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

1. The graphic on long run growth in the U.S. since 1870 indicates that

a. major recessions can offset growth gains for many decades afterward

b. long run growth is much more important in the long run than even large recessions

c. living standards as measured by real GDP per capita have doubled since 1870

d. none of the above

2. A “production possibilities frontier” is a way of expressing what basic economic fact?

a. limits and tradeoffs of goods/resources always exist

b. the wants and desires of the population are always growing

c. technology is more important than trade

d. all of the above

3. In our discussions, the term “markets” is equivalent to

a. large corporate activity b. voluntary exchange

c. exploitation d. none of the above

4. 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

5. Trade across states such as Florida and Washington

a. is not permitted because of restrictions on interstate trade in the U.S.

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

c. tends to increase employment Florida but not in Washington

d. none of the above

6. Which of the following individuals did we consider as an example of specialization based on comparative rather than absolute advantage?

a. LeBron James b. Tom Brady

c. Babe Ruth d. Jim Thorpe

7. In discussing comparative advantage across regions, we considered

a. a map of wheat growing areas in the U.S.

b. a map of citrus growing areas across the world

c. a map of corn growing areas in the U.S.

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. Nominal GDP in the U.S. is closest to which figure?

a. $2 Trillion b. $7 Trillion

c. $17 Trillion d. $22 Trillion

11. From an ethical perspective, one characteristic of markets is that they

a. are based on voluntary exchange rather than force

b. promote a very homogenous set of goods/services

c. discourage creativity

d. none of the above

12. The channels available on Sirius/XM radio are an example of

a. how markets respond to individual preferences as markets grow larger

b. how small markets focus on the preferences of a few

c. how government boards are adept at selecting choices

d. none of the above

13. The video that we watched in class concerning the importance of prices and how they help coordinate economic outcomes without a single, central decision maker focused on which product?

a. pens b. I-phones

c. pencils d. none of the above

14. The idea of creative destruction shows that living standards increase even though employment shifts. Today, only 2% of employment is in agriculture. In 1850, what percentage of US employment was in agriculture?

a. 85% b. 60%

c. 40% d. 20%

15. How is trade between regions, states, or nations like technological change?

a. they both are driven by creativity

b. they both push out limits of resources

c. they both involve individuals rather than companies

d. all of the above

16. The unemployment rate in the U.S. is currently closest to

a. 4.5% b. 7.5%

c. 10.5% d. 15.5%

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. The Concise Encyclopedia of Economics article on “Creative Destruction” includes a table that

a. compares employment in professions in the 2000s with employment in prior years

b. lists the 10 most important technological advances of the past 150 years

c. adds up the total number of jobs lost across all employment due to new technology

d. all of the above

19. Which of the following famous writers help start modern economics with an examination of and rebuttal of mercantilism?

a. John Stuart Mill b. David Hume

c. Joseph Schumpeter d. John Keynes

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, 4b, 5d, 6c, 7d, 8d, 9a, 10c, 11b, 12a, 13c, 14a, 15b, 16b, 17c, 18a, 19b, 20d