INO1 Principles of Economics Exam Version 2

Section: Economics • **Total Questions:** 10 • **Format:** Verified Q&A

1. Which factor reduced the natural rate of unemployment due to innovation?

(A) Downturns and upturns in the economy occurred
(B) Persistent cyclical and structural unemployment
(C) Online searches and social networking sites
(D) Changes in search × due to economic growth

2. Which method should be used to calculate the unemployment rate as a decimal?

(A) Divide the unemployed by the employed population
(B) Divide the unemployed by the total labor force
(C) Divide the unemployed by the working age population
(D) Divide the unemployed by the total population

3. A company is involved in a market that has four large firms selling differentiated products with high barriers to entry and exit. Which market structure is associated with this company?

(A) Monopoly
(B) Perfect competition
(C) Monopolistic competition
(D) Oligopoly

4. What does the demand for a good refer to in economics?

(A) The amount of the good that people are willing and able to buy at various prices
(B) The amount of the good that people will buy at alternative income levels
(C) The amount of the good that people would like to have if the good were free
(D) The amount of the good that people need to sustain a minimum standard of living

5. Why is trade with other countries beneficial to the United States

(A) Trade allows the United States to specialize in products with comparative advantage.
(B) Trade with other countries increases the U.S. budget surplus.
(C) Tariffs from trade decrease U.S. consumer prices for imported goods.
(D) Imports will increase the Gross Domestic Product (GDP).

6. What is the total number of unemployed people in this economy?

(A) 20 million
(B) 15 million
(C) 25 million
(D) 10 million

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7. The use of fracking has decreased the price of oil. How will the short-run aggregate supply (SRAS) curve respond to this event

(A) Shifts to the left
(B) Remains the same
(C) Becomes vertical
(D) Shifts to the right

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8. Oliver is obsessed with keeping his yard nice and clean. Which statement best illustrates the nature of the externality created by a well-maintained yard?

(A) A well-maintained yard creates a negative externality by increasing property taxes for Oliver
(B) A well-maintained yard creates a positive externality by increasing the value of adjacent properties in the neighborhood
(C) A well-maintained yard creates a positive externality by increasing the market value of Oliver’s house
(D) A well-maintained yard cannot provide any type of externality

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9. The price of oil increases across the United States. Which macroeconomic event is a possible outcome?

(A) Recession
(B) Reduction in unemployment
(C) Increase in real GDP
(D) Lower rate of inflation

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10. A local coffee shop is facing inelastic demand for its coffee, so the manager decreases the price of coffee by 5%. What will happen to the quantity demanded for this shop’s coffee?

(A) Increases by less than 5%
(B) Decreases by more than 5%
(C) Increases by more than 5%
(D) Decreases by less than 5%