TEST BANK

SEVENTH EDITION

ECONOMICS

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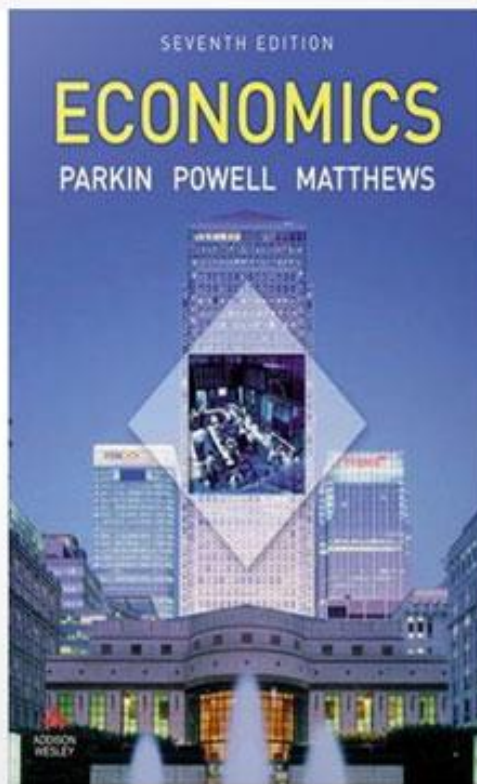**MULTIPLE CHOICE.   Choose the one alternative that best completes the statement or answers the question.**

1) The production possibilities frontier   1) _____
   A) once applied to U.S. technology but now refers to Japanese technology.
   B) is also called the supply curve.
   C) marks the boundary between attainable combinations of goods and services and
      unattainable combinations.
   D) refers to the technology used in such goods as computers and military aircraft.

2) The production possibilities frontier is the boundary between   2) _____
   A) those combinations of goods and services that can be produced and those that cannot.
   B) those wants that are limited and those that are unlimited.
   C) those combinations of goods and services that can be produced and those that can be
      consumed.
   D) those resources that are limited and those that are unlimited.

3) The production possibilities frontier is the boundary between those combination of goods and   3) _____
   services that can be
   A) consumed domestically and those that can be consumed by foreigners.
   B) produced and those that can be consumed.
   C) produced and those that cannot be produced.
   D) consumed and those that cannot be produced.

4) The production possibilities frontier is   4) _____
   A) upward sloping and reflects unlimited choices.
   B) downward sloping and reflects unlimited choices.
   C) downward sloping and reflects trade-offs in choices.
   D) upward sloping and reflects trade-offs in choices.

5) The production possibilities frontier   5) _____
   A) shows how many goods and services are consumed by each person in a country.
   B) is a model that assumes there is no scarcity and no opportunity cost.
   C) is a graph with price on the vertical axis and income on the horizontal axis.
   D) depicts the boundary between those combinations of goods and services that can be
      produced and those that cannot given resources and the current state of technology.

6) The production possibilities frontier illustrates   6) _____
   A) all goods and services that are desired but cannot be produced due to scarce resources.
   B) all possible production of capital goods.
   C) the combination of goods and services that can be produced efficiently.
   D) all goods that can be produced by an economy.

7) The production possibilities frontier represents   7) _____
   A) the maximum amount of resources available at any given time.
   B) the maximum levels of production that can be attained.
   C) combinations of goods and services that do not fully use available resources.
   D) the maximum rate of growth of output possible for an economy.

8) A production possibilities frontier does <u>NOT</u> illustrate   8) _____
   A) the exchange of one good or service for another.
   B) the limits on production imposed by our limited resources and technology.
   C) attainable and unattainable points.

D) opportunity cost.

9) Any production point outside the production possibilities frontier   9) _____
    A) is attainable only if prices rise.   B) is associated with unused resources.
    C) is unattainable.   D) is attainable only if prices fall.

10) Which of the following statements regarding the production possibilities frontier is true?   10) _____
    A) Points on the frontier are less efficient than points inside the frontier.
    B) Points inside the frontier are attainable.
    C) Points outside the frontier are attainable.
    D) None of the above because all of the above statements are false.

11) Jane produces only corn and cloth. Taking account of her preferences for corn and cloth   11) _____
    A) makes her production possibilities frontier flatter.
    B) makes her production possibilities frontier steeper.
    C) does not affect her production possibilities frontier.
    D) makes her production possibilities frontier straighter.

12) On the vertical axis, the production possibilities frontier shows _____; on the horizontal axis,   12) _____
    the production possibilities frontier shows _____.
    A) the quantity of a good; the number of workers employed to produce the good
    B) the quantity of a good; the price of the good
    C) the quantity of one good; the quantity of another good
    D) the quantity of a good; a weighted average of resources used to produce the good

13) Scarcity is represented on the production possibilities frontier by   13) _____
    A) the amount of the good on the horizontal axis forgone.
    B) the fact there are attainable and unattainable points.
    C) the fact that there are only two goods in the diagram.
   D) technological progress.
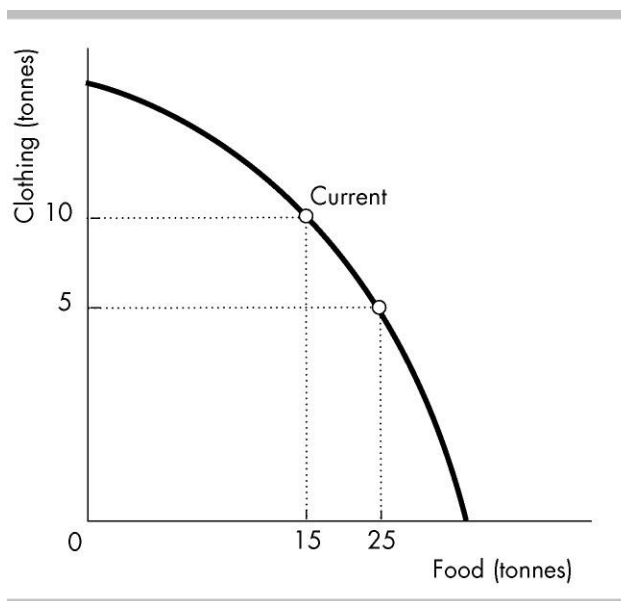
14) The above figure illustrates that if this country wishes to move from its current production point   14) _____
    (labelled "Current") and have 10 more tonnes of food, it can do this by producing
    A) 10 more tonnes of clothing.   B) 5 fewer tonnes of clothing.

C) 10 fewer tonnes of clothing.   D) 5 more tonnes of clothing.

15) A point inside a production possibilities frontier   15) _____
    A) could indicate that some resources are unemployed.
    B) implies that too much capital and not enough labour are being used.
    C) is more efficient than points on the production possibilities frontier.
    D) is unattainable.

16) A point inside a production possibilities frontier   16) _____
    A) reflects the fact that more technology needs to be developed to fully employ all resources.
    B) could indicate that resources are misallocated.
    C) is more efficient than a point on the production possibilities frontier.
    D) implies that too much labour and not enough capital is being used.

17) When resources are assigned to inappropriate tasks, that is, tasks for which they are not the best   17) _____
match, the result will be producing at a point
    A) inside the *PPF*.   B) outside the *PPF*.
    C) where the slope of the *PPF* is positive.   D) where the slope of the *PPF* is zero.

18) Production efficiency requires that   18) _____
    A) we are producing at a point on the *PPF*.
    B) resources be assigned to the task for which they are the best match.
    C) we cannot produce more of one good without producing less of some other good.
    D) All of the above answers are correct.

19) Sam's production possibilities frontier has good *A* on the horizontal axis and good *B* on the   19) _____
vertical axis. If Sam is producing at a point *inside* his frontier, then he
    A) can increase production of both goods with no increase in resources.
    B) values good *B* more than good *A*.
    C) values good *A* more than good *B*.
    D) is fully using all his resources.

20) A situation in which some resources are <u>NOT</u> fully utilized is represented in a production   20) _____
possibilities frontier diagram by
    A) a point inside the production possibilities frontier.
    B) a point outside the production possibilities frontier.
    C) any point on either the horizontal or the vertical axis.
    D) the midpoint of the production possibilities frontier.

21) Production points inside the production possibilities frontier   21) _____
    A) are attainable only with the full utilization of all resources.
    B) are associated with unused or misallocated resources.
    C) are unattainable.
    D) result in more rapid growth.

22) A nation produces at a point inside its *PPF*   22) _____
    A) when its *PPF* is bowed out.   B) when it trades with other nations.
    C) never.   D) when it produces inefficiently.
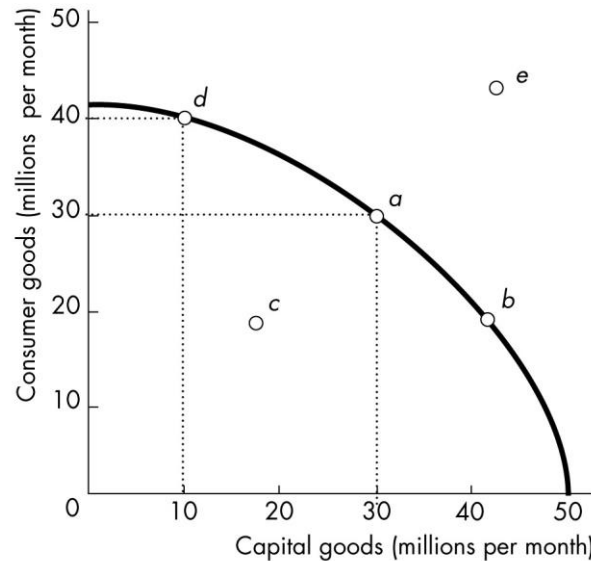
23) Refer to the production possibilities frontier in the figure above. Which point indicates that resources are <u>NOT</u> fully utilized or are misallocated?
    A) Point *b*.   B) Point *c*.   C) Point *a*.   D) Point *e*.

23) _____

24) Refer to the production possibilities frontier in the figure above. Which point is unattainable?
    A) Point *c*.   B) Point *e*.   C) Point *b*.   D) Point *a*.

24) _____

25) Refer to the production possibilities frontier in the figure above. Point _____ represents an _____ point.
    A) *e*; inefficient   B) *c*; inefficient   C) *b*; unattainable   D) *c*; unattainable

25) _____

26) In the figure above, moving from point *d* to point *a* requires
    A) a decrease in unemployment.
    B) decreasing the output of consumer goods in order to boost the output of capital goods.
    C) both capital accumulation and a decrease in unemployment.
    D) technological change.

26) _____

27) Refer to the production possibilities frontier in the figure above. Suppose a country is at point *a*. A movement to point _____ means that the country _____.
    A) *d*; must give up 20 million capital goods   B) *b*; is producing at an inefficient point
    C) *d*; gives up 10 million consumer goods   D) *e*; is not operating efficiently

27) _____

28) Refer to the production possibilities frontier in the figure above. If the country moves from point *a* to point *c*, the opportunity cost of the move is
    A) 20 million capital goods.   B) 10 million capital goods.
    C) 30 million capital goods.   D) 10 million consumption goods.

28) _____

29) Some time ago the government of China required many highly skilled technicians and scientists to engage in unskilled agricultural labour in order to develop "proper social attitudes." This policy probably caused China to produce
    A) inside its production possibilities frontier with respect to food, but outside with respect to high-technology goods.
    B) inside its production possibilities frontier.
    C) outside its production possibilities frontier with respect to food, but inside with respect to high-technology goods.

29) _____

D) at an inappropriate point along its production possibilities frontier.

30) Production efficiency is achieved   30) _____
  A) when producing inside the production possibilities frontier.
  B) when the ability is gained to produce goods and services that are desired beyond the *PPF* boundary.
  C) when it producing one more unit of one good cannot occur without producing less of some other good.
  D) when all goods and services desired by consumers can be produced in the economy.

31) A society that is producing on its production possibilities frontier is   31) _____
  A) not utilizing all of its resources.
  B) fully utilizing all of its productive resources.
  C) producing too much output.
  D) not being technologically efficient.

32) If a country must decrease current consumption to increase the amount of capital goods it   32) _____
  produces today, then it
  A) must be using resources inefficiently today, but will be more efficient in the future.
  B) must be producing along the production possibilities frontier today and will see a shift outward of the frontier in the future if produces more capital goods.
  C) must not have private ownership of property and will have to follow planning authorities decisions today and in the future.
  D) must be producing outside the production possibilities frontier and will continue to do so in the future.

33) If production of two goods is currently at levels such that we are inside the production   33) _____
  possibilities frontier
  A) we are in the "unattainable" region.
  B) production is inefficient.
  C) in order to produce more of one good, we must produce less of the other.
  D) it is not possible to produce more of both goods.

34) Using the production possibilities frontier model, unemployment is described as producing at a   34) _____
  point
  A) inside the *PPF* curve.   B) on either end of the *PPF* curve.
  C) on the exact middle of the *PPF* curve.   D) outside the *PPF* curve.

35) If a society is operating at a point inside its production possibilities frontier, then this society's   35) _____
  A) economy will grow too fast.
  B) resources are being used in the most efficient manner.
  C) resources are being inefficiently utilized.
  D) production possibilities frontier will shift rightward.
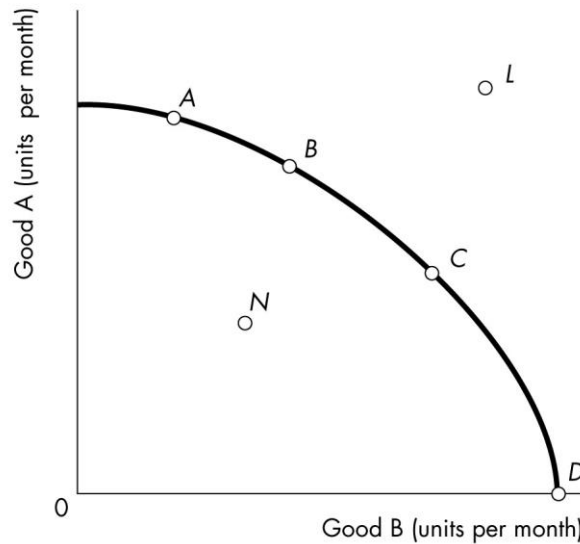
36) Point *C* on the production possibilities frontier in the above diagram illustrates   36) _____
   A) all goods and services that are desired but cannot be produced due to scarce resources.
   B) a point with maximum and efficient production of Goods A and Goods B.
   C) an underutilization of resources.
   D) a combination of goods and services that cannot be produced efficiently.

37) In the above figure, which point represents an unattainable production combination of the two   37) _____
   goods?
   A) Point *L*.   B) Point *D*.   C) Point *C*.   D) Point *N*.

38) In the above figure, which point represents an attainable but inefficient production point?   38) _____
   A) Point *C*.   B) Point *D*.   C) Point *L*.   D) Point *N*.

39) A trade-off is   39) _____
   A) represented by a point inside a *PPF*.
   B) a transaction at a price either above or below the equilibrium price.
   C) a constraint that requires giving up one thing to get another.
   D) represented by a point outside a *PPF*.

40) A trade-off is illustrated by   40) _____
   A) a point outside the *PPF*.   B) the negative slope of the *PPF*.
   C) a point inside the *PPF*.   D) a change in the slope of the *PPF*.

41) When we choose a particular option, we must give up alternative options. The highest-valued   41) _____
   alternative forgone is the
   A) non-monetary cost of the option chosen.
   B) comparative advantage of the option chosen.
   C) absolute advantage.
   D) opportunity cost of the option chosen.

42) Ted can study for his economics exam or go to a concert. He decides to study for his economics   42) _____
   exam instead of going to the concert. The concert he will miss is Ted's _____ of studying for
   the exam.
   A) implicit cost   B) explicit cost
   C) opportunity cost   D) discretionary cost

43) Most students attending college pay tuition and are unable to hold a full-time job. For these students, tuition is

43) _____

    A) not part of the opportunity cost of going to college. Neither are their forgone earnings from not holding a full-time job.

    B) part of the opportunity cost of going to college. So are their forgone earnings from not holding a full-time job.

    C) not part of the opportunity cost of going to college, but their forgone earnings from not holding a full-time job are.

    D) part of the opportunity cost of going to college. Their forgone earnings from not holding a full-time job are not.

44) Opportunity cost is

44) _____

    A) the best choice that can be made.   B) the highest-valued alternative forgone.

    C) the indirect cost.   D) the monetary cost.

45) On a diagram of a production possibilities frontier, opportunity cost is represented by

45) _____

    A) a ray through the origin.

    B) a point on the vertical axis.

    C) the slope of the production possibilities frontier, which indicates that to get more of one good requires less of another.

    D) a point on the horizontal axis.

46) If additional units of a good could be produced at a constant opportunity cost, the production possibilities frontier would be

46) _____

    A) bowed inward.   B) bowed outward.

    C) positively sloped.   D) a straight line.

47) If Sam is producing at a point on his production possibilities frontier, then he

47) _____

    A) can produce more of one good only by producing less of the other.

    B) cannot produce any more of either good.

    C) is not subject to scarcity.

    D) will be unable to gain from trade.

Point	Production of grain (tonnes)	Production of cars (cars)
A	0	30
B	2	28
C	4	24
D	6	18
E	8	10
F	10	0

48) The table above lists six points on the production possibilities frontier for grain and cars. Given this information, which of the following combinations is unattainable?

48) _____

    A) 7 tonnes of grain and 10 cars.   B) 2 tonnes of grain and 27 cars.

    C) 6 tonnes of grain and 18 cars.   D) 4 tonnes of grain and 26 cars.

49) The table above lists six points on the production possibilities frontier for grain and cars. From this information you can conclude that production is inefficient if this economy produces

49) _____

    A) 4 tonnes of grain and 26 cars.   B) 8 tonnes of grain and 10 cars.

C) 6 tonnes of grain and 18 cars.   D) 2 tonnes of grain and 27 cars.

50) The table above lists six points on the production possibilities frontier for grain and cars. What is the opportunity cost of producing the 5th tonne of grain?   50) _____
    A) 16 cars.   B) 3 cars.   C) 6 cars.   D) 2 cars.

51) The table above lists six points on the production possibilities frontier for grain and cars. What is the opportunity cost of producing the 26th car?   51) _____
    A) 0.5 tonne of grain.   B) 4 tonnes of grain.
    C) 2 tonnes of grain.   D) 0.25 tonne of grain.

Point	Production of chocolate bars	Production cans of cola
A	0	100
B	10	90
C	20	70
D	30	40
E	40	0

52) The above table shows production points on Sweet-Tooth Land's production possibilities frontier. Which of the following statements is TRUE?   52) _____
    A) Producing 20 chocolate bars and 80 cans of cola is attainable, but inefficient.
    B) Producing 40 chocolate bars and 0 cans of cola is unattainable and inefficient.
    C) Producing 30 chocolate bars and 38 cans of cola is only attainable with an increase in technology.
    D) Producing 0 chocolate bars and 100 cans of cola is both attainable and efficient.

53) The above table shows production points on Sweet-Tooth Land's production possibilities frontier. Which of the following is an example of a point that is inefficient?   53) _____
    A) 0 chocolate bars and 100 cans of cola.   B) 38 chocolate bars and 0 cans of cola.
    C) 32 chocolate bars and 40 cans of cola.   D) 20 chocolate bars and 80 cans of cola.

54) The above table shows production points on Sweet-Tooth Land's production possibilities frontier. What is the opportunity cost of *one* chocolate bar if Sweet-tooth Land moves from point C to point D?   54) _____
    A) 1/3 can of cola.   B) 30 cans of cola.   C) 10 cans of cola.   D) 3 cans of cola.

55) The above table shows production points on Sweet-Tooth Land's production possibilities frontier. What is the opportunity cost of *one* can of cola if Sweet-tooth Land moves from point C to point B?   55) _____
    A) 20 chocolate bars.   B) 1/2 chocolate bar.
    C) 10 chocolate bars.   D) 2 chocolate bars.

56) The above table shows production points on Sweet-Tooth Land's production possibilities frontier. A movement from _____ represents the greatest opportunity cost of increasing cola production.   56) _____
    A) point C to point B   B) point B to point A
    C) point D to point C   D) point E to point D

Point	Production	Production of Y

	of X	
A	0	40
B	3	36
C	6	28
D	9	16
E	12	0

57) The above table shows production combinations on a country's production possibilities frontier.   57) _____
Which of the following is an example of a point that is unattainable?
   A) 3 units of good X and 35 units of good Y.   B) 0 units of good X and 40 units of good Y.
   C) 10 units of good X and 16 units of good   D) 6 units of good X and 28 units of good Y.
   Y.

58) The above table shows production combinations on a country's production possibilities frontier.   58) _____
Which of the following is an example of a production point that is inefficient?
   A) 0 units of good X and 40 units of good Y.   B) 10 units of good X and 16 units of good
                                                            Y.
   C) 6 units of good X and 28 units of good Y.   D) 3 units of good X and 35 units of good Y.

59) The above table shows production combinations on a country's production possibilities frontier.   59) _____
Which of the following points signifies efficient production?
   A) 3 units of good X and 25 units of good Y.   B) 12 units of good X and 1 unit of good Y.
   C) 10 units of good X and 16 units of good   D) 0 units of good X and 40 units of good Y.
   Y.

60) The above table shows production combinations on a country's production possibilities frontier.   60) _____
What is the opportunity cost of increasing the production of Y from 16 to 28 units?
   A) 3 units of good X.
   B) 12 units of good X.
   C) 6 units of good X.
   D) There is no opportunity cost when moving from one point to another along a production
      possibilities frontier.

61) The above table shows production combinations on a country's production possibilities frontier.   61) _____
What is the opportunity cost of *one* unit of Y when the production of good Y increases from 16 to
28 units?
   A) 3 units of good X.
   B) 4 units of good X.
   C) 1/4 unit of good X.
   D) There is no opportunity cost when moving from one point to another along a production
      possibilities frontier.

62) The above table shows production combinations on a country's production possibilities frontier.   62) _____
What is the opportunity cost of increasing the production of X from 0 to 3 units?
   A) 3 units of good Y.
   B) 40 units of good Y
   C) 4/3 units of good Y for every one unit of good X.
   D) 0 units of good Y.

63) The above table shows production combinations on a country's production possibilities frontier.   63) _____
A movement from _____ involves the *greatest* opportunity cost of increasing the production
of good Y.

A) point B to point A   B) point E to point D
C) point C to point B   D) point D to point C

Point	Production of cheese (tonnes)	Production of wine (gallons)
A	0	1,000
B	250	900
C	500	700
D	750	400
E	1,000	0

64) The above table shows the production possibilities frontier for the economy of Arkadia. The
opportunity cost of increasing cheese production from 500 (tonnes of) cheese to 750 (tonnes of)
cheese is

A) 300 gallons of wine.   B) 250 tonnes of cheese.
C) 700 gallons of wine.   D) 100 gallons of wine.

64) _____

Point	Production of soda	Production of pizza
A	40	0
B	28	3
C	20	5
D	12	7
E	0	10

65) Suppose that, for given resources and production technology, the above table is an accurate
description of the production relationship between soda and pizza. For the sake of simplicity we
assume the relationship is linear. Which of the following production possibilities is not
attainable?

A) 5 sodas, 10 pizzas.
B) 40 sodas, 0 pizzas.
C) 15 sodas, 5 pizzas.
D) All of the above possibilities are attainable.

65) _____

66) Suppose that, for given resources and production technology, the above table is an accurate
description of the production relationship between soda and pizza. For the sake of simplicity we
assume the relationship is linear. Based on what you know about production possibilities
frontier, which of the following production possibilities is not efficient?

A) 12 sodas and 10 pizzas.   B) 20 sodas and 5 pizzas.
C) 28 sodas and 3 pizzas.   D) 15 sodas and 5 pizzas.

66) _____

67) Suppose that, for given resources and production technology, the above table is an accurate
description of the production relationship between soda and pizza. For the sake of simplicity we
assume the relationship is linear. What is the opportunity cost of producing an additional unit of
pizza?

A) 1 pizza.
B) Cannot be calculated with the information provided (the prices for both products are not
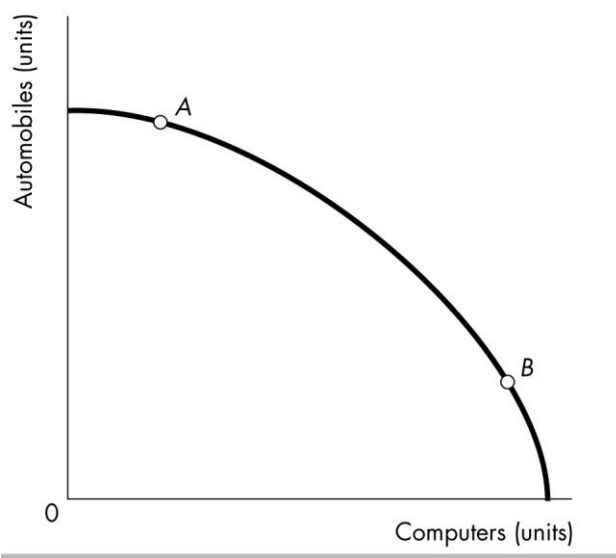   given).
C) 4 sodas.
D) 3 sodas.

67) _____
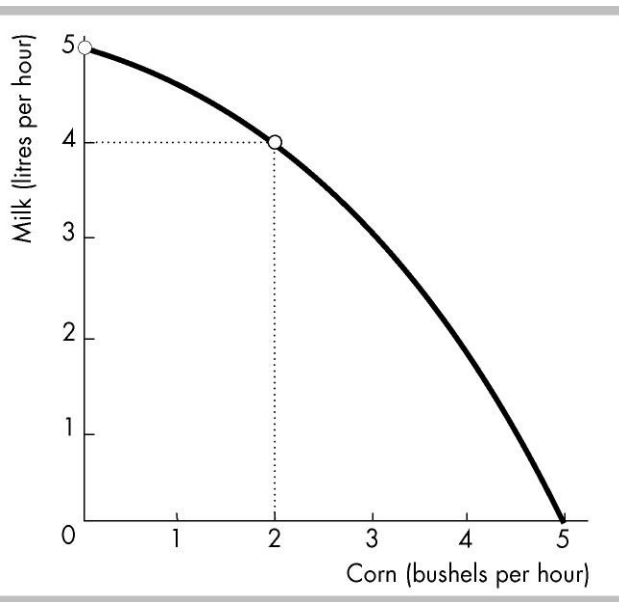
68) Consider the *PPF* for milk and corn in the above figure. If currently no corn is being produced, what is the total opportunity cost of producing another 2 bushels of corn?
    A) 2 bushels of corn.   B) 1 litre of milk.
    C) 4 litres of milk.   D) Nothing.

68) _____

69) The bowed outward shape of the production possibilities frontier in the above figure indicates that
   A) some resources are better suited for producing computers.
    B) computer technology is subject to the principle of decreasing costs.
    C) the opportunity cost of producing more computers decreases as more computers are produced.
    D) All of the above answers are correct.

69) _____

70) According to the figure above, the opportunity cost of producing another computer is
    A) the same at every point along the frontier.

70) _____

B) higher at *A*.
C) different at most points along the frontier but equal at points *A* and *B* because they are equally distant from the axes.
D) higher at *B*.
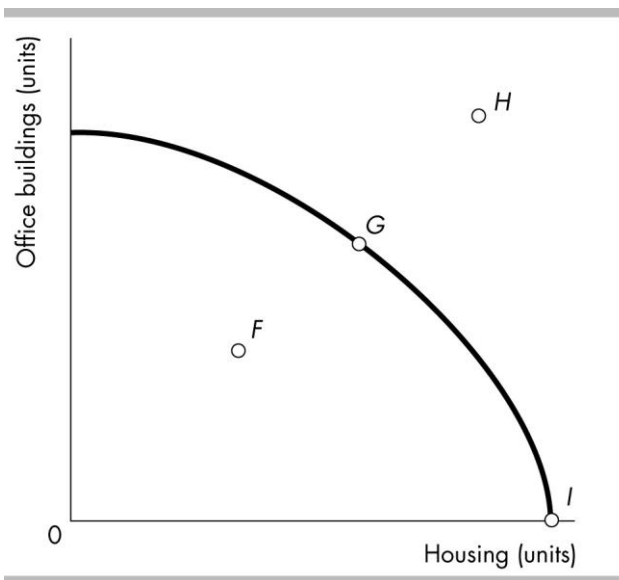
71) Consider the *PPF* for office buildings and housing shown in the figure above. Which point in the diagram shows that resources to produce office buildings and housing are being misallocated, unused, or both?   71) _____
    A) Point *G*.   B) Point *I*.   C) Point *H*.   D) Point *F*.

72) Opportunity cost is represented on the production possibilities frontier by   72) _____
    A) attainable and unattainable points.
    B) efficient and inefficient points.
    C) technological progress.
    D) the amount of good Y forgone when more of good X is produced.

73) At one point along a *PPF*, 50 tonnes of coffee and 100 tonnes of bananas are produced. At another point along the same *PPF*, 30 tonnes of coffee and 140 tonnes of bananas are produced. The opportunity cost of a tonne of coffee between these points is   73) _____
    A) 1/2 of a tonne of bananas.   B) 2 tonnes of bananas.
   C) 7/5 of a tonne of bananas.   D) 5/7 of a tonne of bananas.
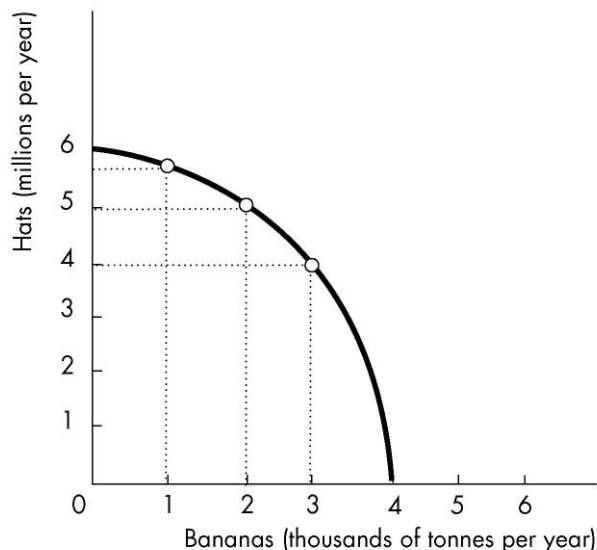
74) In the production possibilities frontier depicted in the figure above, which of the following combinations of hats and bananas is unattainable?
   A) 4 thousand tonnes of bananas and 4 million hats.
   B) 1 thousand tonnes of bananas and 3 million hats.
   C) 0 tonnes of bananas and 6 million hats.
   D) 2 thousand tonnes of bananas and 5 million hats.

74) _____

75) In the production possibilities frontier depicted in the figure above, which of the following combinations of hats and bananas is inefficient?
   A) 4 thousand tonnes of bananas and 4 million hats.
   B) 1 thousand tonnes of bananas and 3 million hats.
   C) 0 thousand tonnes of bananas and 6 million hats.
   D) 2 thousand tonnes of bananas and 5 million hats.

75) _____

76) In the production possibilities frontier depicted in the figure above, which of the following combinations of hats and bananas is generated by an efficient allocation of resources (no misallocated resources)?
   A) 2 thousand tonnes of bananas and 5 million hats.
   B) 0 tonnes of bananas and 6 million hats.
   C) 3 thousand tonnes of bananas and 4 million hats.
   D) All of the above combinations are efficient.

76) _____

77) In the production possibilities frontier depicted in the figure above, what is the opportunity cost of increasing the production of bananas from two thousand tonnes to three thousand tonnes?
   A) 2 million hats.   B) 1 million hats.
   C) 3 million hats.   D) 1/2 million hats.

77) _____

78) Jane produces only corn, measured in tonnes, and cloth, measured in bolts. For her, the opportunity cost of one more tonne of corn is
   A) the ratio of all the bolts of cloth she produces to all the tonnes of corn she produces.
   B) the inverse of the opportunity cost of one more bolt of cloth.
   C) the same as the opportunity cost of one more bolt of cloth.
   D) the ratio of the acres of land she uses to graze sheep to the acres she uses to grow corn.

78) _____

79) The principle of increasing opportunity cost leads to

79) _____

A) an inward shift of the production possibilities frontier (*PPF*).
 B) a production possibilities frontier (*PPF*) that is bowed outward from the origin.
 C) an outward shift of the production possibilities frontier (*PPF*).
 D) a production possibilities frontier (*PPF*) that is bowed inward from the origin.

80) A *PPF* bows outward because   80) _____
    A) entrepreneurial talent is more abundant than human capital.
     B) consumers prefer about equal amounts of the different goods.
    C) not all resources are equally productive in all activities.
    D) resources are used inefficiently.
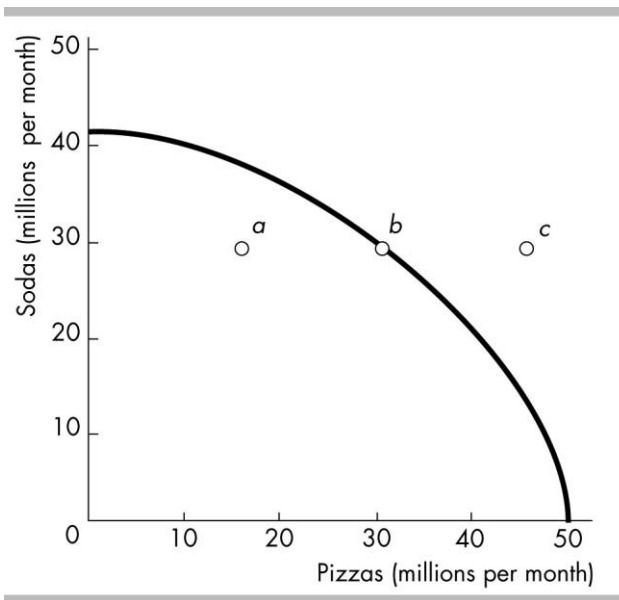
81) A *PPF*, such as the one above, that bows outward illustrates   81) _____
    A) that technology is improving.   B) increasing opportunity cost.
    C) that productivity is falling.   D) decreasing opportunity cost.

82) In the figure above,   82) _____
    A) some resources must be unemployed at point *c*.
     B) moving from point *a* to point *b* would require new technology.
    C) production at point *b* is efficient whereas production at point *a* is not efficient.
   D) opportunity costs are decreasing.

83) As we increase the production of computers, we find that we must give up larger and larger   83) _____
    amounts of DVD players per computer.
    A) DVD players will be more highly regarded by consumers than computers.
     B) As a result, we should specialize in the production of DVD players.
    C) The production possibilities frontier for computers and DVD players is a straight line.
    D) This situation illustrates increasing opportunity cost.
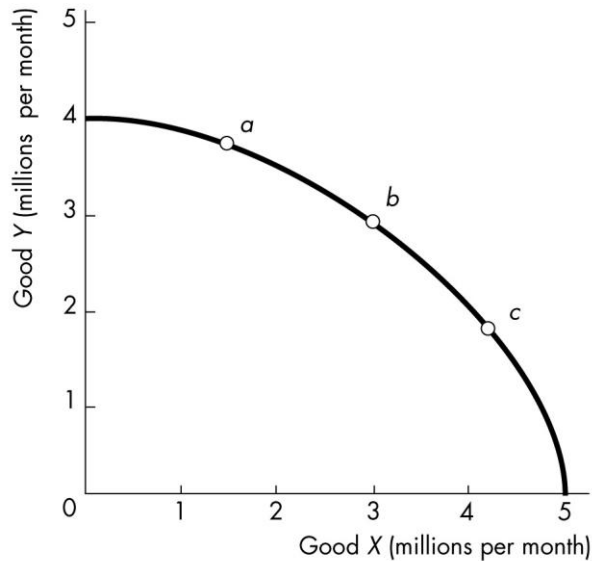
84) As output moves from point *a* to point *b* to point *c* along the *PPF* in the above figure, the
opportunity cost of one more unit of good *X*

    A) rises. The opportunity cost of one more unit of good *Y* also rises.

    B) falls. The opportunity cost of one more unit of good *Y* also falls.

    C) falls. The opportunity cost of one more unit of good *Y* rises.

    D) rises. The opportunity cost of one more unit of good *Y* falls.

84) _____

85) Refer to the production possibilities frontier in the figure above. More of good *X* must be given
up per unit of good *Y* gained when moving from point *b* to point *a* than when moving from
point *c* to point *b*. This fact

    A) indicates that good *Y* is more capital intensive than good *X*.

    B) indicates that good *X* is more capital intensive than good *Y*.

    C) illustrates increasing opportunity cost.

    D) illustrates decreasing opportunity cost.

85) _____

86) When the production possibilities frontier bows outward from the origin,

    A) opportunity costs are decreasing.

    B) some of society's resources are unemployed.

    C) opportunity costs are increasing.

    D) opportunity costs are constant.

86) _____

87) The slope of a production possibilities frontier that displays increasing opportunity cost is

    A) steeper near the horizontal intercept than near the vertical intercept.

    B) positive and constant.

    C) negative and constant.

    D) steeper near the vertical intercept than near the horizontal intercept.

87) _____

88) The fact that individual productive resources are <u>NOT</u> equally useful in all activities

    A) follows from the law of demand.

    B) implies a linear production possibilities frontier.

    C) implies that a production possibilities frontier will be bowed outward.

    D) implies that gain from specialization and trade is unlikely.

88) _____
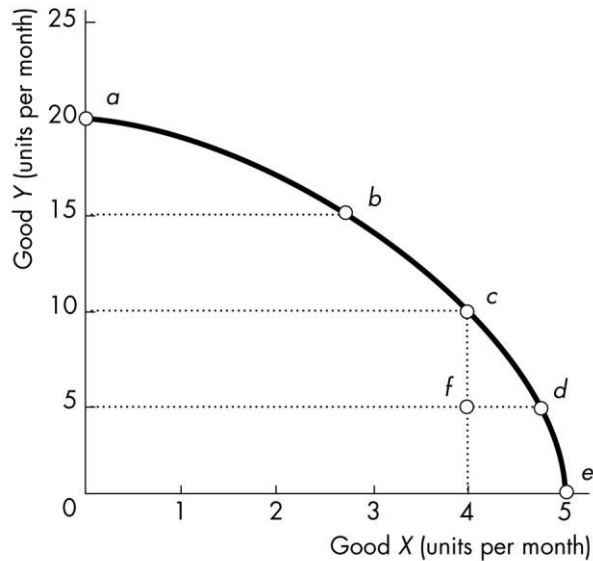
89) The figure above illustrates Mary's production possibilities frontier. If Mary wants to move from point b to point c, she must

89) _____

   A) improve technology.
   B) give up some of good Y in order to obtain more of good X.
   C) give up some of good X in order to obtain more of good Y.
   D) increase the accumulation of capital.

90) The above figure illustrates Mary's production possibilities frontier. If Mary wants to move from point d to point c, she must

90) _____

   A) give up some of good Y in order to obtain more of good X.
   B) give up some of good X in order to obtain more of good Y.
   C) increase her accumulation of capital.
   D) improve technology.

91) The above figure illustrates Mary's production possibilities frontier. Which of the following movements show opportunity costs increasing?

91) _____

   A) Point a to point f.   B) Point f to point a.
   C) Point a to point b to point c.   D) Point c to point f to point d.

92) Refer to the production possibilities frontier figure above. Which of the following movements requires the largest opportunity cost, in terms of good X forgone, per extra unit of good Y?

92) _____

   A) From point d to point c.   B) From point b to point a.
   C) From point c to point b.   D) From point e to point d.

93) Refer to the production possibilities frontier in the figure above. Which of the following movements requires the largest opportunity cost, in terms of good Y forgone, per extra unit of good X?

93) _____

   A) From point c to point d.   B) From point a to point b.
   C) From point d to point e.   D) From point b to point c.

Point	Production of X	Production of Y
a	0	40
b	4	36

| c	8	28
d	12	16
e	16	0

94) Refer to the table above, which gives five points on a nation's *PPF*. The production of 7 units of *X*   94) _____
and 28 units of *Y* is
    A) impossible given the available resources.
    B) on the production possibilities frontier between points *b* and *c*.
    C) on the production possibilities frontier between points *c* and *d*.
    D) possible but leaves some resources less than fully used or misallocated.

95) Refer to the table above, which describes a nation's *PPF*. What does point *c* mean?   95) _____
    A) The opportunity cost of one more unit of X is 3.5 units of Y.
    B) If 8 units of *X* are produced, then at most 28 units of *Y* can be produced.
    C) The opportunity cost of one less unit of *X* is 3.5 units of *Y*.
    D) If 8 units of *X* are produced, then 28 or more units of *Y* can be produced.

96) Refer to the table above, which gives five points on a nation's *PPF*. The opportunity cost of   96) _____
increasing the production of *X* from 8 to 12 units is a total of
    A) 12 units of *Y*.   B) 3.5 units of *Y*.   C) 1.33 units of *Y*.   D) 8 units of *Y*.

97) Refer to the table above, which gives five points on a nation's *PPF*. The opportunity cost of   97) _____
increasing the production of *Y* from 16 to 36 units is a total of
    A) 10 units of *X*.   B) 8 units of *X*.   C) 4 units of *X*.   D) 12 units of *X*.

98) Refer to the table above, which gives five points on a nation's *PPF*. As we increase the   98) _____
production of *X*,
    A) the output of *Y* increases.
    B) unemployment increases.
    C) the opportunity cost of each new unit of *X* decreases.
    D) the opportunity cost of each new unit of *X* increases.

99) Refer to the table above, which gives five points on a nation's *PPF*. The numbers in the table   99) _____
demonstrate that
    A) the opportunity cost of producing an additional unit of *Y* increases as the production of *Y*
       increases.
    B) the economy illustrated has a comparative advantage in *X*.
    C) the economy illustrated has a comparative advantage in *Y*.
    D) the opportunity cost of producing an additional unit of *Y* decreases as the production of *Y*
       increases.

100) Tom Petty excels at producing rock videos. Tom Clancy excels at writing military novels. The   100) _____
difference in their skills is one reason why the production possibilities frontier for videos and
novels
    A) is steeper to the right.   B) is shallower to the right.
    C) has a positive slope.   D) has a constant slope.

101) Generally, opportunity costs increase and the production possibilities frontier bows outward.   101) _____
Why?
    A) Technology is slow to change.
    B) Labour is scarcer than capital.
    C) Resources are not equally useful in all activities.

D) Unemployment is inevitable.

102) When the production possibilities frontier is bowed outwards, the opportunity cost of producing more of one good

102) _____

    A) increases in terms of the amount foregone of the other good.
    B) cannot be determined.
    C) remains constant.
    D) decreases in terms of the amount foregone of the other good.

103) Consider a *PPF* for tapes and soda. If the opportunity cost of a tape increases as the quantity of tapes produced increases and also the opportunity cost of a soda increases as the quantity of soda produced increases, then the *PPF* between the two goods will be

103) _____

    A) a straight, upward-sloping line.
    B) a straight, downward-sloping line.
    C) bowed outward.
    D) All of the above are possible and more information is needed to determine which answer is correct.

104) Increasing opportunity cost occurs along a production possibilities frontier because

104) _____

    A) resources are not equally productive in all activities.
    B) increasing wants need to be satisfied.
    C) production takes time.
    D) in order to produce more of one good decreasing amounts of another good must be sacrificed.

105) Increasing opportunity cost along a *PPF* is the result of

105) _____

    A) the fact that it is more difficult to use resources efficiently the more society produces.
    B) the fact that resources are not equally suited for different types of production.
    C) ever increasing taxes.
    D) firms' needs to earn more and more profits.

106) Which of the following causes the production possibilities frontier to have a bowed out, curved shape?

106) _____

    A) The assumption that resources are not specialized.
    B) The assumption that resources are specialized.
    C) The point that moving along the *PPF* technology is held constant.
    D) The scarcity of resources.

107) The fact that opportunity costs increase while moving along a production possibilities frontier means that a production possibilities frontier for any economy will

107) _____

    A) be bowed in, toward the origin.
    B) be a straight line with a constant and positive slope.
    C) reach a minimum and then rapidly increase.
    D) be bowed out, away from the origin.

108) The principle of increasing opportunity cost occurs because

108) _____

    A) resources are not equally suited to all activities.
    B) resources are being used inefficiently.
    C) we must give up something to get something else.
    D) scarcity exists.

109) One point on a *PPF* shows production levels of 50 tonnes of coffee and 100 tonnes of bananas.

Rem aining

on the *PPF*, an increase of banana production to 140 tonnes shows coffee production at 30 tonnes. Still remaining on the *PPF*, we see that coffee production at 10 tonnes allows banana production at 160 tonnes. The opportunity cost of a tonne of bananas is

A) constant because coffee production decreased by the same amount each time.

B) increasing from 1/2 tonne of coffee to 1 tonne of coffee per tonne of bananas.

C) 16 to 1, that is every 1 tonne of coffee given up will result in 16 more tonnes of bananas.

D) decreasing, because the increase in banana production is less at each point considered.
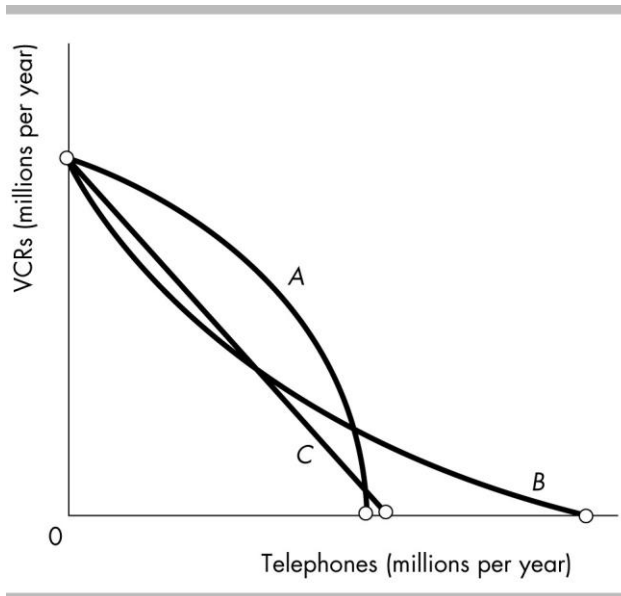
110) In the figure above, which of the curves shows a production possibilities frontier with increasing
opportunity cost in the production of VCRs and telephones?

    A) *A*

    B) *B*

    C) *C*

    D) All of the curves illustrate a production possibilities frontier with increasing opportunity
cost in the production of VCRs and telephones.

110) _____

111) Marginal cost is the opportunity cost

    A) that your activity imposes on someone else.

    B) that arises from producing one more unit of a good or service.

    C) of a good or service divided by the number of units produced.

    D) of a good or service that exceeds its benefit.

111) _____
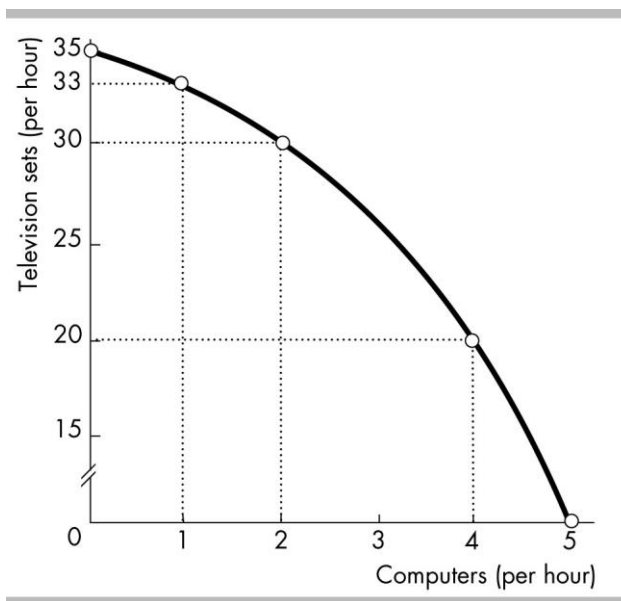
112) In the figure above, the marginal cost of producing a computer

   A) is the same as the marginal cost of producing a television set.

112) _____

B) rises as more computers are produced.

C) falls as more computers are produced.

D) stays the same as more computers are produced.

113) In the figure above, the marginal cost of the second computer is 113) _____

A) 2 television sets. B) 3 television sets.

C) 30 television sets. D) 5 television sets.

114) In the figure above, the marginal cost of the fifth computer is 114) _____

A) 20 television sets. B) 0 television sets.

C) 4 television sets. D) 35 television sets.

115) Marginal cost curves generally slope 115) _____

A) upward because of increasing opportunity cost.

B) downward because of increasing opportunity cost.

C) upward because of decreasing opportunity cost.

D) downward because of decreasing opportunity cost.

116) Marginal benefit is the benefit 116) _____

A) that is received from consuming one more unit of a good or service.

B) that your activity provides to someone else.

C) of consuming another good or service divided by the total number of goods or services produced.

D) of producing a good or service when the total benefit from the good or service exceeds its total cost.

117) The marginal benefit from a good is the maximum amount a person is willing to pay for 117) _____

A) one more unit of the good divided by the number of units purchased.

B) all of the units of the good the person consumes divided by the number of units he or she purchases.

C) all of the good the person consumes.

D) one more unit of the good.

118) The marginal benefit of a good or service is measured by 118) _____

A) the consumers' ability to pay for it.

B) the average social benefit received from consuming it.

C) the cost of producing an additional unit of it.

D) willingness to pay for an additional unit of it.

119) The marginal benefit of a good or service usually 119) _____

A) decreases as we consume less of it. B) decreases as we consume more of it.

C) stays constant as we consume more of it. D) increases as we consume more of it.

120) Marginal benefit curves generally slope 120) _____

A) downward, but not because of increasing opportunity cost.

B) upward because of increasing opportunity cost.

C) downward because of increasing opportunity cost.

D) upward, but not because of increasing opportunity cost.

121) Marginal benefit curves slope 121) _____

A) upward and so do marginal cost curves.

B) upward, but marginal cost curves slope downward.

C) downward, but marginal cost curves slope upward.

D) downward and so do marginal cost curves.

Television sets (millions per year)	Willingness to pay (computers per television set)
1	2.5
2	2.0
3	1.5
4	1.0
5	0.5

122) In the table above, the marginal benefit of the 4 millionth television set is   122) _____

    A) negative 0.5 computers per television set.   B) 1.0 computer per television set.

    C) 0.25 computers per television set.   D) 0.5 computers per television set.

123) Resource use is efficient when   123) _____

    A) we produce the goods we value most highly.

    B) we produce the goods with the lowest opportunity cost.

    C) we cannot produce more goods and services.

    D) we produce the goods with the highest opportunity cost.

124) When we cannot produce more of any good without giving up some other good that we value   124) _____

more highly, we have achieved

    A) allocative efficiency.   B) economic growth.

    C) production.   D) equity.

125) If the marginal benefit of a good exceeds its marginal cost   125) _____

    A) we cannot tell if more or less should be produced.

    B) we should produce less.

    C) we should produce more.

   D) we've achieved efficient resource use.
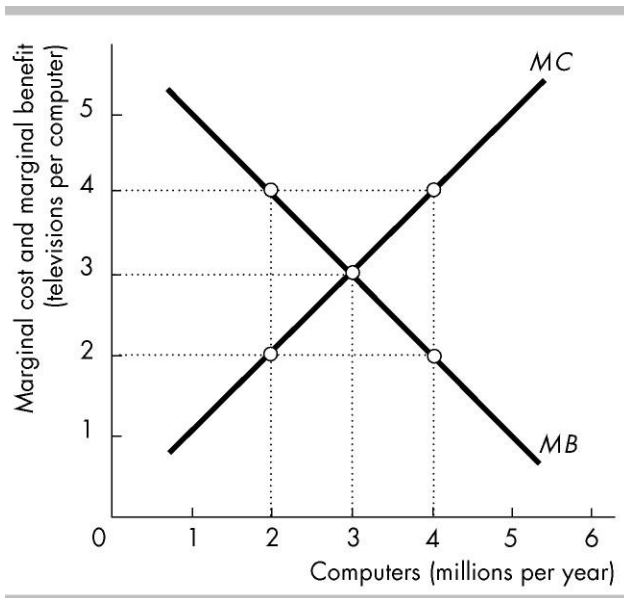
126) In the above figure, if 2 million computers are produced per year then the

    A) marginal benefit of a computer exceeds the marginal cost of a computer, so fewer computers should be produced.

    B) marginal cost of a computer exceeds the marginal benefit of a computer, so fewer computers should be produced.

    C) marginal benefit of a computer exceeds the marginal cost of a computer, so more computers should be produced.

    D) marginal cost of a computer exceeds the marginal benefit of a computer, so more computers should be produced.

126) _____

127) In the figure above, if 4 million computers are produced per year then the

    A) marginal cost of a computer exceeds the marginal benefit of a computer, so more computers should be produced.

    B) marginal benefit of a computer exceeds the marginal cost of a computer, so fewer computers should be produced.

    C) marginal cost of a computer exceeds the marginal benefit of a computer, so fewer computers should be produced.

    D) marginal benefit of a computer exceeds the marginal cost of a computer, so more computers should be produced.

127) _____

128) In the figure above, the efficient output of computers is

    A) 4 million per year.   B) the largest amount possible.

    C) 2 million per year.   D) 3 million per year.

128) _____

129) In the figure above, at the efficient level of computer production consumers are willing to give up

    A) between 0 and 3 televisions per computer.

    B) 0 televisions per computer.

    C) more than 3 televisions per computer.

    D) 3 televisions per computer.

129) _____

130) In the figure above, at the efficient level of computer production the marginal cost of producing a computer is

    A) between 0 and 3 televisions per computer.

    B) 0 televisions per computer.

130) _____

C) more than 3 televisions per computer.
D) 3 televisions per computer.

131) An expansion of the production possibilities frontier is   131) _____
    A) something that has occurred only rarely in history.
    B) called economic growth.
    C) a free gift of nature.
    D) proof that scarcity is not a binding constraint.

132) After Hurricane Mitch devastated part of Central America in October 1998, we can be reasonably   132) _____
sure that the production possibilities frontier for that area temporarily
    A) became steeper.   B) shifted outward, away from the origin.
    C) became flatter.   D) shifted inward, toward the origin.

133) Economic growth is the result of all of the following EXCEPT   133) _____
    A) opportunity cost.   B) technological change.
    C) capital accumulation.   D) investment in human capital.

134) A key factor that leads to economic growth is   134) _____
    A) increasing current consumption.
    B) avoiding the opportunity cost of investment.
    C) human capital accumulation.
    D) both answers A and B are correct.

135) Technological progress makes the production possibilities frontier   135) _____
    A) become more linear and less bowed.   B) become less linear and more bowed.
    C) shift inward toward the origin.   D) shift outward from the origin.

136) Consider a production possibilities frontier with corn on the vertical axis and cars on the   136) _____
horizontal. Unusually good weather for growing corn shifts
    A) neither the horizontal intercept nor the vertical intercept.
    B) the horizontal intercept rightward and the vertical intercept upward.
    C) the vertical intercept upward but does not shift the horizontal intercept.
    D) the horizontal intercept rightward but does not shift the vertical intercept.

137) Capital accumulation   137) _____
    A) makes the production possibilities frontier steeper.
    B) shifts the production possibilities frontier inward.
    C) shifts the production possibilities frontier outward.
    D) has no impact on the production possibilities frontier.

138) The production possibilities frontier shifts as   138) _____
    A) the money supply grows or shrinks.   B) tastes and preferences change.
    C) the unemployment rate changes.   D) technology changes.

139) The opportunity cost of economic growth is   139) _____
    A) present consumption that a nation gives up to accumulate capital.
    B) investment that a nation gives up to increase its economic growth.
    C) future consumption that a nation gets if it gives up some present consumption.
    D) future consumption that a nation gives up to consume more today.

140) Economic growth   140) _____

A) is the major reason we face scarcity.
B) allows us to increase our consumption in the present and in the future.
C) leads to less consumption in the present but can increase consumption in the future.
D) is free.
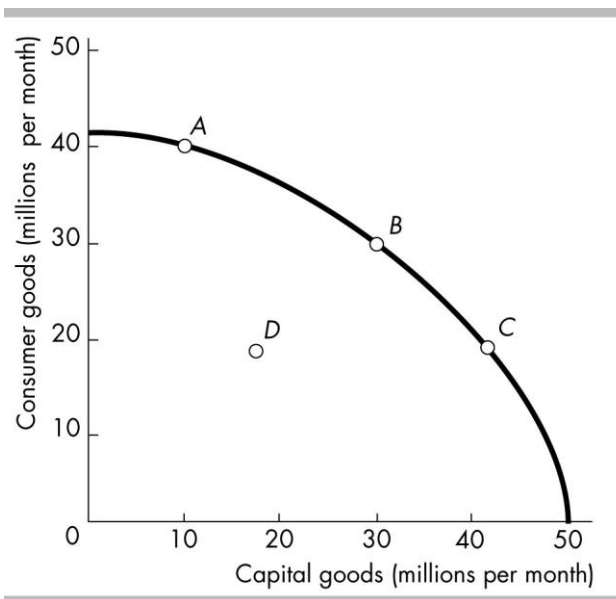
141) The production possibilities frontier in illustrated in the figure above will shift outward the most   141) _____
rapidly if point
   A) *A* is selected.   B) *B* is selected.   C) *C* is selected.   D) *D* is selected.

142) The figure above shows the production possibilities frontiers for four nations that have identical   142) _____
production possibilities frontiers in the present. The one that will grow most rapidly in the
future is most likely to be at point
   A) *A*.   B) *B*.   C) C.   D) *D*.

143) Because of the existence of comparative advantage, the total output of goods is higher when each   143) _____
producer
   A) produces several different goods.
   B) specializes in the production of a particular good.
   C) produces at the midpoint of its *PPF*.
   D) makes both intermediate and final goods.

144) A person has a comparative advantage in producing a particular good if that person   144) _____
   A) has higher productivity in producing it than anyone else has.
   B) has more human capital related to that good than anyone else has.
   C) can produce it at lower opportunity cost than anyone else can.
   D) has less desire to consume that good than anyone else has.

145) Possessing a comparative advantage in the production of a particular good   145) _____
   A) tends to discourage specialization.
   B) means that its opportunity cost is higher than that of other goods.
   C) permits gains from trade.
   D) encourages self-sufficiency.

146) Individuals A and B both produce good *X*. We say that A has a comparative advantage in the   prod uction

of good   146)   ____
X if A   _

    A) can produce X using newer technology than can B.
    B) can produce more units of X in a given time period than can B.
    C) has a lower opportunity cost of producing good X than has B.
    D) has a lower opportunity cost of producing good X than of producing good Y.

147) In an eight-hour day, Andy can produce either 24 loaves of bread or 8 pounds of butter. In an   147) _____
    eight-hour day, Bob can produce either 8 loaves of bread or 8 pounds of butter. We know that
    Andy has a comparative advantage in the production of
    A) butter, while Bob has a comparative advantage in the production of bread.
    B) bread, while Bob has a comparative advantage in the production of butter.
    C) both bread and butter.
    D) bread and neither has a comparative advantage in the production of butter.

Country A		Country B	
Good X (units of X)	Good Y (units of Y)	Good X (units of X)	Good Y (units of Y)
0	16	0	12
2	12	2	9
4	8	4	6
6	4	6	3
8	0	8	0

148) In the table above, country A is producing 4 units of X and 8 units of Y and country B is   148) _____
    producing 4 units of X and 6 units of Y. The opportunity cost of producing more of
    A) good Y is lower in country A.   B) good X is the same for both countries.
    C) good X is lower in country A.   D) good Y is the same for both countries.

149) In the table above, country A is producing 4 units of X and 8 units of Y and country B is   149) _____
    producing 4 units of X and 6 units of Y. Regarding the production of good X
    A) country A has an absolute advantage.   B) country A has a comparative advantage.
    C) country B has a comparative advantage.   D) country B has an absolute advantage.

150) In the table above, country B is producing 4 units of X and 6 units of Y. For country B, the   150) _____
    opportunity cost of producing an additional unit of X is
    A) 4 units of Y.   B) 2 units of Y.   C) 1 unit of Y   D) 3/2 units of Y.

151) In the table above, country B is producing 4 units of X and 6 units of Y. For country B, the   151) _____
    opportunity cost of producing an additional unit of Y is
    A) 3 units of X.   B) 2 units of X.   C) 1/2 unit of X.   D) 2/3 unit of X.

152) Both Mergatroid and the Geebocks produce only gizmos and widgets. It is possible for   152) _____
    Mergatroid to have
    A) an absolute but not a comparative advantage in both products.
    B) an absolute and a comparative advantage in both products.
    C) a comparative but not an absolute advantage in both products.
    D) neither a comparative nor an absolute advantage in both products.

153) One of the largest categories of exports from the United States is now pop culture: movies,   com d to
    music, TV programming, and videos. A direct conclusion from this information is that,   pare other

countries 153)
, the
United
States
has

____ _

    A) higher wages for producers of pop culture.
    B) lower wages for producers of pop culture.
    C) a comparative advantage in producing pop culture.
    D) an absolute advantage in producing pop culture.

154) One of the largest categories of exports from the United States is now pop culture: movies,   154) _____
music, TV programming, and videos. A direct conclusion from this information is that,
compared to other countries, the United States has
    A) lower wages for producers of pop culture.
    B) a lower opportunity cost of producing pop culture.
    C) higher wages for producers of pop culture.
    D) a higher opportunity cost of producing pop culture.

155) George and Michael can gain from exchange   155) _____
    A) if each specializes in the production of the good for which he has the higher opportunity
       cost.
    B) unless one has an absolute advantage in all goods.
    C) if each specializes in the production of the good for which he has the lower opportunity
       cost.
    D) unless they have different opportunity costs.

156) To obtain the gains available from comparative advantage, individuals or countries must do   156) _____
more than specialize; they must also
    A) engage in research and development.   B) trade.
    C) invest.   D) save.

157) By specialization and trade, two individuals can   157) _____
   A) increase their comparative advantage.
    B) increase their absolute advantage.
    C) shift their individual production possibilities frontiers outward.
    D) consume at a point beyond their individual production possibilities frontiers.

158) Jane produces only corn and cloth. The land that she allocates to corn   158) _____
    A) may have a comparative advantage for cloth, but nonetheless has an absolute advantage
       for corn.
    B) may have neither an absolute nor a comparative advantage for corn.
    C) must have both an absolute and a comparative advantage for corn.
    D) may have an absolute advantage for cloth, but nonetheless has a comparative advantage
       for corn.
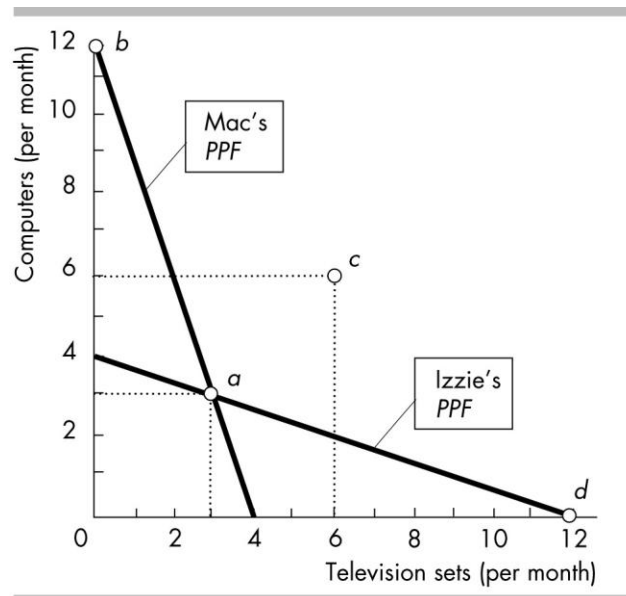
159) In the figure above, suppose that Mac and Izzie trade and reach point *c*. Then
   A) Mac and Izzie both produce outside their production possibilities frontiers.
   B) Mac produces outside his production possibilities frontier.
   C) Izzie produces outside her production possibilities frontier.
   D) neither Mac nor Izzie produce outside their production possibilities frontiers.

159) _____

160) In the figure above, suppose that Mac and Izzie trade and reach point *c*. Then
   A) Mac and Izzie should both produce at point *a*.
   B) Mac should produce at point *d* and Izzie should produce at point *b*.
   C) Mac should produce at point *b* and Izzie should produce at point *d*.
   D) Mac and Izzie should both produce at point *c*.

160) _____

161) In the figure above, if Mac and Izzie both completely specialized and traded with one another, their joint output would be
   A) 3 computers and 3 TV sets per month.   B) 12 computers and 12 TV sets per month.
   C) 24 computers and 24 TV sets per month.   D) 6 computers and 6 TV sets per month.

161) _____

162) In the figure above, suppose that Mac and Izzie specialize and trade to reach point *c*. Mac sends Izzie
   A) 12 computers in exchange for 6 TVs.   B) 12 computers in exchange for 12 TVs.
   C) 6 computers in exchange for 6 TVs.   D) 6 computers in exchange for 12 TVs.

162) _____

163) A person who has an absolute advantage in the production of all goods will
   A) also have a comparative advantage in the production of all goods.
   B) have a comparative advantage only in the production of some goods but not for others.
   C) have a production possibilities frontier with a constant slope.
   D) not be able to gain from specialization and exchange.

163) _____

164) Whenever a person can produce more of all goods than anyone else, that person
   A) has an absolute advantage.
   B) has a comparative advantage in everything.
   C) should be self-sufficient.
   D) should specialize in everything.

164) _____

165) A person who has an absolute advantage will

165) _____

A) not trade.
 B) not have a comparative advantage in everything.
 C) not specialize.
 D) have a comparative advantage in everything.

166) If a person can produce more of all goods than anyone else, that person   166) _____
    A) is no longer affected by scarcity.
     B) has a comparative advantage in the production of all goods.
     C) will be unable to gain from specialization and exchange.
     D) has an absolute advantage.

167) Homer and Teddy are stranded on a desert island. To feed themselves each day they can either   167) _____
    catch fish or pick fruit. In a day, Teddy could pick 60 pieces of fruit or catch 20 fish. Homer could
    pick 100 pieces of fruit or catch 150 fish. Which of the following is correct?
    A) Homer has a comparative advantage in both catching fish and picking fruit.
     B) Teddy has a comparative advantage in both catching fish and picking fruit.
     C) Homer has a comparative advantage in catching fish and Teddy has a comparative
        advantage in picking fruit.
     D) Homer has a comparative advantage in picking fruit and Teddy has a comparative
        advantage in catching fish.

168) Homer and Teddy are stranded on a desert island. To feed themselves each day they can either   168) _____
    catch fish or pick fruit. In a day, Teddy could pick 60 pieces of fruit or catch 20 fish. Homer could
    pick 100 pieces of fruit or catch 150 fish. Which of the following statements is correct?
    A) Teddy has an absolute advantage in both catching fish and picking fruit.
     B) Homer has an absolute advantage in both catching fish and picking fruit.
     C) Homer has an absolute advantage in catching fish and Teddy has an absolute advantage in
        picking fruit.
     D) Homer has an absolute advantage in picking fruit and Teddy has an absolute advantage in
        catching fish.

169) Agnes can produce either 1 unit of X or 1 unit of Y in an hour, while Brenda can produce either 2   169) _____
    units of X or 4 units of Y in an hour. The opportunity cost of producing a unit of X is
    A) 1 unit of Y for Agnes and 1/2 unit of Y for Brenda.
     B) 1 hour for Agnes and 1/2 hour for Brenda.
     C) 1 unit of Y for Agnes and 2 units of Y for Brenda.
     D) 1 hour for Agnes and 2 hours for Brenda.

170) Agnes can produce either 1 unit of X or 1 unit of Y in an hour, while Brenda can produce either 2   170) _____
    units of X or 4 units of Y in an hour. The opportunity cost of producing a unit of Y is
    A) 1 unit of X for Agnes and 1/2 unit of X for Brenda.
     B) 1 unit of X for Agnes and 2 units of X for Brenda.
     C) 1 hour for Agnes and 2 hours for Brenda.
     D) 1 hour for Agnes and 1/2 hour for Brenda.

171) Agnes can produce either 1 unit of X or 1 unit of Y in an hour, while Brenda can produce either 2   171) _____
    units of X or 4 units of Y in an hour. There can be gains from exchange
    A) if Agnes specializes in the production of Y and Brenda in X.
     B) only if Brenda becomes faster at producing X or Y.
     C) if Agnes specializes in the production of X and Brenda in Y.
     D) only if Agnes becomes faster at producing X.

172) Agnes can produce either 1 unit of X or 1 unit of Y in an hour, while Brenda can produce either 2 units of X or 4 units of Y in an hour.

    A) Brenda cannot gain from trade.

    B) Agnes has a comparative advantage in the production of Y.

    C) Brenda has an absolute advantage over Agnes.

    D) Brenda has a comparative advantage in the production of X.

172) _____

173) Dynamic comparative advantage arises from

    A) absolute advantage.   B) decreasing marginal benefit.

    C) increasing opportunity cost.   D) learning-by-doing.

173) _____

174) Learning-by-doing is a basis for

    A) dynamic comparative advantage.   B) eliminating opportunity cost.

    C) absolute comparative advantage.   D) reducing the gains from trade over time.

174) _____

175) The social arrangements that govern the ownership, use, and disposal of property are referred to as

    A) private enterprise.   B) capitalism.

    C) property rights.   D) the double coincidence of wants.

175) _____

176) Intellectual property

    A) is protected by people's sense of decency rather than by written laws.

    B) is protected by common law rather than by written laws.

    C) is often protected by copyrights and patents.

    D) belongs to everyone with the necessary human capital to use it.

176) _____

177) In a world lacking property rights, it would be

    A) harder to realize the gains from trade and there would be less specialization.

    B) easier to realize the gains from trade and there would be less specialization.

    C) easier to realize the gains from trade and there would be more specialization.

    D) harder to realize the gains from trade and there would be more specialization.

177) _____

178) A computer software program is most strongly an example of

    A) vicarious property.   B) intellectual property.

    C) fiat property.   D) real property.

178) _____

179) The term "market" refers to

    A) physical structures only.

    B) trading arrangements that have been approved by the government.

    C) locations where buyers and sellers physically meet.

    D) any arrangement that enables buyers and sellers to get information and trade with one another.

179) _____

180) In goods markets

    A) and in factor markets households sell to firms.

    B) and in factor markets firms sell to households.

    C) firms sell to households. In factor markets households sell to firms.

    D) households sell to firms. In factor markets firms sell to households.

180) _____

181) Individual economic decisions are coordinated by

    A) markets through adjustments in sales levels.

    B) government through adjustments in sales taxes.

181) _____

C) government through adjustments in income taxes.
D) markets through adjustments in prices.

182) Which of the following is not sold, or rented, by households to firms?   182) _____
    A) Labour.   B) Capital.
    C) Goods and services.   D) Land.

183) Which of the following is not related to resource markets?   183) _____
    A) Labour.   B) Interest.
    C) Wages.   D) Goods and services.

184) Which of the following is not related to goods markets?   184) _____
    A) Final products.   B) Wages.
    C) Expenditure payments.   D) None of the above.

1) C
2) A
3) C
4) C
5) D
6) C
7) B
8) A
9) C
10) B
11) C
12) C
13) B
14) B
15) A
16) B
17) A
18) D
19) A
20) A
21) B
22) D
23) B
24) B
25) B
26) B
27) A
28) A
29) B
30) C
31) B
32) B
33) B
34) A
35) C
36) B
37) A
38) B
39) C
40) B
41) D
42) C
43) B
44) B
45) C
46) D
47) A
48) D
49) D
50) B
51) A

52) D
53) B
54) D
55) B
56) B
57) C
58) D
59) D
60) A
61) C
62) C
63) A
64) A
65) A
66) D
67) C
68) B
69) A
70) D
71) D
72) D
73) B
74) A
75) B
76) D
77) B
78) B
79) B
80) C
81) B
82) C
83) D
84) D
85) C
86) C
87) A
88) C
89) B
90) B
91) C
92) B
93) C
94) D
95) B
96) A
97) B
98) D
99) A
100) A
101) C
102) A
103) C

104) A
105) B
106) B
107) D
108) A
109) B
110) A
111) B
112) B
113) B
114) A
115) A
116) A
117) D
118) D
119) B
120) A
121) C
122) B
123) A
124) A
125) C
126) C
127) C
128) D
129) D
130) D
131) B
132) D
133) A
134) C
135) D
136) C
137) C
138) D
139) A
140) C
141) C
142) C
143) B
144) C
145) C
146) C
147) B
148) A
149) C
150) D
151) D
152) A
153) C
154) B
155) C

156) B
157) D
158) D
159) D
160) C
161) B
162) C
163) B
164) A
165) B
166) D
167) C
168) B
169) C
170) A
171) C
172) C
173) D
174) A
175) C
176) C
177) A
178) B
179) D
180) C
181) D
182) C
183) D
184) B