Figure 1
1. Which of the following could explain the shift of the production possibilities frontier from AB to AC in Figure 1?
   a. a technological improvement in petroleum production that had no effect on clothing production
   b. a technological improvement in clothing production that had no effect on petroleum production
   c. an increase in the size of the labor force that can produce either petroleum products or clothing
   d. major oil reserves in Alaska are declared off-limits to producers in order to protect the environment
   e. major oil reserves are discovered off the coast of Africa

Figure 2
2. In Figure 2, a movement from point G to point H would reflect
   a. a change in demand
   b. the impact of a decrease in the price of a substitute good
   c. higher prices for the inputs used to produce this product
   d. a change in demand plus a change in quantity demanded
   e. a change in quantity demanded

Figure 3
3. At point b in Figure 3, the consumer's utility is
   a. higher than at points a and c, but the cost of all three bundles is the same
   b. the same as at points a and c, but the total cost of bundle b is lower than the costs of bundles a and c
   c. the same as at points a and c, but the total cost of bundle b is higher than the costs of bundles a and c
   d. lower than at points a and c
   e. higher than at points a and c

Figure 4
4. For the total product curve shown in Figure 4, diminishing marginal returns to labor
   a. do not occur over this range
   b. begin with the third unit of labor
   c. exist for every unit of labor
   d. begin with the fourth unit of labor
   e. begin with the first unit of labor
Figure 5
5. Figure 5 shows a firm’s total variable cost and total revenue curves. In the short run, this firm
a. should shut down
b. should produce all units of output for which marginal cost exceeds marginal revenue
c. should produce at the output level where the marginal cost curve crosses the marginal revenue curve from below
d. should produce at the output level where the marginal cost curve crosses the marginal revenue curve from above
e. needs additional information in order to decide whether to operate

Figure 6
6. The All-the-Rage microbrewery is represented in Figure 6. If the market price is $2.50 per pint, then in the short run, the microbrewery will
a. earn the same profit by producing zero pints as by producing 50 pints per day
b. produce zero pints per day to avoid an economic loss
c. produce 50 pints per day and break even
d. produce between zero and 50 pints per day
e. produce more than 50 pints per day

Figure 7
7. Figure 7 illustrates the market supply and market demand for an industry that is constituted initially of many identical and perfectly competitive firms. If all the firms merge to form a monopoly, then market output will
a. drop from 750 to 500 units, and the price will rise from L to K
b. drop from 750 to 500 units, and the price will fall from K to L
c. rise from 500 to 750 units, and the price will rise from L to K
d. rise from 500 to 750 units, and the price will fall from K to L
e. remain unchanged while the price rises from L to K

Figure 8
8. Consider an economy in which all labor markets are perfectly competitive, all workers are equally able to do any job, and the nonwage attributes of all jobs are equally attractive to all workers. Figure 8 shows supply and demand curves in the labor markets for maintenance workers and machinists. In the long run, the hourly wage rate(s)
a. for machinists will fall to $8
b. for maintenance workers will rise to $11
c. will equalize below $8 in both markets
d. will equalize between $8 and $11 in both markets
e. will equalize above $11 in both markets
9. Assume the production of the product in Figure 9 imposes a cost on society of $7.00 per unit. If the market equilibrium output is 50 units,
   a. both c and d
   b. all of the following
   c. too much output is being produced
   d. the free market output level is inefficient
   e. society would prefer the price to be $2.50 higher

10. Refer to Figure 10. The PPF illustrates
    a. constant opportunity costs between guns and butter.
    b. that guns are more important than butter.
    c. increasing opportunity costs between guns and butter.
    d. the opportunity cost of one unit of guns is four units of butter.
    e. none of the above

11. Refer to Figure 11. In the market shown, the rightward shift in supply from $S_1$ to $S_2$ may have been caused by
   a. a decline in the number of buyers in the market.
   b. a decline in the price of a substitute good.
   c. a decrease in income (assuming the good is a normal good).
   d. the imposition of a per-unit tax on the producer.
   e. none of the above

12. Refer to Figure 12. How many fewer persons work in the unskilled labor market at the minimum wage ($W_M$) than at the equilibrium wage ($W_i$)?
   a. $N_2 - N_1$ persons
   b. $N_1 - N_2$ persons
   c. $N_2 - N_1$ persons
   d. $N_1$ persons
   e. none of the above
13. Refer to Table 13. How many people are not in the labor force in year 1?
   a. 25 million
   b. 50 million
   c. 75 million
   d. 175 million
   e. 200 million

14. Refer to Table 14. GDP in 1990 is
   a. $49
   b. $51
   c. $86
   d. $92
   e. impossible to calculate without the CPI.

15. Refer to Figure 15 Assume that the economy is originally in equilibrium at point A. If foreign real national income rises, at which point is the economy most likely to end up?

16. Refer to Figure 16. The economy is currently producing Q₁. At this level of Real GDP, the economy is in a(n)
   a. inflationary gap.
   b. recessionary gap.
   c. unemployment gap.
   d. high Real GDP gap.
   e. none of the above

17. Refer to Figure 17. Equilibrium Real GDP is
   a. Q₁.
   b. Q₂.
   c. Q₁.
   d. Q₁ and Q₂.
   e. none of the above
18. Refer to Figure 18. The economy is currently at point 1. In this situation, Keynesian economists would most likely propose
   a. an increase in government purchases.
   b. a decrease in government purchases.
   c. an increase in taxes.
   d. a and c
   e. b and c

19. Refer to Figure 19. Starting from point A, a one-shot, demand-side-induced inflation raises the price level in the economy to $P_2$. Assuming no other changes, the economy is likely to settle at point
   a. A
   b. B
   c. C
   d. D
   e. E

20. Refer to Figure 20. The economy is currently at point 7. If the economy self-regulates, it will end up at point ________, whereas if contractionary monetary policy is effective, it will end up at point ________.
   a. 8, 6
   b. 9, 6
   c. 9, 5
   d. 9, 3
   e. 3, 9