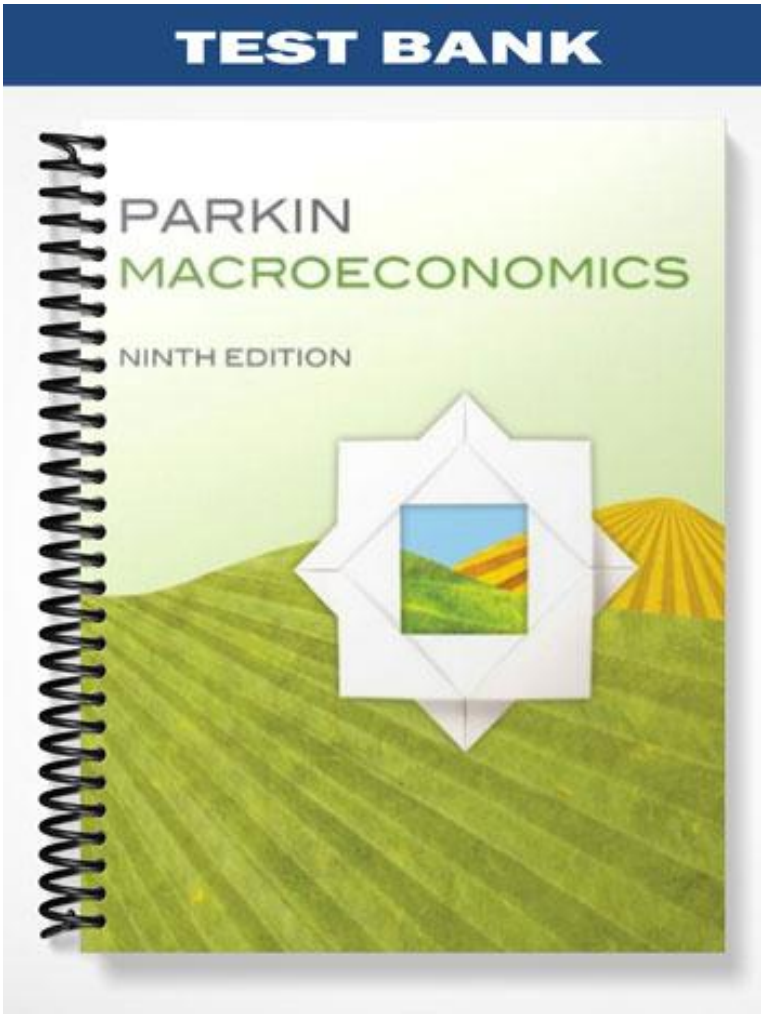
TEST BANK



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) refers to the technology used in such goods as computers and military aircraft.
C) is also called the supply curve.
D) marks the boundary between attainable combinations of goods and services and unattainable combinations.

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

3) The production possibilities frontier is 3) _____
A) upward sloping and reflects unlimited choices.
B) downward sloping and reflects tradeoffs in choices.
C) downward sloping and reflects unlimited choices.
D) upward sloping and reflects tradeoffs in choices.

4) The production possibilities frontier 4) _____
A) is a graph with price on the vertical axis and income on the horizontal axis.
B) 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.
C) shows how many goods and services are consumed by each person in a country.
D) is a model that assumes there is no scarcity and no opportunity cost.

5) The production possibilities frontier illustrates 5) _____
A) all goods that can be produced by an economy
B) all possible production of capital goods
C) the combination of goods and services that can be produced efficiently
D) all goods and services that are desired but cannot be produced due to scarce resources.

6) The production possibilities frontier itself shows 6) _____
A) the maximum rate of growth of output possible for an economy.
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 amount of resources available at any given time.

7) The production possibilities frontier represents 7) _____
A) the maximum rate of growth of capital and labor in a country.
B) the maximum amount of labor and capital available to society.
C) the maximum levels of production that can be attained.
D) combinations of goods and services among which consumers are indifferent.

8) A production possibilities frontier (*PPF*) 8) _____
A) defines a boundary between what is needed and what is not needed.
B) involves a tradeoff between what is wanted and what is needed.
C) shows combinations of two goods or services that are attainable with given resources.
D) identifies the combination of two goods or services that should be produced.

9) Which of the following is NOT true concerning a society's production possibilities frontier (*PPF*)? 9) _____
A) Tradeoffs occur when moving along a *PPF*.
B) Consumers will receive equal benefits from the two goods illustrated in the *PPF*.
C) Production efficiency occurs when production is on the frontier itself.
D) It reveals the maximum amount of any two goods that can be produced from a given quantity of resources.

10) The production possibilities frontier separates _____. 10) _____
A) the quantities of goods and services that can be produced from those that cannot be produced
B) the combinations of goods that people value and those that they don't
C) the goods and services that people want from those that they do not want
D) the types of goods that can be attained from those that can't be attained

11) When production is efficient, _____. 11) _____
A) we can satisfy our all wants
B) our choice of the goods can be either on or within the production possibilities frontier
C) we face a tradeoff and incur an opportunity cost
D) the opportunity cost is as low as possible

12) Harry produces 2 balloon rides and 4 boat rides an hour. Harry could produce more balloon rides but to do so he must produce fewer boat rides. Harry is _____ his production possibilities frontier. 12) _____
A) producing on B) moving along
C) producing outside D) producing inside

13) Production efficiency occurs when production _____. 13) _____
A) is on the production possibilities frontier
B) is at a point beyond the production possibilities frontier

C) is at any attainable point
D) is on the production possibilities frontier or inside it

14) A point outside a production possibilities frontier indicates 14) _____
A) that resources are being used very efficiently.
B) an output combination that society cannot attain given its current level of resources and technology.
C) that both goods are characterized by increasing costs.
D) that resources are not being used efficiently.

15) A production possibilities frontier illustrates the maximum amount of two different goods that can be produced if 15) _____
A) the prices of both goods are held constant.
B) low-skilled workers can be prevented from taking jobs away from high-skilled workers.
C) the prices of both goods are identical.
D) society is using all its resources in the most efficient manner possible.

16) Which of the following is NOT illustrated by a production possibilities frontier? 16) _____
A) necessity for choice
B) who gets the goods
C) scarcity
D) opportunity cost

17) The production possibilities frontier is the boundary between those combination of goods and services that can be 17) _____
A) consumed and those that cannot be produced.
B) produced and those that cannot be produced.
C) produced and those that can be consumed.
D) consumed domestically and those that can be consumed by foreigners.

18) A production possibilities frontier figure does NOT illustrate 18) _____
A) the limits on production imposed by our limited resources and technology.
B) opportunity cost.
C) the exchange of one good or service for another.
D) attainable and unattainable points.

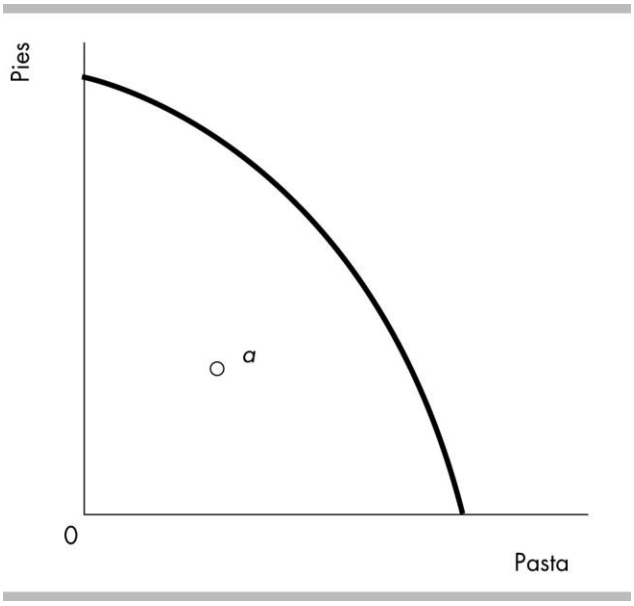
19) Any production point outside the production possibilities frontier is 19) _____
A) attainable only if prices rise.
B) unattainable.
C) attainable only if prices fall.
D) associated with unused resources.

20) Which of the following statements regarding the production possibilities frontier is true? 20) _____
A) Points on the frontier are less efficient than points inside the frontier.
B) Points outside the frontier are attainable.
C) Points inside the frontier are attainable.
D) None of the above because all of the above statements are false.

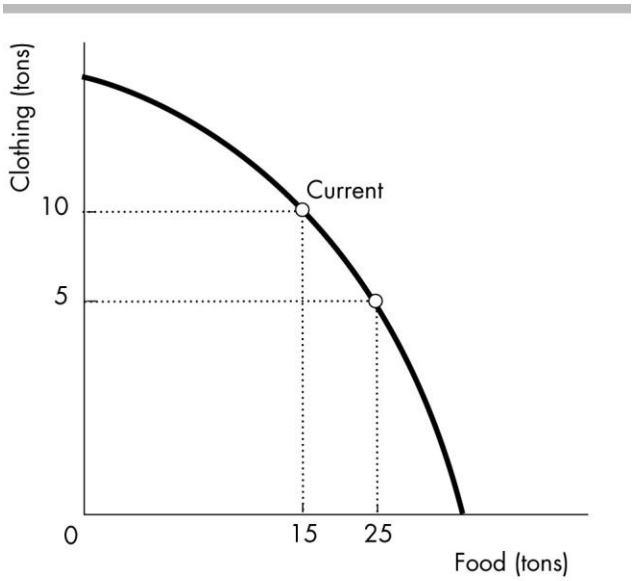
21) Jane produces only corn and cloth. Taking account of her preferences for corn and cloth 21) _____
A) makes her production possibilities frontier steeper.
B) does not affect her production possibilities frontier.
C) makes her production possibilities frontier flatter.
D) makes her production possibilities frontier straighter.

22) On the vertical axis, the production possibilities frontier shows _____; on the horizontal axis, the production possibilities frontier shows _____. 22) _____
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

23) Scarcity is represented on a production possibilities frontier figure by 23) _____
A) the fact that there are only two goods in the diagram.
B) the fact there are attainable and unattainable points.
C) the amount of the good on the horizontal axis forgone.
D) technological progress.



24) The figure above shows Roger's production possibilities frontier. Point *a* is an _____ point and production is _____. 24) _____
A) attainable; efficient
B) unattainable; efficient
C) unattainable; inefficient
D) attainable; inefficient



25) The above figure illustrates that if this country wishes to move from its current production point (labeled "Current") and have 10 more tons of food, it can do this by producing 25) _____
A) 10 more tons of clothing. B) 5 fewer tons of clothing.
C) 5 more tons of clothing. D) 10 fewer tons of clothing.

26) Suppose the country of Popcorn produces only jets and corn. If Popcorn cannot produce any more jets without giving up corn, we say that Popcorn has achieved 26) _____
A) the lowest marginal cost. B) the highest marginal benefit.
C) production efficiency. D) the highest opportunity cost.

27) Production efficiency can be defined as 27) _____
A) minimizing opportunity cost.
B) producing outside the production possibilities frontier.
C) being able to produce more of one good only if less of another is produced.
D) providing for the immediate needs of the greatest proportion of the population.

28) A society that is on its production possibilities frontier is 28) _____
A) consuming too much output.
B) inefficient.
C) fully utilizing its productive resources.
D) under-utilizing its resources.

29) If an economy is operating at a point inside the production possibilities frontier, then 29) _____
A) society's resources are being used to produce too many consumer goods.
B) the *PPF* curve will shift inward.
C) society's resources are being inefficiently utilized.
D) economic policy must retard further growth of the economy.

30) Any point on a production possibilities frontier (*PPF*) itself is 30) _____

A) inefficient. B) unattainable.
C) equitable. D) efficient.

31) A reduction in the amount of unemployment 31) _____
A) moves the economy's point of production along the production possibilities frontier.
B) shifts the production possibilities frontier outward.
C) moves the economy's point of production closer to the production possibilities frontier.
D) moves the economy's point of production further away from the production possibilities frontier.

32) A country that *must* decrease production of one good in order to increase the production of another 32) _____
A) must not have private ownership of property.
B) must be producing on its production possibilities frontier.
C) must be producing beyond its production possibilities frontier.
D) must be using resources inefficiently.

33) A president of the United States promises to produce more defense goods without any decreases in the production of other goods. This promise can be valid 33) _____
A) if the United States is producing at a point on its production possibilities frontier.
B) only if the production possibilities frontier shifts rightward.
C) if the United States is producing at a point beyond its production possibilities frontier.
D) if the United States is producing at a point inside its production possibilities frontier.

34) A point inside a production possibilities frontier 34) _____
A) implies that too much capital and not enough labor are being used.
B) is more efficient than points on the production possibilities frontier.
C) is unattainable.
D) could indicate that some resources are unemployed.

35) A point inside a production possibilities frontier 35) _____
A) implies that too much labor and not enough capital is being used.
B) could indicate that resources are misallocated.
C) reflects the fact that more technology needs to be developed to fully employ all resources.
D) is more efficient than a point on the production possibilities frontier.

36) When resources are assigned to inappropriate tasks, that is, tasks for which they are not the best match, the result will be producing at a point 36) _____
A) inside the *PPF*.
B) where the slope of the *PPF* is positive.
C) where the slope of the *PPF* is zero.
D) outside the *PPF*.

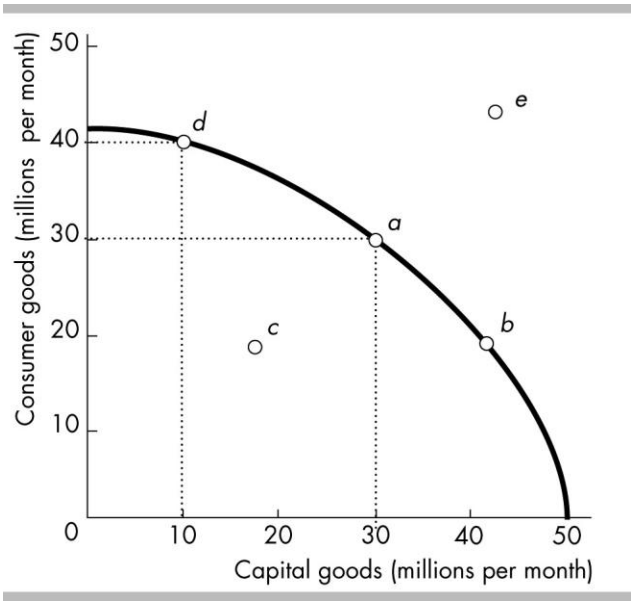
37) Production efficiency requires that 37) _____
A) resources are assigned to the task for which they are the best match.
B) it is impossible to produce more of one good without producing less of some other good.
C) production is at a point on the *PPF*.
D) All of the above answers are correct.

38) Sam's production possibilities frontier has good *A* on the horizontal axis and good *B* on the vertical axis. If Sam is producing at a point *inside* his frontier, then he 38) _____
A) can increase production of both goods with no increase in resources.
B) values good *A* more than good *B*.
C) values good *B* more than good *A*.
D) is fully using all his resources.

39) A situation in which some resources are NOT fully utilized is represented in a production possibilities frontier diagram by 39) _____
A) a point inside the production possibilities frontier.
B) a point outside the production possibilities frontier.
C) the midpoint of the production possibilities frontier.
D) any point on either the horizontal or the vertical axis.

40) Production points inside the production possibilities frontier 40) _____
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.

41) A nation produces at a point inside its *PPF* 41) _____
A) when it produces inefficiently.
B) when its *PPF* is bowed out.
C) when it trades with other nations.
D) never.



42) Refer to the production possibilities frontier in the figure above. Which production point indicates that resources are NOT fully utilized or are misallocated? 42) _____
A) Point *a* B) Point *b* C) Point *c* D) Point *e*

43) Refer to the production possibilities frontier in the figure above. Which production point is unattainable? 43) _____
A) Point *a* B) Point *b* C) Point *c* D) Point *e*

44) Refer to the production possibilities frontier in the figure above. Production point _____ represents an _____ production point. 44) _____
A) *e*; inefficient. B) *b*; unattainable.
C) *c*; inefficient. D) *c*; unattainable.

45) In the figure above, moving from production at point *d* to production at point *a* requires 45) _____
A) technological change.
B) decreasing the output of consumer goods in order to boost the output of capital goods.
C) a decrease in unemployment.
D) both capital accumulation and a decrease in unemployment.

46) Refer to the production possibilities frontier in the figure above. Suppose a country is producing at point *a*. A movement to point _____ means that the country _____. 46) _____
A) *d*; gives up 10 million consumer goods.
B) *e*; is not operating efficiently
C) *b*; is producing at an inefficient point.
D) *d*; must give up 20 million capital goods

47) 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 47) _____
A) 10 million consumption goods.
B) 20 million capital goods.

C) 30 million capital goods.
D) 10 million capital goods.

48) Some time ago the government of China required many highly skilled technicians and scientists to engage in unskilled agricultural labor in order to develop "proper social attitudes." This policy probably caused China to produce 48) _____
A) inside its production possibilities frontier with respect to food, but outside with respect to high-technology goods.
B) outside its production possibilities frontier with respect to food, but inside with respect to high-technology goods.
C) at an inappropriate point along its production possibilities frontier.
D) inside its production possibilities frontier.

49) Production efficiency is achieved when 49) _____
A) all goods and services desired by consumers can be produced in the economy
B) producing inside the production possibilities frontier
C) producing one more unit of one good cannot occur without producing less of some other good.
D) the ability is gained to produce goods and services that are desired beyond the *PPF* boundary

50) A society that is producing on its production possibilities frontier is 50) _____
A) producing too much output.
B) not being technologically efficient.
C) not utilizing all of its resources.
D) fully utilizing all of its productive resources.

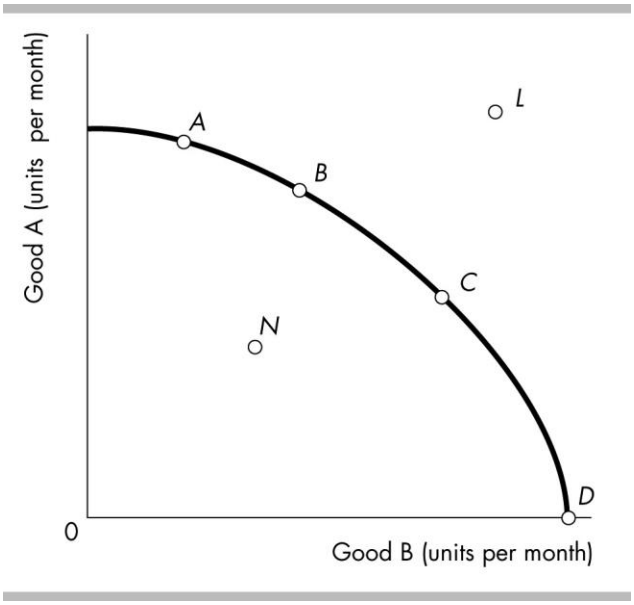
51) If a country must decrease current consumption to increase the amount of capital goods it produces today, then it must 51) _____
A) must not have private ownership of property and will have to follow planning authorities' decisions today and in the future.
B) must be producing outside the production possibilities frontier and will continue to do so in the future.
C) be using resources inefficiently today, but will be more efficient in the future.
D) be producing along the production possibilities frontier today and its production possibilities frontier will shift outward if it produces more capital goods.

52) If production point of two goods is inside the production possibilities frontier 52) _____
A) in order to produce more of one good, less of the other must be produced.
B) production is in the "unattainable" region.
C) production is inefficient.
D) it is not possible to produce more of both goods

53) Using the production possibilities frontier model, unemployment is described as producing at a point 53) _____
A) on the exact middle of the *PPF* curve.

B) outside the *PPF* curve.
C) inside the *PPF* curve.
D) on either end of the *PPF* curve.

54) If a society is operating at a point inside its production possibilities frontier, then this society's 54) _____
A) production possibilities frontier will shift rightward.
B) resources are being inefficiently utilized.
C) resources are being used in the most efficient manner.
D) economy will grow too fast.



55) Point *C* on the production possibilities frontier in the above diagram illustrates 55) _____
A) all goods and services that are desired but cannot be produced due to scarce resources.
B) an underutilization of resources
C) a combination of goods and services that cannot be produced efficiently
D) a point with maximum and efficient production of Goods A and Goods B

56) In the above figure, which point represents an unattainable production combination of the two goods? 56) _____
A) Point *L* B) Point *C* C) Point *N* D) Point *D*

57) In the above figure, which point represents an attainable but inefficient production point? 57) _____
A) Point *D* B) Point *N* C) Point *C* D) Point *L*

58) A tradeoff is 58) _____
A) a constraint that requires giving up one thing to get another.
B) represented by a point outside a *PPF*.
C) a transaction at a price either above or below the equilibrium price.
D) represented by a point inside a *PPF*.

59) When producing goods and services, tradeoffs exist because 59) _____
A) not all production is efficient.
B) human wants and needs are limited at a particular point in time.
C) buyers and sellers often must negotiate prices.
D) society has only a limited amount of productive resources.

60) A tradeoff is illustrated by 60) _____
A) a point inside the *PPF*.
B) a point outside the *PPF*.
C) the negative slope of the *PPF*.
D) a change in the slope of the *PPF*.

61) When we choose a particular option, we must give up alternative options. The highest-valued alternative forgone is the _____ of the option chosen. 61) _____
A) absolute advantage B) opportunity cost
C) nonmonetary cost D) comparative advantage

62) Ted can study for his economics exam or go to a concert. He decides to study for his economics exam instead of going to the concert. The concert he will miss is Ted's _____ of studying for the exam. 62) _____
A) opportunity cost B) explicit cost
C) discretionary cost D) implicit cost

63) Opportunity cost is best defined as 63) _____
A) the highest-valued alternative that is forgone when choosing among various alternatives.
B) the amount of money that an individual is willing to pay to purchase a good that means a great deal to that person.
C) the amount of money lost by one individual in an exchange process so that another individual might gain.
D) a situation in which one individual cannot have an absolute advantage over another individual in the production of all goods.

64) A choice is made. The value of the highest-valued alternative given up is the _____ of the choice made. 64) _____
A) accounting cost B) opportunity cost
C) total cost D) monetary cost

65) Most students attending college pay tuition and are unable to hold a full-time job. For these students, tuition is 65) _____
A) not part of the opportunity cost of going to college, but their forgone earnings from not holding a full-time job are part of the opportunity cost of attending college.
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. Neither are their forgone earnings from not holding a full-time job.
D) part of the opportunity cost of going to college. Their forgone earnings from not holding a full-time job are not part of the opportunity cost of attending college.

66) Opportunity cost is 66) _____
A) the indirect cost.
B) the monetary cost.
C) the best choice that can be made.
D) the highest-valued alternative forgone.

67) Opportunity cost is expressed in a production possibilities frontier (*PPF*) by a movement 67) _____
A) from the region within the *PPF* to the region outside of the *PPF*.
B) along the *PPF* where to gain more of one good it is necessary to give some of another good.
C) from the region outside of the *PPF* to a point on the *PPF*.
D) from the region within the *PPF* to a point on the *PPF*.

68) When moving along the production possibilities frontier, opportunity cost is measured as the 68) _____
A) quantity produced of one good multiplied by the quantity produced of another good.
B) decrease in the quantity produced of one good divided by the increase in the quantity produced of another good.
C) quantity produced of one good divided by the quantity produced of another good.
D) increase in the quantity produced of one good divided by the decrease in the quantity produced of another good.

69) On a diagram of a production possibilities frontier, opportunity cost is represented by 69) _____
A) the slope of the production possibilities frontier, which indicates that to get more of one good requires less of another.
B) a point on the horizontal axis.
C) a ray through the origin.
D) a point on the vertical axis.

70) While producing on the production possibilities frontier, if additional units of a good could be produced at a constant opportunity cost, the production possibilities frontier would be 70) _____
A) bowed outward. B) bowed inward.
C) a straight line. D) positively sloped.

71) If Sam is producing at a point on his production possibilities frontier, then he 71) _____
A) cannot produce any more of either good.
B) is not subject to scarcity.
C) can produce more of one good only by producing less of the other.
D) will be unable to gain from trade.

72) When operating on its *PPF*, a country can produce 2 tons of butter and 200 cars OR 3 tons of butter and 150 cars. The opportunity cost of 1 ton of butter is _____ cars per ton of butter. 72) _____
A) 0.75 B) 200 C) 50 D) 300

73) In one day, Sue can change the oil on 20 cars or change the tires on 20 cars. In one day, Fred can change the oil on 20 cars or change the tires on 10 cars. Sue's opportunity cost of changing oil is _____ than Fred's and her opportunity cost for changing tires is _____ than Fred's. 73) _____

A) less; less
B) greater; greater
C) greater; less
D) less; greater

Hot dogs (number per hour)		Hamburgers (number per hour)
60	and	0
40	and	20
20	and	40
0	and	60

74) Joe's hot dog stand can produce hot dogs and hamburgers. The table gives Joe's production possibilities. The opportunity cost of _____. 74) _____

A) the first 20 hot dogs is 20 hamburgers
B) 1 hamburger is 10 hot dogs
C) the 40th hamburger is 20 hot dog
D) the 20th hot dog is 0 hamburgers

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

75) 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? 75) _____

A) 7 tons of grain and 10 cars
B) 4 tons of grain and 26 cars
C) 2 tons of grain and 27 cars
D) 6 tons of grain and 18 cars

76) 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 76) _____

A) 6 tons of grain and 18 cars.
B) 8 tons of grain and 10 cars.
C) 4 tons of grain and 26 cars.
D) 2 tons of grain and 27 cars.

77) The table above lists six points on the production possibilities frontier for grain and cars. What is the opportunity cost of producing the 5th ton of grain? 77) _____

A) 3 cars
B) 2 cars
C) 16 cars
D) 6 cars

78) 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? 78)

_____

A) 4 tons of grain
B) 2 tons of grain
C) 0.5 tons of grain
D) 0.25 tons of grain

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

79) The above table shows production points on Sweet-Tooth Land's production possibilities frontier. Which of the following statements is TRUE? 79) _____
A) Producing 20 chocolate bars and 80 cans of cola is attainable, but inefficient.
B) Producing 0 chocolate bars and 100 cans of cola is both attainable and efficient.
C) Producing 40 chocolate bars and 0 cans of cola is unattainable and inefficient.
D) Producing 30 chocolate bars and 38 cans of cola is only attainable with an increase in technology.

80) 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? 80) _____
A) 38 chocolate bars and 0 cans of cola
B) 0 chocolate bars and 100 cans of cola
C) 32 chocolate bars and 40 cans of cola
D) 20 chocolate bars and 80 cans of cola

81) 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? 81) _____
A) 1/3 can of cola
B) 10 cans of cola
C) 3 cans of cola
D) 30 cans of cola

82) 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? 82) _____
A) 2 chocolate bars
B) 20 chocolate bars
C) 10 chocolate bars
D) 1/2 chocolate bar

83) 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. 83) _____
A) point E to point D
B) point B to point A
C) point D to point C
D) point C to point B

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

84) The above table shows production combinations on a country's production possibilities frontier. Which of the following is an example of a point that is unattainable? 84) _____
A) 6 units of good X and 28 units of good Y.
B) 10 units of good X and 16 units of good Y.
C) 0 units of good X and 40 units of good Y.
D) 3 units of good X and 35 units of good Y.

85) The above table shows production combinations on a country's production possibilities frontier. Which of the following is an example of a production point that is inefficient? 85) _____
A) 0 units of good X and 40 units of good Y
B) 3 units of good X and 35 units of good Y
C) 10 units of good X and 16 units of good Y
D) 6 units of good X and 28 units of good Y

86) The above table shows production combinations on a country's production possibilities frontier. Which of the following points signifies efficient production? 86) _____
A) 10 units of good X and 16 units of good Y
B) 3 units of good X and 25 units of good Y
C) 12 units of good X and 1 unit of good Y
D) 0 units of good X and 40 units of good Y

87) The above table shows production combinations on a country's production possibilities frontier. What is the opportunity cost of increasing the production of Y from 16 to 28 units? 87) _____
A) 6 units of good X
B) 12 units of good X
C) 3 units of good X
D) There is no opportunity cost when moving from one point to another along a production possibilities frontier.

88) The above table shows production combinations on a country's production possibilities frontier. What is the opportunity cost of *one* unit of Y when the production of good Y increases from 16 to 28 units? 88) _____
A) 1/4 unit of good X
B) 4 units of good X
C) 3 units of good X
D) There is no opportunity cost when moving from one point to another along a production possibilities frontier.

89) The above table shows production combinations on a country's production possibilities frontier. What is the opportunity cost of incr ng the easi produc

tion of X from 0 to 3 units?

89) ___
___

A) 4/3 units of good Y for every one unit of good X
B) 0 units of good Y
C) 40 units of good Y
D) 3 units of good Y

90) The above table shows production combinations on a country's production possibilities frontier. A movement from _____ involves the *greatest* opportunity cost of increasing the production of good Y. 90) _____

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

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

91) The above table shows the production possibilities frontier for the economy of Arkadia. The opportunity cost of increasing cheese production from 500 tons of cheese to 750 tons of cheese is 91) _____

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

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

92) Suppose that, for given resources and production technology, the above table shows the production relationship between soda and pizza. For the sake of simplicity, assume the relationship is linear. Which of the following production possibilities is not attainable? 92) _____

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

93) Suppose that, for given resources and production technology, the above table shows the production relationship between soda and pizza. For the sake of simplicity, assume the relationship is linear. Which of the foll owi ng produc tion possibil

ities is not efficient? 93) ___ ___

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

94) Suppose that, for given resources and production technology, the above shows the production relationship between soda and pizza. For the sake of simplicity, assume the relationship is linear. What is the opportunity cost of producing an additional unit of pizza? 94) _____

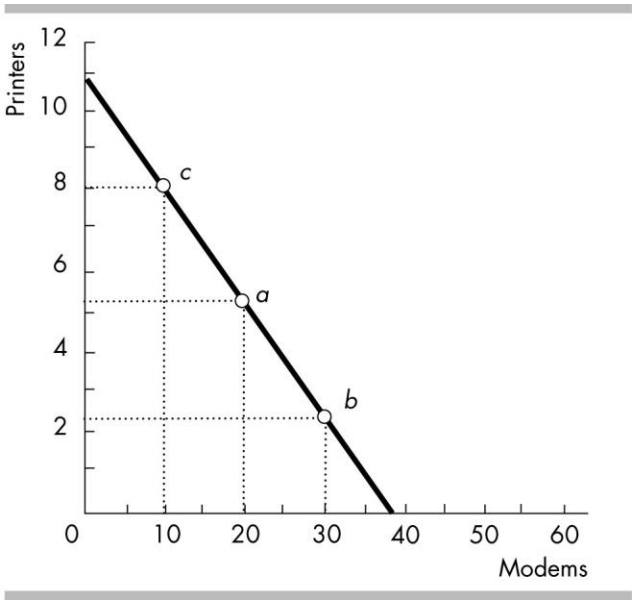
A) 3 sodas
B) 4 sodas
C) 1 pizza
D) Cannot be calculated with the information provided (the prices for both products are not given).

95) At one point along a *PPF*, 10 pizzas and 7 sandwiches can be produced. At another point along the same *PPF*, 9 pizzas and 10 sandwiches can be produced. The opportunity cost of a pizza between these points is _____ per pizza. 95) _____

A) 3 sandwiches
B) 7/10 of a sandwich
C) 1/3 of a sandwich
D) 10/7 of a sandwich

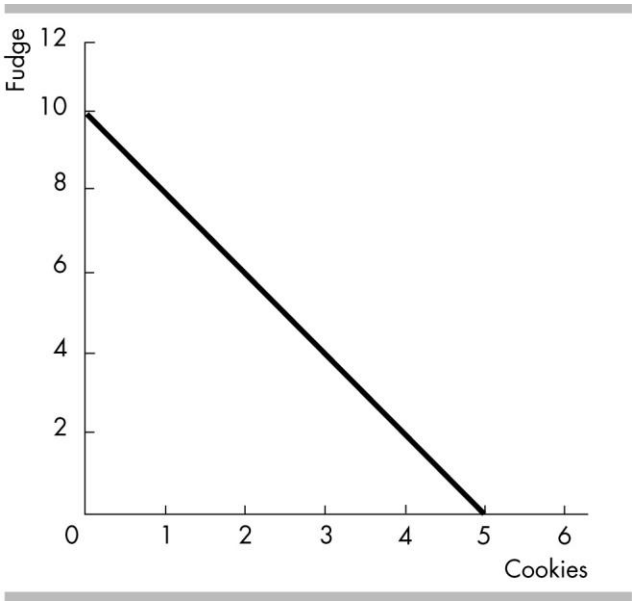
96) At one point along a *PPF* 40 tons of wheat are produced while 80 tons of rice are produced. At another point along the same *PPF*, 41 tons of wheat are produced while 70 tons of rice are produced. The opportunity cost of producing a ton of wheat between these points is _____ per ton of wheat. 96) _____

A) 1/2 ton of rice
B) 1/10 ton of rice
C) 4/7 ton of rice
D) 10 tons of rice

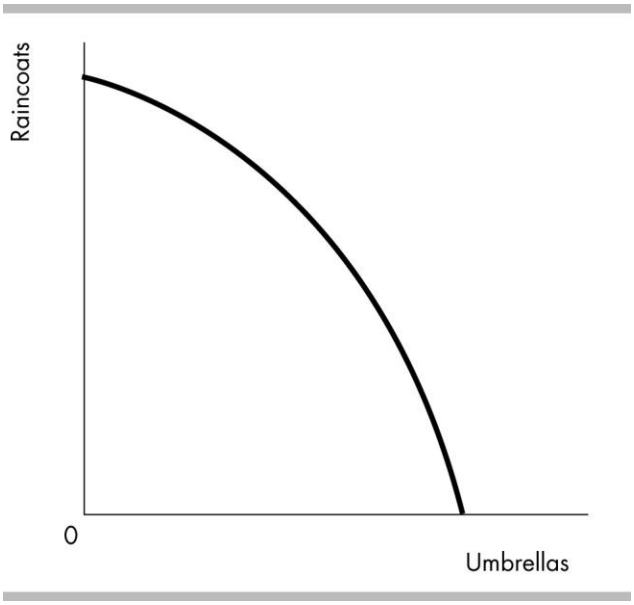


97) Vicky currently produces at point *a* in the figure above. If Vicky moves from point *a* to point *b* to point c, her opportunity cost of a modem _____. 97) _____

A) decreases B) increases
C) remains the same D) is zero

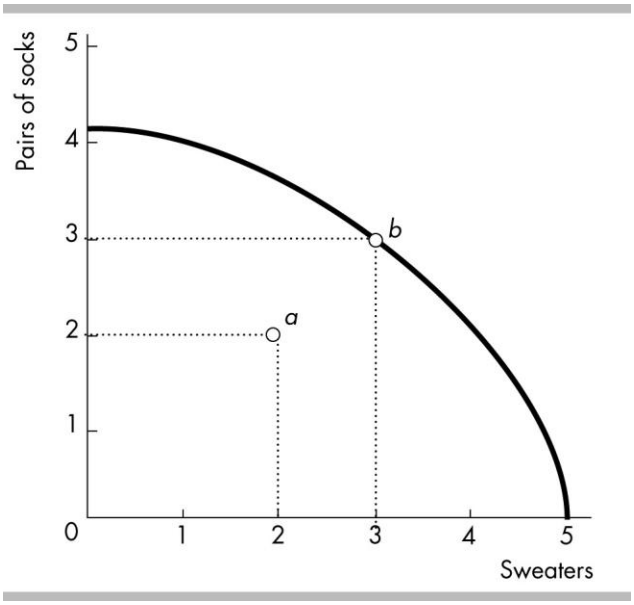


98) The figure above shows Freda's *PPF*. Freda currently produces 10 packets of fudge and no cookies. If Freda decides to produce 1 packet of cookies, her opportunity cost of the packet of cookies is _____ of fudge. 98) _____
A) 0 packets B) 2 packets
C) 1 packet D) 1/2 packet

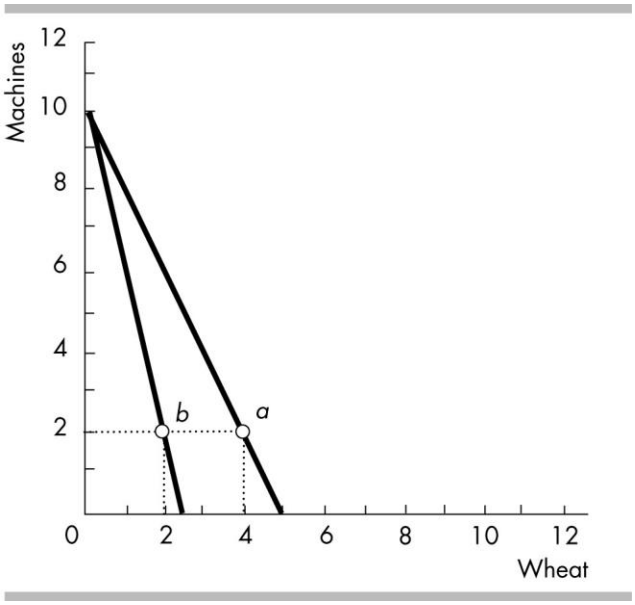


99) As Rainclouds Inc. moves downward along its production possibilities frontier, illustrated in the figure above, the opportunity cost of a raincoat _____. 99) _____
A) depends on the initial quantity produced
B) decreases

C) increases
D) remains the same

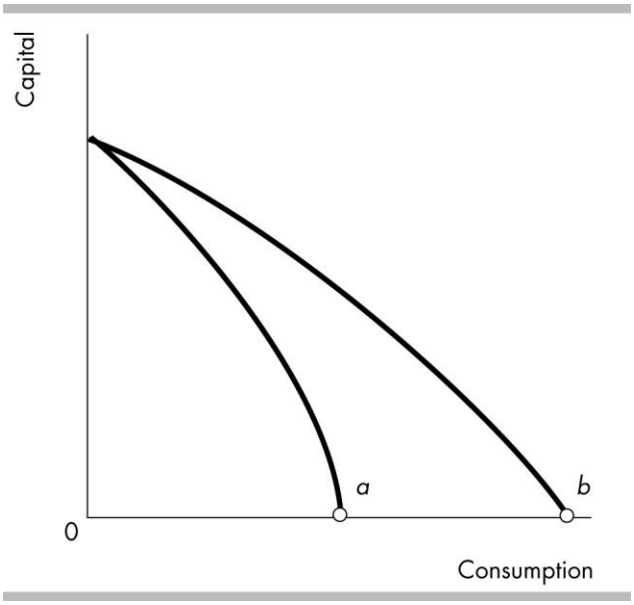


100) The opportunity cost of moving from point *a* to point *b* in the above figure is _____. 100) _____
A) 3/2 pairs of socks per sweater
B) zero
C) 2 sweaters
D) 3 pairs of socks

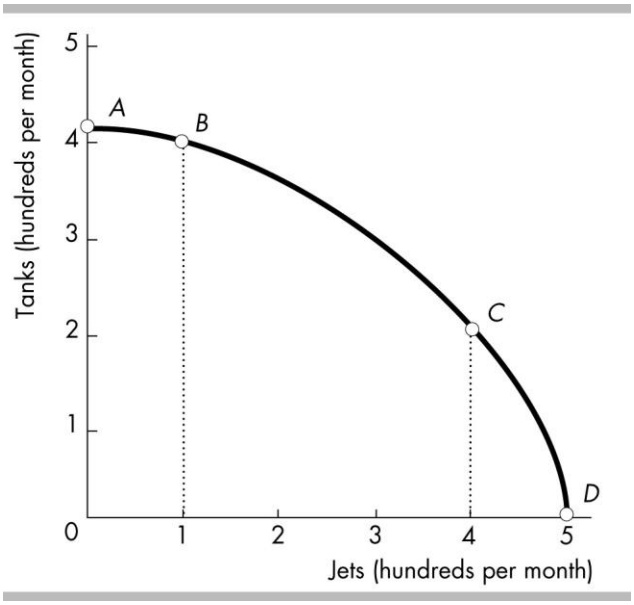


101) An economy produces at point *a* on the *PPF* shown in the above figure. A drought reduces the amount of wheat produced and the economy produces at point *b*. The opportunity cost of a unit of wheat _____. 101) _____
A) remains the same
B) decreases

C) increases
D) is impossible to calculate without numbers on the axes



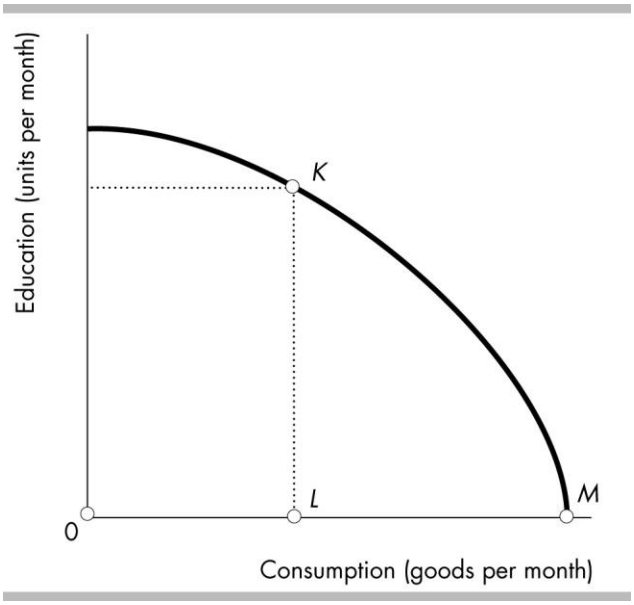
102) The opportunity cost of producing a unit of consumption at point *b* in the figure _____ point *a*. 102) _____
A) is less than at B) is greater than at
C) cannot be compared with D) is the same as



103) In the above figure, which of the following is TRUE regarding the movements from point *A* to *B* and from point *C* to *D*?
I. The movement from point *A* to *B* shows that the economy has chosen to produce 100 more jets.
II. The movement from point *C* to *D* shows that the economy has chosen to produce 100 more jets.
III. The movement from point *A* to *B* and from point *C* to *D* have the same opportunity cost. 103)

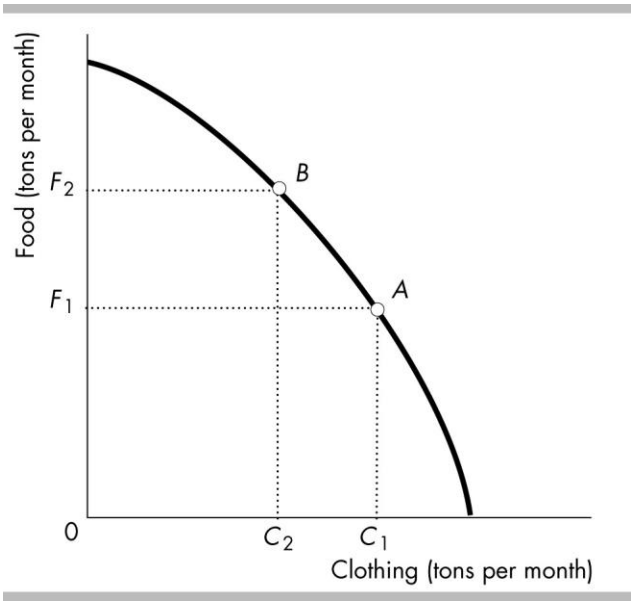
_____

A) II and III B) I, II and III
C) I and III D) I and II



104) Molly just graduated from high school. The figure shows her possibilities frontier. If Molly goes to college, she will move from point *M* to point *K*. In terms of consumption goods, Molly's opportunity cost of going to college is 104) _____

A) *OL*. B) *KL*. C) *LM*. D) *MK*.

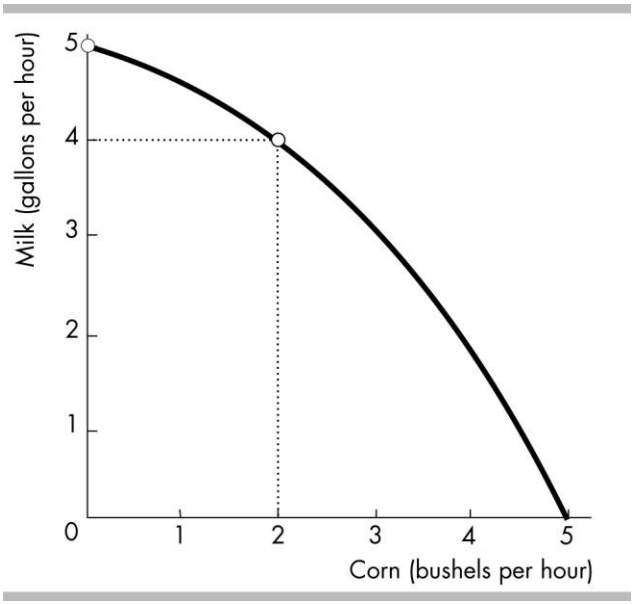


105) In the figure above, the curve is known as the 105) _____

A) production possibilities frontier.
B) opportunity cost curve.
C) production function.
D) substitution options frontier.

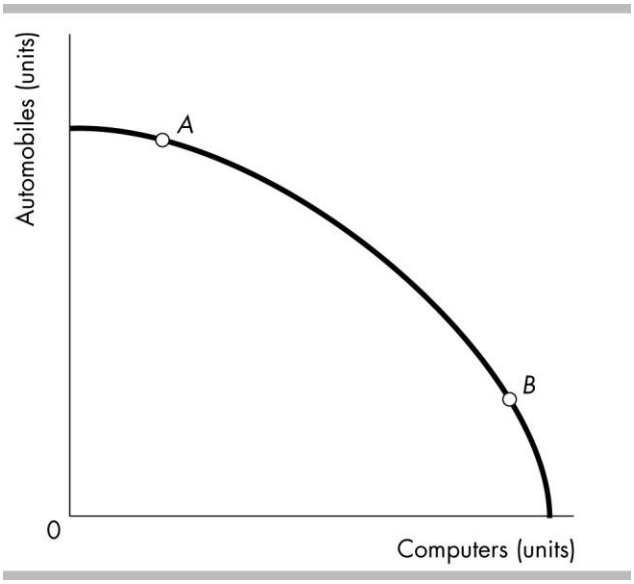
106) The figure above illustrates that if this country wishes to have $F_2 - F_1$ additional food by moving from point *A* to point *B*, it will 106) _____

A) have to sacrifice $C_1 - C_2$ clothing in order to free the resources necessary to produce the additional food.
B) have to find additional workers, because the country already is operating on its production possibilities frontier.
C) be unable to do so until additional technological progress is made.
D) require that all the unemployed resources in the country be put to work.



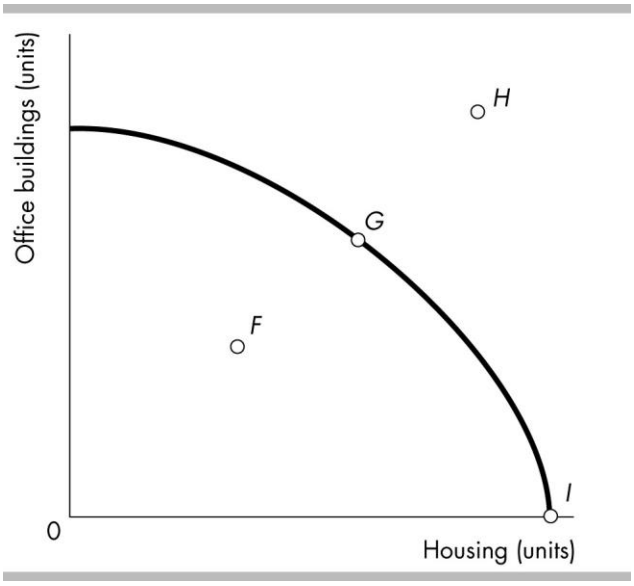
107) Consider the *PPF* for milk and corn in the above figure. If currently no corn is being produced, what is the total opportunity cost of producing another 2 bushels of corn? 107) _____

A) 2 bushels of corn
B) 1 gallon of milk
C) 4 gallons of milk
D) nothing



108) The bowed outward shape of the production possibilities frontier in the above figure indicates that 108) _____
A) computer technology is subject to the principle of decreasing costs.
B) the opportunity cost of producing more computers decreases as more computers are produced.
C) some resources are better suited for producing computers.
D) All of the above answers are correct.

109) According to the figure above, the opportunity cost of producing another computer is 109) _____
A) higher at *A*.
B) higher at *B*.
C) the same at every point along the frontier.
D) different at most points along the frontier but equal at points *A* and *B* because they are equally distant from the axes.



110) Consider the *PPF* for office buildings and housing shown in the figure abov e.

Which point in the diagram shows that resources to produce office buildings and housing are being misallocated, unused, or both? 110) ____

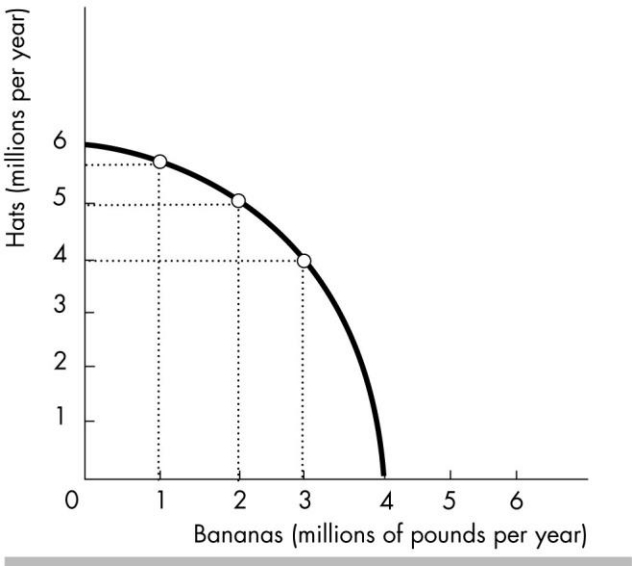
A) Point *H* B) Point *G* C) Point *F* D) Point *I*

111) Opportunity cost is represented on the production possibilities frontier by 111) _____

A) attainable and unattainable points.
B) the amount of good Y forgone when more of good X is produced.
C) technological progress.
D) efficient and inefficient points.

112) At one point along a *PPF*, 50 tons of coffee and 100 tons of bananas are produced. At another point along the same *PPF*, 30 tons of coffee and 140 tons of bananas are produced. The opportunity cost of a ton of coffee between these points is 112) _____

A) 1/2 of a ton of bananas. B) 7/5 of a ton of bananas.
C) 2 tons of bananas. D) 5/7 of a ton of bananas.



113) In the production possibilities frontier depicted in the figure above, which of the following combinations of hats and bananas is unattainable? 113) _____

A) 4 million pounds of bananas and 4 million hats
B) 1 million pounds of bananas and 3 million hats
C) 0 pounds of bananas and 6 million hats
D) 2 million pounds of bananas and 5 million hats

114) In the production possibilities frontier depicted in the figure above, which of the following combinations of hats and bananas is inefficient? 114) _____

A) 1 million pounds of bananas and 3 million hats
B) 2 million pounds of bananas and 5 million hats
C) 0 pounds of bananas and 6 million hats
D) 4 million pounds of bananas and 4 million hats

115) 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? 115) _____

A) 3 million pounds of bananas and 4 million hats
B) 0 pounds of bananas and 6 million hats
C) 2 million pounds of bananas and 5 million hats
D) All of the above combinations are efficient.

116) In the production possibilities frontier depicted in the figure above, what is the opportunity cost of increasing the production of bananas from two million pounds to three million pounds? 116) _____

A) 3 million hats
B) 1 million hats
C) 2 million hats
D) 1/2 million hats

117) Jane produces only corn, measured in tons, and cloth, measured in bolts. For her, the opportunity cost of one more ton of corn is 117) _____

A) the ratio of all the bolts of cloth she produces to all the tons of corn she produces.
B) the ratio of all the tons of corn she produces to all the bolts of cloth she produces.
C) the same as the opportunity cost of one more bolt of cloth.
D) the inverse of the opportunity cost of one more bolt of cloth.

118) The principle of increasing opportunity cost leads to 118) _____

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

119) A *PPF* bows outward because 119) _____

A) consumers prefer about equal amounts of the different goods.
B) entrepreneurial talent is more abundant than human capital.
C) not all resources are equally productive in all activities.
D) resources are used inefficiently.

120) Increasing opportunity cost while moving along a production possibilities frontier is the result of 120) _____
A) firms' needs to produce profits.
B) taxes.
C) the fact that resources are not equally productive in alternative uses.
D) the fact that it is more difficult to use resources efficiently the more society produces.

121) Increasing opportunity costs suggests that 121) _____
A) all labor and capital are costlessly interchangeable.
B) various types of labor are not perfect substitutes for one another.
C) there is no difference between inputs used in a production process.
D) various types of labor are perfect substitutes for one another.

122) Increasing opportunity cost implies that 122) _____
A) the society will be producing inside its production possibilities frontier.
B) producing additional units of one good results in increasing amounts of lost output of the other good.
C) producing additional units of one good results in proportionately smaller reductions in the output of the other good.
D) the production possibilities frontier will be a straight line.

123) As a country that has a bowed-out production possibilities frontier produces more of one good, the opportunity cost of a unit of that good _____. 123) _____
A) might increase or decrease B) decreases
C) increases D) remains the same

124) The production possibilities frontier bows outward because 124) _____
A) resources are of uniform quality.
B) opportunity costs are increasing as the production of a good increases.
C) opportunity costs are decreasing as the production of a good increases.
D) opportunity costs are fixed as the production of a good increases.

125) The fact of increasing opportunity costs means that a production possibilities frontier will 125) _____
A) bow outward.
B) reach a maximum and then gradually decrease.
C) shift outward over time.
D) be a straight line.

126) A bowed outward production possibilities frontier occurs when 126) _____
A) resources are not scarce.
B) opportunity costs are constant.
C) the society is operating on the production possibilities frontier.
D) as more of a good is produced, producing additional units of it require greater reductions in the other good.

127) The nation's production possibilities frontier is bowed outward. Suppose that the government decides to increase the production of armaments by $20 billion, and that as a result the output of consumer goods falls by $20 billion. If a further $20 billion increase beyond the initial $20 billion increase in armaments output is sought, we can expect that the output of consumer goods and services will fall further by _____
A) more than $20 billion.
B) less than $20 billion.
C) $20 billion.
D) There is not enough information to determine the answer.

Production possibilities

Possibility	Pizza (per hour)	Soda (cases per hour)
A	0	100
B	1	95
C	2	80
D	3	60
E	4	35
F	5	0

128) In the above table, the production of 3 pizzas and 80 cases of soda is _____
A) possible only if there is inflation.
B) possible only if the economy produces with maximum efficiency.
C) feasible but would involve unemployed or misallocated resources.
D) impossible unless more resources become available or technology improves.

129) In the above table, the production of 3 pizzas and 35 cases of soda is _____
A) impossible unless more resources become available.
B) possible only if there is inflation.
C) feasible but would involve unemployed or misallocated resources.
D) possible only if the economy produces with maximum efficiency.

130) In the above table, the opportunity cost of the 2nd pizza is _____
A) 95 cases of soda.
B) 80 cases of soda.
C) 15 cases of soda.
D) 0 cases of soda.

131) Based on the above table, as the production of pizza increases, the opportunity cost of pizza in terms of forgone cases of soda _____
A) increases.
B) does not change.
C) initially increases then decreases.
D) decreases.

132) The table above shows the production possibilities frontier for the economy of Sauria. If this economy were to produce 3 hundred guns and 12 tons of butter, it _____
A) would be on its production possibilities frontier.
B) could utilize resources more efficiently to produce 3 more tons of

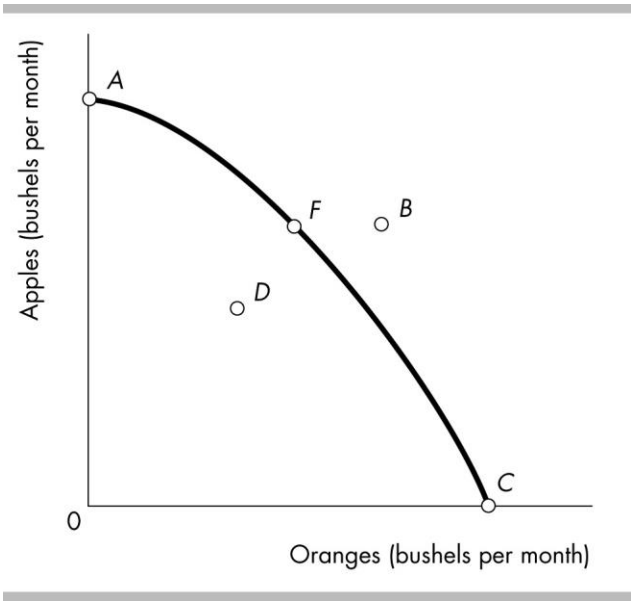
butter without sacrificing any guns.

C) would be operating beyond its production possibilities frontier.
D) would be utilizing its resources with maximum efficiency.

133) The table above shows the production possibilities frontier for the economy of Sauria. The opportunity cost of increasing gun production from 3 hundred guns to 4 hundred guns is _____
A) 5 tons of butter.
B) 7 tons of butter.
C) 1 ton of butter.
D) 3 hundred guns.

134) The table above shows the production possibilities frontier for the economy of Sauria. As this economy increases its production of guns along the production possibilities frontier, the opportunity cost of guns _____
A) falls continuously.
B) first rises and then falls.
C) remains constant.
D) rises continuously.

135) The table above shows the production possibilities frontier for the economy of Sauria. If the economy is able to produce 7 hundred guns and 10 tons of butter next year, we can conclude that next year _____
A) efficiency has decreased.
B) the production possibilities frontier has shifted inward.
C) the economy has moved along its production possibilities frontier.
D) the amount of resources or technology has increased.

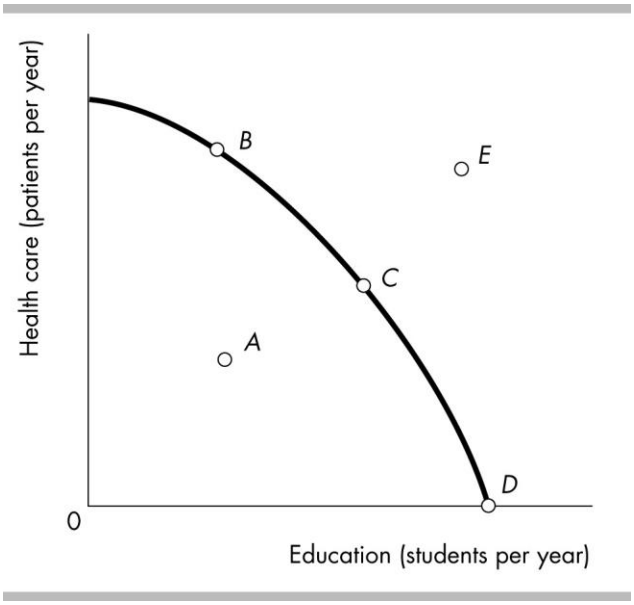


136) In the figure above, how can the economy represented by the production possibilities frontier move from point *C* to point *F* ? _____
A) First move to point *B* and then move to point *F*.
B) Increase the level of technology.
C) Redistribute the existing resources to produce more apples and fewer oranges.
D) Increase the available amount of resources.

137) In the figure above, a point showing an inefficient production point is point _____

A) *A*. B) *B*. C) *C*. D) *D*.

138) In the figure above, what can be said about point *B*? 138) _____
A) It can be attained only if some resources are left unused.
B) It represents all resources being devoted to the production of apples.
C) It can be reached only after economic growth occurs.
D) It represents all resources being devoted to the production of oranges.

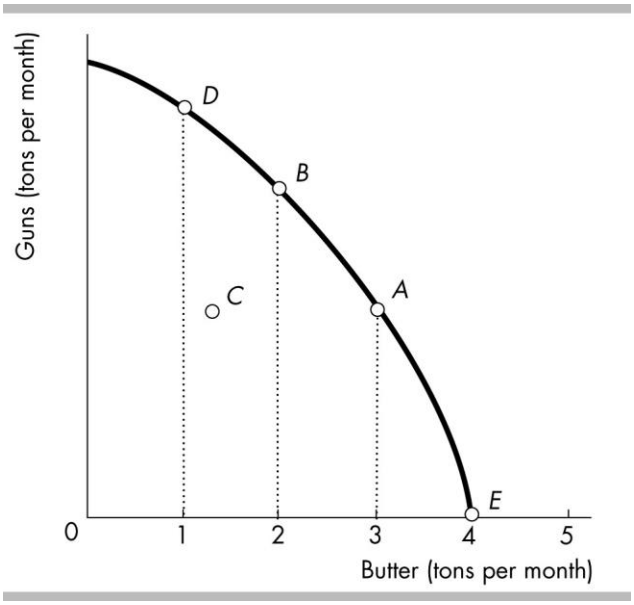


139) In the figure above, point *D* is 139) _____
A) production efficient and point *B* is not production efficient.
B) not production efficient and point *B* is production efficient.
C) production efficient and point *A* is not production efficient.
D) less production efficient than point *C*.

140) In the figure above, point *A* is undesirable because 140) _____
A) there is an inefficient use of resources.
B) point *E* is a more realistic option in this economy.
C) too much health care is being produced.
D) the opportunity costs of health care is too high.

141) In the figure above, the opportunity cost of moving from point *C* to point *D* is 141) _____
A) zero.
B) the loss in production in the education sector.
C) the increase in production in the education sector.
D) the loss in production in the health care sector.

142) In the figure above, point *E* could be obtained if 142) _____
A) resources were used more efficiently.
B) society's resources increased.
C) resources were shifted from health care to education.
D) resources were shifted from education to health care.

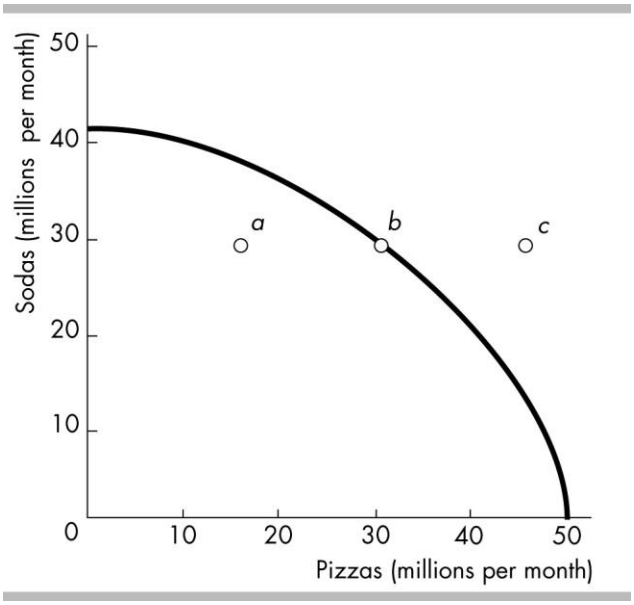


143) In the figure above, the point labeled *C* in the production possibilities frontier 143) _____
A) represents a highly desirable output level in the long run, because it conserves scarce resources.
B) is unattainable; it is beyond the productive capability of this country.
C) represents either unemployed or inefficiently utilized resources.
D) represents the maximum sustainable output level for this nation in the long run.

144) The country whose production possibilities frontier is illustrated above is currently at position *A* on the production possibilities frontier. If it wishes to move to position *B*, it will 144) _____
A) be able to make the desired switch only if there is a significant improvement in the technology available to the nation.
B) find this change impossible to achieve given the resources it currently possesses.
C) incur an opportunity cost of having to give up some butter in order to make the additional amount of guns desired.
D) have to employ all currently unemployed resources to accomplish this.

145) In the figure above, moving from point *B* to point *D* 145) _____
A) requires an increase in technology.
B) has an opportunity cost of one ton of guns per month.
C) has an opportunity cost of one ton of butter per month.
D) is impossible.

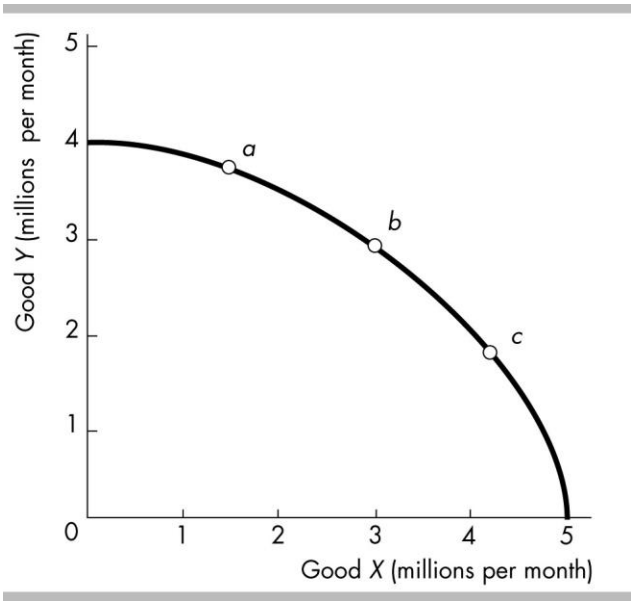
146) In the figure above, which of the following movements has the largest opportunity cost? 146) _____
A) from point *C* to point *B*
B) from point *B* to point *A*
C) from point *A* to point *E*
D) from point *C* to point *A*



147) A *PPF*, such as the one above, that bows outward illustrates 147) _____
A) increasing opportunity cost.
B) that productivity is falling.
C) decreasing opportunity cost.
D) that technology is improving.

148) In the figure above, 148) _____
A) moving from point *a* to point *b* would require new technology.
B) some resources must be unemployed at point *c*.
C) opportunity costs are decreasing.
D) production at point *b* is efficient whereas production at point *a* is not efficient.

149) As we increase the production of computers, we find that we must give up larger and larger amounts of DVD players per computer. 149) _____
A) This situation illustrates increasing opportunity cost.
B) The production possibilities frontier for computers and DVD players is a straight line.
C) As a result, we should specialize in the production of DVD players.
D) DVD players will be more highly regarded by consumers than computers.



150) 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* 150) _____
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* rises.
C) rises. The opportunity cost of one more unit of good *Y* falls.
D) falls. The opportunity cost of one more unit of good *Y* also falls.

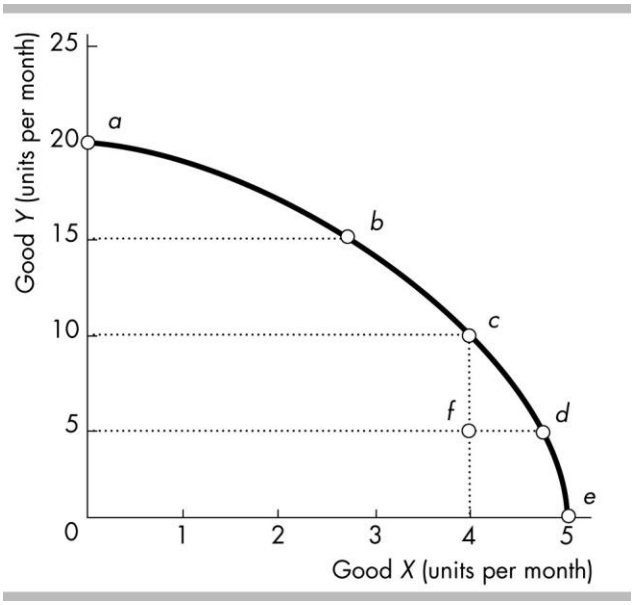
151) Refer to the production possibilities frontier in the figure above. More of good *X* must be given up per unit of good *Y* gained when moving from point *b* to point *a* than when moving from point *c* to point *b*. This fact 151) _____
A) illustrates decreasing opportunity cost.
B) illustrates increasing opportunity cost.
C) indicates that good *Y* is more capital intensive than good *X*.
D) indicates that good *X* is more capital intensive than good *Y*.

152) When the production possibilities frontier bows outward from the origin, 152) _____
A) opportunity costs are decreasing.
B) opportunity costs are increasing.
C) opportunity costs are constant.
D) some of society's resources are unemployed.

153) The slope of a production possibilities frontier that displays increasing opportunity cost is 153) _____
A) positive and constant.
B) negative and constant.
C) steeper near the vertical intercept than near the horizontal intercept.
D) steeper near the horizontal intercept than near the vertical intercept.

154) The fact that individual productive resources are <u>NOT</u> equally useful in all activities 154) _____
A) implies that a production possibilities frontier will be bowed outward.

B) follows from the law of demand.
C) implies that gain from specialization and trade is unlikely.
D) implies a linear production possibilities frontier.



155) The figure above illustrates Mary's production possibilities frontier. If Mary wants to move from point *b* to point *c*, she must 155) _____
A) give up some of good *X* in order to obtain more of good *Y*.
B) improve technology.
C) increase the accumulation of capital.
D) give up some of good *Y* in order to obtain more of good *X*.

156) The above figure illustrates Mary's production possibilities frontier. If Mary wants to move from point *d* to point *c*, she must 156) _____
A) give up some of good *Y* in order to obtain more of good *X*.
B) increase her accumulation of capital.
C) improve technology.
D) give up some of good *X* in order to obtain more of good *Y*.

157) The above figure illustrates Mary's production possibilities frontier. Which of the following movements show opportunity costs increasing? 157) _____
A) point *f* to point *a* B) point *a* to point *f*
C) point *c* to point *f* to point *d* D) point *a* to point *b* to point *c*

158) 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*? 158) _____
A) from point *c* to point *b* B) from point *b* to point *a*
C) from point *d* to point *c* D) from point *e* to point *d*

159) 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*? 159) _____
A) from point *a* to point *b* B) from point *d* to point *e*
C) from point *c* to point *d* 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

160) Refer to the table above, which gives five points on a nation's *PPF*. The production of 7 units of *X* and 28 units of *Y* is 160) _____
A) on the production possibilities frontier between points *c* and *d*.
B) impossible given the available resources.
C) possible but leaves some resources less than fully used or misallocated.
D) on the production possibilities frontier between points *b* and *c*.

161) Refer to the table above, which gives five points a nation's *PPF*. What does point *c* mean? 161) _____
A) If 8 units of *X* are produced, then at most 28 units of *Y* can be produced.
B) The opportunity cost of one more unit of X is 3.5 units of *Y*.
C) If 8 units of *X* are produced, then 28 or more units of *Y* can be produced.
D) The opportunity cost of one less unit of *X* is 3.5 units of *Y*.

162) Refer to the table above, which gives five points on a nation's *PPF*. The opportunity cost of increasing the production of *X* from 8 to 12 units is a total of 162) _____
A) 1.33 units of *Y*.
B) 12 units of *Y*.
C) 8 units of *Y*.
D) 3.5 units of *Y*.

163) Refer to the table above, which gives five points on a nation's *PPF*. The opportunity cost of increasing the production of *Y* from 16 to 36 units is a total of 163) _____
A) 12 units of *X*.
B) 10 units of *X*.
C) 4 units of *X*.
D) 8 units of *X*.

164) Refer to the table above, which gives five points on a nation's *PPF*. As we increase the production of *X*, 164) _____
A) the output of *Y* increases.
B) the opportunity cost of each new unit of *X* decreases.
C) unemployment increases.
D) the opportunity cost of each new unit of *X* increases.

165) Refer to the table above, which gives five points on a nation's *PPF*. The numbers in the table demonstrate that 165) _____
A) the opportunity cost of producing an additional unit of *Y* decreases as the production of *Y* increases.
B) this economy has a comparative advantage in *X*.
C) the opportunity cost of producing an additional unit of *Y* increases

as the production of Y increases.
D) this economy has a comparative advantage in Y.

166) Tom Petty excels at producing rock videos. Tom Clancy excels at writing military novels. The difference in their skills is one reason why the production possibilities frontier for videos and novels 166) _____
A) has a constant slope. B) is steeper to the right.
C) is shallower to the right. D) has a positive slope.

167) Generally, opportunity costs increase and the production possibilities frontier bows outward. Why? 167) _____
A) Unemployment is inevitable.
B) Technology is slow to change.
C) Labor is scarcer than capital.
D) Resources are not equally useful in all activities.

168) When the production possibilities frontier is bowed outwards, the opportunity cost of producing more of one good 168) _____
A) cannot be determined.
B) decreases in terms of the amount foregone of the other good.
C) remains constant.
D) increases in terms of the amount foregone of the other good.

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

170) Increasing opportunity cost occurs along a production possibilities frontier because 170) _____
A) increasing wants need to be satisfied.
B) production takes time.
C) resources are not equally productive in all activities.
D) in order to produce more of one good decreasing amounts of another good must be sacrificed.

171) Increasing opportunity cost is due to 171) _____
A) firms' needs to earn more and more profits.
B) ever increasing taxes.
C) the fact that resources are not equally suited for different types of production.
D) the fact that it is more difficult to use resources efficiently the more society produces.

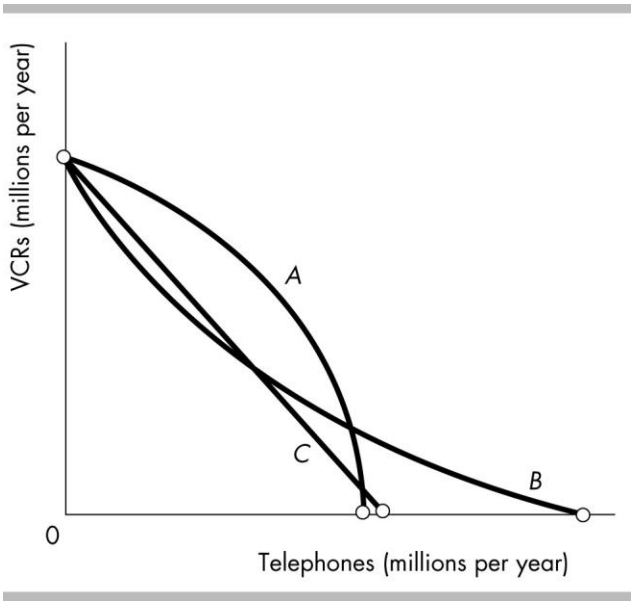
172) Which of the following causes the production possibilities frontier to have a bowed out, curvilinear shape? 172) _____
A) The assumption that resources are specialized and so are not

equally productive in all activities
B) The assumption that resources are not specialized and so are equally productive in all activities
C) The point that moving along the *PPF* technology is held constant
D) The scarcity of resources

173) The fact that opportunity costs increase while moving along a production possibilities frontier means that the production possibilities frontier will 173) _____
A) reach a minimum and then rapidly increase.
B) be bowed out, away from the origin.
C) be bowed in, toward the origin
D) be a straight line with a constant and positive slope.

174) The principle of increasing opportunity cost occurs because 174) _____
A) resources are not equally suited to all activities.
B) scarcity exists.
C) we must give up something to get something else.
D) resources are being used inefficiently.

175) One point on a *PPF* shows production levels at 50 tons of coffee and 100 tons of bananas. Remaining on the *PPF*, an increase of banana production to 140 tons shows coffee production at 30 tons. Still remaining on the *PPF*, coffee production at 10 tons allows banana production at 160 tons. The opportunity cost of a ton of bananas is 175) _____
A) constant because coffee production decreased by the same amount each time.
B) increasing from 1/2 ton of coffee per ton of bananas to 1 ton of coffee per ton of bananas.
C) decreasing, since the increase in banana production is less at each point considered.
D) 16 to 1, that is every 1 ton of coffee given up will result in 16 more tons of bananas.



176) In the figure above, which of the curves shows a production possibilities frontier with increasing opportunity cost in the production of VCRs and telephones? 176) _____

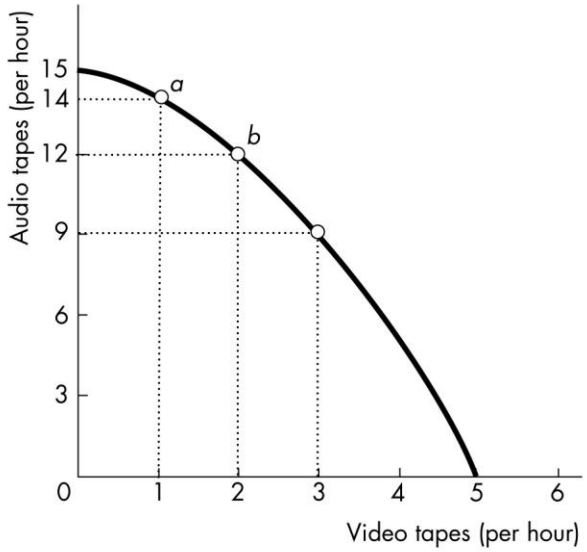
A) *A*
B) *B*
C) *C*
D) All of the curves illustrate a production possibilities frontier with increasing opportunity cost in the production of VCRs and telephones.

177) If the United States can increase its production of automobiles without decreasing its production of any other good, the United States must have been producing at a point 177) _____

A) within its *PPF*.
B) beyond its *PPF*.
C) on its *PPF*.
D) None of the above is correct because increasing the production of one good without decreasing the production of another good is impossible.

178) Production points inside the *PPF* are 178) _____

A) efficient but not attainable.
B) inefficient and not attainable.
C) inefficient and attainable.
D) efficient and attainable.



179) In the above figure, at point *a* what is the opportunity cost of producing one more audio tape? 179) _____

A) 2 video tapes
B) 1 video tape
C) 14 video tapes
D) There is no opportunity cost.

180) In the above figure, at point *b* what is the opportunity cost of producing 2 more audio tapes? 180) _____

A) 12 video tapes
B) 1 video tape
C) 2 video tapes
D) There is no opportunity cost.

181) Production efficiency means that 181) _____
A) scarcity is no longer a problem.
B) as few resources as possible are being used in production.
C) producing another unit of the good has no opportunity cost.
D) producing more of one good is possible only if the production of some other good is decreased.

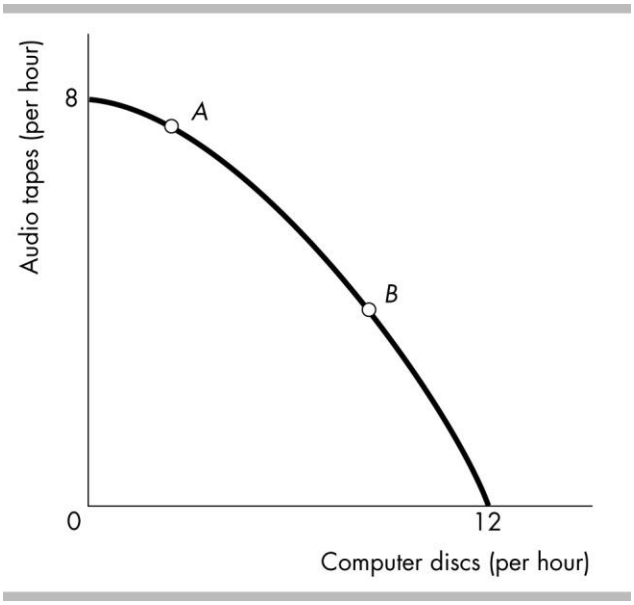
182) The existence of the tradeoff along the *PPF* means that the *PPF* is 182) _____
A) bowed outward.
B) negatively sloped.
C) linear.
D) positively sloped

183) The bowed-outward shape of a *PPF* 183) _____
A) is due to capital accumulation.
B) is due to the existence of increasing opportunity cost.
C) illustrates the fact that no opportunity cost is incurred for increasing the production of the good measured on the horizontal axis but it is incurred to increase production of the good measured along the vertical axis.
D) reflects the unequal application of technology in production.

184) Moving along a bowed-out *PPF* between milk and cotton, as more milk is produced the marginal cost of an additional gallon of milk 184) _____
A) probably changes, but in an ambiguous direction.
B) does not change.
C) rises.
D) falls.

185) A nation can *produce* at a point outside its *PPF* 185) _____
A) when it produces inefficiently.
B) when it trades with other nations.
C) never.
D) when its *PPF* is bowed out.

186) A nation can *consume* at a point outside its *PPF* 186) _____
A) when its *PPF* is bowed out.
B) when it produces inefficiently.
C) never.
D) when it trades with other nations.



187) In the above figure, point *A* is _____, and point *B* is _____. 187) _____

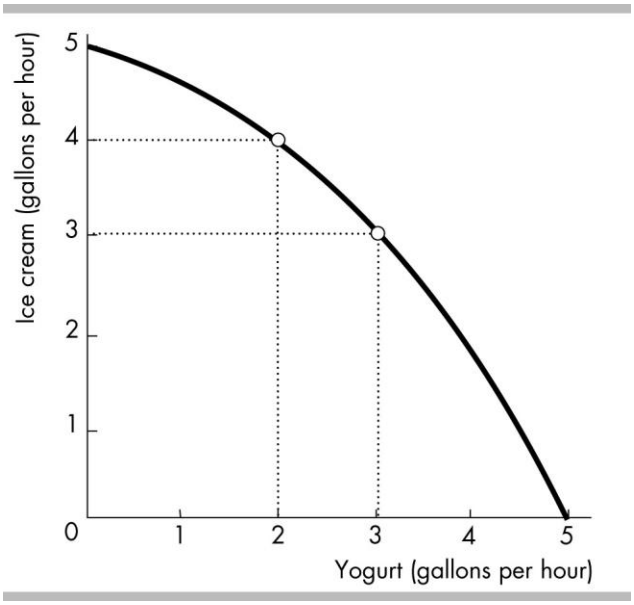
A) unattainable, attainable B) attainable, attainable

C) unattainable, unattainable D) attainable, unattainable

188) Abe can catch 15 pounds of fish an hour or pick 30 pounds of fruit an hour. He works an 8-hour day, spending 5 hours picking fruit and 3 hours catching fish. Calculate Abe's opportunity cost of a pound of fruit. 188) _____

A) 6 minutes B) 3 hours a day

C) 0.5 pounds of fish D) 2 pounds of fish



189) In the figure above, if the quantity of yogurt produced increases from 2 gallons an hour to 3 gallons an hour, the opportunity cost of a gallon of yogurt in terms of ice cream is 189) _____

A) 4 gallons. B) 3 gallons.

C) half a gallon. D) 1 gallon.

190) Claire and Dag are farmers who produce beef and corn. In a year, Claire can produce 16 tons of beef or 40 bushels of corn, while Dag can produce 5 tons of beef or 25 bushels of corn. The opportunity cost of producing a ton of beef is _____
A) 10 bushels of corn for Dag and 8 bushels of corn for Claire.
B) 5 bushels of corn for Dag and 2.5 bushels of corn for Claire.
C) 36.5 days for Dag and 45.6 days for Claire.
D) 20 bushels of corn for Dag and 50 bushels of corn for Claire.

191) Abe can catch 10 pounds of fish an hour or pick 10 pounds of fruit. Zeb can catch 30 pounds of fish an hour or pick 20 pounds of fruit. The opportunity cost of fish is _____ for Abe than for Zeb, and the opportunity cost of fruit is _____ for Abe than for Zeb. _____
A) higher, higher
B) lower, higher
C) lower, lower
D) higher, lower

192) As we move along a bowed-out production possibility frontier, producing more tacos and less pizza, the opportunity cost of a pizza _____. _____
A) increases
B) decreases
C) remains the same
D) increases and then decreases

193) Moving from one point on the production possibilities frontier to another _____. _____
A) involves a tradeoff but does not incur an opportunity cost
B) involves a tradeoff and incurs an opportunity cost
C) involves an opportunity cost but no tradeoff
D) involves no tradeoff but it does incur an opportunity cost

194) Marginal cost is the opportunity cost _____
A) that your activity imposes on someone else.
B) of a good or service that exceeds its benefit.
C) of a good or service divided by the number of units produced.
D) that arises from producing one more unit of a good or service.

195) Marginal cost _____
A) is defined as the opportunity cost of producing another unit of a good or service.
B) can be illustrated by moving along a *PPF* unit by unit.
C) always equals marginal benefit.
D) Both answers A and B are correct.

196) Marginal cost is the _____ one more unit of a good and _____ of the good increases. _____
A) benefit from consuming; increases as consumption
B) opportunity cost of producing; increases as production
C) benefit from consuming; decreases as consumption
D) opportunity cost of producing; decreases as production

197) Moving along a *PPF*, marginal cost is _____
A) the cost of producing the first unit of a good or service.
B) greater than the opportunity cost.

C) the total cost, less the production of the other good or service.
D) equal to the opportunity cost of producing one more unit of a good or service.

198) The quantity of shoes produced is measured along the horizontal axis of a *PPF* and the quantity of shirts is measured along the vertical axis. As you move down toward the right along the *PPF*, the marginal cost of 198) _____
A) shoes increases.
B) shirts increases.
C) shoes and shirts is equal at the midpoint between the vertical and horizontal axis.
D) shoes decreases.

199) Marginal cost usually 199) _____
A) decreases as marginal benefits decrease.
B) decreases as more is produced.
C) increases as more is produced.
D) remains constant as more is produced.

200) Marginal cost is the 200) _____
A) opportunity cost of producing one more unit of a good and decreases as production increases.
B) benefit from consuming one more unit of a good and increases as consumption increases.
C) benefit from consuming one more unit of a good and decreases as consumption increases.
D) opportunity cost of producing one more unit of a good and increases as production increases.

201) Microsoft's marginal cost of the 100th copy of Windows Vista is _____. 201) _____
A) the maximum amount that someone is willing to pay for the 100th copy of Windows Vista
B) maximum amount that she is willing to pay for 100 copies of Windows Vista
C) opportunity cost of producing 100 copies of Windows Vista
D) opportunity cost of producing the 100th copy of Windows Vista

202) The principle of increasing marginal cost implies that the 202) _____
A) total cost of producing more of a good or service remains the same as more is produced.
B) total cost from producing more of a good or service decreases as more is produced.
C) additional cost of producing one more of a good or service decreases as more is produced.
D) additional cost of producing one more of a good or service increases as more is produced.

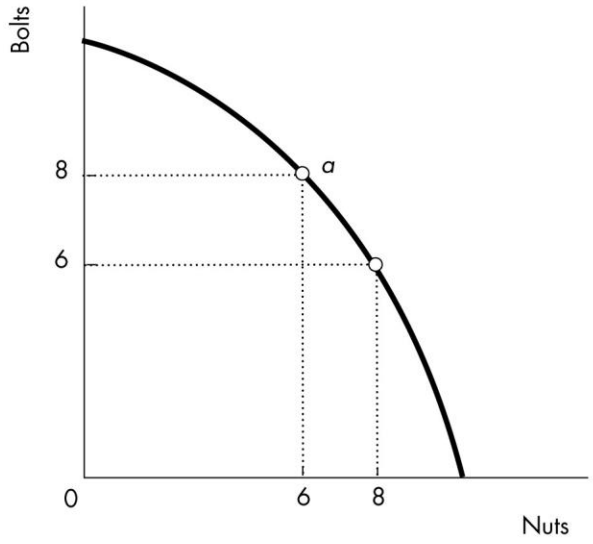
203) When the opportunity cost of producing more of a good is increasing, the marginal cost of producing more of the good is 203) _____
A) decreasing.
B) increasing.

C) constant.
D) More information is needed to answer the question.

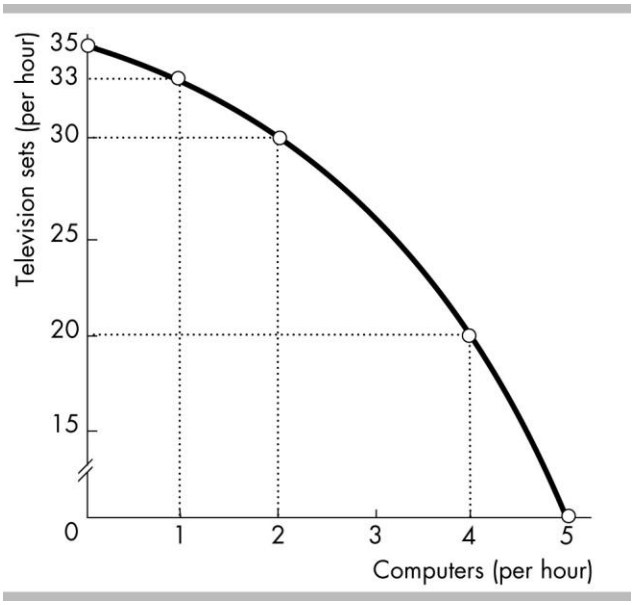
204) A marginal cost curve 204) _____
A) shows that as more of a good is produced, opportunity costs of producing another unit increase.
B) is upward sloping.
C) is bowed inward so that its slope can become negative.
D) Both answers A and B are correct.

Quantity of beans (bushels)	Quantity of carrots (bushels)
5	0
4	5
8	9
2	12
1	14
0	15

205) The table above represents different points along a production possibilities curve. What is the marginal cost of moving from 2 bushels to 3 bushels of beans? 205) _____
A) 3 bushels of carrots per bushel of beans
B) 12 bushels of carrots per bushel of beans
C) 21 bushels of carrots per bushel of beans
D) 9 bushels of carrots per bushel of beans



206) Victor currently produces nuts and bolts at point *a* in the figure. Victor's marginal cost of producing an additional nut is _____. 206) _____
A) 8/6 bolts B) 1/2 bolt C) 8 bolts D) 1 bolt



207) In the figure above, the marginal cost of producing a computer 207) _____
A) stays the same as more computers are produced.
B) falls as more computers are produced.
C) rises as more computers are produced.
D) is the same as the marginal cost of producing a television set.

208) In the figure above, the marginal cost of the second computer is 208) _____
A) 30 television sets. B) 5 television sets.
C) 2 television sets. D) 3 television sets.

209) In the figure above, the marginal cost of the fifth computer is 209) _____
A) 20 television sets. B) 35 television sets.
C) 4 television sets. D) 0 television sets.

210) Marginal cost curves generally slope 210) _____
A) downward because of decreasing opportunity cost.
B) upward because of increasing opportunity cost.
C) upward because of decreasing opportunity cost.
D) downward because of increasing opportunity cost.

211) Marginal benefit is the benefit 211) _____
A) that your activity provides to someone else.
B) that is received from consuming one more unit of a good or service.
C) of producing a good or service when the total benefit from the good or service exceeds its total cost.
D) of consuming another good or service divided by the total number of goods or services produced.

212) The marginal benefit from a good is the maximum amount a person is willing to pay for 212) _____
A) all of the good the person consumes.
B) all of the units of the good the person consumes divided by the number of units he or she purchases.
C) one more unit of the good divided by the number of units

purchased.

D) one more unit of the good.

213) The marginal benefit of a good or service is measured by 213) _____

A) the average social benefit received from consuming it.
B) the consumers' ability to pay for it.
C) the cost of producing an additional unit of it.
D) willingness to pay for an additional unit of it.

214) The marginal benefit of a good or service usually 214) _____

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.

215) The principle of decreasing marginal benefit implies that the 215) _____

A) total benefit from obtaining more of a good or service remains the same as more is consumed.
B) additional benefit from obtaining one more of a good or service increases as more is consumed.
C) additional benefit from obtaining one more of a good or service decreases as more is consumed.
D) total benefit from obtaining more of a good or service decreases as more is consumed.

216) Marginal benefit is the 216) _____

A) benefit from consuming one more unit of a good and decreases as consumption increases.
B) benefit from consuming one more unit of a good and increases as consumption increases.
C) opportunity cost of producing one more unit of a good and increases as production increases.
D) opportunity cost of producing one more unit of a good and decreases as production increases.

217) Which of the following is TRUE regarding marginal benefit? 217) _____

I. The marginal benefit curve shows the benefit firms receive by producing another unit of a good.
II. Marginal benefit increases as more and more of a good is consumed.
III. Marginal benefit shows the maximum amount a person is willing to pay to obtain one more unit of a good.

A) II and III B) I and III C) I and II D) III only

218) We measure the marginal _____ of a good by what a _____ for another unit of the good. 218) _____

A) cost; person's preferences are
B) cost; person is willing to pay
C) benefit; person must pay
D) benefit; person is willing to pay

219) Susan likes to drink sodas. The _____ soda Susan drinks, the _____ of the last soda. 219) _____

A) less; higher the opportunity cost
B) more; higher the marginal benefit
C) less; lower the marginal benefit
D) more; lower the marginal benefit

220) Marginal benefit is the benefit _____ one more unit of the good and _____ of the good increases. 220) _____
A) of producing; decreases as production
B) from consuming; increases as consumption
C) of producing; increases as production
D) from consuming; decreases as consumption

221) The principle of decreasing marginal benefit indicates that as the consumption of magazines increases, a person 221) _____
A) is willing to pay increasingly more for another magazine.
B) is willing to forego more of other goods or services to acquire another magazine.
C) willing to pay less for another magazine.
D) obtains less satisfaction than if he or she had fewer magazines.

222) Marginal benefit is the 222) _____
A) benefit that a person receives from consuming one more unit of a good or service.
B) minimum amount a person is willing to pay for one more unit of a good or service.
C) dollars sacrificed to purchase a good or service.
D) amount of one good or service that a person gains when another good or service is consumed.

223) Beth reads two magazines this afternoon. The marginal benefit that Beth gets from the second magazine is the _____. 223) _____
A) opportunity cost of producing both magazines
B) maximum amount that she is willing to pay for the second magazine
C) maximum amount that she is willing to pay for the first magazine plus the maximum amount she is willing to pay for the second magazine
D) opportunity cost of producing the second magazine

224) As a person consumes more and more of a good, the 224) _____
A) marginal benefit increases.
B) price of the good falls.
C) marginal benefit increases or decreases depending whether or not the economy is on the *PPF*.
D) marginal benefit decreases.

225) A marginal benefit curve shows 225) _____
A) the quantity of one good that people are willing to forgo to get another unit of another good.
B) the quantity of one good that must be forgone to get more of another good.
C) the efficient use of resources.

D) there are increasing opportunity costs.

226) The principle of decreasing marginal benefit means that as the quantity of a good consumed 226) _____
A) increases, its total benefit decreases.
B) decreases, its marginal benefit decreases.
C) increases, its marginal benefit decreases.
D) None of the above answers is correct.

227) Marginal benefit typically 227) _____
A) increases as marginal costs increase.
B) increases as more is consumed.
C) decreases as more is consumed.
D) remains constant as more is consumed.

228) Suppose that the government is trying to decide between allocating its resources to build more dams or to build more freeways. In terms of forgone dams, as more freeways are constructed, the marginal benefit of additional freeways _____ and the marginal cost of additional freeways _____. 228) _____
A) increases; decreases
B) decreases; decreases
C) decreases; increases
D) increases; increases

229) Marginal benefit curves generally slope 229) _____
A) downward, but not because of increasing opportunity cost.
B) downward because of increasing opportunity cost.
C) upward because of increasing opportunity cost.
D) upward, but not because of increasing opportunity cost.

230) Marginal benefit curves slope 230) _____
A) upward, but marginal cost curves slope downward.
B) downward and so do marginal cost curves.
C) downward, but marginal cost curves slope upward.
D) upward 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

231) In the table above, the marginal benefit of the 4 millionth television set is 231) _____
A) 1.0 computer per television set.
B) 0.25 computers per television set.
C) 0.5 computers per television set.
D) negative 0.5 computers per television set.

232) Resource use is allocatively efficient when 232) _____
A) we produce the amount of the different goods we value most highly.
B) we produce the goods with the lowest opportunity cost.
C) we produce the goods with the highest opportunity cost.
D) we cannot produce more goods and services.

233) When we cannot produce more of any good without giving up some other good that we value more highly, we have achieved 233) _____
A) allocative efficiency. B) production.
C) equity. D) economic growth.

234) If the marginal benefit of a good exceeds its marginal cost 234) _____
A) we've achieved efficient resource use.
B) we should produce less to achieve the allocatively efficient use of resources.
C) we should produce more to achieve the allocatively efficient use of resources.
D) we cannot tell if more or less should be produced to achieve the allocatively efficient use of resources.

235) When an economy produces at its allocatively efficient production point, 235) _____
A) a society can increase the production of one good only by decreasing the production of some other good that is valued more highly.
B) resources are not limited.
C) scarcity is not a problem.
D) a society can increase the production of all goods.

236) Resource use is allocatively efficient when marginal benefit is 236) _____
A) equal to marginal cost. B) less than marginal cost.
C) greater than marginal cost. D) at its maximum value.

237) Resource use is allocatively efficient 237) _____
A) whenever marginal benefit exceeds marginal cost.
B) when the maximum possible quantity is being produced.
C) whenever marginal cost exceeds marginal benefit.
D) when marginal benefit equals marginal cost.

238) Resource use is allocatively efficient if the 238) _____
A) marginal benefit of what the resource produces has diminished to zero.
B) total cost of what the resource produces is less than the total benefit of what is produced.
C) total cost of what the resource produces is equal to the total benefit of what is produced.
D) marginal cost of what the resource produces is equal to the marginal benefit of what is produced.

239) Suppose that you have a choice between video games and movies. If the marginal

benefit of a video game, in terms of movies forgone, exceeds the marginal cost, then your resources would be used most efficiently by 239) ____

A) keeping the status quo, that is, making no change.
B) decreasing video games and increasing movies.
C) decreasing video games and movies.
D) increasing video games and decreasing movies.

240) A country produces only pencils and erasers. Pencil production is allocatively efficient if the marginal _____ of a pencil equals the marginal _____ of _____. 240) _____

A) cost; benefit; an eraser
B) benefit; cost; a pencil
C) benefit; benefit; an eraser
D) cost; cost; an eraser

241) If the marginal benefit of consuming another unit of a good is positive, then to reach the allocatively efficient level of output more of the good should be consumed 241) _____

A) if the total benefit is greater than the total cost.
B) if the marginal benefit is greater than the marginal cost.
C) as long as the consumer can afford to pay for it.
D) no matter what..

242) Allocative efficiency occurs when 242) _____

A) marginal benefit exceeds marginal cost.
B) opportunity costs are decreasing.
C) we cannot produce more of any good without giving up some other good that we value more highly.
D) we cannot produce more of any one good without giving up some other good.

Quantity (pizzas per day)	Marginal benefit (cans per day)	Marginal cost (cans per day)

10	26	14
20	24	16
30	22	18
40	20	20
50	18	22
60	16	24
70	14	26

243) The table above shows the marginal benefit from pizza and the marginal cost of pizza in cans of soda forgone. If _____ pizzas are produced, the quantity of soda that people are willing to give up to get an additional pizza is more than the quantity of soda that they must give up to get that additional pizza. 243) _____

A) 40
B) any quantity other than 40
C) fewer than 40
D) more than 40

Camel rides (per day)	Marginal benefit (tubes of sunscreen)	Marginal cost (tubes of sunscreen)
1	20	11
2	18	12
3	16	13
4	14	14
5	12	15
6	10	16

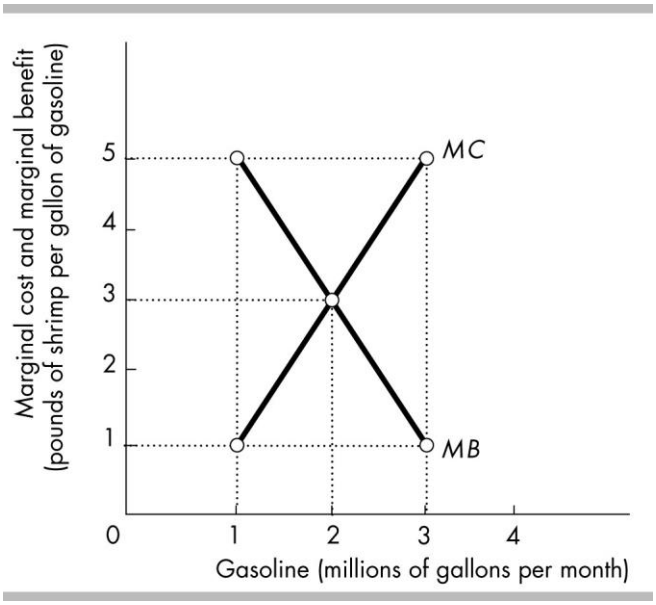
244) Leisure Land produces only sun screen and camel rides. The table shows the marginal benefit and marginal cost schedules for sun screen and camel rides. The allocatively efficient number of camel rides is _____. 244) _____

A) 1 ride per day because the marginal benefit exceeds the marginal cost by as much as possible
B) 6 rides per day because that is the maximum number of rides
C) 2 rides per day
D) 4 rides per day

Quantity of pizza	Marginal benefit	Marginal cost
5	25	11
6	20	13
7	15	15
8	10	17

245) The table above represents the marginal cost and marginal benefit associated with pizza (in terms of movies). What amount of pizza should be produced if resources are to be used efficiently? 245) _____

A) 7 pizzas B) 8 pizzas C) 6 pizzas D) 5 pizzas



246) According to the diagram in the above figure, what is the marginal benefit of consuming the 3 millionth gallon of gasoline per month? 246) _____

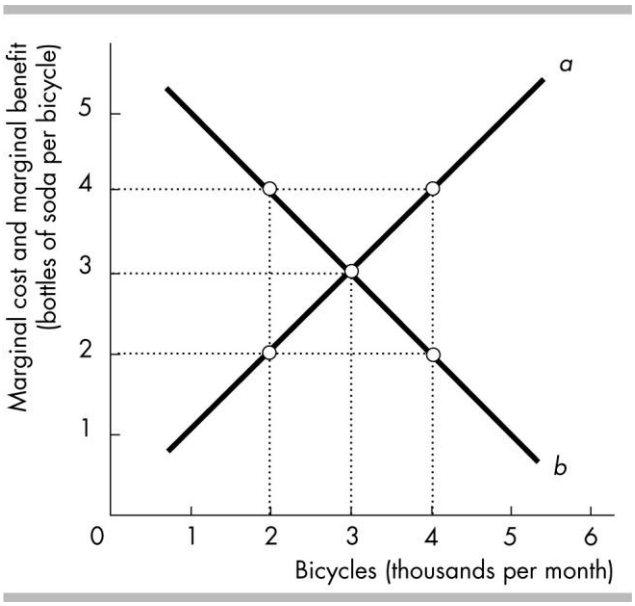
A) 3 pounds of shrimp per month
B) 2 pounds of shrimp per month
C) 1 pound of shrimp per month
D) 5 pounds of shrimp per month

247) According to the diagram in the figure above, what is the marginal cost of producing the 3 millionth gallon of gasoline per month? 247) _____

A) 3 pounds of shrimp per month
B) 1 pound of shrimp per month
C) 4 pounds of shrimp per month
D) 5 pounds of shrimp per month

248) According to the diagram in the figure above, an allocatively efficient use of resources requires that production and consumption of gasoline be 248) _____

A) 2 million gallons of gasoline per year.
B) 3 million gallons of gasoline per year.
C) 1 million gallons of gasoline per year.
D) 4 million gallons of gasoline per year.



249) In the above figure, the curve labeled *a* is the _____ curve and the curve labeled *b* is the _____ curve. 249) _____

A) production possibilities frontier; trade line
B) marginal benefit; trade line
C) marginal cost; marginal benefit
D) marginal cost; trade line

250) In the above figure, curve *b* shows the 250) _____

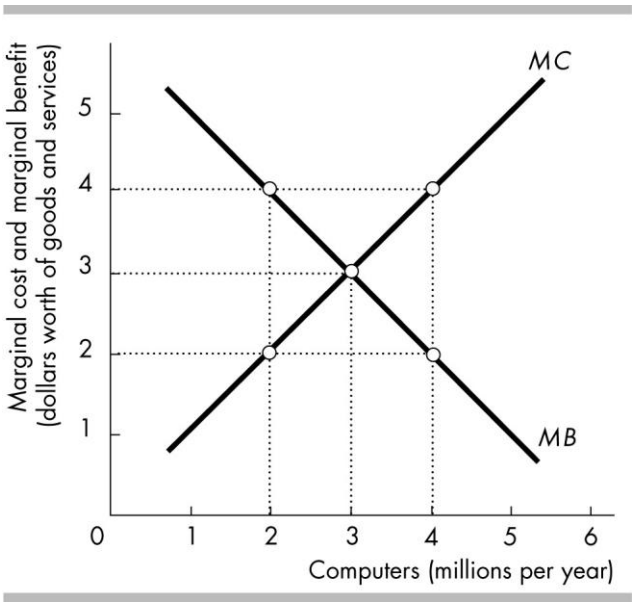
A) benefits of producing more soda is greater than the benefits of producing more bicycles.
B) bottles of soda that people are *willing* to forgo to get another bicycle.
C) benefits of producing more bicycles is greater than the benefits of producing more soda.
D) bottles of soda that people *must* forgo to get another bicycle.

251) In the above figure, when 2000 bicycles are produced each month, we can see that 251) _____

A) more bicycles should be produced to reach the allocatively efficient level of output.
B) the marginal benefit from another bicycle is greater than the marginal cost of another bicycle.
C) the economy is very efficient at the production of bicycles because the marginal benefit exceeds the marginal cost.
D) Both answers A and B are correct.

252) In the above figure, if 4000 bicycles are produced per month, 252) _____

A) the marginal cost of production is 2 bottles of soda per bicycle.
B) fewer bicycles should be produced to reach the allocatively efficient level of output.
C) marginal benefit is greater than marginal cost.
D) Both answers A and B are correct.



253) In the above figure, if 2 million computers are produced per year then the _____ should be produced to achieve the allocatively efficient use of resources 253) _____
A) marginal benefit of a computer exceeds the marginal cost of a computer, so more computers
B) marginal benefit of a computer exceeds the marginal cost of a computer, so fewer computers
C) marginal cost of a computer exceeds the marginal benefit of a computer, so fewer computers
D) marginal cost of a computer exceeds the marginal benefit of a computer, so more computers

254) In the figure above, if 4 million computers are produced per year then the _____ should be produced to achieve the allocatively efficient use of resources 254) _____
A) marginal cost of a computer exceeds the marginal benefit of a computer, so fewer computers
B) marginal benefit of a computer exceeds the marginal cost of a computer, so more computers
C) marginal cost of a computer exceeds the marginal benefit of a computer, so more computers
D) marginal benefit of a computer exceeds the marginal cost of a computer, so fewer computers

255) In the figure above, the allocatively efficient output of computers is 255) _____
A) 4 million per year.
B) 3 million per year.
C) 2 million per year.
D) the largest amount possible.

256) In the figure above, at the allocatively efficient level of computer production consumers are willing to give up 256) _____
A) 0 televisions per computer.
B) between 0 and 3 televisions per computer.
C) more than 3 televisions per computer.
D) 3 televisions per computer.

257) In the figure above, at the allocatively efficient level of computer production the marginal cost of producing a computer is 257) _____
A) 0 televisions per computer.
B) 3 televisions per computer.
C) between 0 and 3 televisions per computer.
D) more than 3 televisions per computer.

258) The most anyone is willing to pay for another purse is $30. Currently the price of a purse is $40, and the cost of producing another purse is $50. The marginal benefit of a purse is 258) _____
A) $50.
B) $30.
C) $40.
D) an amount not given in the answers above.

259) If the marginal benefit from another computer exceeds the marginal cost of the computer, then to use resources allocatively efficiently, 259) _____
A) if the marginal benefit exceeds the marginal cost by as much as possible, the efficient amount of resources are being used to produce computers.
B) more resources should be used to produce computers.
C) fewer resources should be used to produce computers.
D) None of the above is correct because marginal benefit and marginal cost have nothing to do with using resources allocatively efficiently.

1) D
2) C
3) B
4) B
5) C
6) B
7) C
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9) B
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12) A
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256) D
257) B
258) B
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