

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 1) Who wrote *The Wealth of Nations*? 1) \_\_\_\_\_  
A) Karl Marx B) Adam Smith  
C) Thomas Jefferson D) Michael Parkin
- 2) Three steps that economists take to discover how the economic world works are 2) \_\_\_\_\_  
A) model building; speculation; and, revision.  
B) data mining; data testing; and, drawing conclusions.  
C) observation and measurement; model building; and, testing models.  
D) speculation; observation and measurement; and, drawing conclusions.
- 3) Normative statements are statements about 3) \_\_\_\_\_  
A) what is. B) what ought to be.  
C) prices. D) quantities.
- 4) A positive statement 4) \_\_\_\_\_  
A) is a statement of what ought to be.  
B) is a statement of what is.  
C) cannot be tested by checking it against the facts.  
D) is an affirming statement that is strongly worded.
- 5) In economics, positive statements are about 5) \_\_\_\_\_  
A) the way things ought to be. B) microeconomics, not macroeconomics.  
C) macroeconomics, not microeconomics. D) the way things are.
- 6) Positive and normative statements differ in that 6) \_\_\_\_\_  
A) normative statements can be tested, whereas positive statements cannot.  
B) normative statements depict "what is" and positive statements depict "what ought to be."  
C) positive statements can be tested, whereas normative statements cannot.  
D) positive statements can be graphed, whereas normative statements cannot.
- 7) When Al makes the statement, "The cost of living has increased 10 percent over the past 10 years," 7) \_\_\_\_\_  
he is  
A) testing an economic model. B) facing the standard of living tradeoff.  
C) making a positive statement. D) making a normative statement.
- 8) The statement "Managers with a college education earn \$18 an hour while ski instructors who did 8) \_\_\_\_\_  
not complete college earn \$10" is  
A) a positive statement. B) a normative statement.  
C) an ethical statement. D) a political statement.

- 9) Which of the following is a normative statement? 9) \_\_\_\_\_  
A) The unemployment rate is too high.  
B) The unemployment rate rose last month.  
C) Forty percent of the public believes that the unemployment rate is too high.  
D) all of the above
- 10) When Susan makes the statement, "The government should spend less money to take care of national parks," she is 10) \_\_\_\_\_  
A) facing the standard of living tradeoff. B) making a positive statement.  
C) testing an economic model. D) making a normative statement.
- 11) "All children should have health insurance" is a 11) \_\_\_\_\_  
A) fallacy of composition. B) normative statement.  
C) positive statement. D) *post hoc* fallacy.
- 12) Which of the following is an example of a normative statement? 12) \_\_\_\_\_  
A) Households should save more.  
B) The business sector is the primary source of jobs.  
C) Household consumption is the largest component of spending.  
D) Government spending rose in the 1990s.
- 13) Economic models 13) \_\_\_\_\_  
A) simplify reality.  
B) are essentially different from those used in other sciences.  
C) include all relevant facts.  
D) always use graphs.
- 14) Holding all variables except one constant and assessing the impact of the one variable which has changed is an example of using 14) \_\_\_\_\_  
A) normative economic analysis. B) a flawed economic model.  
C) the *ceteris paribus* assumption. D) an untestable proposition.
- 15) *Ceteris paribus* is the Latin expression for 15) \_\_\_\_\_  
A) the (false) statement that what is true of the parts is true of the whole or what is true of the whole is true of the parts.  
B) a statement about the way the economic world ought to be.  
C) an expression that means "other things being equal."  
D) the error of reasoning that a first event causes a second event because the first event occurred before the second event.
- 16) The fallacy of composition is the false belief that 16) \_\_\_\_\_  
A) what is true for the parts is also true for the whole.  
B) the *ceteris paribus* condition does not apply.  
C) because event A occurred after event B, event A caused event B.  
D) because event A occurred before event B, event A caused event B.

- 17) You are not surprised that it has started to rain. After all, a hour ago you just finished washing your car. Your reasoning is an example of 17) \_\_\_\_\_
- A) the fallacy of composition.
  - B) the distinction between positive and normative statements.
  - C) the *ceteris paribus* assumption.
  - D) the *post hoc* fallacy.
- 18) "Every time I go to a basketball game, our team wins." This statement is an example of 18) \_\_\_\_\_
- A) *post hoc* fallacy.
  - B) fallacy of composition.
  - C) a normative economic statement.
  - D) *ceteris paribus* fallacy.
- 19) The fact that KFC decides to produce chicken rather than meatloaf best reflects \_\_\_\_\_ tradeoff. 19) \_\_\_\_\_
- A) a for whom
  - B) a how
  - C) a what
  - D) an incentive
- 20) An economic model includes 20) \_\_\_\_\_
- A) only details considered essential.
  - B) *post hoc* statements.
  - C) all known details in order to increase its accuracy.
  - D) no use of *ceteris paribus*.

## Answer Key

Testname: INTROSPRING18\_QUIZ2

- 1) B
- 2) C
- 3) B
- 4) B
- 5) D
- 6) C
- 7) C
- 8) A
- 9) A
- 10) D
- 11) B
- 12) A
- 13) A
- 14) C
- 15) C
- 16) A
- 17) D
- 18) A
- 19) C
- 20) A