

Sample Questions: The sample questions below are similar to those you will find on the exam. Study the concepts that are highlighted in bold print throughout the book, but remember that will be asked to apply the concept - do some economic reasoning - rather than to just select a definition.

1. You are stuck at home watching an old movie with your parents when a friend calls and asks to meet at the coffee shop to study. What is the opportunity cost of meeting your friend?
 - the price of the gas to get to the coffee shop and the price of your drink
 - there is no cost as you were feeling "stuck" at home
 - **the chance to watch the old movie with your parents**
 - the better grade you'd get if you studied on your own
2. What was the result of export quotas and emergence of a cartel in the Soviet caviar industry?
 - **the price of caviar rose**
 - the price of caviar fell
 - the demand for caviar rose
 - the demand for caviar fell
3. With respect to increasing police presence, the elasticity of violent crime is -1 and the elasticity of property crime is -.4. Which of the following is not true?
 - A city that increases its police presence by X% can expect X% decline in violent crime.
 - **A city reduces violent crime by X% can reduce its expenditures on policing by X%.**
 - Increasing police presence by X% will have a greater impact on violent crime than on property crime.
 - The "supply" of violent crime is more responsive to police presence than the supply of property crime.
4. Which of the following is an example of revealed preferences?
 - **when airline prices rose over the summer, more families opted for driving vacations**
 - Gallup poll results indicated that consumers will opt for more fuel-efficient models on their next car purchases
 - analysis expect the increase in medical insurance premiums will reduce the demand for insurance
 - restaurants offered more vegetarian options in the aftermath of the mad cow disease scare
5. What would be the likely economic outcome of allowing a market for transplant organs?
 - the number of transplants would increase, bankrupting Medicare and Medicaid
 - there would be an increase in criminal harvesting of organs from unwilling "donors"
 - medical insurance would raise the price of transplant operations, making them a luxury of the rich
 - **the price would drastically reduce activity in the black market for organs**