

REVIEW: EPISODES 4 (MICRO/MACRO) & 5 (POSITIVE/NORMATIVE)  
MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) A friend wants to learn how the unemployment rate is calculated and how inflation is measured. 1) \_\_\_\_\_  
He asks you which economics course to take and you advise him to enroll in  
A) either micro- or macroeconomics. They both concentrate equally on those issues.  
B) macroeconomics.  
C) microeconomics.  
D) financial accounting because economics doesn't address those topics in its courses.
- 2) A microeconomist would study all of the following issues EXCEPT 2) \_\_\_\_\_  
A) the most efficient means for General Motors to produce an automobile.  
B) the effect of a change in income taxes on the nation's rate of unemployment.  
C) the impact of a change in consumer income on the sales of corn.  
D) the impact of a snowstorm on the sales of snow shovels.
- 3) Microeconomics is the study of 3) \_\_\_\_\_  
A) the effect that money has in the economic system.  
B) how rising prices affect the level of employment in the economy.  
C) how individuals and firms make decisions.  
D) the behavior of the economy as a whole.
- 4) One topic of study for a microeconomist would be the 4) \_\_\_\_\_  
A) causes of aggregate unemployment.  
B) effects of a gasoline price increase on consumer behavior.  
C) causes of inflation.  
D) effects of an increase in government spending on overall economic activity.
- 5) Which of the following is a microeconomic concern? 5) \_\_\_\_\_  
A) consumer behavior  
B) the rate of economic growth in the United States  
C) national output of the United States  
D) the current unemployment rate in the United States
- 6) Economic models are used to 6) \_\_\_\_\_  
A) exactly replicate reality. B) determine the thoughts of individuals.  
C) predict all possible outcomes of a study. D) simplify reality to predict outcomes.
- 7) Normative economic statements 7) \_\_\_\_\_  
A) contain value judgments. B) are usually irrational.  
C) violate the law of *ceteris paribus*. D) are easily testable.
- 8) Positive economics 8) \_\_\_\_\_  
A) always gives an optimistic spin to economic news.  
B) is concerned with the economic policies that should be implemented.  
C) was not used by nineteenth century economists.  
D) is objective.

- 9) Which of the following is a positive economic statement? 9) \_\_\_\_\_
- A) Unemployment is a more serious problem than inflation.
  - B) Economic considerations are less relevant than ethical issues in deciding national policy.
  - C) The rate of unemployment of young African-Americans exceeds that of white Americans.
  - D) No individual should live in poverty.

- 10) A politician's statement that "to encourage economic growth, taxes should be cut," 10) \_\_\_\_\_
- A) would be a statement of mercantilist economic philosophy.
  - B) would be an example of a positive statement.
  - C) would be an example of a microeconomic statement.
  - D) would be an example of a normative statement.