

**TEST BANK**

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**Macroeconomics**

*Eighth Edition*



## Chapter 2 Study Guide--Choice, Opportunity Costs, and Specialization

1. **Figure SG2-1**

Combination	Clothing	Food
A	0	110
B	10	105
C	20	95
D	30	80
E	40	60
F	50	35
G	60	0

According to Figure SG2-1, if the economy is currently producing at point F, the opportunity cost of 10 additional units of clothing is

- A. 25 units of food.
- B. 5 units of food.
- C. 10 units of food.
- D. 35 units of food.
- E. 3.5 units of food.

2. **Figure SG2-1**

Combination	Clothing	Food
A	0	110
B	10	105
C	20	95
D	30	80
E	40	60
F	50	35
G	60	0

According to Figure SG2-1, a combination of 20 units of clothing and 80 units of food is

- A. unattainable.
- B. inefficient.
- C. possible by giving up 15 units of food.
- D. possible if the economy obtains more resources.
- E. possible if an improvement in technology makes the production possibilities curve shift inward.

3. **Figure SG2-1**

Combination	Clothing	Food
A	0	110
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According to Figure SG2-1, a combination of 50 units of clothing and 70 units of food

- A. is inefficient.
- B. is obtainable by giving up 35 units of food.
- C. does not fully utilize resources.
- D. is unattainable.
- E. is possible if an improvement in technology shifts the production possibility curve inward.

4. **Figure SG2-2**

Combination	Alpha		Beta	
	Beef	Microchips	Beef	Microchips
A	0	200	0	300
B	25	150	25	225
C	50	100	50	150
D	75	50	75	75
E	100	0	100	0

According to Figure SG2-2, the opportunity cost of a microchip in Alpha is \_\_\_\_ unit(s) of beef, and the opportunity cost of a microchip in Beta is \_\_\_\_ unit(s) of beef. The opportunity cost of a unit of beef is \_\_\_\_ unit(s) of microchips in Alpha and \_\_\_\_ unit(s) of microchips in Beta.

- A. 1/3; 1/2; 3; 2
- B. 2; 3; 1/2; 1/3
- C. 1/2; 1/3; 2; 3
- D. 3; 2; 1/3; 1/2
- E. 1/2; 3; 1/3; 2

5. **Figure SG2-2**

Combination	Alpha		Beta	
	Beef	Microchips	Beef	Microchips
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B	25	150	25	225
C	50	100	50	150
D	75	50	75	75
E	100	0	100	0

According to Figure SG2-2, Alpha has a comparative advantage in \_\_\_\_, and Beta has a comparative advantage in \_\_\_\_\_. Alpha should produce \_\_\_\_\_, and Beta should produce \_\_\_\_\_.

- A. beef; microchips; beef; microchips
  - B. beef; microchips; microchips; beef
  - C. microchips; beef; microchips; beef
  - D. microchips; beef; beef; microchips
  - E. There is no basis for specialization and trade between these two countries, since Beta can produce just as much beef as Alpha and more microchips.
6. Which of the following situations illustrates an opportunity cost?
- A. Samantha really enjoys playing games with her friends.
  - B. Mike's college tuition payment just went up.
  - C. Dan couldn't go to the movies because he spent all his money buying new clothes.
  - D. Sue can never eat chocolate because she is very allergic to it.
  - E. Chris had to pay \$50 to buy a concert ticket.
7. If the U.S. unemployment rate is 9 percent, this would be represented at a point
- A. outside the U.S. PPC.
  - B. on the U.S. PPC.
  - C. on the vertical axis.
  - D. on the horizontal axis.
  - E. inside the U.S. PPC.



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  - D. on the horizontal axis.
  - E. inside the U.S. PPC.
8. Draw a graph of a production possibilities curve. Indicate a point that is inefficient and a point that is unattainable. What would happen to this production possibilities curve if there were an increase in the production of one of the goods?

Answers will vary.



9. Roughly estimate your true cost of attending college.

Answers will vary.

10. What are the benefits of trade?

Answers will vary.