Midterm Review  Economics Honors (Chapters 1-10)

True/False
Indicate whether the sentence or statement is true or false.

1. Economic growth occurs when a nation's total output of goods and services increases over time.
2. In economics, land refers to the natural resources needed for production, such as forests, minerals, and climate.
3. Economic products consist of both goods and services that are useful, relatively scarce, and transferable to others.
4. A nation's wealth refers to a worth that can be expressed in dollars and cents.
5. The production possibilities frontier can be reached even if certain resources remain idle.
6. Voluntary exchange is a characteristic of command economies.
7. Preferred stock represents the nonvoting ownership of a corporation.
8. One advantage of a corporation is the ease of obtaining a charter.
9. Many schools, medical care facilities, and churches operate as nonprofit organizations.
10. Labor unions use collective bargaining to negotiate job-related issues with management.
11. Sole proprietorships must request a charter from the state in which they are organized.
12. People form partnerships because it often improves a business's management and can usually attract capital more easily than proprietorships.
13. Investors in corporations have unlimited liability for the company's debts.
14. A professional association tries to improve the working conditions, skill levels, and public perceptions of the profession.
15. The government is a nonprofit organization that plays a direct role in the economy by, for example, regulating public utilities that would operate with few or no competitors.
16. Productivity will decrease if workers are unmotivated.
17. When more suppliers enter the market, the market supply will typically decline.
18. The theory of production deals with the relationship between the factors of production and the output of goods and services.
19. The production function describes the relationship of changes in output to different amounts of a single input while other inputs are held constant.
20. An increase in output as each new input is added, as in the addition of a worker, describes Stage I of the stages of production.
21. The number of items sold multiplied by the average price of each item yields the total revenue of a business.
22. The mix of variable costs and fixed costs that a business faces affects the way the business operates.
23. Marginal cost is the change in total revenue when one more unit of output is sold.
24. The four important measures of cost are: total cost, variable cost, fixed cost, and marginal cost.
25. Economists often use an academic model to help analyze behavior and predict outcomes.
26. Market equilibrium is the situation in which the quantity of output supplied is equal to the quantity demanded.
27. If the price of an item is too high in a competitive market, a shortage appears until the price goes down.
28. A private agency usually approves prices for water and electric utilities.

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

29. “Truth in advertising laws” are designed to prevent market failures caused by inadequate information.
30. The Clayton Antitrust Act was the first significant law against monopolies in the United States.
31. The government can “internalize an externality” by using the tax system.
32. The Sherman Antitrust Act prohibits monopolistic competition.
33. When striking workers picket, they parade in front of the employer’s business carrying signs about the dispute.
34. Most Americans favored unions in the 1930s but shifted to favoring management after World War II.
35. The agency shop requires that an employee join the union shortly after being hired.
36. If an agreement cannot be reached during collective bargaining, workers use the boycott—refusing to work until their demands are met.
37. Historically, unions were considered to be conspiracies against businesses and were prosecuted in the courts.
38. During arbitration, a third party makes a non-binding compromise to resolve a dispute between labor and management.
39. The traditional theory of wage determination states that wages are set according to the laws of supply and demand.
40. Supply and demand are used to predict the incidence of a tax.
41. Taxes on most personal property are seldom collected because of the problem of valuation.
42. Distribution of income explains the way in which income is allocated to individuals, families, or other designated groups.
43. When the government produces goods and services, it often competes with producers in the private sector.
44. Interstate highway construction programs are examples of grants-in-aid.
45. Approximately two-thirds of the federal budget consists of discretionary spending.
46. Payments to aged and disabled Americans through the Social Security program make up the largest category of federal spending.
47. Government spending can directly affect both the allocation of resources and the distribution of income.
48. The fastest growing category of federal expenditures since 1980 has been defense.
49. One of the major concerns about the national debt is that more than 50 percent of it is owed to investors outside of the United States.
50. Consequences of the national debt include the redistribution of income and diminishing incentives to work, save, and invest.
54. The dollar value of all final goods and services and the most comprehensive measure of a country's total production output is
   a. its standard of living.
   b. financial capital.
   c. a cost-benefit analysis.
   d. Gross Domestic Product (GDP).

55. A popular model used to illustrate the concept of opportunity cost is
   a. the production possibilities frontier.
   b. entrepreneurship.
   c. the paradox of value.
   d. the factors of production.

56. An economy at its production possibilities frontier is operating
   a. with slow economic growth.
   b. at full potential.
   c. without division of labor.
   d. as a free enterprise economy.

57. The money used to buy the tools and equipment needed for production is known as
   a. capital goods.
   b. financial capital.
   c. specialized.
   d. wealth.

58. Actions in one part of the country or world that have an economic impact on what happens elsewhere are examples of
   a. opportunity costs.
   b. tradeoffs.
   c. specialization.
   d. economic interdependence.

59. Study the graph. Suppose this nation starts with producing all military goods. It then decides to produce a mix of civilian and military goods represented by point B. What represents the cost in military goods given up?
   a. the vertical distance between point x and point y
   b. the horizontal distance between point y and point z
   c. the horizontal distance between point z and point E
   d. the vertical distance from point A to point x

60. "The study of economic theory is not defensible on aesthetic grounds — it hardly rivals in elegance the mathematics or physics our sophomores learn. The theory is studied only as an aid in solving real problems, and it is good only in the measure that it performs this function."

61. Which of the following choices best describes what this production possibilities frontier is depicting?
   a. alternative possibilities
   b. opportunity cost
   c. economic growth
   d. cost of idle resources

62. This passage advises advertisers to focus on the economic concept of
   a. scarcity.
   b. utility.
   c. the paradox of value.
   d. opportunity cost.

63. "Economic literacy is [like] having a working knowledge of a foreign language. If you are with a group of foreigners and don’t speak their language at all, ...you feel excluded. ...If you have a rudimentary working knowledge of the language, you can at least follow the drift of the conversation, ask a few questions and feel that, even if you are not getting the fine points, you are not totally left out and you have a basis for acquiring more knowledge. That, it seems to me, is what economic literacy means—a rudimentary working knowledge of the concepts and language of economic activity...."
   Source: Alice Rivlin, economist.

64. According to this author, a good economic theory is one that
   a. is as elegant as a theory in mathematics or physics.
   b. helps solve real problems.
   c. includes mathematics.
   d. is aesthetically sound.
64. Which of the following is NOT considered an economic and social goal?
   a. economic efficiency  c. price stability  
   b. economic growth  d. entrepreneurship

65. Which group of people ultimately determines the products that a free enterprise economy produces?
   a. Congress  c. local government  
   b. property owners  d. consumers

66. The United States can best be described as having a
   a. modified private enterprise system.  c. command economy.  
   b. traditional system.  d. pure free enterprise system.

67. All of the following are characteristics of a command economy EXCEPT
   a. it can change direction drastically in a brief period of time.  
   b. public services are available at little or no cost.  
   c. it is not designed to meet the wants of consumers.  
   d. it provides workers with few incentives to work hard.

68. A market economy
   a. does not provide for everyone's basic needs.  
   b. limits the choices of goods and services available.  
   c. permits extensive government intervention.  
   d. offers a high degree of certainty for its workers.

69. The concept of voluntary exchange means
   a. that no money was exchanged.  
   b. people freely and willingly engage in market transactions.  
   c. only workers will benefit from the exchange.  
   d. neither buyer nor seller has made a profit.

70. The government's role in a mixed economy is that it is the
   a. definer of goals.  
   b. central planner.  
   c. regulator charged with preserving competition.  
   d. coordinator of basic economic activity.

71. This cartoonist would like government to
   a. set higher ergonomic standards for the workplace.  
   b. interfere with business less.  
   c. protect business more.  
   d. provide more public services.

72. Unlike a general partnership, in a limited partnership
   a. all partners share equal financial responsibility for the firm's decisions.  
   b. the inactive partner has limited liability for the business's debts.  
   c. the partners must pay special business taxes.  
   d. the business does not end with the death of a partner.

73. This regulates the sale of stock in a corporation.
   a. labor unions  c. stockbrokers  
   b. Securities and Exchange Commission  d. chamber of commerce

74. A merger of corporations involved in different steps of manufacturing or marketing is known as a
   a. multinational merger.  c. vertical merger.  
   b. horizontal merger.  d. conglomerate.

75. Non-profit organizations may
   a. issue stock.  
   b. pay dividends.  
   c. provide goods and services to members.  
   d. pay income taxes.

76. The local chamber of commerce works to
   a. promote the welfare of its members and the community.  
   b. earn dividends for members.  
   c. protect its members from consumer complaints.  
   d. aid member companies in negotiating with labor unions.

77. In a general partnership,
   a. the business continues even if one partner dies.  
   b. partners must pay specific business taxes.  
   c. partners usually draw up legal papers called articles of partnership.  
   d. partners are only liable for the business's debt up to the amount of their investment.

78. An advantage of a corporation is that
   a. owners pay fewer taxes than owners of other forms of business.  
   b. the business is subject to little government regulation.  
   c. owners have limited liability for debt.  
   d. owners have direct and immediate control over daily management of the business.

Grocery store giant Kroger Co. agreed Monday to purchase rival Fred Meyer Co. in a $12.8 billion deal that will enable Kroger to reclaim its status as the nation's largest supermarket company.... [Analysts say] the merger is a good deal for both companies, one that should create the economies of scale necessary to remain competitive in the tough supermarket industry.

The merger also will enable Kroger to [stay] ahead of rival Albertson's, which otherwise would have eclipsed Kroger through its $11.7 billion buyout of American Stores Co. in August.... Combined with Meyer, currently the fifth-largest grocery chain, Kroger will operate 2,200 supermarkets in 31 states, boasting $43 billion in annual sales.

82. A business doubled the price of a product in order to increase profits. Which of the following scenarios might have occurred?
   a. A sharp increase in revenues demonstrated the elasticity of the product.
   b. A small increase in revenues demonstrated the unit elasticity of the product.
   c. A dramatic decline in revenues demonstrated the elasticity of the product.
   d. A dramatic decline in revenues demonstrated the inelasticity of the product.

83. Consumers' willingness to replace a costly item with a less costly item is an example of
   a. the substitution effect.
   b. the income effect.
   c. demand elasticity.
   d. complements.

84. An increase in the price of cameras results in a decrease in the demand for film. The two products are
   a. substitutes.
   b. demand elastic.
   c. unrelated.
   d. complements.

85. When a customer's need for a product is not urgent, demand tends to be
   a. inelastic.
   b. elastic.
   c. complementary.
   d. unit elastic.

86. When a manufacturer of pain medication reduced the price of the medication by 30%, profits declined by almost exactly 30%. Demand for the product is
   a. inelastic.
   b. elastic.
   c. unit elastic.
   d. complements.

87. Demand Schedule for CDs

<table>
<thead>
<tr>
<th>Price per CD</th>
<th>Quantity Demanded (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>1,100</td>
</tr>
<tr>
<td>$12</td>
<td>900</td>
</tr>
<tr>
<td>$14</td>
<td>700</td>
</tr>
<tr>
<td>$16</td>
<td>500</td>
</tr>
<tr>
<td>$18</td>
<td>300</td>
</tr>
<tr>
<td>$20</td>
<td>100</td>
</tr>
</tbody>
</table>

If you were to graph this demand schedule, the demand curve would
   a. slope upward from left to right.
   b. slope downward from left to right.
   c. be horizontal.
   d. be vertical.

88. Which of the following choices could cause the movement shown in the graph?
   a. a decrease in income
   b. an increase in population
   c. a decrease in the price of a substitute
   d. an increase in the price of a complement

89. The movement in the graph shows that the quantity demanded of butter decreased because the
   a. price of butter increased.
   b. price of margarine decreased.
   c. price of margarine increased.
   d. price of butter decreased.

90. What does the movement shown on this graph represent?
a. a change in demand  

b. the inverse relationship between price and quantity demanded  
c. the inverse relationship between price and marginal utility

d. diminishing marginal utility

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92. Rice is what you’ll probably end up with these days if your local McDonald’s is in Indonesia. With the collapse of the Indonesian currency, the rupiah, in 1998, potatoes...have quintupled in price. That means rice is turning with an increasing frequency as an alternative to the french fry.... It’s not hard to fathom why fries are an endangered menu item says Jack Greenberg, CEO of McDonald’s: “No one can afford them.”


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93. All of the following can change the market supply curve EXCEPT

a. the cost of labor.  
b. the expectation that prices are about to increase.  
c. a change in the demand for the product.  
d. the numbers of sellers offering the product.  

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95. When employees are getting in each other’s way, the firm is operating

a. in Stage I of production.  
b. in Stage II of production.  
c. in Stage III of production.  
d. as much as it possibly can.

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97. The level of profit-maximizing output is reached when marginal cost is

a. double marginal revenue.  
b. one-half of marginal revenue.  
c. less than marginal revenue.  
d. equal to marginal revenue.

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98. When producers offer fewer products for sale at each and every price,  
a. the supply curve has shifted to the right.  
b. the supply curve has shifted to the left.  
c. the price per unit decreases.  
d. they expect subsidies.

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99. Many businesses are engaging in e-commerce because

a. subsidies are available to many e-commerce businesses.  
b. fixed costs are minimal.  
c. operating costs never increase.  
d. variable costs can be almost eliminated.

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100. Supply Schedule for CDs

<table>
<thead>
<tr>
<th>Price per CD</th>
<th>Quantity supplied (in millions)</th>
</tr>
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<tbody>
<tr>
<td>$10</td>
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<td>900</td>
</tr>
<tr>
<td>$20</td>
<td>1,100</td>
</tr>
</tbody>
</table>

If you were to graph this supply schedule, the supply curve would  
a. be horizontal.  
b. be vertical.  
c. slope upward from left to right.  
d. slope downward from left to right.

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102. At a given price, a surplus occurs when

a. the quantity demanded is more than the quantity supplied.  
b. the quantity demanded is the same as the quantity supplied.  
c. the quantity supplied is less than the quantity demanded.  
d. the quantity supplied is greater than the quantity demanded.

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103. The federal minimum wage law demonstrates

a. market equilibrium.  
b. a societal choice for economic equity over efficiency.  
c. the function of equilibrium price in a competitive market.
d. government intervention to ensure the equilibrium price.

104. All of the following are characteristics of allocation by rationing EXCEPT
   a. lack of fairness. c. efficiency.
   b. high administrative cost. d. diminished incentive for workers.

105. The theory of competitive pricing
   a. is an imperfect model of market performance.
   b. is a set of ideal conditions and outcomes.
   c. is ineffective when large swings in price occur.
   d. demonstrates the need for subsidies and price ceilings.

106. Perfect competition is characterized by all of the following EXCEPT
   a. a large number of buyers and sellers.
   b. identical products.
   c. sellers acting together to set prices.
   d. well-informed buyers and sellers.

107. A monopoly that is based on the ownership or control of a manufacturing method, process, or other scientific advance is a
   a. geographic monopoly.
   b. identical monopoly.
   c. government monopoly.
   d. technological monopoly.

108. A decrease in competition within an industry can result in
   a. more efficient resource allocation.
   b. lower prices.
   c. a firm wielding economic and political power.
   d. increased output.

109. The government is involved in the U.S. economy for all of the following reasons EXCEPT to
   a. promote and encourage competition.
   b. prevent monopolies that deny the public the benefits of competition.
   c. regulate industries in which a monopoly is in the public interest.
   d. promote the development of market externalities.

110. Under perfect competition,
   a. products are similar but not identical.
   b. numerous restrictions prevent firms from entering the market.
   c. no seller sells a product above the prevailing market price.
   d. a single seller can affect price.

111. When a major car company lowers its prices, other car makers will probably
   a. maintain existing prices.
   b. raise their prices.
   c. go out of business.
   d. lower their prices.

112. Mergers and acquisitions might result in
   a. more competition.
   b. smaller companies.
   c. increases in consumer demand.
   d. inadequate competition.

113. The Clayton Antitrust Act
   a. was opposed by labor unions.
   b. defended monopolies.
   c. outlawed price discrimination.
   d. never went into effect.

114. By passing truth-in-advertising laws, the government hopes to influence producers, such as the toy manufacturer in the cartoon, to
   a. hide product defects.
   c. make better products.
   d. stop advertising to children.

115. In the graph, suppose the firm increases production to 148 units. This will result in
   a. an increase in total profit.
   b. a decrease in total profit.
   c. an increase in marginal revenue.
   d. a decrease in marginal revenue.

116. The Fair Labor Standards Act
   a. made it illegal to prosecute unions under the Sherman Antitrust Act.
   b. prevented courts from issuing injunctions against unions engaged in peaceful strikes.
   c. established the right of unions to collective bargaining.
   d. established a federal minimum wage.

117. All of the following can be used to establish more equal pay between men and women EXCEPT the
   d. set-aside contracts.

118. The National Labor Relations Act
   a. made it illegal to prosecute unions under the Sherman Antitrust Act.
   b. established the right of unions to collective bargaining.
   c. prevented courts from issuing injunctions against unions engaged in peaceful strikes.
   d. established a federal minimum wage.

119. Workers with knowledge-based education and managerial skills are
   a. unskilled labor.
   b. semiskilled labor.
   c. skilled labor.
   d. professional labor.

120. The invisible barrier that hinders women and minorities from advancement up the corporate ladder
   a. is the comparable worth issue.
   b. is known as the glass ceiling.
   c. has been ignored by Congress.
   d. has been reinforced by use of set-aside contracts.
121. Based on the illustration, workers in Texas
a. must join their company’s union.
b. are not required to join their company’s union.
c. may not be locked out of their jobs by management.
d. may not be forced to participate in their union’s strikes.

Source: National Right to Work Committee, 2001

122. The union representing flight attendants at American Airlines rejected an offer of arbitration from federal mediators yesterday, assuring the start of a 30 day cooling off period after which its members will be legally free to strike.

The major issue dividing the two sides is pay. The flight attendants now earn $15,000 to $35,000 a year, the union said. American said that the union’s last proposal would cost the airline $570 million more over six years than its final offer. The union said that the gap was closer to $200 million.


123. Study the graphs. Compared to janitors, the graph for surgeons shows
a. high demand and high supply.

b. high demand and low supply.

c. low demand and high supply.

d. low demand and low supply.

124. According to the graph, in 1980, women were earning approximately
   a. 20% less than men. c. 40% less than men.
   b. 60% less than men. d. 30% less than men.

125. According to the graph, if men in general were earning approximately $20,000 in 1965, women would have been earning approximately
   a. $10,000. c. $14,000.
   b. $12,000 d. $8,000.

126. From the graph, you can conclude that 1968 had a
   a. higher minimum wage than in any other year.
   b. lower inflation rate than in any other year.
   c. higher inflation rate than in any other year.
   d. minimum wage with more purchasing power than in any other year.

127. The incidence of a tax can more effectively be shifted from the supplier to the consumer if
   a. the demand curve is inelastic.
   b. the demand curve is elastic.
   c. it is not a luxury tax or an excise tax.
   d. it is a property tax rather than an income tax.

128. Intergovernmental revenues are generally intended for
   a. education and public welfare. c. environmental cleanup.
   b. public transportation. d. parks and recreation.

129. The alternative minimum tax
   a. is an additional tax above and beyond the base rate.
   b. requires people to pay a minimum tax of 20 percent.
   c. allows a reduction in business taxes based on investment in equipment.
   d. allows larger-than-normal depreciation charges.

130. The flat tax
   a. would increase the need for individuals to hire tax accountants.
   b. includes incentives that promote positive economic behavior.
   c. allows too many loopholes.
   d. simplifies the tax process.

131. The “incidence of a tax”
   a. is a benefit tax.
   b. refers to those who bear the final burden of taxation.
   c. is a special tax on individuals with high income.
   d. is a tax paid by self-employed workers.

132. FICA includes taxes to pay for
   a. Social Security and medicare. c. unemployment and medicare.

133. The Taxpayer Relief Act of 1997
   a. increased capital gains taxes.
   b. eliminated tax credits for families with children.
   c. changed marginal tax brackets to favor families.
   d. did little to benefit people without children or capital gains.

134. The flat tax
   a. shifts the burden of taxes to businesses.
   b. would complicate tax filing for most individuals.
   c. departs from ability-to-pay principle of taxation.
   d. is strictly proportional even when some income is exempted.

135. "We'll cut your taxes" is the most repeated campaign promise in the history of American politics. Yet somehow it is still considered visionary, worth a fight. Worth, indeed, a crusade.
Why? It’s in our blood. Historically, Americans have hated taxes, and not merely because we had to pay them. We’ve hated taxes because we’ve perceived them to be an infringement on our liberty—and the source of big, powerful, and mischievous government. This was true from the beginning. It wasn’t just “taxation without representation” that bothered us so much. It was taxation. Period.


136. Based on the graph, the per capita government receipts for 1980 were
   a. 500 times greater than in 1940. c. 500 times greater than in 1970.
   b. 5 times greater than in 1940. d. 5 times greater than in 1970.
In panel B of the graph, how much of the cost of the tax did the producer pass on to the consumer?

- 137.
  a. 90 cents  b. 10 cents  c. $15.90  d. $15.00

Every year at this time, Congress discovers, with a great public show of dismay and indignation, the existence of the American tax code and the agency that administers it, the Internal Revenue Service.

There are high-minded calls for abolishing the current tax system and replacing it....

Around April 15, Congress likes to pretend that the tax code just sort of appeared or [just] happened. But the Constitution puts the burden of taxes solely, exclusively and entirely on Congress’ shoulders.

The tax code is the way it is because a majority of Congress wants it that way.


Based on this passage, members of Congress probably like to pretend that the tax code just “sort of appeared” because they

- 138.
  a. are not happy with the code.  b. don’t want voters to associate them with taxes.  c. feel the Internal Revenue Service does not administer taxes fairly.  d. cannot fix the unfairness in the tax code.

All levels of government combined consume about

- 139.
  a. one-tenth of the nation's output.  b. one-third of the nation's output.  c. one-half of the nation's output.  d. three-quarters of the nation's output.

An example of mandatory spending is financing for

- 140.
  a. interest payments on the federal debt.  b. national defense.  c. welfare programs.  d. elementary and secondary education programs.

The largest category of spending for most local governments is

- 141.
  a. elementary and secondary education.  b. hospitals.  c. police protection.  d. public welfare.

The United States government accumulated huge deficits during the 1980s due to

- 142.
  a. a shift in the incidence of taxes to corporations.  b. environmental cleanup.  c. a doubling of spending on national defense.  d. huge, annual increases in welfare.

The sequence for the approval of the federal budget is

- 143.
  a. president to Congress to Supreme Court.  b. president to Congress back to president.  c. House Appropriations Committee to Congress to president.  d. Congress to House Speaker to president.

Legislation intended to establish a balanced budget was the

- 144.

Back in 1940, when the Social Security program was just getting under way, average life expectancy was less than 64 years. The program’s designers expected that most people would contribute to the program most of their lives and die before collecting a dime in retirement benefits.... Today, average life expectancy in the United States is more than 75 years.... As life expectancy has soared, birthrates have declined, leaving fewer and fewer workers to support the ballooning number of retirees. In 1950, [the system] was solidly supported with 16 workers paying for each retiree; today, there are just over three workers per beneficiary.

Source: Carrie Lips, Cato Institute’s Project on Social Security Privatization.

According to the passage, the increase in average life expectancy has created a problem for the Social Security system because

- 145.
  a. people are remaining in the workforce longer.  b. more people are collecting retirement benefits.  c. younger workers are having a harder time finding jobs.  d. people are retiring at a younger age.

The United States government was

- 146.
  a. running a budget deficit.  b. running a budget surplus.  c. balancing the budget.  d. borrowing more to pay its bills.

The largest category of spending for most local governments is

- 147.
  a. elementary and secondary education.  b. hospitals.  c. police protection.  d. public welfare.
The federal budget deficit is gone, transformed by a strong economy into a string of projected surpluses that should grow larger for years to come...

Eliminating the deficit is hardly the end of the government’s financial troubles, however...

The national debt was built up over decades of deficit spending—the federal government has not run steady surpluses since the 1920s—and it remains an economic millstone of considerable proportion.


According to this passage, at the time it was written (1999), the national debt was
a. eliminated.

b. falling.

c. rising.

d. staying about the same.

148.

The new tax cut, coupled with falling corporate tax revenue, has gobbled up three-quarters of the projected federal budget surplus through 2004, a revised Congressional Budget Office estimate reveals.

As the surplus shrinks, budget experts from both parties now believe Congress and President Bush will have to tap funds reserved for Medicare to pay for the spending increases they want for the fiscal year that begins in October.

Only last January, budget forecasters had expected the surplus...to total a record $489 billion from 2001 through 2004. That number has shrunk to $127 billion.


According to the passage, because of reduced revenue, the government may have to
a. increase the corporate tax rate.

b. reduce the size of the tax cut.

c. reduce the spending increases they had planned for the year.

d. reduce spending on health insurance for senior citizens.

149.

Government Employment in the United States

<table>
<thead>
<tr>
<th>Employer</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government (excluding armed forces)</td>
<td>3,047,000</td>
</tr>
<tr>
<td>State Governments</td>
<td>4,595,000</td>
</tr>
<tr>
<td>Local Governments</td>
<td></td>
</tr>
<tr>
<td>Counties</td>
<td>2,253,000</td>
</tr>
<tr>
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According to the table, most government employees work for
a. the federal government.

b. a state government.

c. a local government.

d. a school district.

150.

In the late 1990s, the average expenditure per elementary and secondary student was $5,885. Based on the map, which of the following states spent less than the average per student?

- Maine
- North Carolina
- New Mexico
- Massachusetts
### TRUE/FALSE

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### MULTIPLE CHOICE

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