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

1) What is meant by derived demand?
   A) The demand is derived in beginning economics classes.
   B) The demand is derived from income, tastes, etc. of sellers.
   C) The demand is derived from the price elasticity of demand.
   D) The demand for a resource is derived from the demand for what it can produce.

2) The value of marginal product is calculated by multiplying the ____ by the ____.
   A) marginal product; price of the product
   B) quantity of labor; wage rate
   C) wage; price of the product
   D) total product; wage rate

3) To decide the quantity of a factor of production to hire, a firm compares the ____ to the ____.
   A) factor’s price; average factor price
   B) factor’s price; value of marginal product
   C) factor’s output; average factor output
   D) factor’s output; value of marginal product

4) A profit-maximizing firm hires labor up to the point where
   A) the wage times the quantity of labor equals the marginal product.
   B) price equals the wage.
   C) price equals the quantity of labor.
   D) the wage equals value of marginal product.

5) A company finds that the value of marginal product for the current level of employment is $53 and the wage rate is $45. Which of the following is correct?
   A) Too much labor is currently employed and the firm will lay off some workers.
   B) The firm should shut down and produce nothing.
   C) The firm is employing the profit-maximizing quantity of labor.
   D) Too few workers are currently employed and the firm will hire more workers.

6) A firm’s demand for labor curve is also
   A) its value of marginal product curve.
   B) the supply of labor curve.
   C) the demand curve for the good it produces.
   D) its marginal cost curve.

7) For a firm selling its product in a competitive market, what causes the demand curve for any factor of production to be downward sloping?
   A) diminishing marginal product as more of the factor is used
   B) more demand for greater quantities
   C) falling product price necessary to sell a larger output
   D) None of the above answers are correct.

8) If the price of a firm’s product falls, the firm’s demand for labor curve
   A) shifts leftward.
   B) does not shift and there is no movement along it.
   C) does not shift but there is a movement along it.
   D) shifts rightward.
9) If the wage rate increases, a firm's demand for labor curve
A) shifts leftward.  
B) does not shift and there is no movement along it.  
C) shifts rightward.  
D) does not shift but there is a movement along it.

10) An increase in the price of the firm's output leads to a
A) movement upward along the demand for labor curve.  
B) rightward shift of the demand for labor curve.  
C) movement downward along the demand for labor curve.  
D) leftward shift of the demand for labor curve.

11) Imports are defined as the goods and services that we
A) buy from other countries.  
B) produce and consume in the United States.  
C) sell to other countries.  
D) None of the above answers are correct.

12) If you take a vacation in Europe, then your expenditures on lodging in France are counted as a
A) French import of a good.  
B) French export of a good.  
C) U.S. import of a service.  
D) U.S. export of a service.

13) With which of the following nations does the United States do the largest amount of trade?
A) Canada  
B) Japan  
C) France  
D) Saudi Arabia

14) In the United States since 1960, what has happened to the percentage of the total production of goods and services that is exported and to the percentage of the total purchases of goods and services that is imported?
A) They have remained roughly constant.  
B) The percentages are now about half as much as they were in 1960.  
C) The percentages are about twice as much as they were in 1960.  
D) None of the above answers are correct.

15) A country has a balance of trade deficit if the value of its exports are ____ the value of its imports.
A) less than  
B) equal to  
C) greater than  
D) None of the above answers is correct because a balance of trade deficit has nothing to do with the value of exports or the value of imports.

16) If a nation imports a good that can be domestically produced, the market price of the good
A) remains constant.  
B) decreases.  
C) increases.  
D) None of the above answers are correct.

17) The United States can use all its resources to produce 50 videos or 250 shoes. The opportunity cost of producing a video is
A) 20 cents.  
B) $5.  
C) 5 shoes.  
D) 1/5 of a shoe.
18) The United States can use all its resources to produce 50 videos or 400 shoes. China can use all of its resources to produce 25 videos or 300 shoes. In this example,
   A) China has a comparative advantage in shoes.
   B) China has a comparative advantage in videos.
   C) China has an absolute advantage in the production of both goods.
   D) China has a comparative advantage in neither good.

19) With international trade, a country
   A) cannot consume at a point on its PPF.
   B) can consume at a point outside its PPF.
   C) cannot consume at a point outside of its PPF.
   D) None of the above answers are correct.

20) Dynamic comparative advantage results from
   A) acquisition of new resource supplies.
   B) workers learning-by-doing.
   C) changing world demand for different products.
   D) changing technology.

21) The U.S. current account records
   A) transactions involving trade, interest payments, and net transfers.
   B) the current value of the balance of payments in U.S. dollars.
   C) all the international transactions during the current year.
   D) transactions involving foreign investment in the United States and U.S. investment abroad.

22) If the United States imports goods and services for a total of $45 million, exports goods and services for a total of $40 million, records $4 million as net interest and zero as net transfers, then the U.S. current account balance is
   A) -$1 million
   B) zero
   C) $1 million
   D) $89 million

23) Foreigners purchase U.S. dollars and U.S. residents purchase foreign currency in the
   A) internet-based bank market.
   B) capital market.
   C) currency market.
   D) foreign exchange market.

24) The exchange rate is the
   A) number of times a typical U.S. dollar bill changes hands in the world market during a day.
   B) price of a currency in terms of gold.
   C) price of a currency in terms of another currency.
   D) speed at which currency is traded in the foreign exchange market.

25) If the current exchange rate is 100 yen per dollar and the expected exchange rate at the end of the month rises so that it becomes 120 yen per dollar, then the demand for dollars will ____ because people expect that holding dollars has become ____ profitable.
    A) decrease; less
    B) increase; less
    C) decrease; more
    D) increase; more
Answer Key
Testname: REVIEW QUESTIONS FOR 5TH EXAM.TST

1) Answer: D
2) Answer: A
3) Answer: B
4) Answer: D
5) Answer: D
6) Answer: A
7) Answer: A
8) Answer: A
9) Answer: D
10) Answer: B
11) Answer: A
12) Answer: C
13) Answer: A
14) Answer: C
15) Answer: A
16) Answer: B
17) Answer: C
18) Answer: A
19) Answer: B
20) Answer: B
21) Answer: A
22) Answer: A
23) Answer: D
24) Answer: C
25) Answer: D