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

1. GDP per capita

a. closely correlates with measures of happiness across all countries and income levels

b. is closely correlated with broader measures such as life expectancy

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

d. none of the above

2. Which of the following is the website we used in class to illustrate changes in GDP per capita over the last 200 years as well as the link between GDP per capita and other outcomes:

a. GapMinder b. EconGraph

c. EconoMagic d. St. Louis Fed “FRED” site

3. In a market economy,

a. prices reflect the manipulations of large companies and rarely the influence of consumers

b. prices send signals to and motivate responses by consumers and producers

c. prices that are restricted from rising tend to promote long run economic growth

d. all of the above

4. Voluntary exchange across states such as Florida and Washington

a. tends to permit one state to gain at the expense of the other state

b. tends to depend on the size of the two states

c. tends to expand consumption possibilities in both states

d. none of the above

5. Adjustments for “purchasing power parity” attempt to adjust for

a. incomes across two countries

b. what a dollar can buy across two countries with different currencies

c. populations across two countries

d. none of the above

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

a. East and West Germany from 1945-1990

b. North Korea and South Korea since World War II

c. China and Taiwan since World War II

d. all of the above

7. What is a contributor to the functioning of markets that helps explain differences in the map of world living standards?

a. rules that protect of life and assets

b. very low rates of taxation

c. adherence to the gold standard for currency

d. all of the above

8. Voluntary exchange based on comparative advantage

a. promotes living standard growth when the trade takes place across county boundaries but not state boundaries

b. promotes living standard growth when the trade takes place across state boundaries but not national boundaries

c. promotes living standard growth when the trade takes place within a continent but not across continents

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. In class, we discussed the ethical/moral implications of markets. One point of emphasis is

a. markets promote the use of force and power

b. markets suppress the expression of individual preferences

c. markets promote creativity

d. none of the above

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

a. Tanzania and Germany b. Chile and North Korea

c. USA and France d. Japan and India

12. 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

13. Middle income countries in the world have GDP per capita

a. about $5,000 b. about $12,000

c. about $20,000 d. about $25,000

14. 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

15. 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

16. The constant existence of costs and tradeoffs in decisions expressed by the phrase, “there’s no such thing as a free lunch” arises from which of the following:

a. reliance on markets

b. existence of limits on resources

c. greed

d. none of the above

17. 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

18. Living standards of average households in the U.S. in the early 1800s would be close to those of

a. middle income countries today

b. low income countries today

c. high income countries today

d. the UK in 1900

19. The Concise Encyclopedia of Economics article on “Creative Destruction” credits which of the following economists with the term and the first serious investigation of it:

a. Adam Smith b. David Hume

c. Joseph Schumpeter d. John Stuart Mill

20. The Concise Encyclopedia of Economics article on “Price Controls”

a. notes that the U.S. had limits on how high prices on gasoline could go in 1973 and 1979, causing long lines for gasoline

b. notes that price controls are often popular because they hold out the hope of assisting people who are struggling in economic terms

c. have a long history in human experience

d. all of the above

21. Put “A” for your answer

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