# Econ 203 Test 1 (Make sure to put your name on your scantron; 2 pts off if not)

1. In a market economy,

a. prices help to provide key economic information about economic conditions

b. prices help motivate responses by consumers and producers

c. prices tend to be driven by supply and demand

d. all of the above

2. The process by which market forces establish new jobs and increase living standards but eliminate some jobs and displace workers along the way is known as

a. voluntary exchange b. positive sum

c. creative destruction d. none of the above

3. Gasoline prices at two different locations may differ due to

a. differences in land/rental values b. differences in tax rates

c. differences in distance from production sites d. all of the above

4. Voluntary exchange across states such as Florida and Washington tends to be driven by the influence described by the economic term

a. comparative advantage b. purchasing power parity

c. productivity d. GDP

5. Which of the following terms refers to adjusting cross-country statistics so that a dollar is worth the same amount (apx) of goods in each country?

a. GDP per capita b. Purchasing Power Parity

c. Total GDP d. Population

6. A “natural experiment” in economic growth comparing market and non-market systems is provided by

a. France and Germany since World War II

b. North Korea and South Korea since World War II

c. Honduras and Guatemala since 1900

d. none of the above

7. What is a key aspect of “property rights” across nations that contribute to the functioning of markets?

a. rules that protect of life and

b. rules that protect contracts/exchanges

c. rules that protect property and assets

d. all of the above

8. Voluntary exchange between citizens of different states or countries

a. results in lower living standards because non-local products are substituted for local products

b. raises living standards in both areas because of sharing of economic advantages

c. benefits one of the areas at the expense of the other

d. none of the above

9. Which of the following pairs is a good example of both sides of “creative destruction”?

a. job losses for blacksmiths and job gains for auto mechanics

b. jobs losses for farmers and job gains for wagon drivers

c. job losses for flight attendants and job gains for airline pilots

d. all of the above

10. A country with per person national income per year near the middle of worldwide income would be a. $24,000 b. $18,000

c. $12,000 d. $5,000

11. The large differences in living standards across the world between high income, middle income, and low income countries largely reflects differences in

a. resources b. economic freedom

c. age of country d. education

12. When gasoline prices jump by $0.25 per gallon in Bowling Green and Nashville the most likely reason is a change in

a. land values b. world crude oil prices

c. local competition d. state gasoline taxes

13. The economic model/graphic known as a Production Possibility Frontier illustrates

a. the fact that tradeoffs exist in choices

b. the fact that limits exist on resources and goods and any given time

c. the fact that specialization and trade can push out limits

d. all of the above

14. Which of the following is a reason that countries with market-oriented systems have higher living standards than countries with less market orientation?

a. markets help the rich countries exploit the poor countries

b. markets promote creativity and technological advances

c. markets rely heavily on the use of force

d. none of the above

15. The lowest income countries in the world have GDP per capita

a. about $5,000 b. about $3,000

c. about $2,000 d. below $1,000

16. In terms of GDP per capita, how much higher is the U.S. than countries like France and Germany?

a. about $1500 b. about $10,000

c. about $20,000 d. about $30,000

17. The Gapminder website illustrates that GDP per capita

a. closely correlates with measures of happiness across countries

b. in the UK surpassed the US 1900s

c. is almost the same in most major industrialized nations such as the US and France

d. closely correlates with improvements in many aspects of life including life expectancy, infant mortality, and education

18. Pick the pair of countries below that fit together in terms of the level of living standards categories as measured by our map:

a. Mexico and Somalia b. Russia and Brazil

c. Mali and China d. North Korea and South Korea

19. Pick the pair of countries below that fit together in terms GDP per capita categories:

a. Tanzania and France b. Chile and South Korea

c. USA and China d. Japan and India

20. Which of the following describes how economists tend to analyze the world and decisions:

a. imagining a world in which no limits or tradeoffs exist

b. placing emphasis on impacts beyond humans

c. promoting business profits more than consumer welfare

d. none of the above

21. Put “A” for your answer

Correct Answers: 1d, 2c, 3d, 4a, 5b, 6b, 7d, 8b, 9a, 10c, 11b, 12b, 13d, 14b, 15d, 16b, 17d, 18b, 19b, 20d, 21a