



1. Which of the following statements is true if the price in a market is higher than the equilibrium price?
 - a. The quantity demanded increases.
 - b. Government intervention becomes necessary.
 - c. Producers enter the market.
 - d. The market fails.
 - e. There is an excess supply of the good.
2. If an increase in the price of one good causes a decrease in demand for another good, these two goods are MOST likely
 - a. complements
 - b. normal
 - c. inelastic
 - d. inferior
 - e. substitutes
3. Suppose the FDA announces that consuming coffee decreases the chance of heart disease. How will this announcement affect the equilibrium price and quantity of coffee?
 - a. price increases, quantity increases
 - b. price does not change, quantity increases
 - c. price increases, quantity decreases
 - d. price decreases, quantity increases
 - e. price increases, quantity does not change
4. Perfectly competitive markets are characterized by all of the following features EXCEPT
 - a. barriers to entry
 - b. perfect information
 - c. many sellers
 - d. a standardized good or service
 - e. many buyers
5. What is the MOST important factor influencing the quantity of a good supplied?
 - a. the quantity consumers demand
 - b. the price sellers receive
 - c. the number of sellers involved
 - d. the number of buyers involved
 - e. the price of inputs used
6. If the price of wood increases, what will happen to equilibrium price and quantity in the market for wooden chairs?
 - a. price decreases, quantity increases
 - b. price increases, quantity decreases
 - c. price increases, quantity does not change
 - d. price decreases, quantity decreases
 - e. price increases, quantity increases
7. Of the following markets, the one with the lowest price elasticity of demand would be the market for
 - a. romance novels
 - b. energy
 - c. M&Ms
 - d. beagles
 - e. cheese bagels
8. In economic analysis, an individual's taste for a good increases when the
 - a. benefits of consumption increase
 - b. opportunity cost increases
 - c. market demand for the good increases
 - d. price of a good increases
 - e. supply of the good decreases
9. A relative invites you to attend a concert with him, and offers to pay for your ticket. What is the opportunity cost of attending this concert?
 - a. the hearing loss you will sustain at the concert
 - b. what you would otherwise have done with your time
 - c. what you could have bought with the ticket money
 - d. the jealousy you will experience from your friends
 - e. the amount you spent driving to the concert
10. What constitutes a market?
 - a. the inputs used to produce a good or service
 - b. a good and all of its complements and substitutes
 - c. the location in which a good or service is sold
 - d. all of the buyers and sellers of a good or service
 - e. the entire quantity of a good or service sold
11. If Cheerios and Frosted Flakes are substitutes, an increase in the supply of Frosted Flakes will lead to a(n)
 - a. increase in demand for Frosted Flakes
 - b. decrease in supply of Cheerios
 - c. decrease in demand for Cheerios
 - d. increase in supply of Cheerios
 - e. increase in the price of Cheerios
12. If potatoes are an inferior good, Jacob will demand fewer potatoes when
 - a. the supply of potatoes increases
 - b. the price of potatoes decreases
 - c. his income increases
 - d. his friends buy more potatoes
 - e. potatoes become trendier

13. If Hermione values a cell phone at \$300 but the market price is \$150, the consumer surplus she receives from purchasing the phone will be
- \$20
 - \$2
 - \$300
 - \$150
 - \$150
14. If the supply curve for a good is horizontal, supply is
- increasing
 - perfectly elastic
 - inelastic
 - unit elastic
 - perfectly inelastic
15. If an increase in the price of a good leads to an increase in total revenue, demand for the good MUST be
- unit elastic
 - increasing
 - perfectly elastic
 - inelastic
 - decreasing
16. Which of the following situations would cause the demand curve for light bulbs to shift to the right?
- The price of light bulbs increases.
 - As winter approaches, the nights grow longer.
 - Consumers expect the price of light bulbs to drop next month.
 - The technology used to produce light bulbs improves.
 - A new product is invented for use instead of light bulbs.
17. To calculate the demand curve for a market, it is necessary to
- average the quantity demanded at each price for all individual consumers
 - add vertically the demand curves of all individual consumers
 - add the demand curves of all individual consumers
 - subtract horizontally the demand curves of all individual consumers
 - multiply the demand curves of all individual consumers
18. A producer in a perfectly competitive market would never charge a price lower than the market price because it would
- reduce his income
 - increase his costs
 - increase his competition
 - make buyers suspicious
 - anger other producers
19. If demand for a good increases, what will happen to the equilibrium price and quantity?
- price does not change, quantity increase
 - price increases, quantity increases
 - price increases, quantity does not change
 - price increases, quantity decreases
 - price decreases, quantity increases
20. Compared to other markets, competitive markets are particularly effective in allocating resources because of the
- low prices of goods
 - information buyers give sellers about demand
 - information sellers give buyers about the price
 - two-way communication between buyers and sellers
 - quantities of goods produced
21. If total surplus in an economy is maximized, the economy is NOT
- stable
 - in equilibrium
 - producing its full potential output
 - Pareto efficient
 - delaying the use of resources
22. Which of the following situations would cause the equilibrium price of tulips to decrease?
- The price of sunflowers, a substitute for tulips, increases.
 - Mother's Day is fast approaching.
 - The technology used to pick tulips improves.
 - The price of fertilizer increases.
 - Consumers learn the price of tulips will increase next week.
23. Which of the following statements does not describe a highly organized market?
- the New York Stock Exchange
 - the market for alpacas
 - Barnes and Noble bookstores
 - the market for bananas
 - the market for cola
24. Which of the following markets would be MOST likely to have the highest price elasticity of supply?
- a market that is broadly defined
 - a market that relies on scarce resources
 - a market with many buyers
 - a market considered over a long time horizon
 - a market with many barriers to entry

25. The price of a good decreases from \$10 to \$8 and the quantity demanded increases from 4 to 5. According to the total revenue test, demand for this good is
- perfectly elastic
 - unit elastic
 - perfectly inelastic
 - inelastic
 - elastic
26. How will the equilibrium price and quantity in the market for phones change if phone companies switch from real phone representatives to more efficient automated response systems?
- price increases, quantity does not change
 - price decreases, quantity does not change
 - price decreases, quantity increases
 - price increases, quantity increases
 - price does not change, quantity increases
27. If demand for a good is perfectly elastic, how will an increase in supply affect the equilibrium price and quantity?
- price increases, quantity increases
 - price decreases, quantity does not change
 - price does not change, quantity increases
 - price does not change, quantity decreases
 - price decreases, quantity increases
28. As allergies worsen, the number of tissue producers and consumers increases. How does this affect the market for tissues?
- price increases, quantity ambiguous
 - price increases, quantity increases
 - price decreases, quantity increases
 - price ambiguous, quantity increases
 - price ambiguous, quantity decreases
29. Rob, Jen, and Frank make up the economy of the island of Marco. Altogether, there is \$600 on the island. In which of the following situations is the economy NOT Pareto efficient?
- Frank has \$500, and Rob and Jen each have \$50.
 - Rob has \$400, and Jen and Frank each have \$100.
 - Each has \$200.
 - Each has \$150.
 - Jen has \$600 and Rob and Frank each have \$0.
30. Assuming supply and demand are both very price elastic, an increase in supply ALWAYS leads to an increase in
- consumer surplus
 - producer surplus
 - equilibrium price
 - price elasticity of supply
 - consumer opportunity cost
31. Why is the price elasticity of demand always negative?
- Consumers must buy necessities regardless of increases in price, but other goods are optional.
 - Suppliers always produce more as the price increases.
 - As consumers' incomes increase, they always buy fewer inferior goods.
 - Consumers and producers react similarly to changes in price.
 - Price and quantity demanded always move in opposite directions.
32. What aspect of most real world markets allows them to be analyzed based on the assumptions of perfect competition?
- the existence of consumer loyalty
 - their highly competitive nature
 - the degree of government intervention
 - the name recognition of their companies
 - their need to advertise
33. Voluntary trade must
- leave all participants involved better off
 - result in a more well-rounded economy
 - make all producers in a country better off
 - lead to a lower total surplus
 - render at least one participant worse off
34. What does price elasticity of demand measure?
- the extent to which consumer surplus responds to a change in price
 - the extent to which the quantity demanded of a good responds to a change in price
 - the change in demand for substitutes that results from a change in price of a good
 - the extent to which the price of a good responds to changes in supply
 - the change in opportunity cost that results from a change in price
35. A rational decision maker
- always saves a portion of income for use in the future
 - measures out exact consequences before making decisions
 - spends a long time contemplating decisions before making them
 - puts others before themselves when making a decision
 - weighs the opportunity costs and benefits of an action before making a decision
36. Which problem is unavoidable for all societies?
- poverty
 - scarcity
 - unemployment
 - debt
 - inflation

37. If an economy is efficient,
- the unemployment rate is 0%
 - it uses all its resources
 - there is an equal distribution of resources
 - total surplus could be increased
 - there is an equal distribution of wealth
38. What do the horizontal and vertical axes on a demand graph measure, respectively?
- elasticity and quantity demanded
 - quantity demanded and price
 - quantity demanded and quantity supplied
 - quantity supplied and elasticity
 - price and quantity supplied
39. If the quantity of a good demanded decreases by 12% in response to a 6% increase in price, the elasticity of demand for that good is
- 6
 - 1.3
 - .5
 - 2
 - .2
40. According to the law of demand, goods exhibit a negative relationship between
- quantity demanded and quantity supplied
 - quantity demanded and elasticity
 - quantity supplied and elasticity
 - price and consumer surplus
 - price and quantity demanded
41. Microeconomics focuses on
- small economies
 - computerized economic models
 - externalities
 - individual markets
 - price levels
42. In a market, the equilibrium price is \$10 and the equilibrium quantity is 20 units. At a price of \$20, no units will be sold. What is the consumer surplus in this market?
- \$200
 - \$1,000
 - \$2,000
 - \$100
 - \$4,000
43. To capture the essential features of economic interactions, economists create
- models
 - assumptions
 - laws
 - hypotheses
 - policies
44. Which of the following statements illustrates positive economic analysis?
- An inflation rate of 5% is too high.
 - The government should decrease taxes to spur aggregate demand.
 - The unemployment rate will be above 8% by November.
 - Unemployment must be minimized.
 - High inflation is less destructive than high unemployment.
45. Both micro and macroeconomics are concerned with
- the overall price level in an economy
 - the behavior of entire economies
 - the behavior of certain individuals
 - the negative effects of unemployment
 - the basic features of human behavior
46. Because of scarcity, every choice that we make
- worsens our own situation
 - requires trade-offs
 - has a successively higher opportunity cost
 - deprives someone else
 - is independent of other choices
47. The main goal of economics is to
- maximize profits and minimize costs
 - maintain a low unemployment rate
 - generate macroeconomic growth
 - maintain a low inflation rate
 - study how societies allocate scarce resources
48. According to Adam Smith, what is necessary for an economy to function properly?
- government management of the economy
 - people giving to charity
 - progressive taxes to redistribute income
 - welfare to support the poor
 - people working in their own self-interest

49. If the price elasticity of demand of a good is 2.4, the good is MOST likely
- unique
 - a Giffen good
 - a factor of production
 - a monopoly product
 - a luxury good
50. If carrots and celery are complements and the price of celery increases, consumers will MOST likely buy
- more celery
 - more carrots
 - the same amount of celery
 - the same amount of carrots
 - fewer carrots



1. Pizza Hut is hiring workers. The first worker they hire makes 12 pizzas, the second makes 13, and the third makes 10. Why does the third worker make fewer pizzas than the first and second?
 - a. rising opportunity costs
 - b. diminishing marginal revenue
 - c. rising fixed costs
 - d. diminishing returns to scale
 - e. rising wages
2. A price floor in the wheat market is MOST beneficial to
 - a. mass consumers
 - b. subsistence farmers
 - c. family farms
 - d. bakers
 - e. wheat resellers
3. In a monopolistically competitive market, as firms enter the industry and choices available to consumers expand, what happens to existing businesses?
 - a. Their marginal revenue curves shift up.
 - b. The price elasticity of demand for their goods decrease.
 - c. Their demand curves shift left.
 - d. Their demand curves become horizontal.
 - e. Their supply curves decrease.
4. Mike's Tires charges a higher price to people who drive BMWs than to people who drive Toyotas. This difference in price is an example of
 - a. consumer surplus maximization
 - b. price discrimination
 - c. collusion
 - d. cost minimization
 - e. illegal trade
5. To be binding, a minimum price MUST be placed
 - a. at natural market equilibrium
 - b. above natural market equilibrium
 - c. on the inelastic portion of the supply curve
 - d. at a deficit quantity
 - e. on the inelastic portion of the demand curve
6. When analyzing imperfect competition, which assumption of the firm is NOT valid?
 - a. The firm faces a downward sloping demand curve.
 - b. The firm faces diminishing returns to scale.
 - c. The firm's decision of how much to supply does not affect price.
 - d. The goal of a firm is always to maximize profits.
 - e. The firm is constrained by the price and quantity of market demand.
7. To determine the price of a monopoly good, draw a vertical line from the profit-maximizing quantity to the
 - a. fixed cost curve
 - b. demand curve
 - c. average cost curve
 - d. total cost curve
 - e. supply curve
8. A baker decides to increase production from 200 to 250 loaves of bread. Which cost increases?
 - a. basic
 - b. fixed
 - c. sunk
 - d. capital
 - e. variable
9. The slope of the production possibilities frontier represents the
 - a. total cost of producing a good
 - b. opportunity cost of producing a good
 - c. price elasticity of demand for two goods
 - d. price elasticity of demand for one good
 - e. absolute advantage in producing a good
10. In the long run, firms in a competitive market earn
 - a. positive normal profits
 - b. zero accounting profits
 - c. positive economic profits
 - d. negative economic profits
 - e. zero economic profits
11. The nation of Rachelville produces peaches. What would MOST likely happen if Rachelvilleans begin to supply peaches below the world price?
 - a. The price elasticity of demand for peaches will increase.
 - b. The domestic price of peaches will decrease.
 - c. More peaches will be sold domestically.
 - d. The world price for peaches will increase.
 - e. Peach exports to neighboring countries will increase.

12. Ron, Hermione, and Harry are three of the many Hogwarts students that produce cloaks. Ron makes rat-print cloaks, Hermione makes book-print cloaks, and Harry makes bolt-print cloaks. What economic environment is this?
- a market with many barriers to entry
 - a monopolistically competitive market
 - a perfectly competitive market
 - three separate perfectly competitive markets
 - a collusive market
13. In a perfectly competitive market, the demand curve a firm faces is
- perfectly inelastic
 - parabolic
 - upward-sloping
 - horizontal
 - downward-sloping
14. Marvin produces alien costumes. The cost to produce one more costume is his
- peripheral cost
 - variable cost
 - additional cost
 - subsequent cost
 - marginal cost
15. The formal and informal rules that structure human interactions are called
- organizations
 - laws
 - institutions
 - regulations
 - paradigms
16. The government taxes cigarettes. As a result of the tax, smokers and producers see their welfare reduced by a(n)
- opportunity cost
 - tax hardship
 - deadweight loss
 - price wedge
 - market deficit
17. Why would a producer want to erect barriers to entry?
- to preserve accounting profits
 - to eliminate the dependence on market demand
 - to increase the quantity of goods that can be sold
 - to decrease variable costs
 - to preserve economic profits
18. Which of the following situations is NOT an example of price discrimination?
- movie theaters giving discounts to senior citizens and children
 - airlines charging lower prices for travelers who book tickets far in advance
 - restaurants giving discounts to military veterans
 - a bookstore charging a higher price for a romance novel than a children's book
 - colleges offering need-based financial aid to students
19. Which of the following individuals would NOT be considered an entrepreneur?
- a dress-maker who develops a new type of fabric
 - a man who develops a service to help people find lost items in their home
 - a producer who discovers an eco-friendly way to produce his good
 - a teenager who invents a robot to fold their laundry
 - a manager who finds a way to decrease his company's fixed costs
20. Which of the following costs is NOT part of a producer's economic cost?
- opportunity costs
 - costs of fixed inputs
 - costs of variable inputs
 - marginal costs
 - accounting costs
21. Frodo Baggins's production possibilities frontier shows rings on the horizontal axis and swords on the vertical axis. Frodo will produce at the single point that
- allows him to specialize
 - maximizes his efficiency
 - requires the fewest resources
 - maximizes his satisfaction
 - minimizes his opportunity cost
22. Brian sells CDs. He sells 12 CDs a day at \$15 per CD. It costs him \$2 to make each CD. What is Brian's total revenue per day?
- \$90
 - \$80
 - \$156
 - \$180
 - \$150

23. Who ALWAYS bears the greater burden of a tax?
- consumers
 - the group with the lowest price elasticity of demand or supply
 - the group with the greatest price elasticity
 - producers
 - the group on which the tax is imposed
24. What allow monopolies to exist?
- increasing returns to scale
 - strong brand names
 - barriers to entry
 - loyal customers
 - tragedies of the commons
25. Which of the following activities is NOT a source of government inefficiency?
- logrolling
 - taxation
 - red-tape bureaucracy
 - rent seeking
 - pork barrel politics
26. The government reduces the cost of college tuition. How is the benefit to society of more teens going to college shown on a market graph?
- Supply shifts to the left.
 - Demand shifts to the right.
 - The price elasticity of demand increases.
 - The price elasticity of supply increases.
 - Supply shifts to the right.
27. A firm's goal is to
- maximize demand
 - minimize costs
 - maximize production
 - maximize revenue
 - maximize profits
28. Marxville produces manifestos for sale above the world price. On a market graph, the world price would MOST resemble a(n)
- price ceiling
 - price floor
 - lump sum production tax
 - per-unit production tax
 - per-unit consumption tax
29. "No one pays for flowers from the park, and now there aren't any left." Identify the cause of this sad state of affairs.
- privatization
 - common use fallacy
 - negative externalities
 - negative economics
 - tragedy of the commons
30. What is the most common form of an imperfect market?
- monopolistic competition
 - natural monopoly
 - cartel
 - government monopoly
 - oligopoly
31. The United States federal government has a legal monopoly on the
- taxation of citizens
 - creation of formal organizations
 - setup of formal institutions
 - legitimate use of force
 - use of media advertisements
32. Assuming property rights are clearly defined and parties are able to negotiate, the private market should be able to resolve all externalities. This idea is known as
- the solution of the commons
 - creative destruction
 - the Invisible Hand
 - the Coase Theorem
 - laissez-faire*
33. Why might the government issue a patent?
- to learn how to produce the same good in larger quantities
 - to avoid the creation of a monopoly
 - to persuade firms to sell their goods at lower prices
 - to persuade firms to produce their goods at lower costs
 - to learn how a good is produced
34. Edison is an enormous company that can supply electricity at a much lower cost than could many smaller firms. Edison is a(n)
- natural monopoly
 - oligarchy
 - monopolistic competitor
 - cartel
 - oligopoly

35. In order to start her scrap booking business, Sally purchases a paper cutter. This paper cutter represents a
- variable cost
 - opportunity cost
 - long-term cost
 - marginal cost
 - fixed cost
36. A firm will always produce where marginal cost is
- equal to average total cost
 - greater than opportunity cost
 - less than total revenue
 - equal to marginal revenue
 - less than marginal revenue
37. The government imposes rent controls to protect low-income families. How is the market for apartments affected by this policy?
- Total surplus decreases.
 - Consumer surplus increases.
 - Producer surplus increases.
 - Supply of apartments decreases.
 - Demand for apartments increases.
38. Using taxes to correct the effects of an externality is MOST effective when the
- externality can be valued
 - externality is caused by the actions of a large corporation
 - externality affects many people
 - effects of the externality are small
 - externality takes place on a local level
39. In what type of environment can a cartel form?
- oligopolistic
 - monopolistic
 - perfectly monopolistic
 - monopolistically competitive
 - perfectly competitive
40. The imposition of a price ceiling in the market for apartments creates an excess demand that allows landlords to select tenants. Why is this selection inefficient?
- Apartments no longer go to those who value them most highly.
 - Landlords can now price discriminate to earn a higher profit.
 - Consumers will offer to pay higher prices to buy the apartments.
 - The government will be taking profit from both the tenants and the landlords.
 - Apartments will not be fully allocated to consumers.
41. An externality ALWAYS arises when
- the government intervenes in the free market
 - the consumers in a market take into account the effect of their actions on society
 - the producers in a market take into account the effect of their actions on society
 - a market fails to produce the socially optimal output of a necessary good
 - a third party is affected by an interaction in which it did not take part
42. Compared to a perfect competitor, a monopolist produces at a
- lower total cost
 - greater consumer surplus
 - lower marginal cost
 - higher price
 - higher quantity
43. Justin Bieber and Selena Gomez both make microphones and write songs. In one day, Justin can make 5 microphones or write 1 song. In the same day, Selena can make 15 microphones or write 5 songs. If the two engage in trade,
- Selena should only make microphones.
 - They should both only make microphones.
 - Selena should only write songs.
 - They should both write songs and make microphones.
 - Justin should only write songs.
44. Katniss can kill 10 rabbits or collect 50 berries in a day. Peeta can kill 2 rabbits or collect 20 berries in the same amount of time. Which of the following statements is TRUE?
- Katniss has a comparative advantage in killing rabbits and collecting berries.
 - Katniss has a comparative advantage in collecting berries.
 - Katniss and Peeta should not trade.
 - Katniss has an absolute advantage in killing rabbits.
 - Peeta has a comparative advantage in killing rabbits.
45. In a monopolistically competitive industry, firms produce where marginal cost is
- greater than demand
 - less than marginal revenue
 - equal to market price
 - equal to total cost
 - less than market price
46. Danielle buys a subscription to HBO so that she can watch *Game of Thrones*. What kind of good has she just bought?
- collective
 - private
 - mutual
 - public
 - common

47. Which of the following industries is characterized by zero economic profit?
- oligopoly
 - government monopoly
 - natural monopoly
 - monopolistically competitive
 - cartel
48. Producers are taxed \$1 per unit. How is this tax shown on a market graph?
- Supply shifts leftward by \$1.
 - Demand shifts leftward by \$1.
 - Demand shifts rightward by \$1.
 - Equilibrium shifts downward by \$1.
 - Supply shifts rightward by \$1.
49. Benefits from trade account for the modern world economy's
- high level of urbanization
 - high degree of interdependence
 - high level of industrialization
 - minimal degree of protectionism
 - limited interest in agriculture
50. The main goal of a tax is to
- raise revenue for public expenditures
 - balance public deficits
 - eliminate profits for private firms
 - redistribute wealth
 - eliminate income inequalities



1. The introduction of new technology into an economy causes an increased demand for funds. What happens to the market for funds?
 - a. The quantity of funds increases.
 - b. The real interest rate decreases.
 - c. The supply of loans increases.
 - d. The nominal interest rate increases.
 - e. The inflation rate decreases.
2. Which of the following groups is NOT a purchaser of goods and services?
 - a. financial intermediaries
 - b. government
 - c. firms
 - d. households
 - e. foreign sector
3. Macroeconomics studies the performance of
 - a. governments
 - b. national economies
 - c. the global economy
 - d. firms
 - e. individual markets
4. What has historically been the MOST important factor involved in increasing the average labor productivity of economies?
 - a. human capital
 - b. natural resources
 - c. technology
 - d. political environment
 - e. physical capital
5. The lower the real interest rate, the more profitable investment projects become. What effect does this fact have on the market for loanable funds?
 - a. The demand for savings is downward-sloping.
 - b. The supply of savings is upward-sloping.
 - c. The demand for money is downward-sloping.
 - d. The supply of money is upward-sloping.
 - e. The demand for loanable funds is upward-sloping.
6. Which of the following transactions is NOT a government purchase?
 - a. the purchase of fighter jets
 - b. Social Security payments
 - c. salaries for members of Congress
 - d. salaries for public school teachers
 - e. public works projects
7. Regina bought a bond from the United States government. In addition to interest payments, what part of the bond will the government have to repay Regina when the bond matures?
 - a. principal
 - b. fundamental
 - c. down payment
 - d. base
 - e. primary
8. Which of the following countries is MOST likely to experience a trade deficit?
 - a. one dependent on oil exports
 - b. one with a low price level
 - c. one with few natural resources
 - d. one with a productive labor force
 - e. one with low government spending
9. Lizzie owns the company McGuire's Empire. A year ago, McGuire's Empire sold stocks and bonds to avoid bankruptcy. What will happen to the investors when McGuire's Empire repays the money it owes?
 - a. Both bondholders and stockholders will benefit equally from the success of the company.
 - b. Stockholders will be paid first but will end up with larger losses than bondholders.
 - c. Bondholders will not be repaid unless there is money left after paying stockholders.
 - d. Bondholders will benefit more than stockholders from the company's gains.
 - e. Bondholders will be paid first; then stockholders will receive dividends.
10. The Consumer Price Index measures the cost of purchasing
 - a. necessities for the average individual
 - b. the inputs used by a typical producer
 - c. the same good from year to year
 - d. a network of related goods
 - e. a market basket of goods and services
11. Which of the following scenarios is included in GDP?
 - a. A father cooks dinner for his family.
 - b. A mother enrolls her child in a private day care center.
 - c. Two girls do each other's hair and makeup.
 - d. A 12-year-old boy mows the lawn for his neighbor.
 - e. A 16-year-old boy sells \$100 worth of drugs.

12. The cost of a bundle of goods in 2010 was \$20. The cost of the same bundle in 2012 was \$100. Using 2010 as the base year, what is the Consumer Price Index for 2012?
- 20
 - .2
 - 200
 - 5
 - 500
13. Which of the following individuals would be considered unemployed?
- a man who gave up actively looking for work last week
 - a 15-year-old girl looking for a waitressing job
 - a woman who lost her job and decided to become a stay-at-home mom
 - a woman who gave up looking for work five weeks ago
 - a man who lost his job and started selling drugs to survive
14. In the clothing industry, which of the following goods is an intermediate?
- washing machine
 - sewing machine
 - needle
 - cloth
 - printed shirt
15. Britney owns Sharp Inc., which produces spears. This company had a good year and is looking to invest extra money. Britney purchases stocks from Point, a Japanese knife manufacturer. What type of investment has taken place?
- foreign direct
 - net capital
 - foreign indirect
 - portfolio
 - mutual
16. In an open economy, net capital outflows are equal to
- investment
 - government spending
 - income
 - net exports
 - savings
17. Sam has little money to invest but is seeking high returns. He also wants a professional to manage his investments. In what should Sam invest his money?
- stock market
 - Swiss bank accounts
 - mutual fund
 - United States bonds
 - foreign government bonds
18. In a closed economy, savings are equal to
- investment
 - government spending
 - consumption
 - taxes
 - income
19. Which of the following statements about factors of production is FALSE?
- Land is a factor of production.
 - Firms receive revenue from factors of production.
 - Firms use rent to pay for some factors of production.
 - Labor is a factor of production.
 - Capital is a factor of production.
20. All else equal, which of the following changes would cause average labor productivity to increase?
- The price level increases.
 - The output decreases.
 - The population increases.
 - The amount of money in circulation increases.
 - The number of workers employed decreases.
21. Todd runs a haunted house. He is hiring zombies, but the only people looking for work in his area are untrained fairy godmothers. What type of unemployment exists in this situation?
- structural
 - frictional
 - regional
 - seasonal
 - cyclical
22. Which of the following items does the circular flow trace as it moves through the economy?
- goods and services
 - capital
 - dollars
 - inputs
 - labor
23. Which of the following factors would MOST influence an individual's decision to save?
- economic standing of the borrower
 - time horizon
 - inflation rate
 - real interest rate
 - nominal interest rate

24. Capital goods are included in GDP in
- intermediate goods
 - the year they are replaced
 - each year they are used
 - consumer durables
 - the year they are produced
25. What is human capital?
- the legal environment in which firms and labor interact
 - the skills a work force acquires through training and experience
 - all individuals of working-age that would participate in the labor force if offered a job
 - the efficient nature in which an industrialized society deals with labor
 - output produced by a well-trained and educated labor force
26. What does real GDP measure?
- standard of living
 - productivity
 - output
 - growth
 - prices
27. "Per capita" implies that data has been
- averaged
 - adjusted for base year prices
 - unchanged
 - adjusted for current prices
 - disaggregated
28. Assuming the same quantity of each product is purchased, which of the following goods would contribute MOST to GDP?
- new car
 - new smartphone
 - wheat
 - bread
 - used house
29. The equation used to calculate the expenditure approach to GDP excludes
- net exports
 - consumption
 - government spending
 - savings
 - investment
30. A main determinant of GDP per capita is a country's
- abundance of factors of production
 - average labor productivity
 - amount of research and development
 - working-age population
 - availability of natural resources
31. An increase in the government deficit from a public works project causes private investment to decrease. Why does this occur?
- tragedy of the commons
 - crowding out
 - capital reduction
 - excess capacity
 - rival savings
32. One way in which the GDP deflator differs from the Consumer Price Index is that the deflator includes only the prices of
- factors of production
 - new products on the market
 - products that have been improved
 - domestically produced products
 - necessities and key inputs
33. The business cycle is BEST described as
- the circular flow of the economy
 - alternating periods of production and consumption
 - the amount of time it takes a good to travel from a firm to a household
 - alternating periods of expansion and recession
 - alternating rising and falling trends in the price level
34. Investment does NOT include the purchase of
- apartment buildings
 - new offices
 - inventories
 - used homes
 - machinery
35. Last year, the price of oak wands increased, causing wizards to buy cedar wands instead. Despite this change in consumption, the Consumer Price Index still measures the cost of oak wands. With regard to inflation, this is an example of
- unmeasured quality change
 - consumption bias
 - price bias
 - substitution bias
 - the introduction of new goods and services

36. Simon Kuznets developed a system to measure national output in response to the
- Second World War
 - Russian Revolution
 - First World War
 - Cold War
 - Great Depression
37. The economic definition of saving is when a consumer
- buys stocks or bonds
 - deposits money into a bank
 - hides money under his mattress
 - loans money to others
 - has more money than he wishes to spend
38. What do households provide to firms in order to receive income?
- dollars
 - a customer base
 - natural resources
 - goods and services
 - factors of production
39. The unemployment rate in the United States is HIGHEST among
- women
 - the elderly
 - African Americans
 - Hispanic Americans
 - teenagers
40. The unemployment caused by a recession is
- cyclical
 - structural
 - developmental
 - periodic
 - frictional
41. Which of the following phrases is NOT part of the definition of GDP?
- domestic industry
 - within a given country
 - specified time period
 - final goods and services
 - market value
42. In 2007, which of the following countries had the highest GDP per capita?
- China
 - Germany
 - Japan
 - France
 - United Kingdom
43. GDP calculated using current-year prices is called
- nominal GDP
 - normal GDP
 - marginal GDP
 - actual GDP
 - real GDP
44. Which of the following goods is an example of a consumer durable?
- washing machine
 - house
 - sweater
 - crane
 - wheat
45. Which of the following scenarios would increase the United States' GDP?
- Japanese-made cars are sold in the United States.
 - An American factory is built in Indonesia.
 - A Taiwanese company builds a factory in the United States.
 - An American corporation buys land in China.
 - American citizens purchase Japanese stocks.
46. In the country of Fredonia, most of the unemployed are recent graduates of Fred University looking for their first job. From what type of unemployment are these people suffering?
- cyclical
 - regional
 - structural
 - seasonal
 - frictional
47. An increase in the price of which of the following goods would MOST likely be evidence of inflation?
- groceries
 - computers
 - books
 - phones
 - gasoline
48. Which of the following regions has the lowest production per capita?
- the Middle East
 - Latin America
 - Asia
 - Eastern Europe
 - Africa

49. The MOST prevalent motivation for saving is to
- save for retirement
 - prevent future hardship
 - avoid the effects of inflation
 - prevent bankruptcy
 - consume more in the future
50. How do banks cover the risks associated with making loans?
- They charge a higher interest rate to borrowers than they pay to depositors.
 - They only loan to individuals who make over \$80,000 a year.
 - They force depositors to put up possessions as collateral.
 - They adjust the interest rate they charge borrowers on a daily basis.
 - They keep half of the money that has been deposited in case borrowers default.



1. Aggregate demand in an economy increases. How does the economy self-adjust back to potential output?
 - a. Long-run aggregate supply decreases to a new potential output.
 - b. Aggregate demand decreases back to its original level.
 - c. Long-run aggregate demand increases to a new potential output.
 - d. Long-run aggregate supply increases to a new potential output.
 - e. Short-run aggregate supply decreases to meet aggregate demand.
2. All else equal, doubling the price level causes the demand for money to
 - a. halve
 - b. quadruple
 - c. decrease by a third
 - d. double
 - e. triple
3. In an economy, the level of frictional unemployment is 3%, structural unemployment is 1%, and cyclical unemployment is 5%. What is this economy's natural rate of unemployment?
 - a. 4%
 - b. 0%
 - c. 5%
 - d. 1%
 - e. 9%
4. In the United States, what entity acts as a lender of last resort to end a bank run?
 - a. the president
 - b. the House of Representatives
 - c. the Federal Reserve
 - d. commercial banks
 - e. the Senate
5. The country Outandin is famous for its very popular "half-half" burgers (half-meat, half-mystery). In 2011, its economy expanded and the price level tripled. Despite the increase in prices, the economy still produced the same number of half-half burgers. The long-run neutrality of which of the following factors allowed for this constant output?
 - a. money
 - b. interest rates
 - c. real GDP
 - d. prices
 - e. nominal GDP
6. Which of the following objects is used as fiat money?
 - a. animals
 - b. cigarettes
 - c. gold
 - d. paper
 - e. salt
7. In the long run, if demand in an economy is above the desired level, firms will
 - a. cut costs
 - b. increase output
 - c. raise prices
 - d. hire workers
 - e. buy more capital
8. A solvent bank has
 - a. assets that exceed its liabilities
 - b. reserves stored with the Federal Reserve
 - c. assets invested in foreign banks
 - d. required reserves equal to its deposits
 - e. assets invested in the stock market
9. Which of the following variables has changed the LEAST since the end of World War II?
 - a. price level
 - b. interest rate
 - c. real output
 - d. money supply
 - e. velocity of money
10. The rate banks charge other banks when lending reserves is the
 - a. federal funds rate
 - b. corporate rate
 - c. lender rate
 - d. discount rate
 - e. financial rate
11. The Federal Reserve MOST frequently modifies the money supply by manipulating the
 - a. nominal interest rate
 - b. reserve requirement
 - c. bond market
 - d. discount rate
 - e. federal funds rate

12. Which of the following factors is NOT a component of aggregate demand?
- investment
 - net exports
 - savings
 - consumption
 - government spending
13. Short-run aggregate supply in an economy decreases. How does the economy self-adjust back to potential output?
- Aggregate demand decreases to meet aggregate supply at potential output.
 - Long-run aggregate supply decreases to a new potential output.
 - Short-run aggregate supply increases back to its original level.
 - Aggregate demand increases to meet short-run aggregate supply at potential output.
 - Long-run aggregate supply increases to a new potential output.
14. In an economy, the product of the velocity of money and the money supply is the
- reserve ratio
 - rate of inflation
 - unemployment rate
 - money multiplier
 - nominal GDP
15. When the government decreases spending to lower the inflation rate, what policy is it using?
- fiscal
 - aggregate
 - Keynesian
 - public
 - monetary
16. Wealth describes all of the
- non-liquid assets stored in an economy
 - different stores of value in an economy
 - liquid assets stored in an economy
 - income paid to consumers in an economy
 - output an economy produces in a year
17. The position of the aggregate supply curve depends on the
- nominal interest rate
 - reserve ratio
 - expected price level
 - aggregate demand
 - real interest rate
18. In the United States, the supply curve of money is
- vertical
 - upward-sloping
 - parabolic
 - perfectly elastic
 - downward-sloping
19. The government decreases taxes, leaving consumers with more disposable income. How does this affect the economy?
- Real GDP decreases.
 - Long-run aggregate supply increases.
 - The price level decreases.
 - Short-run aggregate supply decreases.
 - Aggregate demand increases.
20. Which economic model takes into account both short-run fluctuations and potential output?
- neoconservative
 - Smith
 - conservative
 - Keynesian
 - Say
21. The Federal Reserve's regional banks facilitate transactions by
- collecting taxes
 - altering the reserve ratio
 - clearing checks
 - authorizing payments
 - altering the discount rate
22. Which of the following statements about United States money is FALSE?
- It is a store of value.
 - It represents purchasing power.
 - It is commodity money.
 - It is a unit of account.
 - It is a medium of exchange.
23. The Federal Reserve decreases the discount rate. What type of policy is this?
- expansionary aggregate
 - expansionary monetary
 - contractionary fiscal
 - contractionary monetary
 - expansionary fiscal
24. To increase the money supply, the Federal Reserve would MOST likely
- decrease the discount rate
 - sell securities
 - decrease taxes
 - decrease the reserve ratio
 - decrease the federal funds rate

25. Which property of money do gift certificates LEAST possess?
- tool of bargaining
 - store of value
 - measure of price
 - unit of account
 - medium of exchange
26. In 1990, Sally bought a vase she intended to sell in ten years. Sally used this vase as a
- unit of account
 - store of value
 - medium of exchange
 - fiat investment
 - commodity good
27. Economic expansions are generally characterized by rising
- real interest rates
 - taxes
 - prices
 - structural unemployment
 - cyclical unemployment
28. The wealth effect explains why
- aggregate demand is downward-sloping
 - short-run aggregate supply is upward-sloping
 - demand for money is downward-sloping
 - long-run aggregate supply is vertical
 - the supply of money is upward-sloping
29. The money supply does NOT include
- savings deposits
 - credit cards
 - currency
 - checks
 - time deposits
30. What is currency?
- the non-liquid assets held by the public
 - the paper bills and coins in the hands of the public
 - reserves held by the banking sector
 - any money used as a medium of exchange
 - the stores of wealth in an economy
31. Compared to recessions, expansions are usually
- longer
 - more frequent
 - less noticeable
 - shorter
 - less frequent
32. Which of the following scenarios could lead to a bank run?
- A major firm defaults on its loan from a commercial bank.
 - The economy falls into a depression.
 - The price level increases.
 - Banks decide to decrease the amount of money they hold in reserves.
 - The Federal Reserve increases the reserve ratio.
33. As the price level in an economy decreases,
- interest rates increase
 - net exports increase
 - savings decrease
 - spending decreases
 - real GDP decreases
34. How many regional banks exist as part of the Federal Reserve?
- 10
 - 12
 - 7
 - 5
 - 14
35. Suppose the United States is experiencing rampant inflation. Which of the following actions would slow it down?
- The Federal Reserve decreases the reserve ratio.
 - The government decreases spending.
 - The Federal Reserve decreases the discount rate.
 - The Federal Reserve buys bonds.
 - The government decreases taxes.
36. Aggregate demand in an economy decreases. How does the economy self-adjust back to potential output?
- Aggregate demand increases back to its original level.
 - Long-run aggregate supply decreases to a new potential output.
 - Short-run aggregate supply increases to meet aggregate demand at potential output.
 - Long-run aggregate demand decreases to a new level.
 - Long-run aggregate supply increases to a new potential output.
37. The reserve ratio in an economy is 5%. What is the money multiplier?
- 20
 - 50
 - 95
 - 100
 - 5

38. The amount of money the banking sector creates from each dollar of reserves depends on the
- monetary increase
 - money magnifier
 - monetary augmenter
 - money aggregator
 - money multiplier
39. How is an economy affected if imports to it increase?
- The price level increases.
 - Long-run aggregate supply increases.
 - Real output increases.
 - Aggregate demand decreases.
 - Short-run aggregate supply increases.
40. Which of the following assets is the LEAST liquid?
- real estate
 - currency
 - bond
 - a checking account
 - stock
41. An increase in the supply of money leads to a decrease in
- the price level
 - demand for money
 - aggregate supply
 - aggregate demand
 - the value of money
42. The central bank of the United States is the
- Internal Revenue Service
 - Federal Reserve
 - Department of the Treasury
 - First Bank of the United States
 - Bank of America
43. According to Okun's Law, a one percent increase in unemployment above the natural rate corresponds to what percentage change in output?
- 1%
 - 2%
 - 3%
 - .5%
 - 4%
44. In the United States, the supply of money is MOST dependent on the
- Federal Reserve
 - Bureau of Labor Statistics
 - House of Representatives
 - Senate
 - president
45. The price of energy increases, creating a supply shock. How does this affect the economy?
- The price level increases.
 - Aggregate demand decreases.
 - The real interest rate decreases.
 - The nominal interest rate decreases.
 - Long-run aggregate supply decreases.
46. The land of Jackville produces only one good: stones. Currently, Jackville is producing \$5 million in stones each year. Jackville's potential output is \$10 million. What is Jackville's output gap?
- \$5 million
 - \$.5 million
 - \$2 million
 - \$5 million
 - \$2 million
47. The value of money measured in goods and services is the reciprocal of the
- price level
 - interest rate
 - inflation rate
 - money multiplier
 - reserve ratio
48. A graph of the aggregate model of an economy does NOT include
- aggregate demand
 - short-term aggregate supply
 - price level
 - nominal GDP
 - long-term aggregate supply
49. The failure of which of the following factors to adjust immediately to changes in the economy accounts for the divergence between actual and potential output?
- quantities of goods
 - prices
 - real output
 - interest rates
 - aggregate demand
50. Which of the following statements is NOT a valid argument against government intervention in the economy?
- The economy may not respond until it is already recovering on its own.
 - It is more costly to research the economy than to lose the output from a recession.
 - There may be lags between the planning and implementation of policy.
 - Policymakers may be required to act on incomplete evidence about the economy.
 - It is difficult to determine the level of potential output.



1. From 1999 to 2008, Russia experienced
 - a. high inflation
 - b. constantly increasing GDP growth rates
 - c. decreasing dependence on oil
 - d. budget surpluses
 - e. decreasing demand for manufactured goods
2. Which aspect of the Russian economy decreased 70% during the crisis of 2008-2009?
 - a. domestic industry
 - b. price of oil
 - c. stock market
 - d. economic growth rate
 - e. value of the ruble
3. In the “loans for shares” scheme, twelve companies were auctioned off to
 - a. Russian nationalists
 - b. private investors
 - c. industrial managers
 - d. existing corporations
 - e. commercial banks
4. The Soviets built massive factories in order to achieve
 - a. economies of scale
 - b. loyal collectives
 - c. state-owned cooperatives
 - d. government monopolies
 - e. budgetary institutions
5. How did Vladimir Polevanov cause the auctioning of state holdings in the second stage of privatization to fail?
 - a. He advocated renationalization.
 - b. He failed to collect sufficient revenue.
 - c. He turned control of the auction process over to banks.
 - d. He allowed insider trading to take place.
 - e. He sold too much to foreign investors.
6. Where were farmers in Soviet Russia forced to live and work?
 - a. *uskorenie*
 - b. *Gosplan*
 - c. *Goskomimushchestvo*
 - d. *kolkhoz*
 - e. *propiska*
7. What did Yegor Gaidar and Boris Yeltsin create to separate enterprise ownership from management?
 - a. board of directors
 - b. State Committee of Management
 - c. committee system
 - d. State Committee of Ownership
 - e. management laws
8. According to Boris Yeltsin, which group is MOST crucial for profitable taxation?
 - a. communist elite
 - b. industrial managers
 - c. agricultural laborers
 - d. middle class
 - e. urban working-class
9. Which of the following events did NOT occur in 1992?
 - a. distribution of vouchers
 - b. issuance of credits to enterprise
 - c. “loans for shares” scheme
 - d. sudden freeing of prices
 - e. shock therapy
10. What feature of the economy made growth in the new Russian Federation more costly than in other developed countries?
 - a. dependence on oil
 - b. high inflation
 - c. lack of technology
 - d. consumer shortages
 - e. high degree of urbanization
11. Underreporting in the Soviet Union led to a(n)
 - a. decrease in the popularity of the black market
 - b. increase in the output gap
 - c. decrease in potential output
 - d. increase in aggregate demand
 - e. increase in the price level
12. What did *demokratizatsiia* introduce to Soviet politics?
 - a. democracy
 - b. accountability
 - c. constitutionality
 - d. organization
 - e. openness

13. Post-Soviet Russia lagged behind developed economies MAINLY due to its lack of
- raw materials
 - capital
 - innovation
 - manpower
 - factory space
14. On which export does the Russian economy depend MOST?
- natural gas
 - technological innovations
 - salt
 - oil
 - machinery
15. Under the Soviet model, which organizations were NOT budgetary institutions?
- training centers
 - universities
 - collectives
 - hospitals
 - museums
16. In 1996, as the Russian government tried to keep inflation low, state-sector wages were
- suspended
 - increased to keep up with living standards
 - paid in vouchers
 - made contingent on savings levels
 - shifted to the private sector
17. As Dmitri Medvedev became president, Russia was experiencing a
- decrease in the subsistence minimum
 - constant trend of consumer spending
 - decrease in employment
 - booming stock market
 - decrease in foreign direct investment
18. Under Yegor Gaidar's policies, the three privatization options for firms differed MAINLY in the
- type and importance of the good the firm produced
 - degree of government control that would persist
 - percentage of shares that would go to insiders
 - type of property the firm would own
 - target size of the firm after privatization
19. Which of the following goals was NOT central to Soviet privatization?
- becoming a market economy
 - creating private property rights
 - minimizing bureaucracy
 - separating enterprise ownership from management
 - introducing managerial accountability
20. Dmitri Medvedev's modernization program built a new economic zone outside Moscow to develop Russian
- industry
 - economic policy
 - technology
 - education
 - oil refining
21. Who disagreed MOST with Yegor Gaidar's economic policy?
- communist elite
 - urban working-class
 - industrial managers
 - agricultural laborers
 - middle class
22. Under the Soviet model, MOST state-owned firms were involved in
- agriculture
 - technology
 - heavy industry
 - oil refining
 - services
23. What percentage of Russia's industrial output was privatized by 1996?
- 90%
 - 50%
 - 60%
 - 70%
 - 30%
24. Russia's BEST chance at a recovery from its most recent economic crisis is through an increase in
- aggregate demand
 - foreign indirect investment
 - short-run aggregate supply
 - long-run aggregate supply
 - foreign direct investment
25. The Soviet Union's literacy rate just before its collapse was approximately
- 75%
 - 100%
 - 90%
 - 50%
 - 95%
26. What did the Russian government distribute to involve all citizens in the privatization process?
- necessities
 - bonds
 - stocks
 - rubles
 - vouchers

27. Why did Mikhail Gorbachev's initial plan to accelerate investment fail?
- It contradicted his anti-alcohol campaign.
 - It increased the budget deficit.
 - It exacerbated inflationary pressures.
 - It led to widespread industrial corruption.
 - It increased unemployment.
28. As a result of Mikhail Gorbachev's anti-alcohol campaign, the market for sugar experienced a(n)
- increase in demand
 - increase in the equilibrium price
 - increase in supply
 - decrease in the price elasticity of supply
 - decrease in equilibrium quantity
29. Yegor Gaidar's economic reforms began by
- selling vouchers
 - privatizing agriculture
 - privatizing heavy industry
 - freeing prices
 - floating the ruble
30. Which of the following occurrences was NOT a consequence of Mikhail Gorbachev's reform attempts?
- rampant inflation
 - ineffective tax policies
 - large budget deficits
 - increased bartering
 - low wages
31. What provided the MAIN impetus for leaders of the Soviet bureaucracy to carry out their duties?
- hopes of social mobility
 - ensured employment for life
 - financial security for individuals and their families
 - potential for large material gain
 - fear of exile to labor camps
32. Vladimir Putin's rule is BEST characterized as
- democratic
 - socialist
 - authoritarian
 - monarchical
 - communist
33. Which Russian leader began the process of collectivization?
- Joseph Stalin
 - Grigori Yavlinsky
 - Yegor Gaidar
 - Mikhail Gorbachev
 - Vladimir Lenin
34. The Politburo is
- an elite cabinet of communist officials
 - in charge of all economic planning
 - the Russian armed forces
 - in charge of developing five-year plans
 - the Russian secret service
35. Mikhail Gorbachev's rule of the Soviet Union ended when he was
- found dead in his office
 - replaced by Boris Yeltsin
 - voted out of office
 - ousted after a failed coup
 - impeached for corruption
36. What established prices in the Soviet Union?
- the international value of the ruble
 - supply and demand
 - the International Monetary Fund
 - price lists
 - individual firms
37. According to Anders Aslund, in an effective market economy, what percentage of employment should take place in the private sector?
- 75%
 - 67%
 - 90%
 - 50%
 - 33%
38. How did the Soviet Union's collapse affect Russian economy?
- It eliminated guaranteed markets.
 - It devalued the ruble.
 - It raised the price of manufactured goods.
 - It increased the ruble's value.
 - It increased Russian dependence on the International Monetary Fund.
39. What policy did Yegor Gaidar advocate to transition Russia to a market economy?
- gradualism
 - Five Hundred Day Plan
 - five-year plan
 - de-collectivization
 - shock therapy
40. Mikhail Gorbachev was the
- Prime Minister of the Soviet Union
 - General Secretary of the Communist Party
 - President of the Russian Federation
 - Prime Minister of the Russian Federation
 - President of the Politburo

41. In the market for agriculture, collectivization would lead to an increase in the
- equilibrium quantity
 - equilibrium price
 - demand curve
 - supply curve
 - price elasticity of demand
42. From 2003 to 2007, the Russian government increased control of the economy MOST notoriously with the expansion of
- Yabloko
 - Yukos
 - Sibneft
 - Vladivostok
 - Gazprom
43. In Llamaland, the growth rate is -0.6%, and the inflation rate is 25%. This economy is characterized by
- hyperinflation
 - Dutch disease
 - stagflation
 - rent seeking
 - Keynesianism
44. Which of the following policies was NOT one of Vladimir Putin's liberal reforms?
- a new land code
 - increased tax on profits
 - a flat income tax
 - currency liberalization
 - money laundering prevention
45. What type of economy characterized the Soviet model?
- command
 - free market
 - socialist
 - Marxist
 - mixed
46. The "loans for shares" scheme transferred much of the Russian economy to the country's
- government
 - Politburo
 - foreign sector
 - Communist party
 - oligarchs
47. Boris Yeltsin and Yegor Gaidar's privatization policies succeeded in
- encouraging other positive economic changes
 - reducing organized crime
 - cultivating a positive public image
 - creating a large middle class
 - redistributing assets
48. Why did the 1998 economic crash encourage the recovery of Russian domestic industry?
- It devalued the ruble.
 - It increased the price of oil.
 - It drew foreign tourists.
 - It promoted private property enforcement.
 - It caused urbanization.
49. At the time of the Soviet Union's collapse, Russia's inflation rate was about
- 70%
 - 100%
 - 30%
 - 20%
 - 50%
50. The "Dutch disease" is characterized by
- high exchange rates
 - low government spending
 - poor labor productivity
 - high inflation rates
 - deteriorating capital