pet

83) Which of the following is an example of a disincentive?

A) Law enforcement creates a "Mug Shots" section to post all recent arrests online in order to discourage potential law breakers.
B) You offer workers a bonus if they sell 100 widgets per month.
C) A local gym offers a weight loss competition and the winner earns a free trip to Bermuda.
D) Your professor offers to edit your paper before it's graded if you turn it in early.

84) The idea of efficiency is used to address which of the following questions?

A) What are the wants and constraints of those involved?
B) What are the trade-offs?
C) How will others respond?
D) Why isn't everyone already doing it?

85) Something is valuable if:

A) a reasonable number of people want it.
B) it is a good or a service.
C) someone wants it.
D) it was made using resources.

86) A resource is anything that:

A) can be touched and can be used to produce something of value.
B) is a natural gift from nature, excluding human talents.
C) has been used to create a good or service.
D) can be used to make something of value.

87) The use of resources in the most productive way possible to produce the goods and services that have the greatest total economic value to society is called:

A) allocation optimization.
B) efficiency.
C) sustainability.
D) economic quantity.

88) If people have never implemented an idea that you believe offers substantial opportunity:

A) you should seek a low interest loan immediately to launch your product.
B) you should conclude that it can't be profitable.
C) you might be missing something in your evaluation. You should carefully revisit the first three economists' questions.
D) it is likely that you are being irrational.

89) Suppose you thought of a new business idea that no one else has ever done before. Suppose the investment turns out to be a success and is highly profitable. Which of the following is TRUE given that is was success?

A) You misjudged people's wants and constraints.
B) You miscalculated the trade-offs people face.
C) You misunderstood how people would respond to incentives.
D) You stumbled upon a rare opportunity.

90) Which of the following is an assumption that economists make about people?

A) Most people possess entrepreneurial talent.
B) People are very good at assessing the costs of decisions accurately.
C) Individuals and firms will act to provide the things they want.
D) Individuals usually fail to optimize the use of their resources because they think on the margin.

91) Which of the following interrupts or changes a market and prevents it from acting "normally"?

A) Increasing prices
B) Inflation
C) Market failure
D) Unemployment

92) If your idea has not been implemented yet, but does offer a profitable opportunity, it is likely an example of:

A) innovation.
B) market failure.
C) intervention.
D) a goal other than profit.

93) If an idea has not been implemented because a monopoly producer has placed a barrier to entry, the circumstances are not *normal* due to:

A) innovation.
B) market failure.
C) intervention.
D) goals other than profit.

94) After investigating an idea to open a rooftop restaurant in the downtown area of your community, you discover that any rooftop restaurant would violate city regulations. These circumstances would not be considered *normal* due to:

A) innovation.
B) market failure.
C) intervention.
D) goals other than profit.

95) Having a goal that does not include making a profit can often explain why the nonprofitable idea has not been implemented. These types of ideas may include:

A) helping the rich.
B) making great art.
C) promoting new production techniques.
D) maximizing profit.

96) Why wasn't everyone else already implementing group responsibility to lend to the poor?

A) Governments of poor countries had regulations against group responsibility.
B) The idea was genuinely new.
C) It was not profitable.
D) It was easy for groups to provide false social security numbers for members that did not exist.

97) Economic analysis requires us to combine:

A) unlimited resources with limited wants.
B) theory with observations.
C) developed and developing nations.
D) liberals and conservatives.

98) When two variables have been observed to have a tendency to occur at the same time, we can say there is _____________ but not necessarily _____________.

A) causation; correlation
B) correlation; causation
C) positivity; causation
D) normality; correlation

99) "More people purchase chapstick when the weatherman announces that we are in for a very windy week." This statement implies that:

A) buying chapstick causes it to be windy.
B) people plan on kissing more on windy days.
C) buying chapstick is correlated with the announcement of a windy week.
D) the weatherman is getting a kickback from the makers of chap stick.

100) The Widgetville County Wolf pack has won 90 percent of their last 20 games played under a full moon. What does this mean?

A) the weather affects how they play.
B) there is a correlation between their play and the occurrence of a full moon.
C) that full moons cause the team to play better.
D) that causation can be found between the two events.

101) If out of the two cities that send teams to the Super Bowl, the city with the lowest unemployment rate wins 70 percent of the time, there would be:

A) a positive correlation between Super Bowl wins and low unemployment rates.
B) evidence to conclude that richer cities have better Super Bowl teams.
C) the condition of ceteris paribus present in the winning cities.
D) None of these statements is necessarily true.

102) When toilet paper sales increase, quarterly economic growth tends to rise. This is an example of:

A) two variables that are negatively correlated.
B) the presence of ceteris paribus.
C) correlation without causation.
D) a consumer price indicator.

103) When the price of milk rises, there is no change in the amount of dog food purchased. This is an example of:

A) consumer indifference between the two goods.
B) the interaction between one normal good and one inferior good.
C) two items that are uncorrelated.
D) the value people place on dogs versus milk.

104) As corn prices rise, salsa sales tend to fall. What is this is an example of?

A) ingredients for an Italian dinner.
B) inferior goods.
C) two uncorrelated events.
D) a negative correlation.

105) When the unemployment rate rises, college enrollment increases because workers seek to expand training. This is an example of:

A) correlation and causation.
B) a negative correlation.
C) normative economics.
D) macroeconomics.

106) As monthly rain levels rise, golf course revenue falls because casual golfers prefer to stay dry. This is an example of:

A) price elasticity.
B) natural experiments.
C) sunk costs.
D) correlation and causation.

107) Which of the following is the best reason for someone to confuse correlation with causation?

A) Correlation with causation
B) Omitted variables
C) Direct influence
D) Consistent relationship

108) A relationship between two events in which one brings about the other is:

A) a pattern.
B) a trend.
C) causation.
D) correlation.

109) When speed boat sales rise, the city of Las Vegas takes in more revenue. The omitted common variable between these outcomes is likely to be:

A) life jacket sales.
B) prices of Las Vegas flights.
C) childhood obesity.
D) increased disposable income.

110) In the past, there was a strong correlation between ice cream consumption by children and polio cases for children. There was not a causal relationship due to:

A) an omitted variable.
B) reverse causality.
C) accounting fraud practiced by Baskin Robbins.
D) an infection present in cherries.

111) "Which came first, the chicken or the egg?" This question seeks to address which common source of confusion between correlation and causation?

A) Reverse causality
B) Omitted variables
C) Linear relationships
D) Comparative analysis

112) Both minivan sales and birth rates are on the rise. The conclusion that minivans cause people to have children would likely be a result of making the mistake of:

A) extrapolation.
B) omitted variables.
C) correlation without causation.
D) reverse causality.

113) Which of the following correctly states what economic models should capture?

A) Every detail of the situation being studied.
B) Perfect accuracy.
C) Microeconomic analysis only.
D) A simplified representation of a complicated situation.

114) A simplified representation of the important parts of a complicated situation is:

A) cutting corners.
B) a model.
C) useless without adding fine details.
D) econometrics.

115) Which is not a characteristic of a good economic model?

A) Focuses on important details
B) Predicts cause and effect
C) Builds vague assumptions
D) Describes the world accurately

116) One of the most basic models of an economy is:

A) real GDP per capita.
B) the Current Population Survey.
C) the consumer expenditure model.
D) the circular flow model.

117) The two most important actors of the economy are:

A) land and capital.
B) households and firms.
C) firms and government.
D) exports and imports.

118) Households are vital to the circular flow model in what two ways?

A) They supply factors of production and purchase goods and services.
B) They export goods and services and import goods and services.
C) They vote for political officers and pay taxes.
D) They facilitate exchange between consumers and firms.

119) Which actor in the circular flow model buys or rents land, labour, and capital?

A) Firms
B) Households
C) Markets for factors of production
D) Government

120) Which actor in the circular flow model is on the supply side of the goods market?

A) Firms
B) Households
C) Markets for factors of production
D) Government

121) Which actor in the circular flow model is on the supply side of the factor market?

A) Firms
B) Households
C) Market for goods and services
D) Government

122) The two flows, or things being exchanged, in the circular flow model are:

A) inputs and outputs.
B) imports and exports.
C) inputs/outputs and money.
D) land and labour.

123) An economic model:

A) exactly explains what happens in the real economy.
B) cuts away unnecessary details to clearly demonstrate the principles at work.
C) approximates all facets of what happens in the real economy.
D) does not make clear assumptions.

124) In order to understand when a model may not be accurate, it is important to:

A) identify what details were omitted when developing a model.
B) make sure to include less detail so the model is easier to understand.
C) incorporate more complexities even if they are not necessarily useful.
D) realize that the model is too simple.

125) Which of the following is NOT true of economic models?

A) They should describe the real world accurately.
B) They should accurately predict cause and effect.
C) They should not make assumptions.
D) They should capture important underlying behaviour.

126) Which type of statement is most likely to include the word "should"?

A) Positive statement
B) Normative statement
C) Fair statement
D) Factual statement

127) A normative statement is generally based upon:

A) data that can be tested.
B) a factual claim.
C) moral beliefs.
D) scientific fact.

128) A factual claim about how the world actually works is a(n) ______________ statement.

A) positive
B) marginal
C) irrational
D) normative

129) Economies that adopt more open trade policies have historically enjoyed faster economic growth rates as a result. This is an example of what kind of statement?

A) Marginal
B) Normative
C) Positive
D) Biased

130) "Canada should adopt more open trade policies because they historically have caused increased economic growth." This is an example of what kind of statement?

A) Unequivocally true
B) Normative
C) Positive
D) Unequivocally false

131) People frequently confuse facts with judgments that are based on beliefs. This means that people have trouble making the distinction between:

A) political statements and non-political statements.
B) rational statements and irrational statements.
C) macroeconomics and microeconomics.
D) positive statements and normative statements.

132) A positive statement:

A) can be false.
B) must always be true.
C) provides an opinion with a positive outlook.
D) is almost always used by politicians.

133) Which of the following is an example positive statement?

A) The provincial government should allocate more funds toward education.
B) Teachers should be paid higher salaries.
C) Individuals with a bachelor's degree earn higher average incomes than those with only a high school diploma.
D) The consumption of marijuana is unacceptable and should never be legally allowed in a society.

134) Which of the following is an example of a normative statement?

A) Higher carbon taxes will lead to higher fuel prices.
B) Canada’s unemployment rate was 5.8% last quarter.
C) Lower interest rates will increase the demand for housing.
D) The government should provide free childcare for parents.

135) Which of the following is an example of a positive statement?

A) Football should have adopted a playoff system 10 years ago.
B) An increase in minimum wage results in higher teenage unemployment.
C) Teachers should be allowed to carry guns into the classroom.
D) Cats are better pets than dogs.

136) Which of the following is an example of a normative statement?

A) The Economic Action Plan should not have been passed during the Great Recession.
B) Unemployment soared to 25 percent during the Great Depression.
C) An increase in alcohol taxes will reduce the number of drunk driving accidents.
D) Great Britain has fewer hospital beds per capita today than they did in 1948.

137) Which of the following is a normative statement?

A) University tuition rates are rising.
B) Over 30 percent of Canadian adults have a bachelor's degree.
C) The average income of a university graduate exceeds that of the average high school graduate.
D) Provincial governments should pay for the first two years of university at public institutions.

138) Which of the following is an example of a normative statement?

A) The average price of a Big Mac is $4.69.
B) Canada ought to adopt a flat rate personal income tax.
C) Estimates of the growth in real wages normally fall within a range of 0-1 percent per year.
D) Average growth in real GDP per year was 1.84 percent between 2000 and 2010.

139) A statement that "a hair stylist should not have to obtain a cosmetology licence" is an example of what kind of statement?

A) Uninformed
B) Biased
C) Positive
D) Normative

140) What does the "sell in May and go away" strategy illustrate about correlation and causation?

A) Correlations that appear across many countries always imply a causal link
B) Seasonal patterns in stock returns are clear evidence of calendar effects on markets
C) A statistical relationship can exist without a logical cause-and-effect connection
D) Investors should always base their decisions on historical return patterns

141) Economists warn about confusing correlation with causation. Suppose you observe that people often carry raincoats before it rains. Which explanation best illustrates reverse causation?

A) Carrying a raincoat triggers weather patterns that bring afternoon rainfall.
B) The expectation of rain later in the day influences people's decision to carry raincoats earlier.
C) The regular coincidence of rain and raincoats reflects a spurious correlation.
D) Anticipating the possibility of rain causes people to carry raincoats in advance.

Answer Key

Test name: Chapter 01

1) C
2) C
3) D
4) A
5) B
6) D
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8) A
9) A
10) D
11) C
12) B
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140) C
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