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| **Online Quiz Questions for*****An Economic History of the United States: Connecting the Present with the Past, 2e***byMark V. Siegler(Bloomsbury, 2025) |
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**Chapter 1: Introduction to U.S. Economic History**

1. Between 1800 and 2022, life expectancy at birth in the United States

A. increased by 30 percent.

B. increased by 50 percent.

C. increased by 75 percent.

D. increased by more than 100 percent (it more than doubled).

2. Between 1800 and 2022, the average workweek for the typical worker in the United States has

A. remained remarkably constant.

B. decreased by more than 25 hours a week.

C. increased by about 5 hours a week.

D. decreased by about 20 hours a week.

3. Which of the following statements is correct?

A. Americans have grown an average of 1-inch taller each decade in recent decades.

B. Americans today are, on average, 3 inches taller than those in most northern European countries.

C. Americans have not grown any taller on average over the past five decades.

D. Americans, on average, have never been the tallest people in the world.

4. Which of the following is one of the four main themes of American economic history described in Chapter 1?

A. wars and natural disasters

B. long-run economic growth

C. human capital and education

D. political conflict and economic performance

5. If a gallon of gas is $5, and a person decides to buy 14 gallons of gas, then the marginal principle implies that

A. the marginal benefit of the last gallon of gas purchased must be less than $5.

B. the marginal cost of the last gallon of gas purchased must be greater than $5.

C. the marginal benefit of the last gallon of gas purchased must be $5 or greater.

D. the marginal cost of the last gallon of gas purchased must be $5 or greater.

6. Which of the following is a macroeconomic question?

A. How do members of a household decide whether to clean their own house or hire someone else to do it?

B. What is the price of an 85-inch television?

C. How much do economics majors earn 10 years after college?

D. What is the unemployment rate?

7. For which of the following individuals would the opportunity cost of going to college be the highest?

A. A student with below average grades who has never held a job.

B. A famous, highly-paid actress who wants to take time away from acting to finish college and earn a degree.

C. A student who is the best player on their college basketball team, but who lacks the skills necessary to play professional basketball.

D. A gifted young mathematician who will command a high salary once she earns her college degree.

8. A solution to a model is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. endogenous variable

B. exogenous variable

C. parameter

D. factor of production

9. When economists explain the relationship between the price of houses and the quantity of houses purchased, the ceteris paribus assumption implies that

A. both the price of houses and the quantity of houses purchased are held constant.

B. the price of houses is held constant.

C. the quantity of houses is held constant.

D. factors other than the price and quantity of houses are held constant.

10. Which of the following is a positive economic statement?

A Rising global demand for lumber has led to increases in the price of lumber.

B. With mortgage rates falling, now is the perfect time to buy a home.

C. The state of California should increase funds for light-rail development to promote the use of public transportation.

D. Pharmaceutical manufacturers should not be allowed to patent their products so prescription drugs would be more affordable.

11. A market where there are many sellers, with each firm selling a homogeneous product, is best described as

A. an oligopoly.

B. a monopolistically competitive market.

C. a monopoly.

D. a competitive market.

12. Because of scarcity, each economy and society must address all of the following questions except

A. Who will receive the goods and services produced?

B. Why are certain goods and services produced?

C. How will the goods and services be produced?

D. What goods and services will be produced?

13. The invisible hand ensures that

A. there is only one seller of a good.

B. the market outcome is efficient.

C. prices are unknown since they are invisible.

D. there is a market failure.

14. A government failure is most likely to occur if government is trying to

A. maximize social welfare.

B. maximize the welfare of the firms being regulated.

C. neither maximize the welfare of consumers nor the welfare of firms.

D. the welfare of consumers.

15. Which of the following is most likely to result in a negative externality, given only the information below?

A. You work at a job to earn money.

B. You paint your house.

C. You plant a garden in front of your house.

D. You practice drumming in your open garage across the street from you neighbors.

16. Which of the following is best described as a progress trap?

A. the development of atomic weapons.

B. the development of germ theory.

C. the development of the assembly line.

D. the development of the educational system.

17. Relative to GDP, the size of the federal government in 2022 is more than \_\_\_\_\_ times larger than it was in 1900.

A. 2

B. 3

C. 4

D. 5

18. The fact that most major cities in the United States today are located near the ocean or major rivers, even though the automobile and other forms of transportation make the proximity to waterways less important today, is best described as an example of

A. cliometrics.

B. comparative economic history.

C. path dependence.

D. institutional changes.

19. A research paper that examines the potential causes for why the United States has had more financial crises and banking panics throughout its history than Canada is best described as an example of

A. cliometrics.

B. comparative economic history.

C. path dependence.

D. institutional changes.

20. A research paper that uses historical data to estimate a multiple regression model to determine the amount of residential segregation in nineteenth-century American cities is best described as an example of

A. cliometrics.

B. comparative economic history.

C. path dependence.

D. institutional changes.

**Chapter 2: Standards of Living and American Economic Growth**

1. During which period of American history was the growth rate of real GDP per capita the slowest?

A. The period from 1800 to 1850

B. The period from 1850 to 1900

C. The period from 1900 to 1950

D. The period from 1950 to 2022

2. Which of the following countries experienced a faster growth rate in real GDP per capita than the United States between 1870 and 2018, but had a lower level of real GDP per capita than the United States in both 1870 and 2018?

A. Norway

B. Canada

C. Switzerland

D. Australia

3. Which of the following could cause nominal GDP to increase, but real GDP to decrease?

A. The price level rises and the quantity of final goods and services produced rises.

B. The price level falls and the quantity of final goods and services produced rises.

C. The price level rises and the quantity of final goods and services produced falls.

D. The price level falls and the quantity of final goods and services produced falls.

4. The fact that there was a greater proportion of household production in 1850 compared to today causes the growth of real GDP between 1850 and today to be

A. underestimated.

B. overestimated.

C. underestimated only if the quality of household production is worse than the quality of market production.

D. unaffected since household production is not included in GDP.

5. Suppose that a country produces 1 million 85-inch televisions in the year 2025, and it also produces 1 million 85-inch televisions in the years 2026, but the televisions in 2026 have brighter screens and higher resolution than the televisions in 2025. As a result, real GDP in 2026 \_\_\_\_\_\_\_ real GDP in 2025.

A. is the same as

B. is higher than

C. is lower than

6. If the population is 40 million in 1800 and 108 million in 1900, then the average annual growth rate of population between 1800 and 1900 is approximately

A. 0.5 percent per year.

B. 1 percent per year.

C. 1.5 percent per year.

D. 2 percent per year.

7. Suppose you have $100,000 in an investment account today and it grows at a 3-percent annual rate for 20 years and then at a 5-percent annual rate for another 20 years after that. Approximately how much will be in the account in 40 years, assuming you make no additional deposits and there are no fees?

A. $512,167

B. $642,567

C. $479,215

D. $398,834

8. The real or inflation-adjusted wage rate is defined as:

$$w\_{t}=\frac{W\_{t}}{P\_{t}}$$

where lowercase $w\_{t}$ is the real wage in year $t$, while uppercase $W\_{t}$ is the nominal wage in year $t$ (e.g., $25 per hour), and $P\_{t}$ is an aggregate price index, such as the Consumer Price Index or Personal Consumption Expenditures Index, which measures the prices of the goods and services consumers buy. If over the next 30 years, nominal wages increase, on average, by 4 percent per year, and the inflation rate is 2 percent per year (the price index grows at 2 percent per year), then the growth rate of real wages is approximately

A. -2 percent per year.

B. 2 percent per year.

C. 6 percent per year.

D. 4 percent per year.

9. Real GDP per capita in the United States has more than doubled since 1972, while subjective well-being, as measured by the General Social Survey, has

A. more than doubled as well.

B. increased, but less than doubled.

C. remained constant.

D. decreased.

10. In the Cobb-Douglas production function, “$A$” represents

A. human capital.

B. physical capital.

C. technology.

D. natural capital.

11. Which of the following lists contains, in this order, natural capital, human capital, and physical capital?

A. For a shoe factory: leather, hand tools, and managers’ knowledge of shoe making.

B. For a steel mill: the blast furnace, the workers, and iron ore.

C. For an airline: oil to make jet fuel, the pilots’ knowledge of flying, and jets.

D. For a physician’s office: an X-ray machine, the physician’s knowledge, and pharmaceuticals prescribed to patients.

12. Consider an economy with the following Cobb-Douglas production function:

$$Y\_{t}=A\_{t}K\_{t}^{1/6}H\_{t}^{1/6}N\_{t}^{1/6}L\_{t}^{1/2}$$

If real GDP, physical capital, and human capital each grow at 3 percent per year, while labor hours grow at 1 percent per year, and natural capital is constant (a zero growth rate), then the average growth rate of total factor productivity is

A. 0 percent per year.

B. 1 percent per year.

C. 1.5 percent per year.

D. 2 percent per year.

13. Consider an economy with the following Cobb-Douglas production function:

$$Y\_{t}=A\_{t}K\_{t}^{1/6}H\_{t}^{1/6}N\_{t}^{1/6}L\_{t}^{1/2}$$

If real GDP, physical capital, and human capital each grow at 3 percent per year, while labor hours grow at 1 percent per year, and natural capital is constant (a zero growth rate), then the average growth rate of labor productivity is

A. 0 percent per year.

B. 1 percent per year.

C. 1.5 percent per year.

D. 2 percent per year.

14. Consider an economy with the following Cobb-Douglas production function:

$$Y\_{t}=A\_{t}K\_{t}^{1/6}H\_{t}^{1/6}N\_{t}^{1/6}L\_{t}^{1/2}$$

If real GDP, physical capital, and human capital each grow at 3 percent per year, while labor hours grow at 1 percent per year, and natural capital is constant (a zero growth rate). Assuming that markets are competitive, owners of physical capital are paid about \_\_\_\_ percent of GDP.

A. 3.

B. 17

C. 6

D. 33

15. Consider the following production function: $Y\_{t}=K\_{t}H\_{t}N\_{t}L\_{t}$. This production function exhibits \_\_\_\_\_\_\_\_\_\_\_\_\_ returns to scale and \_\_\_\_\_\_\_\_\_\_\_ marginal product in each factor of production.

A. increasing; constant

B. constant; constant

C. constant; decreasing

D. decreasing; increasing

16. The second Industrial Revolution included all of the following inventions except

A. electric lights.

B. automobiles.

C. computers.

D. airplanes.

17. All of the following are fundamental sources of economic growth except

A. science and culture.

B. geography.

C. market growth.

D human capital accumulation.

18. Several cultural changes occurred in England that made the first Industrial Revolution possible. These include all of the following except

A. increases in literacy and numeracy, related to Protestantism.

B. increases in the rate of time preference so that individuals became more concerned about the present rather than the future.

C. decreases in interpersonal violence.

D. increases in work hours and an increasing emphasis on the work ethic.

19. All of the following geographic factors are associated with higher rates of economic growth except

A. more minerals and fuels.

B. higher heat and humidity.

C. more navigable rivers.

D. higher quality soil.

20. The convergence hypothesis implies that

A. economies with lower levels of per capita income should grow at faster rates than economies with higher levels of per capita income.

B. economies with lower levels of per capita income should grow at slower rates than economies with higher levels of per capita income.

C. economies with lower levels of per capita income should grow at the same rate as economies with higher levels of per capita income.

D. economies with higher levels of per capita income should grow at faster rates than economies with higher levels of per capita income.

**Chapter 3: European Settlement and the Columbian Exchange**

1. During the Columbian exchange

A. measles travelled from the New World (the Americas) to the Old World (Europe).

B. potatoes travelled from the Old World to the New World.

C. syphilis travelled from the Old World to the New World.

D. corn traveled from the New World to the Old World.

2. Modern Homo sapiens (humans) originated on the continent of

A. Europe.

B. Asia.

C. Africa.

D. Australia.

3. The introduction of domesticated animals in the Americas led to all of the following except

A. an increase in agricultural productivity.

B. improvements in transportation.

C. the spread of diseases.

D. a reduction in the genetic diversity of humans in the Americas.

4. The serial founder effect led to

A. an increase in agricultural productivity.

B. improvements in transportation.

C. the spread of diseases.

D. a reduction in the genetic diversity of humans in the Americas.

5. The largest and wealthiest Native American settlement was Cahokia. At its peak between the years 900 and 1100 CE, perhaps as many as \_\_\_\_\_ people lived there.

A. 4,000

B. 40,000

C. 400,000

D. 4,000,000

6. When Native American tribes moved from hunting and gathering to agriculture,

A. the health of Native Americans declined.

B. the amount of leisure time per person increased.

C. diets became more varied.

D. the amount of exercise increased.

7. One aspect of the Guns, Germs, and Steel Hypothesis links

A. increases in diseases as a leading cause of long-run economic growth.

B. agriculture and domesticated animals to long-run technological superiority.

C. germs to steel.

D. guns to germs.

8. Evidence contrary to the Guns, Germs, and Steel Hypothesis is

A. the serial founder effect.

B. the out of Africa hypothesis.

C. reversal of fortune.

D. All of the above

9. Several important inventions made the voyages of discovery possible. These include all of the following except

A. the printing press.

B. the steam engine.

C. the joint-stock company.

D. the caravel.

10. The first permanent European settlement in what was to become the United States was in what today is

A. Boston, Massachusetts.

B. Jamestown, Virginia.

C. St. Augustine, Florida.

D. San Diego, California.

11. Pennsylvania was established as

A. a Crown colony.

B. a proprietary colony.

C. a corporate colony.

D. an Amana colony.

12. The theory of mercantilism emphasizes that specialization and exchange

A. is mutually beneficial.

B. is a zero-sum game.

C. should be based on comparative advantage.

D. All of the above

13. The theory of comparative advantage emphasizes that specialization and exchange

A. is mutually beneficial.

B. is a zero-sum game.

C. should be based on absolute advantage.

D. All of the above

14. Assume that the North and the South of a country can switch between producing wheat and producing corn at a constant opportunity cost. The following table shows the number of labor hours needed to produce 1 bushel of wheat or 1 bushel of corn in each region:

|  |  |  |
| --- | --- | --- |
| Region | Corn | Wheat |
| North | 8 hours | 4 hours |
| South | 3 hours | 6 hours |

In the North, the opportunity cost of producing a bushel of wheat is:

A. 1/3 of a bushel of corn.

B. 2 bushels of corn.

C. 1/2 of a bushel of corn.

D. 3 bushels of corn.

15. Consider the data on the North and South from the question above. If each region specializes according to its comparative advantage, then the North should produce \_\_\_\_\_\_\_\_\_\_\_\_\_ and the South should produce \_\_\_\_\_\_\_\_\_\_.

A. wheat; corn

B. wheat; wheat

C. corn; corn

D. corn; wheat

16. Consider the data on the North and South from the question above. If each region specializes according to its comparative advantage, a voluntary and mutually beneficial price ratio (terms of trade) is:

A. 1 wheat=0.75 corn

B. 1 wheat=2 corn

C. 1 wheat=0.5 corn

D. 1 wheat=2.5 corn

17. Between 1700 and 1770, the growth rate of real income (real GDP) per capita was the highest in

A. the Lower South.

B. the Upper South.

C. New England.

D. the Middle Colonies.

18. Real income per capita

A. was much higher in Great Britain than in the American colonies as a whole in both 1700 and 1770.

B. was roughly equal in Great Britain and the American colonies as a whole in both 1700 and 1770.

C. was much higher in the American colonies as a whole than in Great Britain in both 1700 and 1770.

D. was much higher in the American colonies as a whole than in Great Britain in 1700, but not in 1770.

19. The Middle Colonies had a comparative advantage in the production of

A. tobacco, rice, and indigo.

B. lumber, furniture making, and shipping.

C. wheat, oats, and barley.

D. cotton textiles and iron works.

20. During the decade of the 1870s, almost all bison in the United States were slaughtered. Native American tribes that depended on the bison for food, clothing, shelter, and other goods have had per capita incomes recent decades

A. that are distributed more unequally compared to tribes not reliant on the bison.

B. that are distributed more equally compared to tribes not reliant on the bison.

C. that are higher compared to tribes not reliant on the bison.

D. that are lower compared to tribes not reliant on the bison.

**Chapter 4: Institutional Foundations**

1. Institutions include all of the following except

A. laws.

B. constitutions.

C. property rights.

D. technology.

2. Inclusive institutions have which of the following characteristics?

A. a bicameral legislature

B. communal property rights

C. private property rights

D. separation of powers

3. “Creative destruction” is associated with

A. the preservation of jobs during periods of technological change.

B. higher rates of economic growth.

C. deviations from judicial review.

D. deviations from freedom and enforcement of contracting.

4. Rule of law refers to a system

A. of legal codes that are applied equally and without bias to all members of society.

B. of both property rights in the factors of production, including intellectual property rights.

C. where there is freedom and enforcement of contracting.

D. where there is a constitution.

5. Development of English common law began with

A. the Glorious Revolution.

B. the Magna Carta.

C. Marbury vs. Madison

D. the U.S. Constitution.

6. In comparison to countries with a Roman civil law heritage, English common law countries generally have which of the following characteristics?

A. faster rates of economic growth

B. better functioning labor markets

C. larger and more developed financial systems

D. All of the above

7. One challenge of studying the causal relationship of democracy on economic growth is the possibility of

A. limited liability.

B. reverse causation.

C. exogeneity.

D. the legal-origins hypothesis.

8. Tax rates on American colonists in the decade before the Revolutionary War were

A. higher than tax rates on British citizens in England.

B. about the same as tax rates on British citizens in England.

C. substantially lower than tax rates on British citizens in England.

D. almost 30 percent, on average.

E. Both A and D

9. The number of casualties during the Revolutionary War is equivalent to more than \_\_\_\_\_\_\_\_\_\_ deaths in 2024.

A. 500,000

B. 1 million

C. 2 million

D. 3 million

10. The Revolutionary War officially ended in

A. 1773

B. 1775

C. 1783

D. 1787

11. The U.S. Constitution did all of the following except

A. it allowed the federal government to default on the debts incurred by the states during the Revolutionary War in order to allow the federal government to have a fresh start.

B. it created the legal structure for a vast common market to develop.

C. it established the dollar as the currency.

D. it established the Post Office.

12. The Tenth Amendment to the U.S. Constitution in the Bill of Rights

A. gave women the right to vote.

B. ended the slave trade, but not slavery.

C. provided state and local governments with a great deal of autonomy.

D. established eminent domain.

13. The Fifth Amendment to the U.S. Constitution in the Bill of Rights

A. gave women the right to vote.

B. ended the slave trade, but not slavery.

C. provided state and local governments with a great deal of autonomy.

D. established eminent domain.

14. The court case of Parker vs. Foote

A. established the principle of stare decisis.

B. abolished the ancient lights doctrine.

C. established the principle of judicial review.

D. established the principle of caveat emptor.

15. \_\_\_\_\_\_\_\_\_\_ protect inventions while \_\_\_\_\_\_\_\_\_\_\_ protect creative works.

A. trademarks; copyrights

B. patents; trademarks

C. patents; copyrights

D. copyrights; patents

16. A decrease in the length of patents

A. encourages the creation of new ideas and encourages the use of existing ideas.

B. discourages the creation of new ideas and restricts the use of existing ideas.

C. encourages the creation of new ideas and restricts the use of existing ideas.

D. discourages the creation of new ideas and encourages the use of existing ideas.

17. All of the following are differences between indentured servitude and slavery in the United States except

A. indentured servitude was temporary while slavery was lifelong.

B. indentured servants were typically of European descent while slaves were of African descent.

C. indentured servitude was voluntary while slavery was not.

D. indentured servants received weekly wages while slaves did not.

18. At-will employment contracts became common in the United States

A. in the early 1700’s.

B. in the early 1800’s.

C. in the late 1800’s.

D. in the early 1900’s.

19. Which decade was a particularly active period for environmental policies and regulations?

A. 1870s

B. 1930s

C. 1970s

D. 1990s

20. Upton Sinclair’s book, *The Jungle*, led to

A. the Sherman Act.

B. the Meat Inspection Act.

C. the Copyright Term Extension Act.

D. the Intolerable Acts.

**Chapter 5: The Financial System and Capital Accumulation**

1. The U.S. first surpassed Great Britain and other countries in terms of the amount of commercial bank capita per capita by the year \_\_\_\_\_\_.

A. 1800

B. 1825

C. 1850

D. 1875

2. Suppose that a corporation sells a bond that is purchased by a household. The buyer of the bond is:

A. a saver.

B. a borrower.

C. an owner of the corporation.

D. the owner of a derivative financial instrument.

3. The Buttonwood Agreement (1792)

A. led to the U.S. federal government paying off the debts of the colonies from the Revolutionary War.

B. allowed the creation of commercial banks in the United.

C. led to the New York Stock Exchange (NYSE).

D. led to the first derivative financial instruments.

4. Stocks are

A. debt securities.

B. equity securities.

C. derivative securities.

D. financial intermediaries.

5. The pooling and selling loans and other assets to create securities is known as

A. as a future.

B. as a mutual fund.

C securitization.

D as an option.

6. Commodity futures have been traded on exchanges in the United States since the creation of

A. the New York Stock Exchange.

B. the Chicago Board of Trade.

C. the Pacific Stock Exchange.

D. the first Bank of the United States.

7. Reducing risk by taking two opposing positions, one in a futures market and the other in a spot market for a commodity is best described as someone

A. engaged in speculating.

B. participating in a secondary market transaction.

C. engaged in hedging.

D. participating in indirect finance.

8. Consider someone who buys a July 2025 call option for $10 to buy 100 shares of a certain stock for $100. If the (spot) market price for the stock never rises above $80, then the buyer will

A. not exercise the option and will lose $10.

B. exercise the option and will lose $10.

C. will not exercise the option and will gain $30.

D. will exercise the option and will lose $30.

9. Which of the following is a problem of moral hazard?

A. A lender cannot distinguish low-risk from high-risk borrowers.

B. An individual who purchases auto insurance begins to leave his or her keys in the car while running into a store.

C. Life insurance companies offer an average premium to smokers and non-smokers so they do not have two different premiums.

D. All of the above are examples of moral hazard

10. Which of the following is an example of adverse selection?

A. A homeowner with a large fire insurance policy allows the wiring in her home to deteriorate.

B. A woman with a large life insurance policy takes up sky diving.

C. Your brother-in-law borrows $20,000 from you to open a pizza parlor, but spends it gambling instead.

D. A man with a heart condition decides to buy a large life insurance policy.

11. Central banks, like the U.S. Federal Reserve, serve many important functions except

A. supervising and regulating commercial banks.

B. acting as the lender of last resort in financial crises.

C. adjusting the levels of government spending and taxes to help stabilize the economy.

D. adjusting the money supply and interest rates to help stabilize the economy.

12. Suppose that the velocity of circulation is constant and the long-run growth rate of real GDP is 3 percent per year. If the long-run growth rate of the money supply is 5 percent per year, then the long-run rate of inflation is

A. 8 percent per year.

B. 15 percent per year.

C. 2 percent per year.

D. 3 percent per year.

13. The period from 1837 to 1863

A. is when the first Bank of the United States was in operation.

B. is known as the free banking era.

C. is when the second Bank of the United States was in operation.

D. is when the National Banking Acts governed commercial banking in the United States.

14. Which of the following can only be traded by high income individuals?

A. exchange-traded funds

B. mutual funds

C. hedge funds

D. pension funds

15. Money serves all of the following functions except as a

A. medium of exchange.

B. store of value.

C. means to hedge risk.

D. unit of account.

16. Short-term money market mutual funds are included in

A. M2 but not M1.

B. M1 but not M2.

C. neither M1 nor M2.

D. both M1 and M2.

17. Suppose that the velocity of circulation is constant (zero growth rate) and the long-run growth rate of real GDP is 3 percent per year. If the long-run growth rate of the money supply is 6 percent per year, then the long-run rate of inflation is

A. 9 percent per year.

B. -3 percent per year.

C. 3 percent per year.

D. 18 percent per year.

18. Suppose that the nominal interest rate on a loan is 7 percent per year and the inflation rate is 5 percent per year, then the real interest rate on this loan is \_\_\_\_\_ percent per year.

A. 12

B. 2

C. -2

D. -12

19. Suppose that there is a change from a government budget deficit to a government budget surplus. In the loanable funds market, this would cause the real interest rate to \_\_\_\_\_\_\_\_\_\_ and the level of investment to \_\_\_\_\_\_\_\_\_\_.

A. decrease; increase

B. increase; increase

C. decrease; decrease

D. increase; decrease

20. Consider an economy where physical capital lasts an average of 25 years. If the current level of investment this year is $6 billion, and the value of the capital stock is $100 billion, then the growth rate of the stock of physical capital ($g\_{K}$) is \_\_\_\_\_\_\_\_ percent per year.

A. 0

B. 1

C. 2

D. 3

**Chapter 6: Natural Capital**

1. Natural capital is likely to have been more important to U.S. economic growth than growth accounting suggests through its indirect contributions to growth and development. Examples include the indirect effects of natural capital on

A. institutional development.

B. human capital accumulation.

C. market growth.

D. manufacturing and industrialization.

E. All of the above

2. Acemoglu, Johnson, and Robinson stress the importance of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as the exogenous sources of institutional development and economic growth.

A. settler mortality and the disease environment.

B. literacy and the scientific method.

C. natural capital related to mining.

D. soil quality and crop mix.

3. The factor-endowment hypothesis emphasis the importance of

A. settler mortality and the disease environment.

B. literacy and the scientific method.

C. natural capital related to mining.

D. soil quality and crop mix.

E. Both C and D

4. In Debating 6.1, there is empirical evidence

A. in support of the settler-mortality hypothesis but not in support of the legal-origins hypothesis.

B. in support of the legal-origins hypothesis but not in support of the setter-mortality hypothesis.

C. in support of both the settler-mortality and legal-origins hypotheses.

D. that does not support either the settler-mortality hypothesis or the legal-origins hypothesis.

5. Childhood exposure to the American Dust Bowl during the 1930s is associated with which of the following adult outcomes?

A. Higher rates of poverty.

B. Higher rates of disability.

C. Higher high school completion rates.

D. All of the above

6. The Land Ordinance of 1785

A. laid out the framework for how future U.S. states were to be admitted to the Union on equal footing with existing states.

B. resulted in more land title disputes.

C. set one section aside in each township for a public school.

D. fewer land transactions.

7. The Louisiana Purchase from \_\_\_\_\_\_\_\_ in the year \_\_\_\_\_ caused the land area of the United States to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. Spain; 1848; increase by almost 50 percent

B. France; 1803; increase by almost 100 percent.

C. France; 1816; increase by almost 50 percent.

D. Spain; 1803; increase by 75 percent.

8. The Dawes Act (1887)

A. forcibly moved Cherokee, Choctaw, Creek, and Seminole tribes to land west of the Mississippi Review, leading to the deaths of 4,000 Native Americans on the so-called “Trail of Tears.”

B. resulted in nearly two-thirds of Indian Reservation land sold to white settlers, often with no compensation provided to Native Americans.

C. allowed for low-cost purchases of land if the land would be irrigated.

D. granted 160 acres of land to anyone who would plant and cultivate trees on at least one-quarter of the land acquired.

9. Most U.S. Indian Reservations were created by the 1890s. While different tribes were not combined into the same reservation, tribes were made up of sub-tribal bands and decisions were typically made at the band level. In some instances, a reservation consisted solely of members from the same tribal band, while in other instances two or more bands were combined on a single reservation in what’s been called “forced coexistence.” In the United States today, income per capita on reservations created through forced coexistence is \_\_\_\_\_\_\_\_\_ lower due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. 30 percent higher; greater specialization and exchange.

B. 20 percent higher; higher rates of population growth and market growth.

C. 30 percent lower; greater political conflict.

D. 20 percent lower; fewer casinos.

10. Of the 50 U.S. states today, only \_\_\_\_\_\_ states do not have at least one border defined by a river or ocean.

A. 4

B. 10

C. 14

D. 17

11. During most of the nineteenth century, land abundance and availability led to all of the following except

A. high birth rates.

B. high rates of immigration.

C. the growth of manufacturing.

D. high death rates.

12. The American system of manufacturing describes goods that are

A. highly standardized.

B. produced with specialized machines.

C. produced with interchangeable component parts.

D. All of the above

13. Which of the following is a supply-side reason to explain the development of the American system of manufacturing?

A. Low food prices.

B. Rural isolation.

C. Widespread land ownership.

D. High wages in manufacturing.

14. Mass production of the Ford Model T occurred when the assembly line was introduced in which year?

A. 1905

B. 1913

C. 1921

D. 1928

15. From 1880 to 1950, the dominant energy source in the United States was

A. wood.

B. coal.

C. petroleum.

D. natural gas.

16. \_\_\_\_\_\_\_\_\_\_\_ abundance is associated with the creation of new knowledge, as measured by the number of patents.

A. Land

B. Food

C. Mineral

D. Water

17. In 1913, petroleum extraction in the United States represented \_\_\_\_\_\_\_ of the world total.

A. 17 percent

B. 56 percent

C. 65 percent

D. 95 percent

18. When an energy source becomes scarce, there are

A. increases in its price.

B. incentives to conserve.

C. incentives to find substitute sources of energy.

D. All of the above

19. Market outcomes do not lead to an efficient use of natural capital if

A. there are negative externalities.

B. property rights are not well-defined.

C. there is a tragedy of the commons problem.

D. All of the above

20. The introduction and use of barbed wire on the Great Plains solved

A. the resource curse.

B. the resource blessing.

C. the tragedy of the commons problem.

D. the problem of scarcity.

**Chapter 7: Population and Population Growth**

1. Suppose that over the past 100 years, the crude birth rate was 3 percent per year, the crude death rate was 2 percent per year, the crude immigration rate was 2 percent per year, and the crude emigration rate was 1 percent per year. The population growth rate in this economy was \_\_\_\_ percent per year.

A. 0

B. 1

C. 2

D. 4

2. Suppose that over the past 100 years, the annual rate of population growth was 3 percent per year, and the crude birth rate was 3 percent per year while the crude death rate was 2 percent per year. The growth rate of net migration was \_\_\_\_\_ percent per year.

A. 0

B. 1

C. 2

D. 4

3. The U.S. population in the year 2020 is roughly \_\_\_\_\_ times larger than the population in 1820.

A. 5

B. 10

C. 20

D. 33

4. On a decade-by-decade basis, since 1690,

A. natural increase has more important than net migration in every decade.

B. natural increase has generally been more important, but net migration has been the dominant source of population growth in certain decades like the 1850s.

C. net migration has more important than natural increase in every decade.

B. net migration has generally been more important, but natural increase has been the dominant source of population growth in certain decades like during the baby boom decades.

5. In the indentured servant market in the eighteenth century, more productive workers

A. had contracts with a shorter period of indenture compared to less productive workers.

B. had contracts for life.

C. had contracts with a longer period of indenture compared to less productive workers.

D. did not have to sign indentured servant contracts to make their way across the Atlantic.

6. Rising wages in Europe, falling transportation costs across the Atlantic, and the emergence of kinship networks, led to the end of indentured servitude around the year

A. 1776

B. 1807

C. 1819

D. 1834

7. The first group of 20 enslaved Africans arrived in Jamestown in

A. 1565

B. 1607

C. 1619

D. 1655

8. The transatlantic slave trade lasted for three centuries with perhaps as many as 12 million Africans forcefully transported to the New World. The percentage coming to North America was

A. less than 10 percent of the total.

B. between 10 and 25 percent of the total.

C. between 25 and 50 percent of the total.

D. more than 50 percent of the total.

9. Of the original 13 states, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ had the highest percentage of its population enslaved in both 1790 and 1860.

A. Virginia

B. South Carolina

C. Georgia

D. Maryland

10. Between 1960 and 2020, the percentage of Americans who are Black, Indigenous, and Asian

A. increased for all three groups.

B. increased for Asian Americans, but decreased for the other two groups.

C. decreased for Black Americans, but increased for the other two groups.

D. decreased for all three groups.

11. The U.S. Census defines four main census regions: Northeast, Midwest, South, and West. Since 1950, the most populous census region has been the

A. Northeast.

B. Midwest.

C. South.

D. West.

12. The Great Migration of approximately 6 million Americans from the South to other regions of the United States occurred primarily between the years

A. 1865 and 1900

B. 1940 and 1970

C. 1808 and 1865

D. 1970 and 2000

13. Absent net migrations, if the number of children per woman averages about 2.1 children per women, then

A. the population will grow at about 1 percent per year in the long run.

B. the population will decrease at about 1 percent per year in the long run.

C. the population will stabilize with a growth rate of zero in the long run.

D. the population will grow at about 2.1 percent per year in the long run.

14. Which of the following is not a demand-side theory for why the demand for children has decreased over time in the United States?

A. the land-availability hypothesis

B. the old-age security hypothesis

C. the target bequest model

D. new technologies to control fertility

15. The fertility changes since 1960 have been so dramatic that some scholars have termed it “the second fertility transition.” Since 1960, which of following changes have occurred?

A. highly educated women tended to delay motherhood.

B. the increased use of birth control pills.

C. an increase in the proportion of children born out of wedlock.

D. more women having two children.

E. All of the above

16. Consider a hypothetical country with zero international migration and a steady population. If the crude death rate is 1.25 percent per year, then life expectancy at birth is approximately

A. 50 years of age.

B. 67 years of age.

C. 75 years of age.

D. 80 years of age.

17. In 1900, the biggest causes of death were

A. heart disease and cancer.

B. accidents and heart disease.

C. infectious diseases including pneumonia, influenza and tuberculosis.

D. diarrhea, enteritis, and ulceration of the intestines.

18. In the decades after the mortality transition began around 1880, the primary reason for the decline in mortality rates was

A. advances in surgery.

B. the development of antibiotics and other pharmaceuticals.

C. public health interventions.

D. decreases in smoking cigars and prohibition, which outlawed alcohol consumption.

19. The age-mortality profile of a typical flu season is \_\_\_\_\_, while it was \_\_\_\_\_ during the 1918 pandemic, and \_\_\_\_\_ during the Covid-19 pandemic in the United States.

A. U-shaped, W-shaped, J-shaped.

B. W-shaped, J-shaped, U-shaped.

C. J-shaped, U-shaped, W-shaped.

D. W-shaped, U-shaped, J-shaped.

20. Other things equal, higher population growth

A. increases the amount of physical capital per worker, but there is some evidence that it reduces the pace of technological progress.

B. reduces the amount of physical capital per worker and there is some evidence that it also reduces the pace of technological progress.

C. raises the amount of physical capita per worker and there is some evidence that it also raises the pace of technological progress.

D. reduces the amount of physical capital per worker, but there is some evidence that it raises the pace of technological progress.

**Chapter 8: Transportation and Communication**

1. In 1800, travel times between New York City and western Pennsylvania required

A. about a day of travel.

B. about three days of travel.

C. about a week of travel.

D. about three weeks of travel.

2. Turnpikes

A. were mostly financed by private investors.

B. were very profitable in the early years until they were displaced by canals and railroads.

C. started with the Erie Turnpike in 1825.

D. All of the above

3. In 1808, the U.S. Secretary of the Treasury, Albert Gallatin, presented to Congress a wide-ranging and comprehensive plan calling for $20 million in federal spending over 10 years to build transportation infrastructure. The plan was never carried out in full, but the \_\_\_\_\_\_\_\_\_\_\_\_ was completed as part of this plan.

A. National Railroad

B. National Road

C. National Canal

D. National Barge System

4. All of the following were important wagon routes for western migration except the

A. Santa Fe Trail.

B. Mormon Trail.

C. San Diego Trail.

D. Oregon Trail.

5. The first river steamboat with a paddle wheel made the journey from New York City to Albany, New York on the Hudson River in

A. 1781.

B. 1807.

C. 1814.

D. 1825.

6. Annual total factor productivity (TFP) growth for river steamboats before 1860 averaged about \_\_\_ per year, which led to a doubling of productivity approximately every \_\_\_ years.

A. 1; 70

B. 2; 35

C. 5; 14

D. 7; 10

7. Which of the following was an important reason for TFP growth in steamboats?

A. the introduction of sails to help power steamboats along with steam engines.

B. the change from one-piston to two-piston steam engines.

C. shorter port times.

D. All of the above

8. Economic historians have argued that the first period of globalization between 1850 and 1913 occurred, in part, because of the development of the

A. caravel.

B. clipper ship.

C. lateen sail.

D. steamship.

9. The Erie Canal

A. was financed mostly through private funds.

B. was the last major canal built in the United States prior to the dominance of the railroads.

C. helped establish New York City as the centerpiece of finance and commerce in the United States.

D. All of the above

10. The first transcontinental railroad was completed in

A. 1830.

B. 1848.

C. 1862.

D. 1869.

11. Average annual total factor productivity (TFP) growth in railroads was the fastest during which period?

A. 1839–1859

B. 1859–1890

C. 1890–1910

D. 1910–1929

12. Hornbeck and Rotemberg (2022) estimate that U.S. productivity in 1890 would have been about \_\_\_\_ percent lower had railroads never been invented.

A. 3

B. 9

C. 27

D. 44

13. Gasoline-powered automobiles became the standard over steam-powered and electric-powered automobiles in the early twentieth century, in part, because of

A. the faster speed of gasoline-powered engines compared to engines in electric or steam-powered cars.

B. the development of the electric starter.

C. the “good roads” movement, which endorsed gasoline-powered cars and provided rebates to purchase gasoline-powered cars.

D. All of the above

14. During the 1920s, automobiles spread most rapidly in

A. sparsely populated areas with fewer people per square mile.

B. areas with lower literacy rates, all else equal.

C. areas with flatter terrain.

D. areas with more manufacturing.

15. The interstate highway system led to

A. high total factor productivity growth rates in the U.S. economy in the 1950s and 1960.

B. population declines in central cities.

C. market growth, and greater specialization and exchange.

D. All of the above

16. The first airplane flights occurred in

A. 1876.

B. 1896

B. 1903.

C. 1914.

17. Average passenger miles per capita on commercial airlines surpassed per capita passenger miles on railroads by the \_\_\_\_\_\_\_.

A. 1940s

B. 1950s

C. 1960s

D. 1970s

18. The telephone was invented in \_\_\_\_\_.

A. 1876.

B. 1896

B. 1903.

C. 1914.

19. Television was invented in \_\_\_\_\_\_\_\_\_, but it didn’t take off until the \_\_\_\_\_\_.

A. 1930s; 1960s

B. 1920s; 1950s

C. 1940s; 1970s

D. 1910’s; 1940s

20. Positive network externalities

A. lead to an overproduction of the technology from a social welfare perspective.

B. occur when the demand for a technology, product, or service depends on the demand of other consumers.

C. lead to deadweight losses.

D. require many firms in an industry.

**Chapter 9: Agriculture**

1. In 1800, about \_\_\_\_ percent of the U.S. labor force worked in agriculture.

A. 50

B. 75

C. 90

D. 100

2. In comparing the relative labor productivity (output per hour of work) of agriculture in 1860 on plantations in the South to farms in the North, the comparison is complicated by the fact that

A. 1860 was an unusually good year for growing cotton in the South.

B. different crops were grown in the South than in the North.

C. the number of labor hours worked per worker per year is difficult to quantify.

D. All of the above

3. Mechanical and biological innovations in agriculture lead to

A. large increases in the supply of food.

B. large increases in the demand for food.

C. small decreases in the demand for food.

D. small decreases in the supply for food.

4. Which of the following contributed to the tremendous decline in the agricultural employment share?

A. agricultural price supports

B. the low income elasticity of demand for food

C. the high price elasticity of demand for food.

D. the fact that food is an inferior good.

5. Suppose that demand for a particular good has a low price elasticity of demand (inelastic demand). If the price of the good increases, then, all else equal, the total revenue in this market

A. stays constant due to the inelasticity.

B. increases.

C. decreases.

D. may increase or decrease, depending on the price elasticity of supply.

6. Suppose that the price of wheat falls by 20 percent, and the quantity demanded of wheat increases by 4 percent, all else equal. In this case, you can conclude that

A. the price elasticity of demand for wheat is inelastic.

B. the price elasticity of demand for wheat is unit elastic.

C. the price elasticity of demand for wheat is elastic.

D. there is a low income elasticity of demand for wheat.

7. The annual growth rate of total farm output was the highest during which period?

A. 1800 to 1840

B. 1840 to 1880

C. 1880 to 1940

D. 1940 to 1990

8. The annual growth rate of total farm output per worker (growth of labor productivity) was the lowest during which period?

A. 1800 to 1840

B. 1840 to 1880

C. 1880 to 1940

D. 1940 to 1990

9. The annual growth rate of total farm output per worker (growth of labor productivity) was the highest during which period?

A. 1800 to 1840

B. 1840 to 1880

C. 1880 to 1940

D. 1940 to 1990

10. Before 1960, the transformation of American livestock was the result of all of the following except

A. selective breeding using artificial insemination.

B. the use of growth hormones.

C. the use of antibiotics.

D. cloning and genetic engineering.

11. The Bureau of Animal Industry within the U.S. Department of Agriculture is credited with

A. helping to eradicate animal disease epidemics.

B. developing new hybrid varieties of cattle and sheep.

C. educating farmers regarding new crop varieties.

D. All of the above

12. The Haber-Bosch method (1909) led to

A. the mass production of the general-purpose tractor.

B. new varieties of corn, wheat, and cotton.

C. the production of ammonium sulfate fertilizer.

D. the ability to drill deeper wells to extract water for agricultural irrigation in the dry parts of the Great Plains and Far West.

13. Which mechanical innovation occurred first in American history?

A. the cotton gin

B. the all-steel plow

C. the reaper

D. the general-purpose tractor

14. The total acreage of farmland in the United States peaked in

A. 1870

B. 1910

C. 1950

D. 2020

15. Greater agricultural diversity in U.S. counties in the year 1860 is associated with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. lower population densities in the year 2000.

B. lower manufacturing employment shares in 1900.

C. higher levels of income per capita in 2000.

D. lower food prices in the year 2000.

16. In the late nineteenth century, agricultural discontent in northern U.S. states is correlated with which of the following?

A. Agricultural and aggregate price deflation from 1873 to 1896.

B. The high price elasticity of demand for food.

C. The high income elasticity of demand for food.

D. All of the above

17. Which decade was the most active in terms of new federal agricultural policies?

A. 1870s

B. 1890s

C. 1930s

D. 1980s

18. Which of the following is a demand-expansion agricultural policy?

A. deficiency payments

B. crop insurance

C. school lunch programs

D. acreage allotments

19. Which of the following U.S. agricultural policies leads to lower prices for consumers?

A. price supports

B. supply controls

C. demand-expansion programs

D. deficiency payments

20. The Agricultural Adjustment Act (1933) included supply controls in the form of acreage allotments, which restricted farmers to planting only a specified number of acres for each crop, the acreage based on a portion of each farmer’s historical plantings of the crop. Acreage restriction policies are not particularly effective in reducing crop supplies and increasing crop prices because

A. farmers took their least productive land out of production.

B. farmers used their remaining land more intensively by increasing the quantity of chemical fertilizers and irrigation.

C. productivity improvements, through better seed varieties, mechanization, and fertilizers, offset the effects of the acreage restrictions.

D. All of the above

**Chapter 10: Manufacturing and Industrialization**

1. By which year in American history did the value of manufacturing output exceed the value of agricultural output for the first time?

A. 1800

B. 1890

C. 1920

D. 1950

2. Cotton textile factories in the United States grew substantially in number in the years after

A. the Embargo Act of 1807.

B. the Tariff of Abominations of 1828.

C. the Buttonwood Agreement of 1792.

D. the Smoot-Hawley Tariff of 1930.

3. The Lowell system in cotton textiles was most distinctive because

A. water from the Lowell River was used to power the factory machinery.

B. young women were employed and housed in company dormitories.

C. there was a specialization of labor.

D. there was true interchangeability of parts.

4. Scholars have shown that New England was the first region to industrialize in the United States because

A. of the Boston Harbor and the comparative advantage of shipping in New England.

B. the wages of women and children, compared to the wages of adult males, was the lowest in this region.

C. of an extensive system of internal roadways to ship cotton textiles westward.

D. of the extensive railroad system in New England.

5. Between 1820 and 1860, labor productivity growth in cotton textiles in New England averaged between

A. 1.1 percent and 2 percent per year .

B. 2.2 percent and 3.3 percent per year.

C. 4.7 percent and 5.6 percent per year.

D. 6.1 percent and 7.2 percent per year.

6. After 1830, laws of incorporation in most states included limited liability for shareholders. Suppose someone buys 100 shares of stock for $5 per share. Limited liability means that the maximum possible loss to this shareholder, in the event that the firm declares bankruptcy, is

A. $0.

B. $500.

C. $1,000 or twice the initial value of the stock purchase.

D. $1,500 or three times the initial value of the stock purchase.

7. The primary reason(s) why labor productivity growth was slower in iron production than in cotton textiles between 1820 and 1860 is/are

A. the lack of mechanization in iron production.

B. the lack of transportation infrastructure.

C. the low quality of iron ore.

D. All of the above

8. Consider the following diagram depicting a tariff on cotton textiles:



The tariff revenue the government receives from this tariff is \_\_\_\_\_.

A. $18

B. $21

C. $9

D. $3

9. Consider the following diagram depicting a tariff on cotton textiles:



Compared to free trade, the deadweight loss of the tariff is \_\_\_\_\_.

A. $18

B. $21

C. $9

D. $3

10. Which of the following statements regarding a tariff on imports is true?

A. there is an increase in domestic total surplus.

B. there is an increase in domestic producer surplus.

C. there is an increase in domestic consumer surplus.

D. the tax revenues from the tariff fully compensate the combined losses to domestic participants in the market.

11. By 1850, the average cotton textile mill in the United States had around \_\_\_\_\_ employees

A. 10

B. 100

C. 1,000

D. 10,000

12. Large manufacturing corporations later adopted several of the features introduced by railroads from the 1850s to the 1870s except

A. Administrative hierarchies with a chief executive officer at the top, and also a board of directors with vice presidents of the various divisions below followed by department heads, and so on.

B. new methods of accounting.

C. the system of vertical filing.

D. the extensive use of stocks and bonds.

13. In comparing the relative importance of steam power and water power to labor productivity in manufacturing between 1850 and 1880, empirical evidence strongly shows that

A. water power was more important in the 1850s and 1860s in increasing labor productivity, while steam power was most important in the 1870s.

B. steam power was much more important than water power in increasing labor productivity.

C. water power was much more important than steam power in increasing labor productivity.

D. steam power was more important in the 1850s and 1860s in increasing labor productivity, while water power was most important in the 1870s.

14. Suppose that an oil refinery starts buying oil fields and railroads. This is best described as

A. antitrust.

B. vertical integration.

C. horizontal integration.

D. a hostile takeover.

15. After 1895, U.S. industrial leadership was based on all of the following except

A. massive road building.

B. cheap and abundant sources of energy.

C. universal public schooling.

D. high rates of physical capital accumulation, learning by doing, and invention.

16. The introduction and spread of small electric motors increased labor productivity growth in manufacturing the most during the

A. 1890s.

B. 1920s.

C. 1930s.

D. 1950s.

17. Which of the following accurately describes manufacturing in the United States during the 1930s?

A. Because of the Great Depression, average annual labor productivity growth in manufacturing was negative.

B. The use of installment credit to buy manufactured goods became widespread.

C. Television was an important form of advertising for manufactured goods such as sewing machines, typewriters, vacuum cleaners, and other electric appliances.

D. There was a large increase in privately-funds research and development spending and employment.

18. Which of the following statements is incorrect?

A. Between 1941 and 1948, labor productivity growth in manufacturing was near zero.

B. Labor productivity growth in manufacturing has slowed markedly since 2007.

C. Average annual labor productivity growth in manufacturing between 1948 and 1973 was faster than it was between 1989 and 2007.

D. The ratio of manufacturing output to GDP has been remarkably stable since 1947 to today.

19. Which American cities have been most affected by the long-term decline in the manufacturing share of employment?

A. Charleston, South Carolina and Atlanta, Georgia.

B. Detroit, Michigan and Gary, Indiana.

C. New York, New York, and San Francisco, California.

D. Omaha, Nebraska, and Kansas City, Missouri.

20. The manufacturing share of employment

A. has remained remarkably constant in the United States in recent decades.

B. has declined in the United States in recent decades, but in a similar manner to the declines observed in other countries with similar levels of GDP per capita.

C. has declined largely because of low labor productivity growth in U.S. manufacturing.

D. decreased in the 1970s and 1980s, but has generally increased since then.

**Chapter 11: Education**

1. Because of positive externalities associated with education,

A. the social returns to education exceed the private returns.

B. growth accounting exercises underestimate the importance of education and human capital accumulation in accounting for labor productivity growth.

C. without government involvement, there would be an underproduction of education from a social welfare perspective.

D. All of the above

2. In 1790, literacy rates in the United States were the highest in which region?

A. the South.

B. the Midwest.

C. New England.

D. the Middle Atlantic.

3. The early educational accomplishments in New England were the result

A. a belief in the importance of education in fostering religion

B. peaceful relations with Native Americans for many decades, which allowed schools to function without fear of being attacked.

C. a desire to provide skills for the ever-changing labor market.

D. Both A and B

4. The “Old Deluder Satan” Law (1647) was

A. the first mandatory attendance law in the American colonies.

B. the first law that required townships to establish grammar schools.

C. the first law to stress the importance of religion as part of a well-rounded education.

D. the first law to establish colleges and universities in the American colonies.

5. During the early decades of the common school movement, the highest enrollment rates occurred in

A. rural northern states.

B. industrial northern states.

C. rural southern states.

D. industrial southern states.

6. The United States had the highest primary school enrollment rates in the world by

A. 1850

B. 1860

C. 1870

D. 1880

7. The largest source of funding for common schools was

A. the U.S. Department of Education and other federal subsidies to local schools.

B. state-level funding through sales taxes and income taxes.

C. private donations and tuition payments by families who attended common schools.

D. local funding from property tax revenue.

8. Between 1850 and 1930, places with higher levels of public school funding had

A. higher levels of income inequality.

B. higher school attendance rates.

C. more centralized local governments.

D. All of the above

9. By the 1920s, which U.S. was among the leaders in high school enrollment and graduation rates?

A. California

B. New Jersey

C. Virginia

D. Texas

10. During the “Rise of the American high school” from 1910 to 1940, all of the following were widespread except

A. the use of standardized tests.

B. curricular changes that emphasized vocational education.

C. the separation of church and state.

D. local funding and control.

11. In 1928, high school graduation rates were higher in places with

A. a lower share of the population ages 65 and older.

B. more automobiles per capita.

C. a larger manufacturing share of employment.

D. lower levels of wealth per capita.

12. The passage of the National Industrial Recovery Act (1933) caused high school enrollment rates to increase the most in

A. the South

B. the West.

C. New England.

D. the Middle Atlantic.

13. In 1940, only about \_\_\_\_\_ percent of American adults were college graduates.

A. 1

B. 5

C. 10

D. 20

14. Which group benefitted the least from the Serviceman’s Readjustment Act (1944) or GI Bill in terms of college enrollment and completion rates?

A. female veterans

B. white male veterans

C. Black male veterans living outside the South.

D. Black male veterans living in the South.

15. In 1965, the average American had more than \_\_\_\_\_\_ years of schooling, which was nearly \_\_\_\_ year(s) more than any other country.

A. 8; 1

B. 11; 3

C. 13; 3

D. 10; 2

16. Special education and bilingual education are part of which of the following educational reform movements in the postwar United States?

A. the inclusiveness movement.

B. the standards movement.

C. the school choice movement.

D. the aim high movement.

17. Charter schools are part of which of the following educational reform movements in the postwar United States?

A. the inclusiveness movement.

B. the standards movement.

C. the school choice movement.

D. the aim high movement.

18. Which of the following statements is incorrect regarding U.S. student performance on assessment tests?

A. U.S. students score relatively worst in mathematics compared to students in other countries.

B. The poor performance of U.S. students relative to students in other countries may not be due solely to differences in ability, but also due to differences in effort on the tests.

C. Between 2019 and 2021, test performance fell the least in areas that had shorter periods of online and hybrid education during the Covid-19 pandemic.

D. Student performance depends more on school factors like teacher quality than it does on family and neighborhood factors.

19. In recent decades, approximately \_\_\_\_ percent of public funding for schools comes from local governments, \_\_\_\_ percent from state governments, and \_\_\_\_\_ from the federal government.

A. 45; 45; 10

B. 80; 15; 5

C. 60; 30; 10

D. 25; 25; 50

20. Which of the following statements is incorrect?

A. U.S. born individuals have won more than 400 Nobel Prizes, which is more than the next five countries combined.

B. College tuition has increased far more than aggregate prices in the economy in recent decades.

C. Six-year college graduation rates are now above 85 percent nationwide.

D. The U.S. Department of Education now provides free, online information to students and parents about each college’s performance and costs.

**Chapter 12: Labor and Labor Markets**

1. As wages increase, the income effect causes workers to

A. work more.

B. consumer more income.

C. consume less leisure.

D. work less.

2. When Gracie’s wage increases, she decides to work more hours. Therefore, we know that her \_\_\_\_\_\_\_\_\_\_\_ effect is more important than her \_\_\_\_\_\_\_\_\_\_ effect.

A. substitution; leisure

B. income; substitution

C. substitution; income

D. leisure; income

3. The 1918 influenza pandemic killed over 1 percent of American males ages 25 to 34. Using the labor demand and labor supply model, we would predict

A. an increase in labor supply and a decrease in wages for those who survived.

B. an increase in labor demand and an increase in wages for those who survived.

C. a decrease in labor demand and a decrease in wages for those who survived.

D. a decrease in labor supply and an increase in wages for those who survived.

4. Suppose that there is an increase in technology that increases the marginal product of workers. In this case,

A. labor supply decreases and wages increase.

B. labor demand and wages increase.

C. labor supply and wages increase.

D. labor demand and wages decrease.

5. Compared to 1940, the percentage increase in real incomes from an additional year of education in the United States today is

A. about the same as it was in 1940.

B. higher than it was in 1940.

C. lower than it was in 1940.

6. Use the following table, which describes a small firm that produces radios in the 1920s. Assume that the labor market is perfectly competitive.

|  |  |
| --- | --- |
| **Quantity of Workers** | **Number of Radios Produced Per Week** |
| 0 | 0 |
| 1 | 8 |
| 2 | 14 |
| 3 | 18 |
| 4 | 20 |

If the price of a radio is $30, and the weekly wage for workers in the industry is $80, then a profit-maximizing firm should hire \_\_\_\_\_ workers.

A. 1

B. 2

C. 3

D. 4

7. Use the following table, which describes a small firm that produces radios in the 1920s. Assume that the labor market is perfectly competitive.

|  |  |
| --- | --- |
| **Quantity of Workers** | **Number of Radios Produced Per Week** |
| 0 | 0 |
| 1 | 8 |
| 2 | 14 |
| 3 | 18 |
| 4 | 20 |

If the price of a radio increases from $30 to $35, then

A. the labor demand for radio workers increases.

B. the labor supply of radio workers increases.

C. the labor demand of radio workers decreases.

D. the labor supply of radio workers decreases.

8. It is likely that the main cause for the large withdrawal of children from the labor force in the first few decades of the twentieth century was

A. state legislation prohibiting the employment of children.

B. federal legislation prohibiting the employment of children.

C. the Fair Labor Standards Act, which instituted a national minimum wage and made it unprofitable to firms to hire children.

D. economic changes such as increased skill requirements for many jobs and increasing incomes that provided parents with the luxury of sending kids to school instead.

9. In 1900, the married female labor force participation rate was less than 5 percent, but by the year 2000, it was greater than 60 percent. This increase is the result of

A. increases in labor demand and decreases in labor supply.

B. decreases in labor demand and increases in labor supply.

C. decreases in labor demand and decreases in labor supply.

D. increases in labor demand and increases in labor supply.

10. All of the following contributed to the long-run decline in labor force participation rates for males ages 65 and older over the twentieth century except

A. the Social Security Act.

B. the increasing physical demands of work over the twentieth century.

C. tax incentives in the Revenue Act of 1942 that led to an expansion of private pensions.

D. mandatory retirement age laws.

11. Which act gave workers the rights to organize, to elect (by secret ballot) union officers who would serve as their bargaining agents, and to bargain collectively with employers?

A. The Taft-Hartley Act

B. The Wagner Act

C. The National Industrial Recovery Act

D. The Landrum-Griffin Act

12. \_\_\_\_\_\_\_\_\_\_ requires employers to only hire union members, \_\_\_\_\_\_\_\_\_\_ allow firms to hire non-union workers but with the stipulation that they must join the union within a specific time period, and \_\_\_\_\_\_\_\_ prevent the exclusion of non-union workers from workplaces represented by a union.

A. right-to-work laws; closed-shop agreements; union-shop agreements

B. closed-shop agreements; union-shop agreements; right-to-work laws

C. union-shop agreements; right-to-work laws; closed-shop agreements

D. union-shop agreements; closed-shop agreements; right-to-work laws

13. Across the twentieth century, workplace accidents and workplace fatality rates decreased dramatically. Which of the following are reasons for these decreases?

A. An increase in industrial and construction sector jobs.

B. Courts and the legal system more willing to award large damages to workers injured or killed on the job.

C. Decreases in unionization rates

D. Firms demanding safer workplaces.

14. Consider the following labor market data (in millions) for a country:

|  |  |
| --- | --- |
| Total population | 337 |
| Civilian adult population | 243 |
| Not in the labor force | 89 |
| Employed | 142 |
| Unemployed | 12 |

According to the table above, the unemployment rate in this economy is equal to

A. 4.9 percent.

B. 92.2 percent.

C. 63.4 percent.

D. 7.8 percent.

E. 8.5 percent.

15. Consider the labor market data from the question above. The labor-force participation rate is:

A. 63.4 percent.

B. 4.9 percent.

C. 92.2 percent.

D. 7.8 percent.

E. 58.4 percent.

16. Between 1890 and 2022, the impact of technological change and increased international trade has

A. caused the natural rate of unemployment to increase by several percentage points.

B. caused the natural rate of unemployment to decrease by several percentage points.

C. led to far more cyclical unemployment over time.

D. generally not affected the natural rate of unemployment.

17. Nina has a part-time job as she finishes her degree in computer science. After obtaining her degree she decides to quit her part-time job to search for a job that better fits her now-improved skill set. Nina has a few interviews, but it is taking time to find the job that suits her best. Nina would be best described as

A. structurally unemployed.

B. overemployed.

C. frictionally unemployed.

D. cyclically unemployed.

18. Efficiency wage theory is best categorized as

A. a job-search explanation for the natural rate.

B. a job-rationing explanation for the natural rate.

C. a job-search explanation for cyclical unemployment.

D. a job-rationing explanation for cyclical unemployment.

19. If the frictional unemployment rate equals 2 percent, the structural unemployment rate equals 3 percent, and the cyclical unemployment rate equals 4 percent, then the natural rate of unemployment is

A. 6 percent.

B. 5 percent.

C. 7 percent.

D. 3 percent.

20. More generous and longer-lasting unemployment insurance would

A. lower the structural unemployment rate.

B. raise the frictional unemployment rate.

C. lower the frictional unemployment rate.

D. raise the structural unemployment rate.

**Chapter 13: The Distribution of Income and Wealth**

1. Which of the following statements is incorrect?

A. Wealth inequality in the United States is greater than income inequality.

B. A larger value for a Gini coefficient means greater inequality.

C. In 1774, inequality in the United States was lower than it is today.

D. Wealth is always a positive value.

2. When the Lorenz curve for household income moves farther away from a 45-degree line,

A. income is decreasing for nearly everyone in the income distribution.

B income is distributed more unequally.

C income is taxed more heavily to finance budget deficits.

D. income is distributed more equally.

3. Assume a constant poverty threshold of $28,000, and consider the following cases for a hypothetical economy with 100 households.

• Case 1: 50 households with incomes of $100,000 per year and 50 households with incomes of $20,000 per year.

• Case 2: 50 households with incomes of $500,000 per year and 50 households with incomes of $27,000 per year.

• Case 3: 100 households with incomes of $30,000 per year.

Which of the following statements is incorrect based on the three cases above?

A. The poverty rate is zero in Case 3.

B. The poverty rate is the same for Cases 1 and 2.

C. All else equal, social welfare is higher in Case 2 than in Case 3.

D The Gini coefficient for Case 3 is 1.

E. The Gini coefficient for Case 2 is higher than the Gini coefficient for Case 1.

4. If all jobs in an economy are equally desirable to all workers, if all labor markets are perfectly competitive, and if all workers are equally able to do any job, then

A. there will be a modest amount of wage inequality in long-run equilibrium.

B. there will be no wage inequality in long-run equilibrium.

C. there will be extreme wage inequality in long-run equilibrium.

D. there will be increasing wage inequality over time.

5. If an occupation has a positive compensating wage differential, then

A. wages are higher compared to otherwise similar jobs due to a decrease in labor supply.

B. wages are higher compared to otherwise similar jobs due to an increase in labor demand.

C. wages are lower compared to otherwise similar jobs due to a decrease in labor demand.

D. wages are lower compared to otherwise similar jobs due to an increase in labor supply.

6. Skill-biased technological change

A. has increased the labor demand for low-skilled workers.

B. has increased the labor demand for high-skilled workers.

C. has increased the labor supply for high-skilled workers.

D. has increased the labor supply for low-skilled workers.

7. All else equal, suppose that there is an increase in the costs of education for those training to be engineers and physicians. As a result,

A. labor supply of high-skilled workers increases and income inequality decreases.

B. labor demand for high-skilled workers increases and income inequality decreases.

C. labor demand for high-skilled workers increases and income inequality increases.

D. labor supply of high-skilled workers decreases and income inequality increases.

8. Including both free and enslaved populations, in 1774, the distribution of income and wealth was most equally distributed in the

A. Middle colonies.

B. New England colonies.

C. Southern colonies.

D. Midwestern colonies.

9. The de-skilling hypothesis is used to help explain

A. the decrease in demand for education in the late nineteenth century.

B. the decrease in economic mobility in the late nineteenth century.

C. the fact that even novice investors were participating in the stock market by the 1920s.

D. the increase in wage inequality in manufacturing in the late nineteenth century.

10. All of the following statements are true about the Great Compression from 1929 to 1953 except:

A. The Great Depression and the stock market crash reduced incomes at the top of the income distribution.

B. The Great Migration of millions of Black Americans from the South to industrial cities in the Midwest and West was a contributing factor to the Great Compression.

C. The Wagner Act and the growth of unions during this time period was a contributing factor to the Great Compression.

D. A regressive tax system was a contributing factor to the Great Compression.

11. U-shaped countries tend to

A. have smaller populations than L-shaped countries.

B. have an English common-law heritage.

C. be located in Northern Europe or Asia.

D. have a pronounced U-shape for income than for wealth.

12. L-shaped countries tend to

A. have an English-common law heritage.

B. have faster economic growth.

C. higher marginal tax rates on those with higher incomes compared to U-shaped countries.

D. larger populations than U-shaped countries.

13. Suppose that everyone pays 20 percent of their income in taxes. This tax is best described as

A. a progressive tax.

B. a regressive tax.

C. a proportional tax.

D. a head tax.

14. In 1950, the U.S. tax system as a whole is best described as \_\_\_\_\_\_\_\_\_\_\_\_\_, while by 2018 it is best described as \_\_\_\_\_\_\_\_\_\_\_\_.

A. progressive; proportional

B. proportional; progressive

C. proportional; regressive

D. regressive; proportional

15. In 2019, the Full Poverty Measure (FPM) was around \_\_\_ percent compared to the year 1963 when it was close to \_\_\_\_\_ percent.

A. 2; 20

B. 8; 25

C. 10; 30

D. 12: 35

16. Compared to other countries in the world, the United States was most exceptional in terms of economic mobility

A. during the Great Compression from 1929 to 1953.

B. during the 1950s and 1960s when economic growth was very rapid.

C. during the period from 1850 to 1920.

D. during the period from 1973 to 2019, when economic inequality increased but so too did economic mobility.

17. In 2019, the average wealth for households in the top 0.1 percent of the distribution in the United States was

A. approximately $10 million.

B. approximately $27 million.

C. slightly less than $40 million.

D. more than $100 million.

18. A study of the uneven rollout of television across the United States in the 1950s provides an opportunity to estimate the importance of

A. progressive income tax systems.

B. economic mobility.

C. winner-take-all labor markets.

D. the Great Compression.

19. A correlation coefficient (intergenerational elasticity) of 1 between fathers’ incomes and their sons’ incomes a generation later implies that

A. there is no inequality.

B. there is no relationship between the relative earnings of fathers and their sons.

C. fathers’ incomes completely determine their sons’ incomes.

D. there is a perfect positive relationship between economic inequality and economic mobility.

20. Recent research shows that the highest levels of intergenerational economic mobility are

A. in areas where it is more common for low-income and high-income individuals to be friends.

B. in the southern United States.

C. in manufacturing cities in the Midwest.

D. in Native American Indian Reservations.

**Chapter 14: Segregation and Discrimination**

1. In taste-based models where there is customer discrimination,

A. perfect competition will eliminate the discrimination, but only in the short run.

B. perfect competition will eliminate the discrimination, but only in the long run.

C. perfect competition will not eliminate the discrimination.

D. perfect competition will the eliminate the discrimination, but only if customers have perfect information.

2. Suppose that there are blue workers and purple workers. A large employer gives each new hire an aptitude test, which is scored on a scale of 1 to 30. Let T be a worker’s score on the test. The firm then pays the new worker a wage of w = 0.6T + 0.4G where G is the average score for the worker’s color, which is 22 for blue workers and 20 for purple workers. What is the wage for a purple worker who scores a 25 on the test?

A. $20

B. $21

C. $23

D. $25

3. Suppose that the Human Resources Department at a large firm has two job candidates for one position. Both candidates graduated from the same university, took the same classes, and have the same grade point average. They both performed equally well in the interview and said that they see the job as a long-term position. One applicant is male and the other is female. Historically within the firm, women tend, on average, to have a shorter tenure at the firm than male candidates do. Because of this fact, the firm fills the position with the male candidate. This kind of discrimination is best described as

A. employer discrimination

B. statistical discrimination

C. customer discrimination

D. employee discrimination

4. Consider the following estimated multiple regression model equation for attorneys:

$$\hat{Salary\_{i}}=\$60,000+\$3,000∙Experience\_{i}+\$5,000∙Male\_{i}+\$2,000\left(Male\_{i}∙Experience\_{i}\right)$$

The predicted salary for a female with 20 years of experience is \_\_\_\_\_\_\_\_\_, while the predicted salary for a female with 20 years of experience is \_\_\_\_\_\_\_\_\_\_\_\_.

A. $120,00; $165,000

B. $110,000; $152,000

C. $120,000; $160,000

D. $110,000; $165,000

5. In a large audit study (Kline, Rose, and Walters 2022) of identically paired résumés, those with a “white” name were contacted for a job interview \_\_\_\_\_ percent of the time, while those with a “Black” name were called for an interview \_\_\_\_\_ percent of the time.

A. 25; 23

B. 32; 9

C. 25; 9

D. 23; 12

6. Occupational crowding or occupational segregation, in which members of a certain group are concentrated in particular occupations,

A. is a form of statistical discrimination.

B. is always due to discrimination.

C. is always due to the voluntary choices of workers.

D. may be the result of discrimination or the voluntary choices of workers.

E. Both A and B

7. In 1870, the ratio of average Black wealth to white wealth was

A. 0.025.

B. 0.15.

C. 0.35.

D. 0.50.

8. Income convergence between Black Americans and white Americans was most rapid from

A. 1867 to 1896.

B. 1940 to 1970.

C. 1970 to 200.

D. 2000 to 2023.

9. The Supreme Court case, Plessy vs. Ferguson (1896)

A. expanded the use of eminent domain.

B. allowed segregation if “separate but equal.”

C. allowed corporations to make unlimited campaign donations.

D. led to integration of public schools in the American South.

10. During the Jim Crow period, most Black Americans in the South experienced some gains in living standards due to

A. public health investments in water filtration and sewage systems.

B. increases in per pupil educational spending compared to the Northern U.S.

C. job-training programs.

D. anti-discrimination laws.

11. Which of the following was a “push” factor that caused Black Americans to leave the South during the Great Migration

A. the Fair Labor Standards Act (1938).

B. increased labor demand in Northern industrial cities after World War II began.

C. the decrease in immigration to the United States.

D. All of the above

12. In recent decades, relative to intergenerational white mobility,

A. Black Americans have experienced substantially less upward intergenerational mobility.

B. Black Americans have experienced substantially more downward intergenerational mobility.

C. Black Americans have experienced similar rates of both upward and downward economic mobility.

D. Both A and B

13. Intergenerational economic mobility is the lowest in places with

A. more residential segregation.

B. more income inequality.

C. more primary schools.

D. less family stability.

E. All of the above

14. The Hispanic paradox is that

A. Hispanic Americans live as long, or longer, than non-Hispanic white Americans even though they generally have lower levels of income and education.

B. Hispanic Americans have home ownership rates as high as non-Hispanic white Americans even though they generally have lower levels of income and education.

C. Hispanic Americans have prison incarceration rates as low as non-Hispanic white Americans even though they generally have lower levels of income and education.

D. Hispanic Americans have unemployment rates lower than non-Hispanic white Americans even though they generally have lower levels of income and education.

15. Which group of Americans today, on average, has the highest income, wealth, college completion rates, and life expectancies, as well as the lowest unemployment and incarceration rates?

A. white Americans.

B. Black Americans.

C. Asian Americans.

D. Hispanic Americans.

16. The wage gap between men and women converged the most between the years

A. 1860 to 1900.

B. 1900 to 1940.

C. 1940 to 1980.

D. 1980 to 2020.

17. In areas of the United States with greater “frontier exposure,” which is measured as the number of decades from 1790 to 1890 that a county is within 62 miles of the frontier line and with a population density of fewer than six people per square mile, in the year 2000, these areas had

A. higher marriage rates.

B. higher fertility rates.

C. lower female labor-force participation rates.

D. All of the above

18. Which of the following are reasons why women, on average, continue to earn less money in labor markets than men

A. differences in labor market experience.

B. differences in occupational choices.

C. labor market discrimination.

D. All of the above

19. In a non-linear occupation, if you work twice as many hours per year, your annual earnings \_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_ tend to cluster more into non-linear occupations.

A. less than twice as much; women

B. more than twice as much; men

C. less than twice as much; men

D. more than twice as much; women

20. In the United States today, \_\_\_\_\_\_\_\_\_\_ have higher suicide rates and incarceration rates, and \_\_\_\_\_\_\_\_\_\_ have lower rates of college completion and life expectancies.

A. women; women

B. men; women

C. women; men

D. men; men

**Chapter 15: Immigration and Immigration Policies**



1. Consider the diagram above from the self-selection model of immigration. From the perspective of the destination country, there will be

A. positive selection.

B. negative selection.

C. both positive and negative selection.

D. neither positive nor negative selection.

2. Consider the self-selection model of immigration. If there is an increase in migration costs, perhaps due to a new law that makes immigration more expensive in terms of time and money, then the \_\_\_\_\_\_\_\_\_\_\_\_\_ country line will \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. destination; get steeper in slope.

B. source; become flatter in slope.

C. source; shift up.

D. destination; shift down.

3. Consider the self-selection model of immigration. If inequality increases in the destination country, then

A. negative selection from the destination’s county perspective becomes more likely.

B. positive selection from the destination’s country perspective becomes more likely.

C. positive selection from the destination’s country perspective less likely.

D. Both A and C

4. During the 1840s and 1850s, the most important source countries for immigrants to the United States were

A. Great Britain and Scotland.

B. Italy and Spain.

C. Ireland and Germany.

D. Canada and Mexico.

5. The Irish potato famine was a

A. push factor leading to immigration.

B. pull factors leading to immigration.

C. reason for positive selection in leading to immigration.

D. reason for negative selection in leading to immigration.

6. For immigrants who arrived in New York City in the 1840s and 1850s, the immigrants who experienced the most upward mobility over their first two decades in the United States

A. stayed in New York City.

B. moved to cities in the Midwest.

C. moved to farms in the Midwest.

D. moved to smaller urban areas on the East Coast.

7. One reason for the Chinese Exclusion Act (1882) was

A. large numbers of Chinese immigrants in the eastern United States.

B. a surge in immigrants from Mexico.

C. the lingering impact of a long national recession that caused unemployment.

D. the request of the Chinese government to stop immigration to the United States.

8. Which decade witnessed the lowest immigration rates in U.S. history?

A. 1820s

B. 1890s

C. 1930s

D. 1950s

9. By the 1890s, the leading source countries for immigrants to the United States were

A. Ireland and Germany.

B. Great Britain and Scotland.

C. Canada and Mexico.

D. Italy and Russia.

10. Which of the following legislative acts had the smallest impact in terms of reducing the total number of immigrants into the United States?

A. the Page Act (1875)

B. the Immigration Act (1917)

C. the Emergency Quota Act (1921)

D. the Immigration Act (1924)

11. During World War II, Japanese American internment incarcerated over 100,000 people into camps in remote interior regions of the United States, even though they had committed no crimes and the vast majority of those incarcerated were American citizens. Empirical evidence provides support for which of the following effects of internment?

A. for young people in the camps, the probability of completing college and post-graduate education was higher.

B. for adults in the camps, their earnings after the War were more than the few Japanese Americans who were not interned.

C. for adults in the camps, their earnings after the War were less than the few Japanese Americans who were not interned.

D. for young people in the camps, they attended high-quality schools during internment.

12. The share of the U.S. foreign-born population reached an all-time low in

A. 1930.

B. 1950.

C. 1970.

D. 1990.

13. An immigration resurgence began

A. during the Bracero Program (1942 to 1964).

B. shortly after the Immigration and Nationality Act (1965).

C. shortly after the Immigration Reform and Control Act (1986).

D. shortly after the Immigration Resurgence Act (1982).

14. In 2021, the regions from the most foreign-born residents in the United States to the least foreign-born residents are correctly ranked as

A. Asia, Latin America, Europe, Africa, Oceania, North America.

B. Latin America, Asia, Europe, Africa, North America, Oceania.

C. Europe, Asia, Latin America, North America, Oceania, Africa.

D. Oceania, Latin America, Asia, Europe, Africa, North America.

15. In terms of percentage gains, the income gains to immigrants during the Age of Mass Migration (1850 to 1920) was \_\_\_\_\_\_\_\_ it has been for immigrants in recent decades (1965 to 2020).

A. about the same as

B. slightly more than

C. more than twice as large as

D. less than

16. In recent decades, empirical evidence suggests that immigration

A. has sharply reduced earnings for native-born workers on average.

B. has increased earnings for native-born workers on average.

C. has modestly reduced earnings for native-born workers on average.

D. has not affected earnings for native-born workers on average.

17. During the Age of Mass Migration, Alexander and Ward (2018) find that infant arrivals in the United States \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as adults, and for those who arrived in the United States as teenagers, they \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as adults.

A. earned less than native-born Americans; earned less than native-born Americans

B. earned more than native-born Americans; earned less than native-born Americans

C. earned more than native-born Americans; earned more than native-born Americans

D. earned less than native-born Americans; earned more than native-born Americans

18. Compared to native-born Americans, the children of immigrants

A. have greater upward mobility.

B. have less upward mobility.

C. have similar rates of upward mobility.

D. used to have higher rates of upward mobility, but lower rates of upward mobility in recent decades.

19. In recent decades, studies have shown that the overall net fiscal impact of immigrants is \_\_\_\_\_\_\_, but \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. small; geographically dispersed.

B. small; geographically concentrated.

C. large; geographically dispersed.

D. large; geographically concentrated.

20. Throughout its history, the United States has experienced \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. a positive selection of immigrants.

B. a negative selection of immigrants.

C. push factors within the United States.

D. pull factors in other countries.

**Chapter 16: The Growth of Government**

1. Which was not a function of government in the United States in 1850?

A. Providing national defense.

B. Funding infrastructure spending.

C. Regulating industries to promote competition.

D. Providing education.

2. According to the public-interest view of government

A. politicians and bureaucrats are assumed to be neutral arbiters who are doing their best to serve the public interest, as represented through majority voting.

B. applies the same principles that economists use in analyzing private decisions in markets to the collective decision-making process.

C. government is more effective and citizens have more choices when power is dispersed across federal, state, and local governments.

D. individual freedom and choice are enhanced by the separation of powers between the executive, legislative, and judicial branches of the federal government.

3. Rational ignorance is an important part of

A. supply-side theories for the growth of government.

B. demand-size theories for the growth of government.

C. the public-interest view of government.

D. citizen-over-state theories of government.

4. The ratchet theory of government is

A. a supply-side theory for the growth of government.

B. a demand-side theory for the growth of government.

C. neither a demand-side theory nor a supply-side theory for the growth of government.

D. both a demand-side theory and a supply-side theory for the growth of government.

5. Which of the following government policies is not generally considered a paternalistic policy?

A. The Clean Air Act (1970)

B. The National Traffic and Motor Vehicle Safety Act (1966)

C. The Food and Drug Act (1906)

D. The Cigarette Labeling and Advertising Act (1965)

6. Which of the following is best categorized as a stabilization policy?

A. The Social Security Act (1935)

B. The Employment Act (1946)

C. The Sherman Act (1890)

D. The Food and Drug Act (1906)

7. Which of the following is best categorized as a policy to encourage competition?

A. The Social Security Act (1935)

B. The Employment Act (1946)

C. The Sherman Act (1890)

D. The Food and Drug Act (1906)

8. In 1962, the federal government spent the most money on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, but by 2022, the largest amount was spent on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. national defense; Social Security

B. national defense; national defense

C. national defense; health

D. education; Social Security

9. Over the past seventy-five years, the main sources of federal revenues were from \_\_\_\_\_\_\_\_\_\_\_\_\_ taxes, while the main sources for state and local governments were \_\_\_\_\_\_\_\_\_\_\_\_\_ taxes.

A. income; income

B. property and sales; income

C. income; property and sales

D. import; property and sales

10. The theory of deterrence helps explain the growth of spending on

A. education.

B. national defense.

C. income security.

D. health.

11. All of the following federal programs started in the 1960s except

A. Medicare.

B. Medicaid.

C. Aid to Families with Dependent Children.

D. Transportation Security Administration.

12. The largest category of spending for state and local governments is

A. transportation.

B. education.

C. public safety.

D. health.

13. Before 1970, large federal deficits were associated with

A. spending on large transportation infrastructure projects, like the interstate highway system.

B. pension and health care spending.

C. wars.

D. spending on the building of schools, colleges, and universities.

14. For simplicity, assume that a federal government is able to borrow at a zero-interest rate by selling bonds. In the year 2025, the budget is balanced and the government debt is zero. In 2026, the government spends $200 billion and collects tax revenue of $150 billion. In 2027, the government spends $210 billion and collects $210 in taxes, while in 2028, it spends $220 billion and collects $200 billion in taxes. Suppose that all deficit spending is financed by selling 10-year, zero-coupon bonds with the government not making any payments to bondholders for 10 years. In the year 2028, there is a federal budget \_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_.

A. deficit; $50 billion

B. surplus; $50 billion

C. deficit; $20 billion

D. surplus; $20 billion

15. For simplicity, assume that a federal government is able to borrow at a zero-interest rate by selling bonds. In the year 2025, the budget is balanced and the government debt is zero. In 2026, the government spends $200 billion and collects tax revenue of $150 billion. In 2027, the government spends $210 billion and collects $210 in taxes, while in 2028, it spends $220 billion and collects $200 billion in taxes. Suppose that all deficit spending is financed by selling 10-year, zero-coupon bonds with the government not making any payments to bondholders for 10 years. At the end of the year 2028, the value of the federal debt is

A. $10 billion.

B. $70 billion.

C. $50 billion.

D. $90 billion.

16. Recent Congressional Budget Office (CBO) forecasts predict that

A. the federal debt-to-GDP ratio will fall to nearly zero over the next 30 years as 30-year bonds are paid off.

B. the federal debt-to-GDP ratio will remain high at close to 100 percent of GDP, but it will be relatively stable, absent another major war or pandemic.

C. the federal debt-to-GDP ratio will almost double to 181 percent of GDP over the next 30 years.

D. the federal debt-to-GDP ratio will fall from around 100 percent of GDP to only 50 percent of GDP over the next 30 years.

17. Suppose that higher government spending also causes private investment spending to decrease. This is an example of

A. the theory of functional finance.

B. generational accounting.

C. crowding in.

D. crowding out.

18. After Covid-19, total government spending (federal, state, and local) in the United States reached \_\_\_\_\_ percent of GDP and this was \_\_\_\_\_\_\_\_\_ government spending relative to GDP in most European countries.

A. 45; larger than

B. 45; smaller than

C. 60; larger than

D. 60; smaller than

19. The view that government budgets should not be judged on whether they balance or not, but instead according to their effects on the economy in both the short run and the long run is

A. the theory of functional finance.

B. the theory of generational accounting.

C. the theory of deterrence.

D. the citizen-over-state theory of government.

20. Estimates from generational accounting show that the present-value of the net fiscal burden of government over a lifetime

A. was positive, on average, for individuals born in the twentieth century and living in the year 2010.

B. was negative, on average, for individuals born in the twentieth century and living in the year 2010.

C. was forecasted to be positive, on average, for individuals not yet born in the year 2010.

D. was forecasted to be negative, on average, for individuals not yet born in the year 2010.

**Chapter 17: Regulation and Antitrust Policies**



1. Consider the figure above that shows a monopolist. In this case, a profit-maximizing monopolist will produce a quantity of \_\_\_\_\_ and charge a price of \_\_\_\_\_.

A. 14; $36

B. 14; $22

C. 21; $29

D. 21; $36



2. Consider the figure above that shows a monopolist. Compared to the perfectly competitive outcome, the deadweight loss associated with this monopolist is \_\_\_\_\_.

A. $24

B. $49

C. $16

D. $98

3. When trusts were declared illegal by the Sherman Act (1890), firms responded by creating

A. limited-liability corporations.

B. holding companies.

C. monopolistically competitive firms.

D. oligopolies.

|  |  |  |
| --- | --- | --- |
|  |  | **Al** |
|  |  | **Confess** | **Don’t confess** |
| **Capone** | **Confess** | (10 years, 10 years) | (0 years, 20 years) |
| **Don’t confess** | (20 years, 0 years) | (1 year, 1 year) |

4. The table above shows a prisoner’s dilemma game for two individuals who have committed a crime together. Each person makes his decision to confess or not without knowledge of the other person’s decision since the potential prisoners are separated during interrogation. The first entries in the table are Capone’s sentences while the second entries are Al’s sentence. If they both don’t confess, then they will be sentenced to a lesser crime and will each only serve 1 year in prison. In this game, \_\_\_\_\_\_\_\_ is the dominant strategy for Al and \_\_\_\_\_\_\_\_\_ is the dominant strategy for Capone.

A. confess; confess

B. don’t confess; don’t confess

C. confess; don’t confess

D. don’t confess; confess

5. Consider an oligopoly with 5 firms that are able to collude effectively, perhaps through a trust or holding company. The inverse market demand function for the industry is:

$$P=60-Q$$

Suppose, for simplicity, that the marginal cost (MC) is constant at $10 per unit and there are no fixed costs to production, so that marginal cost (MC) is equal to average total cost (AC). If the firm’s divide the quantity equally so that each firm produces one-fifth of the profit maximizing quantity, then each firm should produce \_\_\_\_\_\_ units

A. 4

B. 5

C. 8

D. 10

6. Consider an oligopoly with 5 firms that are able to collude effectively, perhaps through a trust or holding company. The inverse market demand function for the industry is:

$$P=60-Q$$

Suppose, for simplicity, that the marginal cost (MC) is constant at $10 per unit and there are no fixed costs to production, so that marginal cost (MC) is equal to average total cost (AC). If the firm’s divide the quantity equally so that each firm produces one-fifth of the profit maximizing quantity, then each firm will receive an economic profit of \_\_\_\_\_.

A. $100

B. $125

C. $200

D. $250

7. Which court case ruled that mergers were permitted under U.S. antitrust law, which then led to the Great Merger Wave (1898$-$1902)?

A. United States vs. E.C. Knight and Company

B. United States vs. United States Steel Corporation et al.

C. United States vs. AT&T

D. United States vs. Marbury and Madison

8. Which firm was found guilty of violating U.S. antitrust laws because the judges applied the per se criterion?

A. Alcoa Aluminum

B. American Telephone and Telegraph (AT&T)

C. U.S. Steel

D. Standard Oil

9. Which firm was found guilty of violating U.S. antitrust laws because the judges applied the rule of reason?

A. Alcoa Aluminum

B. Standard Oil

C. U.S. Steel

D. E. C. Knight & Company

10. The rule of reason is the standard in which

A. a firm’s size within an industry is considered sufficient evidence for the court to rule against it in an antitrust suit, irrespective of its actions.

B. some industries are exempt from antitrust law because it is reasonable to do so, such as is the case with professional sports leagues where cooperation among firms is crucial for the league’s success.

C. a violation of antitrust laws is primarily based on the specific actions of firms, and not on the possession of monopoly power itself (provided that the monopoly power has been gained in a legal manner, such as through technological innovation).

D. federal regulators are required to provide the reasons for the antitrust trial to a judge before the trial is brought to court in order to reduce the incentives of filing cases solely to damage political enemies.

11. In the United States, which agencies are responsible for enforcing antitrust laws?

A. Antitrust Division of the Department of Justice

B. the Securities and Exchange Commission

C. the Federal Trade Commission

D. the Commodity Futures Trading Commission

E. Both A and C

12. The Clayton Act (1914)

A. made mergers through vertical integration illegal.

B. outlawed holding companies.

C. made bundling or tying contracts illegal.

D. All of the above

13. The Robinson–Patman Act (1936)

A. made mergers through vertical integration illegal.

B. prohibited firms from charging buyers different prices (price discrimination) if the result would reduce competition in an industry.

C. resulted from a legal change from the rule of reason to the per se criterion.

D. All of the above

14. Suppose that there are 5 firms in an industry, each with a 20 percent market share. What is the value of the Herfindahl-Hirschman Index (HHI) in this case?

A. 1,000

B. 2,000

C. 3,000

D. 4,000

15. Suppose, initially, that there are 5 firms in an industry, each with a 20 percent market share. Two of the firms merge, so now the combined new firm has a 40-percent market share while the other three remaining firms still each have a 20-percent market share. The change in the HHI as a result of this merger is \_\_\_\_, and the merger \_\_\_\_\_\_\_\_ exceed the U.S. Department of Justice and the Federal Trade Commission “threshold for structural presumption,” which would likely lead to an investigation.

A. 1,000; does

B. 500; does

C. 300; does not

D. 800; does

16. A natural monopoly is likely to exist when

A. firms controls a key factor of production.

B. average costs increase as output increases.

C. there are economies of scale in production.

D. All of the above.

17. If the government decides to impose marginal-cost pricing on a natural monopolist, then

A. the firm will not earn a positive economic profit and it will have to be subsidized by the government.

B. the firm charges the efficient price.

C. the firm does not have an incentive to minimize costs.

D. All of the above

18. Deregulation has been more successful in \_\_\_\_\_\_\_\_\_\_\_\_\_ than it has been in \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. trucking; finance.

B. finance; airlines.

C. airlines; trucking

D. trucking; airlines.

19. Babina et al. (2023) examine all 3,055 antitrust lawsuits brought by the U.S. Department of Justice between 1971 and 2018, and they find antitrust enforcement leads to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. lower levels of economic activity

B. no statistically significant changes in the level of economic activity

C. higher levels of economic activity

D. lower employment but higher sales

20. In 2023, the U.S. Department of Justice brought the first big antitrust case of the twenty-first century against

A. Alphabet (Google).

B. Amazon.

C. Apple.

D. Meta (Facebook).

**Chapter 18: Recessions, Depressions, and Stabilization Policies**

1. Economic fluctuations

A. are not cyclical in nature.

B. occur at irregular intervals.

C. differ in length and severity.

D. All of the above

2. The lower turning point of an economic fluctuation is called

A. a peak.

B. a trough.

C. a recession or contraction.

D. an expansion.

3. Which one of the following is considered part of Keynesian economics?

A. Wages and prices are rapid to adjust, which leads to instability.

B. Fluctuations in real GDP in the short run are primarily due to fluctuations in aggregate demand.

C. Firms and individuals behave rationally.

D. All of the above

4. If the inflation rate is 2 percent and the nominal interest rate is 5 percent, then the real interest rate is

A. 3 percent.

B. 7 percent.

C. -3 percent

D. 10 percent.

5. If the real interest rate increases, then, all else equal,

A. investment spending decreases.

B. consumption spending increases.

C. net exports increase.

D. tax rates rise.

6. The paradox of thrift is a paradox because

A. it never seems like you can save enough.

B. if there is a recession, and everyone saves at once, then the recession will get worse.

C. savings increases the stock of physical capital in the long run.

D. An increase in taxes always leads to an increase in government spending.

7. Consider the bank sheet for a hypothetical commercial bank:

|  |  |
| --- | --- |
| Assets | Liabilities |
| Reserves | $25 | Deposits | $475 |
| Securities | $225 |  |  |
| Loans | $250 | Bank Capital | $25 |
| TOTAL | $500 | TOTAL | $500 |

The leverage ratio for the bank above is

A. 4.

B. 16,

C. 20.

D. 25.

8. Consider the balance sheet for a hypothetical commercial bank:

|  |  |
| --- | --- |
| Assets | Liabilities |
| Reserves | $25 | Deposits | $475 |
| Securities | $225 |  |  |
| Loans | $250 | Bank Capital | $25 |
| TOTAL | $500 | TOTAL | $500 |

This bank will become insolvent if the value of its assets

A. decreases by more than 4 percent.

B. increases by more than 4 percent.

C. decreases by more than 5 percent.

D. increases by more than 20 percent.

9. Suppose that the loans a commercial bank has made are not paid back. This type of risk is called

A. liquidity risk.

B. default risk.

C. credit risk.

D. market risk.

10. What legislative act reduced the incentives of customers to withdraw their funds from commercial banks?

A. the Wager Act

B. the Glass-Steagall Banking Act

C. the Federal Reserve Act

D. the Bank Solvency Act

11. Expansionary fiscal policy includes

A. acting as a lender of last resort.

B. buying government bonds.

C. increasing tax rates.

D. increasing government spending on final goods and services.

12. The Federal Reserve is “independent within government” for all of the following reasons except

A. the Fed does not rely on Congress for funding since it can always raise taxes independently.

B. each member of the Board of Governors is appointed to a 14-year term.

C. the Fed does not rely on Congress for funding since it earns interest from the financial assets it holds.

D. the 12 regional bank presidents are appointed by the commercial banks in the district and not by Congress or the U.S. President.

13. If the Federal Reserve wants to increase the federal funds rate and other interest rates in the economy, it should

A. buy bonds.

B. sell bonds.

C. raise the discount rate so that will raise the federal funds rate.

D. increase tax rates so that saving decreases, which will increase interest rates including the federal funds rate.

14. Suppose that the currency-to-deposit ratio is 0.2 and the required reserve ratio is 0.1. If commercial banks do not hold any excess reserves, then the value of the money multiplier is

A. 1

B. 2

C. 3

D. 4

15. The gold standard limits

A. the Federal Reserve’s ability to lower interest rates in order to increase spending and real GDP.

B. the Federal Reserve’s ability to increase interest rates in order to increase spending and real GDP.

C. the use of contractionary monetary policy.

D. All of the above

16. Deflation is dangerous because

A. it makes it more difficult for borrowers to pay back fixed-rate loans.

B. expected deflation increases expected real interest rates.

C. it can contribute to financial crises and bank failures.

D. All of the above

17. To follow the Taylor Principle, the Federal Reserve should

A. increase nominal interest rates more than the increase in inflation in order to raise real interest rates and decrease spending.

B. increase nominal interest rates less than the increase in inflation in order to raise real interest rates and decrease spending.

C. increase nominal interest rates by the same amount as the increase in inflation in order to raise nominal interest rates and spending.

D. decrease nominal interest rates by less than the decrease in inflation in order to decrease real interest rates and spending.

18. Which of following led to the Great Recession?

A. The collapse of housing and bond bubbles.

B. Strict regulation of the financial system.

C. The Fed following the Taylor Principle.

D. Adherence to the gold standard.

19. In real terms (adjusted for inflation), the monetary and fiscal policy response was

A. larger during the Great Depression than it was during the Great Recession.

B. larger during the Great Inflation than it was during the Great Recession.

C. larger during the Great Recession than it was during the Great Depression, Great Inflation, or Covid-19 recession.

D. larger during the Covid-19 recession than it was during the Great Recession.

20. The fiscal and monetary policy responses during the Covid-19 pandemic likely contributed to

A. a sustained downturn only surpassed in length and severity by the Great Depression.

B. an increase in the inflation rate to almost 9 percent by mid-2022.

C. the first balanced budget for the federal government in over 20 years.

D. All of the above

**Chapter 19: Negative Externalities and Common Resources**



1. Consider the figure above. The socially-optimal price is \_\_\_\_\_ and the socially-optimal quantity is \_\_\_\_\_.

A. $30; 20

B. $40; 20

C. $25; 15

D. $35; 15



2. Consider the figure above. The deadweight loss associated with the unregulated market above is \_\_\_\_\_.

A. $12.50

B. $25

C. $150

D. $50

3. Refer to the accompanying table, where Q represents the quantity produced, marginal private costs (MPC) are the internal costs to the firm and marginal social costs (MSC) are given for various quantities, and P represents the price consumers are willing to pay for various quantities.

|  |  |  |  |
| --- | --- | --- | --- |
| **Quantity** | **MPC** | **MSC** | **P** |
| 100 | $50 | $70 | $130 |
| 200 | $60 | $80 | $120 |
| 300 | $70 | $90 | $110 |
| 400 | $80 | $100 | $100 |
| 500 | $90 | $110 | $90 |
| 600 | $100 | $120 | $80 |

The negative externality is

A. $10 per unit.

B. $20 per unit.

C. $30 per unit.

D. $40 per unit.

4. Refer to the accompanying table, where Q represents the quantity produced, marginal private costs (MPC) are the internal costs to the firm and marginal social costs (MSC) are given for various quantities, and P represents the price consumers are willing to pay for various quantities.

|  |  |  |  |
| --- | --- | --- | --- |
| **Quantity** | **MPC** | **MSC** | **P** |
| 100 | $50 | $70 | $130 |
| 200 | $60 | $80 | $120 |
| 300 | $70 | $90 | $110 |
| 400 | $80 | $100 | $100 |
| 500 | $90 | $110 | $90 |
| 600 | $100 | $120 | $80 |

Using the table above, the market equilibrium quantity is \_\_\_\_\_\_\_\_, while the social optimum quantity is \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. 400; 300

B. 500; 400

C. 300; 200

D. 500; 0

5. The main lesson from Clay, Lewis, and Severnini (2024), who examine the effects of the introduction of coal-powered electricity generation on infant mortality, is

A. production that generates negative externalities has both benefits and costs.

B. production that generates negative externalities has costs.

C. production that generates positive externalities has both benefits and costs.

D. production that generates positive externalities has benefits.

6. The Coase theorem solution of a privately-negotiated socially optimal solution in the presence of a negative externality is more likely if

A. there are few parties affected by the negative externality.

B. it is possible to accurately assign blame for the negative externality and to accurately measure the costs of the externality.

C. there are low transaction costs.

D. property rights are assigned and enforceable.

E. All of the above

7. Assume that the assumptions of the Coase theorem are met. One company (a water bottling company) wants to use the river water to sell bottled water while another company (a power company) wants to produce electricity, but this will also generate river pollution which would affect the bottling company. Suppose that the bottling company has property rights to the river, and that they derive $6 million in benefits from clean river water. Suppose the power company would gain $8 million from using the river. The Coase solution would result in

A. clean river water with the power company paying the bottled water company.

B. polluted river water with the power company paying the bottled water company to use the river.

C. clean river water since the power company is not willing to pay enough to use the river.

D. polluted river water since the bottling company is willing to pay to use the river.

8. A cap-and-trade policy is best categorized as

A. a market-based policy.

B. a command-and-control policy.

C. a second-best policy.

D. a liability-and-litigation policy.

9. Suppose that there is a monopoly in a production of a good that is also generating a negative externality. Suppose that doing nothing leads to an outcome closer to the socially efficient outcome than would taxing the firm for the negative externality. This is an example of

A. cap-and-trade policies.

B. a Pigouvian tax.

C. the Coase theorem.

D. the theory of second best.

10. The environmental Kuznets curve hypothesizes that as income per capita in an economy increases,

A. the amount of pollution increases.

B. the amount of pollution decreases.

C. the amount of pollution decreases and then reaches a minimum before increasing at higher levels of income per capita.

D. the amount of pollution increases and then reaches a maximum before decreasing at higher levels of income per capita.

11. The preservationist view is the belief that

A. the natural environment should be maintained in its pristine form.

B. the environment and its resources should be managed in a responsible and sustainable manner to ensure that present uses do not jeopardize the supply of resources or the quality of the environment for future generations.

C. government involvement in protecting the natural environment is contrary to conservative principles regarding the limited role of government.

D. nature should be altered to promote economic growth and development, but it should be done so in a sustainable way.

E. Both B and D

12. The creation of U.S. National Parks is more consistent with the \_\_\_\_\_\_\_\_\_\_\_\_ view while the creation of the U.S. Forest Service is more consistent with the \_\_\_\_\_\_\_\_\_\_\_\_ view.

A. conservationist; preservationist

B. conservationist; conservationist

C. preservationist; preservationist

D. preservationist; conservationist

13. The first National Park in the United States was

A. Yellowstone.

B. Yosemite.

C. Great Smoky Mountains.

D. Zion.

14. Which of the following statements is correct?

A. Between 1910 and 2021, the amount of forested land in the United States fell by 90 percent.

B. Between 1910 and 2021, the amount of forested land in the United States fell by 50 percent.

C. Between 1910 and 2021, the amount of forested land in the United States increased slightly.

D. Between 1910 and 2021, the amount of forested land in the United States increased by more than 50 percent.

15. Which of the following statements is incorrect?

A. Since the 1970s, the emissions of sulfur dioxide have decreased markedly.

B. Since the 1970s, the emissions of carbon dioxide have decreased markedly.

C. Since the 1970s, the emissions of nitrogen dioxide have decreased markedly.

D. All of the above

16. Which act budgeted $1.6 billion to help clean up hazardous waste sites throughout the United States?

A. The Comprehensive Environmental Response, Compensation, and Liability Act (1980)

B. The National Environmental Policy Act (1970)

C. The Toxic Substances Control Act (1976)

D. The Federal Insecticide, Fungicide, and Rodenticide Act (1972)

17. The 1997 Amendments to the Clean Air Act

A. led to an unexpected increase in air pollution due to massive loopholes that firms were quickly able to exploit.

B. led to reductions in environmental inequality between racial groups in the United States.

C. led to increases in environmental inequality as air pollution became increasingly concentrated in low-income areas with more racial minorities.

D. Both A and C

18. Global climate change is best described as

A. a tragedy of the commons problem.

B. a theory of second-best problem.

C. an environmental Kuznets curve problem.

D. a social discount rate problem.

19. The higher the social discount rate

A. the more society is willing to pay now to achieve future benefits.

B. the less society is willing to pay now to achieve future benefits.

C. the more the future is valued.

D. the greater is the negative externality.

20. The ten years from 2014 to 2023 represent

A. some years with high global air and water temperatures, along with a few years below long-run averages, but an overall upward trend that is concerning.

B. a puzzling mix of historically warm global air temperatures along with unexpectedly cool ocean temperatures that are damaging coral reefs and reducing the number of fish and plants in the oceans of the world.

C. a tremendous increase in the variance of global air and water temperatures, along with a modest increase in global air and water temperature averages.

D. the ten warmest years in global air and water temperatures in recorded human history.

**Chapter 20: Social Spending**

1. Which of the following is best categorized as social assistance and not as social insurance?

A. Social Security checks for retired workers, based on their work history and payroll tax contributions during their working years.

B. Unemployment insurance based on past work history and the contributions of their employers.

C. Food stamps to provide food to individuals who fall below a certain income threshold.

D. All of the above

2. Which of the following statements is correct?

A. In the U.S., much more is spent on social insurance programs than on social assistance programs.

B. In the U.S., much more is spent on social assistance programs than on social insurance programs.

C. In the U.S., social insurance programs are more likely to offer in-kind benefits, while social assistance programs are more likely to offer cash benefits to recipients.

D. Both B and C

3. In the nineteenth century, receiving cash and in-kind benefits while not living in a poor house was called

A. indoor relief.

B. an orphanage.

C. outdoor relief.

D. a benevolence program.

4. During the nineteenth century,

A. about 4 percent of GDP was spent on indoor and outdoor relief by governments.

B. about 1 percent of GDP was spent on indoor and outdoor relief by governments.

C. less than 0.2 percent of GDP was spent on indoor and outdoor relief by governments.

D. about 2 percent of GDP was spending on both indoor and outdoor relief by governments.

5. The Social Security Act (1935) created which of the following programs?

A. Aid to Families with Dependent Children

B. Temporary Assistance for Needy Families

C. Supplemental Nutrition Assistance Program

D. Aid to Dependent Children

6. In 1996, Temporary Assistance for Needy Families (TANF) replaced Aid to Families with Dependent Children (AFDC). TANF included which of the following changes

A. it provided a built-in cost of living adjustment so that benefits would not decline because of inflation.

B. it changed from a federal block grant to a federal matching grant to states.

C. it gave U.S. states less discretion in determining both the eligibility of needy families and the benefits and services those families should receive, and increased the power and authority of the federal government to make these determinations.

D. it put time limits on benefits, and allowed states to design and implement welfare-to-work programs.

7. As the number of children receiving Temporary Assistance for Needy Families (TANF) benefits has \_\_\_\_\_\_\_\_\_\_, the number of children receiving Supplemental Security Income (SSI) benefits has \_\_\_\_\_\_\_\_\_\_.

A. increased; increased

B. decreased; decreased

C. decreased; increased

D. increased; decreased

8. In 2022, the largest federal, in-kind, social assistance program in the United States, measured as a percentage of GDP, was

A. Head Start School Readiness.

B. Supplemental Nutrition Assistance Program (SNAP).

C. Medicaid.

D. National School Lunch/Breakfast Program.

9. Since 1965, there has been a change in federal housing policies

A. from providing low-income families with vouchers to rent privately-owned apartments and houses to building public housing projects for low-income families.

B. from providing low-income families with vouchers to rent privately-owned apartments and houses to providing families with free land instead.

C. from building public housing projects for low-income families to providing low-income families with vouchers to rent privately-owned apartments.

D. from providing cash payments to low-income families to rent houses and apartments to building public housing projects.



10. Consider the diagram above that represents the rental market for one-bedroom apartments in a city. Suppose that rent control is imposed so that landlords cannot charge more than $1,800 a month for a one-bedroom apartment. Compared to the perfectly competitive equilibrium, the deadweight loss associated with rent control in this case is

A. $700 million.

B. $350 million.

C. $600 million.

D. $500 million.

11. Alternative measures of poverty, which include the effects of both the Earned Income Tax Credit (EITC) and in-kind benefits, such as Medicaid, food stamps, housing vouchers, etc., show

A. that the War on Poverty has been a failure since poverty rates are no lower today than they were in 1964.

B. that poverty has gotten worse since the War on Poverty began in 1964, largely due to the huge increase in the homeless population.

C. that poverty rates have fallen for white Americans while they have increased for Black Americans since 1964.

D. that while poverty is still a persistent problem, there has likely been far more progress made in “winning the war” than is shown by the official poverty rate.

12. The first group to receive public pensions during retirement was

A. veterans of the Revolutionary War.

B. veterans of the Civil War.

C. teachers in New York City.

D. federal workers throughout the United States.

13. In recent decades, there has been a change in the types of retirement plans available to workers in the United States, changing from

A. defined-benefit plans to defined-contribution plans.

B. defined-contribution plans to defined-benefit plans.

C. cash-benefit plans to in-kind benefit plans.

D. 401(k) plans to 403(b) plans.

14. The largest number of recipients receiving benefits from Social Security Old-Age, Survivors, and Disability Insurance (OASDI) are

A. retired workers.

B. disabled workers.

C. survivors of decreased workers.

D. poor workers.

15. In order to permanently fix Social Security

A. there must be massive increases in payroll taxes.

B. there must be massive increases in benefits.

C. there must be some combination of modest increases in payroll taxes and/or modest decreases in benefits.

D. the retirement age must be immediately increased so that Social Security is only available for workers ages 78 and older.

16. Social spending measures that include total social spending (both social assistance and social insurance) on all groups (children, elderly, disabled, etc.) show that relative to GDP, the United States

A. spends about 75 percent less than the OECD country average.

B. spends about 50 percent less than the OECD country average.

C. spends about 25 percent less than the OECD country average.

D. spends more than the OECD country average.

17. Wage and price controls during World War II led to

A. 401k and 403b retirement plans.

B. employer-provided health insurance.

C. the food stamp program once the price controls were lifted.

D. increasing unemployment due to a binding price ceiling.

18. Real health care spending per capita in the United States is

A. less than the OECD country average.

B. 50 percent more than the OECD country average.

C. slightly less than twice the OECD country average.

D. almost three times more than the OECD country average.

19. Compared with health care in many other countries, all of the following are reasons for the extremely high costs of the U.S. health care system except

A. the U.S. health care system is highly complex with high administrative costs.

B. the U.S. health care system has relatively more physicians in primary care compared to other countries that have more physicians in subspecialities.

C. the U.S. health care system pays physicians more than in other countries.

D. the U.S. health care system provides more intensive care than systems in other countries (e.g., surgery instead of physical therapy, etc.).

20. Empirical evidence comparing countries shows that

A. countries with more social spending per capita have experienced slower rates of economic growth in recent decades.

B. countries with more social spending per capita have not experienced slower rates of economic growth in recent decades.

C. countries with more inequality tend to have more social spending per capita.

D. countries with more poverty have higher levels of social spending per capita.

**Appendix A: The Supply and Demand Model**

1. Which of the following is not an assumption of perfect competition?

A. Many buyers and sellers.

B. A homogeneous product.

C. Price-setting behavior.

D. Freedom of entry and exit.

2. When economists explain the relationship between the price of hamburgers and the number of hamburgers that consumers will buy, the ceteris paribus assumption implies that

A. factors other the price and quantity of hamburgers purchased are constant.

B. both the price and quantity of hamburgers are constant.

C. the price of hamburgers is constant.

D. the quantity of hamburgers purchased is constant.

3. Which of the following is not a reason why demand curves are downward sloping?

A. the substitution effect

B. the income effect

C. diminishing marginal product of the factors of production

D. diminishing marginal utility

4. Which one of the following events would cause a movement downward and to the right along a given demand curve for wheat?

A. The number of people in the market increases.

B. The price of wheat decreases.

C. Consumer income increases, and wheat is a normal good.

D. The price of oats increases, and oats are a substitute for wheat.

5. What will cause the demand curve for a good to decrease (shift left)?

A. an increase in income for an inferior good.

B. an increase in the price of the good.

C. a decrease in price of a complementary good.

D. an increase in price of a substitute good.

6. Consider the market for strawberries, and assume that strawberries and blueberries are substitute goods. If there is an increase in the price of blueberries, then

A. the supply of strawberries will decrease and the price of strawberries will increase.

B. the demand for strawberries will increase and the price of strawberries will increase.

C. the supply of strawberries will increase and the price of strawberries will decrease.

D. the demand for strawberries will decrease and the price of strawberries will decrease.

7. During recessions, economies experience increased unemployment and reduced levels of economic activity. How would a recession likely affect the market demand for new automobiles?

A. Demand will not shift, but the quantity of automobiles sold per month will increase.

B. Demand will shift to the right.

C. Demand will not shift, but the quantity of automobiles sold per month will decrease.

D. Demand will shift to the left.

8. Consider a market described by the supply and demand model. If there is an increase in technology, then ceteris paribus,

A. the equilibrium price and quantity of the good will decrease.

B. the equilibrium price and quantity of the good will increase.

C. the equilibrium price will increase and equilibrium quantity of the good will decrease.

D. the equilibrium price will decrease and equilibrium quantity of the good will increase.

9. Consider the market for fast-food meals. If the wages of fast-food workers increase along with an increase in news reports discussing the negative health impacts of eating fast food, then the supply and demand model predicts that

A. the price of fast-food meals will increase.

B. the price of fast-food meals will decrease.

C. the quantity of fast-food meals will increase.

D. the quantity of fast-food meals will decrease.

10. In which of the following cases will the effect on the equilibrium output be indeterminate (i.e., depend on the magnitudes of the shifts in supply and demand)?

A. Demand decreases and supply decreases.

B. Demand remains constant and supply increases.

C. Demand decreases and supply increases.

D. Demand increases and supply increases.

11. Which of the following will definitely occur when there is both a decrease in demand for and a decrease in the supply of cotton?

A. A decrease in equilibrium price

B. An increase in equilibrium quantity

C. A decrease in equilibrium quantity

D. An increase in equilibrium price

12. When a perfectly competitive market is in equilibrium,

A. consumer surplus is maximized.

B. producer surplus is maximized.

C. the sum of consumer surplus and producer surplus is maximized.

D. All of the above

13. If MB>MC for a good in a perfectly competitive market, then

A. more of the good should be produced.

B. less of the good should be produced.

C. consumer surplus is maximized.

D. producer surplus is maximized.

14. Suppose that a perfectly competitive market is described by the following demand and supply equations:

$$Q\_{D}=32-2P$$

$$Q\_{S}=P-4$$

What is the equilibrium price in this market?

A. $8

B. $10

C. $12

D. $14

15. Suppose that a perfectly competitive market is described by the following demand and supply equations:

$$Q\_{D}=32-2P$$

$$Q\_{S}=P-4$$

What is the value of consumer surplus in this market in equilibrium?

A. $8

B. $16

C. $32

D. $48

16. Suppose that a perfectly competitive market is described by the following demand and supply equations:

$$Q\_{D}=32-2P$$

$$Q\_{S}=P-4$$

What is the value of producer surplus in this market in equilibrium?

A. $8

B. $16

C. $32

D. $48

17. Suppose that a perfectly competitive market is described by the following demand and supply equations:

$$Q\_{D}=32-2P$$

$$Q\_{S}=P-4$$

Suppose that the government imposes a binding price ceiling of $3 per unit. That is, it is illegal to sell or purchase a unit for more than $3. Compared to the perfectly competitive outcome, the deadweight loss of this price ceiling is

A. $8

B. $16

C. $32

D. $48

18. Consider the following linear demand function:

$$Q\_{D}=100-2P+0.004Y-5P\_{R}$$

where$ Q\_{D}$ is the quantity demanded of good $X$, $P$ is the price of good $X$. The variable $Y$ is income and $P\_{R}$ is the price of a related good $R$. What is the demand curve when $Y=\$70,000$ and $P\_{R}=\$20$?

A. $Q\_{D}=150-2P$

B. $Q\_{D}=320-2P$

C. $Q\_{D}=280-2P$

D. $Q\_{D}=200-2P$

19. Consider the following linear demand function:

$$Q\_{D}=100-2P+0.004Y-5P\_{R}$$

where$ Q\_{D}$ is the quantity demanded of good $X$, $P$ is the price of good $X$. The variable $Y$ is income and $P\_{R}$ is the price of a related good. It is apparent that the related good $R$ is

A. a complement for good $X$.

B. a substitute for good $X$.

C. a normal good.

D. an inferior good.

20. Consider the following linear demand function:

$$Q\_{D}=100-2P+0.004Y-5P\_{R}$$

where$ Q\_{D}$ is the quantity demanded of good $X$, $P$ is the price of good $X$. The variable $Y$ is income and $P\_{R}$ is the price of a related good. It is apparent that good $X$ is

A. a complement for good $X$.

B. a substitute for good $X$.

C. a normal good.

D. an inferior good.

**Appendix B: Multiple Regression Analysis**

1. In multiple regression analysis, an unknown population regression parameter is represented by \_\_\_\_\_ while a sample estimate using ordinary least squares is represented by \_\_\_\_\_.

A. $Y$; $X$

B. $β$; $b$

C. $X$; $Y$

D. $b$; $β$

2. In multiple regression analysis, the disturbance term $ε\_{i}$

A. includes innumerable chance events that are, on average, equal to zero.

B. is the marginal effect of an explanatory variable on the dependent variable.

C. is the marginal effect of the dependent variable on an explanatory variable.

D. measures the proportion of the variance in the dependent variable explained by all of the explanatory variables as a group.

3. The process of making inferences from a sample to a population is called

A. ordinary least squares.

B. multiple regression analysis.

C. hypothesis testing.

D. the coefficient of determination.

4. The standard error of regression coefficient measures

A. the proportion of the variance in the dependent variable explained by all of the explanatory variables as a group.

B. the marginal effect of an explanatory variable on the dependent variable.

C. the standard deviation of a sampling distribution.

D. the marginal effect of the dependent variable on an explanatory variable.

5. Consider the following equation estimated using ordinary least squares:

$$\hat{Y}\_{i}=50-3X\_{i}$$

If the explanatory variable increases by 1 unit, what is the predicted change in the dependent variable?

A. The dependent variable is predicted to increase by 53 units.

B. The dependent variable is predicted to increase by 3 units.

C. The dependent variable is predicted to decrease by 53 units.

D. The dependent variable is predicted to decrease by 3 units.

6. If the sample size is large, and the ratio of an OLS regression coefficient to its standard error is greater than \_\_\_\_\_ in absolute value, then the null hypothesis that the true parameter is zero should be rejected at the 5-percent significance level.

A. 1

B. 1.282

C. 1.645

D. 1.960

7. Consider the following estimated multiple regression model, where the dependent variable$ Y$ is the annual earnings in dollars for each individual in the sample. The standard errors are in parentheses below each estimated coefficient. There are 3,800 observations in the sample ($n=3,800$).

$$\hat{Y}\_{i}=-2,000+1,000age\_{i}+4,000years of education\_{i}+700union\_{i}$$

$$ \left(425\right) \left(250\right) \left(1,250\right) (400)$$

The regression model predicts that each additional year of education, holding all else equal, leads to

A. an increase in earnings of $2,000.

B. a decrease in earnings of $2,000.

C. an increase in earnings of $4,000.

D. a decrease in earnings of $4,000.

8. Consider the following estimated multiple regression model, where the dependent variable$ Y$ is the annual earnings in dollars for each individual in the sample. The standard errors are in parentheses below each estimated coefficient. There are 3,800 observations in the sample ($n=3,800$).

$$\hat{Y}\_{i}=-2,000+1,000age\_{i}+4,000years of education\_{i}+700union\_{i}$$

$$ \left(425\right) \left(250\right) \left(1,250\right) (400)$$

What is the predicted earnings for someone who is 40 years old with 16 years of education who does not belong to a labor union?

A. $102,000

B. $128,000

C. $64,000

D. $96,000

9. Consider the following estimated multiple regression model, where the dependent variable$ Y$ is the annual earnings in dollars for each individual in the sample. The standard errors are in parentheses below each estimated coefficient. There are 3,800 observations in the sample ($n=3,800$).

$$\hat{Y}\_{i}=-2,000+1,000age\_{i}+4,000years of education\_{i}+700union\_{i}$$

$$ \left(425\right) \left(250\right) \left(1,250\right) (400)$$

The marginal effect of education, ceteris paribus, is

A. an increase in earnings of $4,000 for each additional year of education.

B. an increase in earnings of $1,250 for each additional year of education.

C. an increase of $2,000 for each additional year of education.

D. an increase of $3,700 for each additional year of education.

10. Consider the following estimated multiple regression model, where the dependent variable$ Y$ is the annual earnings in dollars for each individual in the sample. The standard errors are in parentheses below each estimated coefficient. There are 3,800 observations in the sample ($n=3,800$).

$$\hat{Y}\_{i}=-2,000+1,000age\_{i}+4,000years of education\_{i}+700union\_{i}$$

$$ \left(425\right) \left(250\right) \left(1,250\right) (400)$$

Which of the following estimated coefficients, ceteris paribus, are *not* statistically different from zero at the 5-percent level of significance?

A. The intercept coefficient.

B. The coefficient on age.

C. The coefficient on years of education.

D. The coefficient on union.

11. Consider the following estimated multiple regression model, where the dependent variable$ Y$ is the annual earnings in dollars for each individual in the sample. The standard errors are in parentheses below each estimated coefficient. There are 3,800 observations in the sample ($n=3,800$).

$$\hat{Y}\_{i}=-2,000+1,000age\_{i}+4,000years of education\_{i}+700union\_{i}$$

$$ \left(425\right) \left(250\right) \left(1,250\right) (400)$$

Which of the variables in the regression model is a binary (dummy) variable?

A. age

B. years of education

C. earnings

D. union

 **The Determinants of Housing Prices**

|  |
| --- |
|  |
|  | Dependent variable: |
|  | House sales price in dollars |
| Lot size in square feet | 4.135 |
|  | (1.284) |
| Interior square footage | 245.556 |
|  | (26.475) |
| Number of bedrooms | 27,705.040 |
|  | (18,020.290) |
| Constant | -43,540.620 |
|  | (58,950.080) |
| Observations | 88 |
| R2 | 0.672 |

12. Consider the OLS multiple regression results above. The dependent variable is the sales price of single-family homes in dollars. The explanatory variables are the exterior lot size in square feet, the interior square footage of the house, the number of variables, along with a constant (intercept). Suppose the null hypothesis is $H\_{0}: β\_{lot size}=0$. The t-test statistic associated with this hypothesis is approximately \_\_\_\_\_\_\_\_ and the null hypothesis \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A. 3.22; cannot be rejected at the 10-percent, 5-percent, and 1-percent significance levels

B. 13.61; cannot be rejected at the 10-percent, 5-percent, and 1-percent significance levels

C. 3.22; can be rejected at the 10-percent, 5-percent, and 1-percent significance levels

D. 13.61; can be rejected at the 10-percent, 5-percent, and 1-percent significance levels

13. Consider the multiple regression model results above predicting housing sales prices. Approximately what percent of the variation in housing sales prices is explained by the variation in the explanatory variables as a group?

A. 0.172 percent

B. 16 percent

C. 67.2 percent

D. None of the above

14. Consider the multiple regression model results above predicting housing sales prices. The model contains \_\_\_\_\_ binary explanatory variables.

A. 0

B. 1

C. 2

D. 3

15. Imperfect multicollinearity occurs if

A. the dependent variable causes the explanatory variable.

B. an important variable is left out of the model, which is called an omitted variable.

C. one explanatory variable is highly correlated with one or more other explanatory variables.

D. All of the above

16. If repeated samples of the same size are taken, and the estimated OLS coefficients are, on average, equal to the true population regression parameters, then OLS is said to be

A. endogenous.

B. unbiased (not biased).

C. significant.

D. multicollinear.

17. If an omitted variable is not included in the model, and if this variable is correlated with an included variable, then the estimated coefficient on the included variable will be

A. unbiased

B. positive.

C. negative.

D. biased.

18. If the dependent variable $Y$ causes one of the explanatory variables $X$, then there is

A. endogeneity.

B. unbiasedness.

C. significance.

D. perfect multicollinearity.

19. If all of the explanatory variables perfectly predict the dependent variable, then the coefficient of determination ($R^{2}$) is

A. 1.

B. negative.

C. 1.96

D. zero.

20. Which of the following statements is true?

A. If an estimated marginal effect is statistically significant it must also be economically significant.

B. If an estimated marginal effect is not statistically significant, then it cannot be economically significant.

C. An estimated marginal effect can be statistically significant without being economically significant.

D. Economic significance always implies statistical significance.