|  |
| --- |
| **True / False** |

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| 1. Scarcity means that there is less of a good or resource available than people wish to have.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingScarcity |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 001.01 - TF - MANK08 |

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| 2. Economics is the study of how evenly goods and services are distributed within society.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingScarcity |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 002.01 - TF - MANK08 |

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| 3. Economics is the study of how society allocates its unlimited resources.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | ScarcityEconomic thinking |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 003.01 - TF - MANK08 |

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| 4. Because resources are scarce, a society cannot give all individuals the standard of living to which each aspires.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingScarcity |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 004.01 - TF - MANK08 |

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| 5. Equality means distributing society’s resources in the most efficient manner.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingEquality |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 005.01 - TF - MANK08 |

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| 6. Economists study how people make decisions.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinking |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 006.01 - TF - MANK08 |

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| 7. With careful planning, we can usually get something that we like without having to give up something else that we like.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingTradeoffs |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 007.01 - TF - MANK08 |

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| 8. Choosing not to attend a concert so that you can study for your exam is an example of a tradeoff.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingTradeoffs |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 008.01 - TF - MANK08 |

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| 9. The classic tradeoff between “guns and butter” states that when a society spends more on national defense, it has less to spend on consumer goods to raise the standard of living.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingTradeoffs |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 009.01 - TF - MANK08 |

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| 10. Efficiency means everyone in the economy should receive an equal share of the goods and services produced.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingEfficiency |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 010.01 - TF - MANK08 |

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| 11. Equality refers to how the pie is divided, and efficiency refers to the size of the economic pie.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingEquality |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 011.01 - TF - MANK08 |

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| 12. Government policies that improve equality usually increase efficiency at the same time.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingEfficiency |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 012.01 - TF - MANK08 |

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| 13. Using income tax revenue to fund the welfare system illustrates the conflict between efficiency and equality.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingEquality |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 013.01 - TF - MANK08 |

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| 14. An individual deciding how to allocate her limited time is dealing with both scarcity and trade-offs.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingScarcityTradeoffs |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 014.01 - TF - MANK08 |

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| 15. The cost of an action is measured in terms of foregone opportunities.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. |
| *TOPICS:* | Economic thinkingOpportunity cost |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 015.01 - TF - MANK08 |

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| 16. Tuition is the single-largest cost of attending college for most students.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingOpportunity cost |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 016.01 - TF - MANK08 |

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| 17. If wages for accountants rose, then accountants’ leisure time would have a lower opportunity cost.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.302 - Identify the opportunity cost of an action. |
| *TOPICS:* | Economic thinkingOpportunity cost |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 017.01 - TF - MANK08 |

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| 18. A marginal change is a small incremental adjustment to an existing plan of action.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. |
| *TOPICS:* | Marginal thinkingEconomic thinking |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 018.01 - TF - MANK08 |

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| 19. An increase in the marginal cost of an activity necessarily means that people will no longer engage in any of that activity.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. |
| *TOPICS:* | Economic thinkingMarginal thinking |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 019.01 - TF - MANK08 |

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| 20. If the average cost of transporting a passenger on the train from Chicago to St. Louis is $75, it would be irrational for the railroad to allow any passenger to ride for less than $75.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.051 - Describe what it means to think at the margin. |
| *TOPICS:* | Economic thinkingMarginal thinking |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 020.01 - TF - MANK08 |

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| 21. The fact that people are willing to pay much more for a diamond, which is not needed for survival, than they are willing to pay for a cup of water, which is needed for survival, is an example of irrational behavior.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingMarginal thinking |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 021.01 - TF - MANK08 |

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| 22. A rational decisionmaker takes an action if and only if the marginal cost exceeds the marginal benefit.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingMarginal thinking |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 022.01 - TF - MANK08 |

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| 23. Suppose one county in Missouri decides it wants to reduce alcohol consumption, so the county passes a law that raises the price of a bottle of beer by $1. As a result, people drive to other counties to drink alcohol, which results in an increase in drunk driving. This illustrates the principle that people respond to incentives.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.224 - Given a scenario, identify which principle of economic interaction best describes it. |
| *TOPICS:* | Economic thinkingIncentives |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 023.01 - TF - MANK08 |

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| 24. A tax on gasoline is an incentive that encourages people to drive smaller more fuel-efficient cars.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingIncentives |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 024.01 - TF - MANK08 |

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| 25. To say people respond to incentives means that people may alter their decisions when the costs and benefits of an action change.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingIncentives |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 025.01 - TF - MANK08 |

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| 26. One of the effects of gas prices rising from about $2 to about $4 per gallon was airlines ordering new, fuel-efficient aircraft.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingIncentives |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 026.01 - TF - MANK08 |

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| 27. Trade allows each person to specialize in the activities he or she does best, thus increasing each individual's productivity.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. |
| *TOPICS:* | International trade |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 027.01 - TF - MANK08 |

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| 28. Trade with any nation can be mutually beneficial.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. |
| *TOPICS:* | International trade |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 028.01 - TF - MANK08 |

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| 29. Trade can make everyone better off except in the case where one person is better at doing everything.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.011 - Apply basic principles about the international flow of goods and capital. |
| *TOPICS:* | International trade |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 029.01 - TF - MANK08 |

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| 30. The invisible hand ensures that economic prosperity is distributed equally.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingInvisible hand principle |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 030.01 - TF - MANK08 |

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| 31. A market economy cannot produce a socially desirable outcome because individuals are motivated by their own selfish interests.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. |
| *TOPICS:* | Economic thinking |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 031.01 - TF - MANK08 |

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| 32. Communist countries worked on the premise that government officials were in the best position to allocate the economy’s scarce resources.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.218 - Given a scenario, identify the distribution system being used. |
| *TOPICS:* | Economic thinking |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 032.01 - TF - MANK08 |

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| 33. The government can potentially improve market outcomes if market inequalities or market failure exists.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.014 - Assess a market's efficiency. |
| *TOPICS:* | Economic thinking |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 033.01 - TF - MANK08 |

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| 34. One way that governments can improve market outcomes is to ensure that individuals are able to own and exercise control over their scarce resources.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
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| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.014 - Assess a market's efficiency. |
| *TOPICS:* | Public economicsProperty rights |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 034.01 - TF - MANK08 |

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| 35. Market failure refers to a situation in which the market does not allocate resources efficiently.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.014 - Assess a market's efficiency. |
| *TOPICS:* | Economic thinking |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 035.01 - TF - MANK08 |

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| 36. Market power and externalities are two possible causes of market failure.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.014 - Assess a market's efficiency. |
| *TOPICS:* | Economic thinkingExternalities |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 036.01 - TF - MANK08 |

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| 37. Market failure occurs when no individual has the ability to substantially influence market prices.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.014 - Assess a market's efficiency. |
| *TOPICS:* | Economic thinking |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 037.01 - TF - MANK08 |

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| 38. Productivity is defined as the quantity of goods and services produced from each unit of labor input.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic growthProductivity |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 038.01 - TF - MANK08 |

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| 39. Inflation is the primary determinant of a country's living standards.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Price levelsInflation |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 039.01 - TF - MANK08 |

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| 40. Inflation increases the value of money.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. |
| *TOPICS:* | Price levelsInflation |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 040.01 - TF - MANK08 |

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| 41. Inflation measures the increase in the quantity of goods and services produced from each hour of a worker’s time.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. |
| *TOPICS:* | Price levelsInflation |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 041.01 - TF - MANK08 |

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| 42. The goal of President Obama’s stimulus package and increased government spending following the deep economic downturn in 2008 and 2009 was to reduce inflation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. |
| *TOPICS:* | Price levelsInflation |
| *KEYWORDS:* | BLOOM'S: Application |
| *CUSTOM ID:* | 042.01 - TF - MANK08 |

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| 43. Variations in the standard of living across countries is due almost entirely to differences in each nation’s total output of goods and services.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic growthProductivity |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 043.01 - TF - MANK08 |

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| 44. In the short-run, society faces a tradeoff between inflation and unemployment.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. |
| *TOPICS:* | Price levelsInflation |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 044.01 - TF - MANK08 |

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| 45. In the long run the primary effect of increasing the quantity of money is higher prices.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. |
| *TOPICS:* | Price levelsInflation |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 045.01 - TF - MANK08 |

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| 46. The business cycle refers to fluctuations in economic activity such as employment and production.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.080 - Determine the short-run and long-run effects of a macroeconomic event using the aggregate demand and aggregate supply model. |
| *TOPICS:* | Business cycles |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 046.01 - TF - MANK08 |

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| 47. The opportunity cost of working one hour is the sum of the values you would have received from all other activities you could have done in that hour.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Difficult |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works.ECON.MANK.302 - Identify the opportunity cost of an action. |
| *TOPICS:* | Economic thinkingOpportunity cost |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 047.01 - TF - MANK08 |

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| 48. The opportunity cost of working out for one hour is the value of the next-best activity that you could have done in that hour.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works.ECON.MANK.302 - Identify the opportunity cost of an action. |
| *TOPICS:* | Opportunity costEconomic thinking |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 048.01 - TF - MANK08 |

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| 49. Inflation and unemployment both increase as the money supply increases.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. |
| *TOPICS:* | InflationPrice levels |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 049.01 - TF - MANK08 |

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| 50. A rational decision maker takes an action if and only if the marginal benefit exceeds the marginal cost.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingMarginal thinking |
| *KEYWORDS:* | BLOOM'S: Comprehension |
| *CUSTOM ID:* | 050.01 - TF - MANK08 |

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| 51. The "invisible hand" influences market behavior through trade.​

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|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. |
| *TOPICS:* | Economic thinkingInvisible hand principle |
| *KEYWORDS:* | BLOOM'S: Knowledge |
| *CUSTOM ID:* | 051.01 - TF - MANK08 |

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