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Correct answers located at the end of the chapter.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) An economic model is an ideal or utopian type of economy that society should strive to obtain through economic policy.
   - ◎ true
   - ◎ false

2) Because economic generalizations are simplifications from reality, they are impractical and useless.
   - ◎ true
   - ◎ false

3) If economic theories are solidly based on relevant facts, then appropriate economic policy becomes obvious and uncontroversial.
   - ◎ true
   - ◎ false

4) Normative statements are expressions of facts.
   - ◎ true
   - ◎ false

5) Positive statements are expressions of value judgments.
   - ◎ true
   - ◎ false

6) "The inflation rate is the highest it has been in 40 years." This is an example of a positive statement.
   - ◎ true
   - ◎ false

7) "The Federal Reserve raising interest rates is the best way to bring down inflation." This is an example of a positive statement.
   - ◎ true
   - ◎ false

8) "Wages in the economy are too low." This is an example of a normative statement.
   - ◎ true
   - ◎ false

9) Macroeconomics explains the behavior of individual households and business firms; microeconomics is concerned with the behavior of aggregates or the economy as a whole.
   - ◎ true
   - ◎ false

10) Purposeful behavior implies that everyone will make identical choices.
    - ◎ true
    - ◎ false

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11) Purposeful behavior implies that everyone using marginal analysis will always make correct choices.
- ◎ true
- ◎ false

12) Marginal analysis means that decision makers compare the extra benefits with the extra costs of a specific choice.
- ◎ true
- ◎ false

13) Rational individuals may make different choices because their preferences and circumstances differ.
- ◎ true
- ◎ false

14) Choices entail marginal costs because resources are scarce.
- ◎ true
- ◎ false

15) The production possibilities curve shows various combinations of two products that an economy can produce when achieving full employment.
- ◎ true
- ◎ false

16) The production possibilities curve shows what combination of two products that an economy should produce.
- ◎ true
- ◎ false

17) The entrepreneur's sole function is to combine other resources (land, labor, and capital) in the production of some good or service.
- ◎ true
- ◎ false

18) The artistic creations of professional singers, writers, and digital artists are capital.
- ◎ true
- ◎ false

19) Products and services are scarce because resources are scarce.
- ◎ true
- ◎ false

20) Products and services are scarce solely because resources are finite in amount.
- ◎ true
- ◎ false

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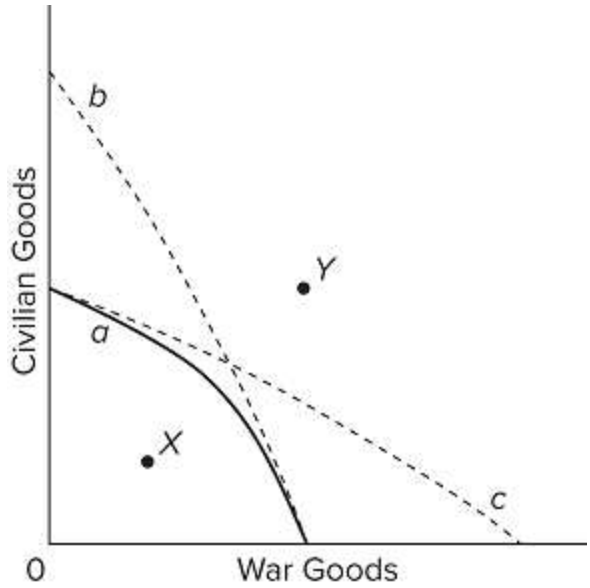
21) An economy cannot produce at a point outside of its production possibilities curve because human economic wants are insatiable.
- true
- false

22) The process by which capital goods are accumulated is known as investment.
- true
- false

23) A professional musician writing a new song is engaging in investment.
- true
- false

24) The present choice of position on the production possibilities curve will not influence the future location of the curve.
- true
- false

25) Although sleeping in on a workday or school day has an opportunity cost, sleeping late on the weekend does not.
- true
- false



26) Refer to the diagram. Given production possibilities curve a, the combination of civilian and war goods indicated by point X is unattainable to this economy.
- true
- false

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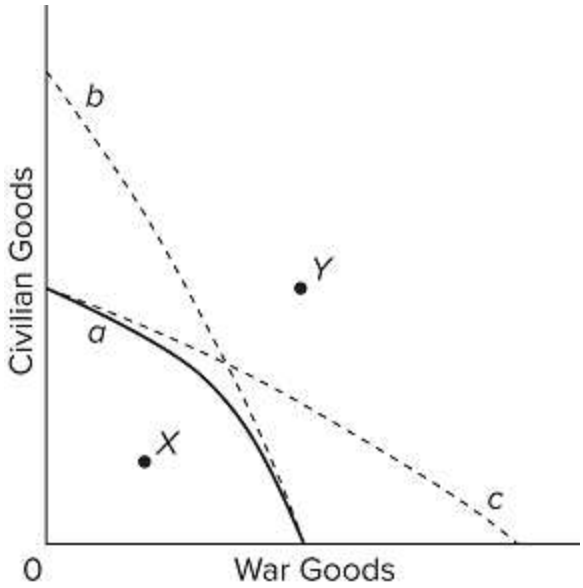
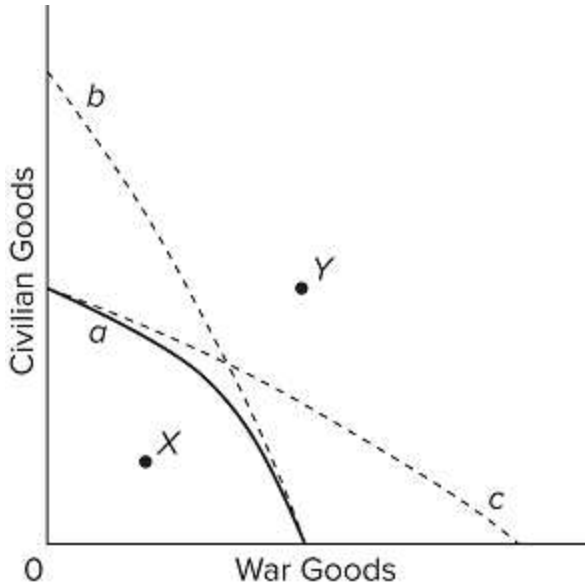


27) Refer to the diagram. Given production possibilities curve a, point Y indicates tha society is failing to use available resources efficiently.

- true
- false



28) Refer to the diagram. The movement from curve a to curve b could be explained by an increase in the quantity and/or quality of society's productive resources.

- true
- false

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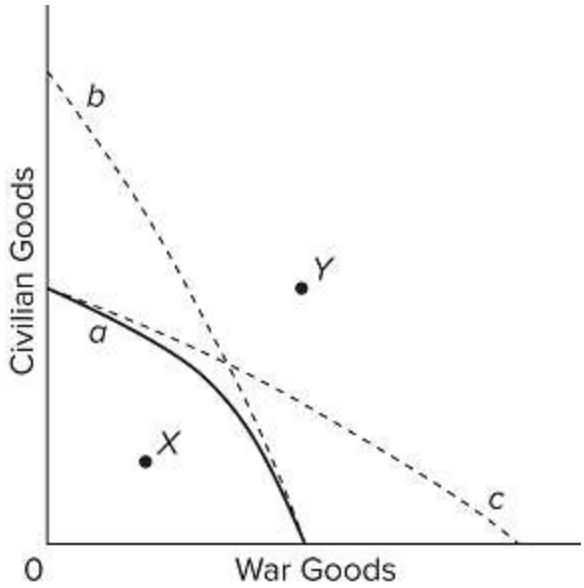

29) Refer to the diagram. The movement from curve a to curve c suggests an improvement in civilian goods technology but not in war goods technology.
- true
- false

30) An economy will always operate at some point on its production possibilities curve.
- true
- false

31) In drawing a particular budget line, money income and the prices of the two products are fixed.
- true
- false

32) The lower the consumer's income, the higher his or her budget line.
- true
- false

33) Economics is the social science concerned with the best use of scarce resources to achieve maximum satisfaction of economic wants.
- true
- false

34) When firms give away "freebies" like free apps, free checking accounts, free maps, or free toothbrushes, they are contradicting economists' contention that "there is no free lunch."
- true
- false

35) Marginal analysis is the valuation of insignificant or small benefits from doing things.
- true
- false

36) Rational behavior implies that different people faced with similar choices will make the same decisions.
- true
- false

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37) Economic analysis is primarily concerned with marginal changes from the status quo, as a result of a certain action or decision.
- ◎ true
- ◎ false

38) The study of economics is not useful for consumers, because economic analysis focuses only on businesses and the economy.
- ◎ true
- ◎ false

39) The scientific method does not apply to economics, because economics studies human behavior, which cannot be generalized.
- ◎ true
- ◎ false

40) Economic principles are value judgments about what the economy should be like or the way the economic world ought to be.
- ◎ true
- ◎ false

41) If falling gasoline prices are good for the consumers, then they must be good everyone in the economy.
- ◎ true
- ◎ false

42) Macroeconomics is concerned with the study of the nationwide market for specific goods like oranges.
- ◎ true
- ◎ false

43) The study of global businesses such as Apple Inc. is one major focus of macroeconomic analysis.
- ◎ true
- ◎ false

44) Phenomena such as inflation and unemployment are a major focus of macroeconomics.
- ◎ true
- ◎ false

45) The comment that "taxes must be reduced for the good of the economy" is an example of a normative economic statement.
- ◎ true
- ◎ false

46) "The role of government in the economy should be kept to a minimum" is an example of a positive economic statement.
- ◎ true
- ◎ false

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47) The economizing problem for individuals arises from the conflict between having relatively unlimited time and relatively limited jobs to do.
- ◎ true
- ◎ false

48) The budget line shows the various incomes that an individual can earn from different jobs.
- ◎ true
- ◎ false

49) The fundamental economic problem faced by a society is that productive resources are so varied and versatile that it is hard to decide what to do with them.
- ◎ true
- ◎ false

50) The resource category called "land" includes forests, animals, and water resources.
- ◎ true
- ◎ false

51) When economists talk about the capital resources in the economy, they are referring to the amount of money circulating in the economy.
- ◎ true
- ◎ false

52) As defined by economists, capital can take the form of either tangible objects or intangible ideas produced by humans.
- ◎ true
- ◎ false

53) The quantity or supply of land resources available to a nation is pretty much fixed and cannot increase over time.
- ◎ true
- ◎ false

54) Entrepreneurship refers to a new college graduate who is looking for a job with a large company.
- ◎ true
- ◎ false

55) If economic resources were perfectly adaptable to alternative uses, then there would be constant opportunity costs along the production possibilities curve.
- ◎ true
- ◎ false

56) If the marginal benefits are greater than the marginal cost of an activity, then society should allocate fewer resources to this activity.
- ◎ true
- ◎ false

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57) If society has overallocated resources to a particular activity, then the marginal benefits of the activity would be less than the marginal costs.
- ◎ true
- ◎ false

58) A nation's production possibilities curve shows the maximum combinations of resources that a nation can use.
- ◎ true
- ◎ false

59) A reduction in the unemployment rate will cause the nation's production possibilities curve to shift outward.
- ◎ true
- ◎ false

60) An increase in immigration would shift the production possibilities curve to the left.
- ◎ true
- ◎ false

61) A nation's consumption is strictly limited by its production possibilities, even with specialization and international trade.
- ◎ true
- ◎ false

62) If two sets of data are inversely related, they will appear on a graph as an upward-sloping line.
- ◎ true
- ◎ false

63) If A is the dependent variable and B is the independent variable, then a change in A results in a change in B.
- ◎ true
- ◎ false

64) A *linear* relationship only refers to one whose graph is either vertical or horizontal.
- ◎ true
- ◎ false

65) In graphing a relationship between two variables, economists always follow the mathematical convention. Thus, if price is the independent variable then it is measured on the horizontal axis.
- ◎ true
- ◎ false

66) An assumption is usually made in a two-axes (or two-dimensional) graph that, aside from the two variables under study, the influence of all other variables or factors is assumed to be constant.
- ◎ true
- ◎ false

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67) The slope of a graph measures the rate of change in one variable as the other variable changes.
- ◎ true
- ◎ false

68) The slope of a graph relating two variables is −5. This indicates that as one variable decreases, the other variable also decreases.
- ◎ true
- ◎ false

69) In the graph for the linear equation S = 15 − 5T, with T on the horizontal axis, the vertical intercept of the graph is −5.
- ◎ true
- ◎ false

70) In a curved graph that is dome-shaped, the tangent line at its maximum, or highest point, has an infinite slope.
- ◎ true
- ◎ false

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

71) For economists, the word "utility" means
- A) versatility and flexibility.
- B) rationality.
- C) pleasure or satisfaction.
- D) purposefulness.

72) In economics, the pleasure, happiness, or satisfaction received from a product is called
- A) marginal cost.
- B) rational outcome.
- C) status fulfillment.
- D) utility.

73) When economists refer to scarcity, they are referring to
- A) a situation where what we want of something exceeds what we have of that thing.
- B) a situation where what we have of something exceeds what we want of that thing.
- C) any situation where an item is limited in amount.
- D) the want-satisfying properties of a good or service.

74) When economists refer to opportunity cost, they are referring to
- A) what must be sacrificed to obtain something else.
- B) a situation where what we have exceeds what we want.
- C) the extra cost from producing an additional unit.
- D) only the nonmonetary costs of doing something.

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75) When economists say that people act rationally in their self-interest, they mean that individuals
   A) look for and pursue opportunities to increase their utility.
   B) generally disregard the interests of others.
   C) are mainly creatures of habit.
   D) are usually impulsive and unpredictable.

76) According to Emerson: "Want is a growing giant whom the coat of Have was never large enough to cover." According to economists, "Want" exceeds "Have" because
   A) people are greedy.
   B) productive resources are limited.
   C) human beings are inherently insecure.
   D) people are irrational.

77) Which of the following is most accurate about economists' view of purposeful behavior?
   A) People are inherently greedy with no regard for the well-being of others.
   B) Purposeful behavior makes people immune from faulty logic.
   C) Pursuing self-interest sometimes includes making personal sacrifices for others.
   D) While people undertake actions with a purpose, they rarely give much thought to the costs of their actions.

78) Momo tells her roommate, "I might as well go to class, I don't have anything better to do right now." Momo's statement suggests that
   A) the marginal benefits of attending class outweigh the marginal costs.
   B) the marginal costs of attending class outweigh the marginal benefits.
   C) Momo doesn't face any opportunity costs of attending class.
   D) going to class is always the activity that will give Momo the most utility.

79) Kailani tells her partner, "I'm going to quit my job and go back to school." Based on this statement we can safely conclude that
   A) the utility Kailani receives from working is negative and not outweighed by the income she receives.
   B) the wage Kailani receives is not very high.
   C) Kailani doesn't like her job.
   D) Kailani believes that going back to school will provide her with more utility than remaining at her job.

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80) According to economists, economic self-interest
   A) is a reality that underlies economic behavior.
   B) has the same meaning as selfishness.
   C) means that people never make wrong decisions.
   D) is usually self-defeating.

81) José sold gold coins for $2,000 that he bought a year ago for $2,000. He says, "At least I didn't lose any money on my financial investment." His economist friend points out that in effect he did lose money because he could have received a 3 percent return on the $2,000 if he had bought a bank certificate of deposit instead of the coins. The economist's analysis in this case incorporates the idea of
   A) opportunity costs.
   B) marginal benefits that exceed marginal costs.
   C) imperfect information.
   D) normative economics.

82) A person should consume more of something when its marginal
   A) benefit exceeds its marginal cost.
   B) cost exceeds its marginal benefit.
   C) cost equals its marginal benefit.
   D) benefit is still better.

83) A person should consume less of something when its marginal
   A) cost exceeds its marginal benefit.
   B) benefit is positive.
   C) benefit equals its marginal cost.
   D) benefit exceeds its marginal cost.

84) Economics may best be defined as the
   A) interaction between macro and micro considerations.
   B) social science concerned with how individuals, institutions, and society make optimal choices under conditions of scarcity.
   C) empirical testing of value judgments through the use of logic.
   D) study of why people are rational.

85) The study of economics is primarily concerned with
   A) keeping private businesses from losing money.
   B) demonstrating that capitalistic economies are superior to socialistic economies.
   C) choices that are made in seeking the best use of resources.
   D) determining the most equitable distribution of society's output.

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86) The economic perspective entails
- A) irrational behavior by individuals and institutions.
- B) a comparison of marginal benefits and marginal costs in decision making.
- C) short-term but not long-term thinking.
- D) rejection of the scientific method.

87) According to the economic perspective
- A) scarcity requires that people make choices.
- B) people will attempt to maximize the difference between marginal benefits and marginal costs.
- C) people only consider their own utility when making choices.
- D) resources are sufficiently abundant that everyone should have their wants satisfied.

88) Purposeful behavior suggests that
- A) everyone will make identical choices.
- B) resource availability exceeds economic wants.
- C) individuals may make different choices because of different desired outcomes.
- D) an individual's economic goals cannot involve trade-offs.

89) Purposeful behavior suggests that
- A) an individual's economic goals cannot involve trade-offs.
- B) everyone will make identical choices.
- C) resource availability exceeds economic wants.
- D) individuals may make different choices because of different desired outcomes.

90) Purposeful behavior means that
- A) people are selfish in their decision making.
- B) people weigh costs and benefits to make decisions.
- C) people are immune from emotions affecting their decisions.
- D) decision makers do not make mistakes when weighing costs and benefits.

91) Economics involves marginal analysis because
- A) most decisions involve changes from the present situation.
- B) marginal benefits always exceed marginal costs.
- C) marginal costs always exceed marginal benefits.
- D) much economic behavior is irrational.

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92) You should decide to go to a movie
- A) if the marginal cost of the movie exceeds its marginal benefit.
- B) if the marginal benefit of the movie exceeds its marginal cost.
- C) if your income will allow you to buy a ticket.
- D) because movies are enjoyable.

93) You should decide to not spend an hour playing video games
- A) since that hour is always better spent doing something else.
- B) because video games are addictive.
- C) if the marginal cost of playing exceeds its marginal benefit.
- D) if the marginal cost of playing is less than its marginal benefit.

94) Opportunity costs exist because
- A) the decision to engage in one activity means forgoing some other activity.
- B) wants are scarce relative to resources.
- C) households and businesses make rational decisions.
- D) most decisions do not involve sacrifices or trade-offs.

95) The assertion that "there is no free lunch" means that
- A) there are always trade-offs between economic goals.
- B) all production involves the use of scarce resources and thus the sacrifice of alternative goods.
- C) marginal analysis is used in economic reasoning.
- D) choices need not be made if behavior is rational.

96) Consumers spend their incomes to get the maximum benefit or satisfaction from the goods and services they purchase. This is a reflection of
- A) resource scarcity and the necessity of choice.
- B) purposeful behavior.
- C) marginal costs that exceed marginal benefits.
- D) the trade-off problem that exists between competing goals.

97) If a firm produces too little of a particular good, this would suggest that
- A) rational choice cannot be applied to many economic decisions.
- B) the good is being produced at a point where marginal costs exceed marginal benefits.
- C) government should intervene to produce more of the good.
- D) the good is being produced at a point where marginal benefit exceeds marginal cost.

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98) Even though local newspapers are very inexpensive, people rarely buy more than one of them each day. This fact
- A) is an example of irrational behavior.
- B) implies that electronic media sources are displacing print sources for many consumers.
- C) contradicts the economic perspective.
- D) implies that, for most people, the marginal benefit of reading a second newspaper is less than the marginal cost.

99) In deciding whether to study for an economics quiz or go to a concert, one is confronted by the idea(s) of
- A) scarcity and opportunity costs.
- B) money and real capital.
- C) complementary economic goals.
- D) full production.

100) Which one of the following expressions best states the idea of opportunity cost?
- A) "A penny saved is a penny earned."
- B) "He who hesitates is lost."
- C) "There is no such thing as a free lunch."
- D) "All that glitters is not gold."

101) Suppose that a university decides to spend $1 million to upgrade personal computers and scientific equipment for faculty rather than spend $1 million to expand parking for students. This example illustrates
- A) distorted priorities.
- B) opportunity costs.
- C) increasing opportunity costs.
- D) productive efficiency.

102) Which of the following most closely relates to the idea of opportunity costs?
- A) trade-offs
- B) economic growth
- C) technological change
- D) capitalism

103) Economists contend that most economic decisions are
- A) random.
- B) irrational.
- C) spontaneous.
- D) purposeful.

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104) Alex sees that his neighbors' lawns all need mowing. He offers to provide the service in exchange for a wage of $20 per hour. Some neighbors accept Alex's offer and others refuse. Economists would describe Alex's behavior as

A) rational self-interest because he is attempting to increase his own income by identifying and satisfying someone else's wants.
B) greedy because he is asking for a high wage that some of his neighbors can't afford to pay.
C) selfish because he is asking for a wage that is higher than others might charge.
D) irrational because some neighbors refused his offer.

105) Kara was out jogging and, despite being tired, decided to run one more mile. Based on her actions, economists would conclude that Kara

A) must be an avid runner.
B) decided that the marginal benefit of running one more mile would outweigh the cost of the additional mile.
C) decided that the marginal cost of running one more mile would outweigh the benefit of the additional mile.
D) was not really very tired, so the marginal cost of the extra mile was very low.

106) Economics is a social science that studies how individuals, institutions, and society may

A) expand the amount of resources available to them.
B) attain a minimum level of production.
C) best use resources to maximize satisfaction of economic wants.
D) reduce the amount of goods and services they need.

107) The basic truth that underlies the study of economics is the fact that we all face

A) death.
B) taxes.
C) risk.
D) scarcity.

108) A recurring theme in economics is that people

A) have unlimited resources but limited economic wants.
B) can increase resources by limiting their economic wants.
C) have limited economic wants and limited resources.
D) have unlimited economic wants but limited resources.

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109) As a consequence of the problem of scarcity,
- A) there is never enough of anything.
- B) individuals have to make choices from among alternatives.
- C) only some people can "have it all."
- D) things which are plentiful have relatively high prices.

110) What does "there is no such thing as a free lunch" mean in economics?
- A) Scarce resources are used up to provide "freebies" and giveaways.
- B) Sometimes people may take friends out to lunch and pay for them.
- C) All items on the lunch menu have specific prices.
- D) Products only have value because people are willing to pay for them.

111) The idea in economics that "there is no free lunch" means that
- A) businesses would go bankrupt if they offered free lunches.
- B) the thought of a free lunch is often better than the reality of consuming it.
- C) there are opportunity costs involved even in free lunches.
- D) free lunches used by businesses to attract customers are an inefficient marketing ploy.

112) The opportunity cost of doing or getting something is defined as
- A) the difference between the marginal cost and benefit of doing something.
- B) the materials used in doing or getting something.
- C) the value of the best alternative that is given up in order to do or get something.
- D) the money spent in doing or getting something.

113) Economic analysis assumes "purposeful behavior," which means that people will pursue decisions or actions
- A) that will increase their well-being.
- B) always based on full or complete information.
- C) with minimal consideration for their emotions.
- D) without making any logical mistakes.

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114) The notion of "purposeful behavior" in the economic perspective suggests that

A) people will tend to stick with a particular choice for a long period of time.
B) economic analysis will provide people with a single "right" way to behave.
C) economists do not believe that people can sometimes behave impulsively.
D) one person's choice may differ from another's if their circumstances and information differ.

115) When studying human behavior, economists assume rational self-interest. This means that

A) people make decisions based on some desired outcome.
B) people are quite selfish and are not concerned about others.
C) people always make the right decisions.
D) people have all the information they need to make a decision.

116) When a state government chooses to build more roads, the resources used are no longer available for public education programs. This dilemma illustrates the concept of

A) production expenses.
B) unemployment issues.
C) unintended consequences.
D) opportunity cost.

117) The opportunity cost of constructing a new public highway is the

A) money cost of hiring contractors and construction workers for the new highway.
B) value of other goods and services that are sacrificed in order to construct the new highway.
C) expected cost of constructing the new highway in a future year.
D) value of shorter driving times and distances when the new highway is completed.

118) The opportunity cost to a consumer who smokes cigarettes consists of the

A) costs imposed on others who inhale second hand smoke.
B) products that the consumer could have bought instead of cigarettes.
C) amount of cigarette taxes paid by this consumer.
D) cost of complementary products such as lighters, ashtrays, and cigarette holders.

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119) The economic perspective focuses largely on marginal analysis, which means analyzing
- A) peripheral elements of a given issue or action.
- B) the minor aspects of a given issue or decision.
- C) the changes in the situation that would result from a given action.
- D) emotional and psychological facets of a given action.

120) Which of the following is the best synonym for "marginal" in economics?
- A) scarce
- B) additional
- C) basic
- D) minor

121) Which of the following is another way of saying "marginal benefits of an action"?
- A) benefits given up, once the action is taken
- B) unintended gains from taking the action
- C) benefits accruing to others as a result of one's action
- D) extra benefits resulting from the action

122) Mia wants to buy a book. The economic perspective suggests that Mia will buy the book if
- A) she has enough money to pay for the marginal cost of the book.
- B) the marginal benefit of the book is a positive value.
- C) the marginal cost of the book is greater than its marginal benefit.
- D) the marginal benefit of the book is greater than its marginal cost.

123) Rebecca likes to read in her spare time. If not reading, Rebecca also likes to do yoga, take walks on the beach, go wine tasting, and text with friends. Suppose that today she only has time for one of those activities, and suppose that if she reads, Rebecca will get 50 units of satisfaction ("utils"). She will get 30 utils from doing yoga, 40 utils walking on the beach, 25 utils wine tasting, and 35 utils texting with friends. Based on this information, today we expect that Rebecca will
- A) walk on the beach.
- B) text with friends.
- C) do yoga.
- D) read.

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124) Rebecca likes to read in her spare time. If not reading, Rebecca also likes to do yoga, take walks on the beach, go wine tasting, and text with friends. Suppose that today she only has time for one of those activities, and suppose that if she reads, Rebecca will get 45 units of satisfaction ("utils"). She will get 35 utils from doing yoga, 50 utils walking on the beach, 32 utils wine tasting, and 28 utils texting with friends. Based on this information, today we expect that Rebecca will

A) walk on the beach.
B) go wine tasting.
C) read.
D) do yoga.

125) Rebecca likes to read in her spare time. If not reading, Rebecca also likes to do yoga, take walks on the beach, go wine tasting, and text with friends. Suppose that today she only has time for one of those activities, and if she reads, Rebecca will get 50 units of satisfaction ("utils"). She will get 30 utils from doing yoga, 40 utils walking on the beach, 25 utils wine tasting, and 35 utils texting with friends. Based on this information, if Rebecca reads today, what is the opportunity cost of her decision?

A) the utility from walking on the beach.
B) the utility from texting with friends.
C) the utility from doing yoga.
D) the utility from all the other activities combined.

126) Rebecca likes to read in her spare time. If not reading, Rebecca also likes to do yoga, take walks on the beach, go wine tasting, and text with friends. Suppose that today she only has time for one of those activities, and if she reads, Rebecca will get 50 units of satisfaction ("utils"). She will get 44 utils from doing yoga, 38 utils walking on the beach, 42 utils wine tasting, and 48 utils texting with friends. Based on this information, if Rebecca reads today, what is the opportunity cost of her decision?

A) The utility from texting with friends
B) The utility from walking on the beach
C) The utility from wine tasting
D) The utility from all the other activities combined

127) From an economic perspective, when a consumer decides to buy more life insurance, the consumer has most likely concluded that the

A) marginal cost of more insurance coverage is negative.
B) marginal benefit of more insurance coverage is greater than zero.
C) marginal benefit of more insurance coverage is greater than the marginal cost.
D) marginal cost of more insurance coverage is equal to the payment for the extra coverage.

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128) From an economic perspective, when consumers leave a fast-food restaurant because the lines to be served are too long, they have concluded that the
- A) marginal cost of waiting is less than the marginal benefit of eating in that restaurant.
- B) marginal cost of waiting is greater than the marginal benefit of eating in that restaurant.
- C) management is exhibiting irrational behavior by not considering the marginal cost and the marginal benefit of standing in line by the consumer.
- D) management is making an assumption that other things are equal.

129) Which of the following best represents the economic perspective used in customer decision making at fast-food restaurants?
- A) customers selecting the shortest line
- B) decisions for which marginal costs exceed marginal benefits
- C) all customer lines tending to be of different lengths
- D) irrational purchasing of high-fat-content food

130) At fast-food restaurants
- A) consumers enjoy complete and accurate information.
- B) decisions are usually made by trial and error.
- C) decisions entail comparisons of marginal costs and marginal benefits.
- D) benefits always exceed costs.

131) Consumers might leave a fast-food restaurant without being served because
- A) they are misinformed about the marginal cost and marginal benefits of the food being served.
- B) they conclude that the marginal cost (monetary plus time costs) exceeds the marginal benefit.
- C) the environment is not conducive to a rational choice.
- D) the lines waiting for service are not of equal length.

132) Jamal has an hour of free time available for studying, sleeping, or running. If Jamal decides to study for that hour, what is the opportunity cost of that decision?
- A) the lost sleep.
- B) the run that was sacrificed in order to study.
- C) both the lost sleep and forgone run.
- D) It is impossible to determine the opportunity cost for Jamal without knowing which activity was the next best alternative.

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133) Ming is presented with four meal choices, of which she gets to choose one. Her order of preference is sushi, pizza, schnitzel, and curry. Assuming Ming chooses the sushi, what is the opportunity cost of her decision?

A) pizza
B) schnitzel
C) curry
D) all three alternatives to the sushi

134) Ming is presented with four meal choices, of which she gets to choose one. Her order of preference is curry, sushi, pizza, and schnitzel. Assuming Ming chooses the curry, what is the opportunity cost of her decision?

A) All three alternatives to curry
B) pizza
C) sushi
D) schnitzel

135) The table below shows how much utility Taran gets from watching his favorite teams, measured in "utils" (units of satisfaction).

Team	Utils
Manchester United	145
Seattle Kraken	127
Seattle Mariners	148
Seattle Seahawks	142
Seattle Sounders	131
Seattle Storm	135

Suppose Taran can only watch one of his favorite teams play. Assuming the cost to watch each team is the same, which team will Taran choose to watch?

A) Seattle Seahawks
B) Seattle Mariners
C) Seattle Storm
D) Manchester United

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136) The following table shows how much utility Taran gets from watching his favorite teams, measured in "utils" (units of satisfaction).

Team	Utils
Manchester United	26
Seattle Kraken	44
Seattle Mariners	38
Seattle Seahawks	35
Seattle Sounders	42
Seattle Storm	29

Suppose Taran can only watch one of his favorite teams play. Assuming the cost to watch each team is the same, which team will Taran choose to watch?

A) Seattle Sounders
B) Manchester United
C) Seattle Kraken
D) Seattle Mariners

137) The table below shows how much utility Taran gets from watching his favorite teams, measured in "utils" (units of satisfaction).

Team	Utils
Manchester United	145
Seattle Kraken	127
Seattle Mariners	148
Seattle Seahawks	142
Seattle Sounders	131
Seattle Storm	135

Suppose Taran can only watch one of his favorite teams play. Assuming the cost to watch each team is the same and he watches his favorite team, what is the opportunity cost of watching his favorite team?

A) 142 utils
B) 148 utils
C) 145 utils
D) The sum of the utils for all the teams he did not watch.

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138) The following table shows how much utility Taran gets from watching his favorite teams, measured in "utils" (units of satisfaction).

Team	Utils
Manchester United	12
Seattle Kraken	15
Seattle Mariners	18
Seattle Seahawks	21
Seattle Sounders	27
Seattle Storm	24

Suppose Taran can only watch one of his favorite teams play. Assuming the cost to watch each team is the same and he watches his favorite team, what is the opportunity cost of watching his favorite team?

A) 21 utils
B) The sum of the utils for all the teams he did not watch
C) 27 utils
D) 24 utils

139) The table below shows how much utility Taran gets from watching his favorite teams, measured in "utils" (units of satisfaction).

Team	Utils
Manchester United	145
Seattle Kraken	127
Seattle Mariners	148
Seattle Seahawks	142
Seattle Sounders	131
Seattle Storm	135

Suppose Taran can only watch one of his favorite teams play. Assuming the cost to watch each team is the same and he watches his favorite team, what is the opportunity cost of watching his favorite team?

A) watching Manchester United
B) watching the Seattle Sounders
C) watching the Seattle Storm
D) watching the Seattle Mariners

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140) The table below shows how much utility Taran gets from watching his favorite teams, measured in "utils" (units of satisfaction).

Team	Utils
Manchester United	12
Seattle Kraken	15
Seattle Mariners	18
Seattle Seahawks	21
Seattle Sounders	27
Seattle Storm	24

Suppose Taran can only watch one of his favorite teams play. Assuming he watches his favorite team, what is the opportunity cost of watching his favorite team?

A) Watching the Seattle Sounders
B) Watching the Seattle Mariners
C) Watching the Seattle Seahawks
D) Watching the Seattle Storm

141) As people get older, they sometimes create "bucket lists"—lists of activities they want to complete before they die ("kick the bucket") or are otherwise no longer able. How does the economic perspective help us understand why people are more likely to create bucket lists when they are older, rather than when they are younger?

A) Younger people don't face opportunity costs.
B) Bucket list activities are always expensive, and older people tend to have higher incomes and more accumulated wealth.
C) Older people view time as more scarce and create these lists to help them maximize the utility from their choices.
D) Older people are more economically rational, better at weighing marginal benefits and marginal costs.

142) The process of observing real-world behavior, developing hypotheses, testing them against facts, then using the results to construct theories is called

A) opportunity cost estimation.
B) the scientific method.
C) marginal analysis.
D) normative analysis.

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143) An economic model is a purposeful simplification of reality, whose function includes
- A) understanding the full complexity of the real world.
- B) predicting the behavior of each and every individual or organization.
- C) analyzing the behavior of a typical or average consumer or firm.
- D) forecasting random economic events with a high level of accuracy.

144) The economic principle that the "unemployment rate will tend to increase as the economy moves into a recession" is an example of
- A) a normative statement.
- B) an assumption.
- C) loaded terminology.
- D) a generalization.

145) An economic hypothesis
- A) has the same meaning as an economic principle or economic law.
- B) is usually a normative statement.
- C) is a possible explanation of cause and effect.
- D) is a stronger generalization than an economic law.

146) Which of the following terms implies the *least* degree of confidence in an economic generalization?
- A) hypothesis
- B) theory
- C) principle
- D) law

147) Which of the following terms implies the *greatest* degree of confidence in an economic generalization?
- A) hypothesis
- B) comparison
- C) theory
- D) anomaly

148) A well-tested economic theory is often called
- A) a hypothesis.
- B) a prototype.
- C) a principle.
- D) an anomaly.

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149) The scientific method is
A) not applicable to economics because economics deals with human beings.
B) also known as the economic perspective.
C) employed to form hypotheses out of existing laws and theories.
D) used by economists and other social scientists, as well as by physical scientists and life scientists, to formulate and test hypotheses.

150) The process by which economists test hypotheses against facts to develop theories, principles, and models is called
A) the economic perspective.
B) the scientific method.
C) policy economics.
D) microeconomics.

151) Economic theories
A) are useless because they are not based on laboratory experimentation.
B) that are true for individual economic units are never true for the economy as a whole.
C) are generalizations based on hypotheses tested and supported with observed facts.
D) are abstractions and therefore of no application to real situations.

152) Which of the following is a *correct* statement?
A) Economic concepts or laws that are valid during recessions are necessarily valid during prosperity.
B) Although they are generalizations, economic laws are useful because they allow us to predict and therefore influence or adjust to events.
C) Economists use the scientific method. Therefore, economic laws are as quantitatively precise as the laws of physics or chemistry.
D) Because economics is primarily concerned with questions of "ought," it is a branch of applied ethics and not scientific.

153) In constructing models, economists
A) make simplifying assumptions.
B) include all available information.
C) must use mathematical equations.
D) attempt to duplicate the real world.

154) The Latin term "*ceteris paribus*" means
A) that if event A precedes event B, A has caused B.
B) that economics deals with facts, not values.
C) other things equal.
D) prosperity inevitably follows recession.

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155) The basic purpose of the other-things-equal assumption is to

A) allow one to reason about the relationship between variables *X* and *Y* without the intrusion of variable *Z*.
B) allow one to focus upon micro variables by ignoring macro variables.
C) allow one to focus upon macro variables by ignoring micro variables.
D) determine whether *X* causes *Y* or vice versa.

156) Suppose an economist says that "other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that

A) the quantity of bananas purchased determines the price of bananas.
B) all factors other than the price of bananas (for example, consumer tastes and incomes) are assumed to be constant.
C) everyone will buy more bananas when the price falls.
D) one cannot generalize about the relationship between the price of bananas and the quantity purchased.

157) The phrase "other things equal" means that

A) the associated statement is normative.
B) many variables affect the variable under consideration.
C) a number of relevant variables are assumed to be constant.
D) when variable *X* increases, so does related variable *Y*.

158) Kelly works at an ice cream shop and observes that the number of people buying ice cream varies greatly from day to day. For a couple of weeks, she has recorded the number of people at the shop each day, as well as the daily temperature. If Kelly is using the scientific method to better understand ice cream buying habits, her next step is to

A) conclude definitively that people buy more ice cream when the temperature rises.
B) state her findings as a well-tested economic principle.
C) use the observed data to form a hypothesis about ice cream buying behavior.
D) throw out the data if it does not show a perfect relationship between buying habits and the other information she has collected.

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159) Rosa works at a gelato shop and observes that the number of people buying gelato varies greatly from day to day. For a couple of weeks, she has recorded the number of people at the shop each day, as well as the daily temperature, and has observed a positive relationship between temperature and the number of customers. Based on her observations, Rosa should

A) conclude definitively that people buy more gelato when the temperature rises.
B) determine if there are other relevant factors and attempt to hold these constant before drawing conclusions.
C) continue to gather data on the number of visitors and daily temperatures, because eventually other relevant variables will not matter.
D) throw out the data if it does not show a perfect relationship between buying habits and temperature.

160) Anil manages a golf course. He observes that in the week following an exciting finish to a major professional golf tournament (for example, the Masters or British Open), more people show up at his course wanting to play rounds of golf. He doesn't know if the increased interest in playing is because it was an exciting finish, a major event, or something else. If Anil wants to apply the scientific method to increase his understanding, he should

A) not waste his time on the issue because there are too many factors to consider.
B) assume that other factors don't matter and solely concentrate on finishing results from major tournaments.
C) begin making management decisions based on this observation because it likely points to a predictable phenomenon.
D) continue observing tournament results and golf course rounds played and form a hypothesis about the relationship.

161) Economic models do not reflect the full complexity of reality, but instead are based on

A) simplifications.
B) trade-offs.
C) value judgments.
D) predictions.

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162) The role of an assumption in an economic theory is to
- A) add realism.
- B) prove the theory.
- C) cover special cases.
- D) simplify the complex reality.

163) Another way of saying "*ceteris paribus*" is
- A) other things equal.
- B) in general.
- C) in reality.
- D) because of this.

164) The purpose of the *ceteris paribus* assumption used in economic analysis is to
- A) avoid making normative statements.
- B) distinguish macroeconomics from microeconomics.
- C) make sure that all relevant factors are considered.
- D) focus on the effect of a single factor on a certain variable.

165) Economists have difficulty applying the scientific method because
- A) economics has a short history.
- B) the scientific method does not really apply to economics.
- C) people are the focus of economics, and their behavior is highly predictable.
- D) controlled laboratory experiments in economics are often not feasible.

166) Macroeconomics approaches the study of economics from the viewpoint of
- A) the entire economy.
- B) governmental units.
- C) the operation of specific product and resource markets.
- D) individual firms.

167) Which of the following is associated with macroeconomics?
- A) an examination of the incomes of professional athletes
- B) an empirical investigation of the general price level and unemployment rates since 1990
- C) a study of the trend of pecan prices since the Second World War
- D) a case study of pricing and production in the textbook industry

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168) The issues of inflation, unemployment, and business cycles are
- A) major topics of macroeconomics.
- B) not relevant to the U.S. economy.
- C) the primary focus of microeconomics.
- D) positive economic issues, but not normative issues.

169) Which of the following statements pertains most directly to macroeconomics?
- A) Because the minimum wage was raised, Mrs. Olsen decided to enter the labor force.
- B) A decline in the price of soybeans caused farmer Wanek to plant more wheat.
- C) National income grew by 2.7 percent last year.
- D) The Pumpkin Center State Bank increased its interest rate on consumer loans by one percentage point.

170) Macroeconomics can best be described as the
- A) analysis of how a consumer tries to spend income.
- B) study of the large aggregates of the economy or the economy as a whole.
- C) analysis of how firms attempt to maximize their profits.
- D) study of how supply and demand determine prices in individual markets.

171) Microeconomics is concerned with
- A) the aggregate or total levels of income, employment, and output.
- B) a detailed examination of specific economic units that make up the economic system.
- C) positive economics, but not normative economics.
- D) establishing an overall view of the operation of the economic system.

172) Which of the following is a microeconomic statement?
- A) The real domestic output increased by 1.6 percent last year.
- B) Unemployment was 5.2 percent of the labor force last year.
- C) The price of smartphones declined 2.8 percent last year.
- D) The general price level increased by 1.1 percent last year.

173) Which of the following is the best example of a microeconomic statement?
- A) Stock market losses are reducing household spending nationwide.
- B) Unemployment was 5.2 percent of the labor force last year.
- C) The inflation rate was 8.6 percent in March.
- D) Car prices have increased recently because of a microchip shortage.

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174) Which of the following is the best example of a macroeconomic statement?
- A) The high rate of inflation is reducing household buying power across the country.
- B) High gas prices are boosting the market for electric cars.
- C) Lockdowns during the pandemic boosted the demand for toilet paper.
- D) Starbucks recently announced an increase in drink prices.

175) Which of the following is the best example of a macroeconomic topic?
- A) Inflation
- B) Apple prices
- C) Toilet paper shortages
- D) Electric car sales

176) Which of the following statements is true?
- A) Microeconomics focuses on specific decision making units of the economy; macroeconomics examines the economy as a whole.
- B) Macroeconomics focuses on specific decision making units of the economy; microeconomics examines the economy as a whole.
- C) Every topic in economics is either a microeconomic or a macroeconomic issue; a topic cannot be both.
- D) Topics in microeconomics have public policy implications; topics in macroeconomics do not.

177) A normative statement is one that
- A) is based on the law of averages.
- B) applies only to microeconomics.
- C) applies only to macroeconomics.
- D) is based on value judgments.

178) A positive statement is one that
- A) is derived by induction.
- B) is derived by deduction.
- C) focuses on the best course of action and is based on value judgments.
- D) focuses on facts, descriptions, and theoretical relationships.

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179) Which of the following is a positive statement?
- A) A humidity level of 90 percent is too high.
- B) It is too hot to run outside when the temperature exceeds 80 degrees.
- C) The temperature is 92 degrees today.
- D) Summer evenings are nice when it cools off to around 70 degrees.

180) Which of the following is a positive statement?
- A) U.S. Inflation is the highest it has been in 40 years.
- B) The ideal inflation rate is 2 percent.
- C) The Fed should work to reduce inflation.
- D) High inflation is better than high unemployment.

181) Which of the following is a positive statement?
- A) The unemployment rate is too high.
- B) The unemployment rate is 4.6 percent.
- C) The best way to reduce unemployment is with government jobs programs.
- D) We should reduce the unemployment rate by 1 percent.

182) Which of the following is a normative statement?
- A) The inflation rate is higher than it has been in 40 years.
- B) Raising taxes will reduce spending in the economy, reducing inflationary pressure.
- C) The best way to reduce inflation is with a contractionary monetary policy.
- D) Approximately 2/3 of recent inflation is attributable to supply chain issues.

183) Normative statements are concerned primarily with
- A) facts and theories.
- B) what ought to be.
- C) what is.
- D) rational choice involving costs and benefits.

184) A positive statement is concerned primarily with
- A) some goal that is desirable to society.
- B) what should be.
- C) what is.
- D) the formulation of economic policy.

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185) "Economics is concerned with how individuals, institutions, and society make optimal choices under conditions of scarcity." This statement is
- A) positive but incorrect.
- B) positive and correct.
- C) normative but incorrect.
- D) normative and correct.

186) Ben says that "an increase in the tax on beer will raise its price." Holly argues that "taxes should be increased on beer because college students drink too much." We can conclude that
- A) Ben's statement is normative, but Holly's is positive.
- B) Holly's statement is normative, but Ben's is positive.
- C) both statements are normative.
- D) both statements are positive.

187) Reza says that "we should provide a universal basic income to reduce poverty." Iman states that "a universal basic income would increase spending and create inflationary pressure." We can conclude that
- A) Reza's statement is normative, but Iman's is positive.
- B) Iman's statement is normative, but Reza's is positive.
- C) both statements are normative.
- D) both statements are positive.

188) Reza says "we should raise taxes." Iman states that "raising taxes would cause a recession." We can conclude that
- A) Both statements are positive.
- B) Both statements are normative.
- C) Iman's statement is normative, but Reza's is positive.
- D) Reza's statement is normative, but Iman's is positive.

189) Marina claims that "the best way to stimulate the economy is to cut taxes." Sebastian counters that increased government spending is a better way to promote economic growth." We can conclude that
- A) Marina's statement is normative, but Sebastian's is positive.
- B) Sebastian's statement is normative, but Marina's is positive.
- C) both statements are normative.
- D) both statements are positive.

190) Luisa claims that "government spending $100 billion on infrastructure will reduce transportation costs by 10 percent." Joachim counters that "$100 billion on infrastructure spending will reduce transportation costs by 20 percent." We can conclude that
- A) Luisa's statement is normative, but Joachim's is positive.
- B) Joachim's statement is normative, but Luisa's is positive.
- C) both statements are normative.
- D) both statements are positive.

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191) "Macroeconomics is the part of economics concerned with individual units, such as a person, a household, a firm, or an industry." This statement is
- A) positive but incorrect.
- B) positive and correct.
- C) normative but incorrect.
- D) normative and correct.

192) Which of the following illustrates a macroeconomic question?
- A) Should the salaries of financial executives be regulated by the government?
- B) Are increasing wage demands by workers contributing to price inflation?
- C) What is the least costly way to produce automobiles and trucks in the United States?
- D) Will the introduction of a new computer chip change the demand for computers?

193) Which of the following exemplifies a microeconomic question?
- A) What is the current national rate of unemployment?
- B) Is the economy experiencing a decline in the rate of inflation?
- C) Will a new type of laptop or tablet increase the number of buyers?
- D) Is the aggregate output in the economy greater this year than last year?

194) Which of the following is an example of a macroeconomic question?
- A) What is the level of industrial concentration in the U.S. automobile industry?
- B) What economic incentives can be used to reduce the cost of health care in the nation?
- C) What policies would be recommended for stimulating national economic growth?
- D) What market conditions are expected for milk in the nation this year?

195) Which of the following is an example of a microeconomic question?
- A) What should the Federal government do to reduce the trade deficit with Japan?
- B) Will the merger of two airlines likely lead to a higher cost of air travel in the economy?
- C) What factors are contributing to the steep rise in the federal government's total debt?
- D) Will the inflation rate remain relatively stable this year?

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196) Which of the following is an illustration of a microeconomic question?
- A) Is the volume of wine produced in one year dependent upon the price of wine?
- B) Does government spending influence interest rates in the economy?
- C) Is the purchasing power of the dollar higher or lower today than it was in 2008?
- D) Which economic system is better for consumers and firms?

197) Which of the following is an illustration of a macroeconomic question?
- A) Is a corporation unresponsive to the demands of its customers?
- B) Is a consumer boycott an effective means of reducing a product's price?
- C) How will the government's budget deficit be affected by public infrastructure projects?
- D) Are oil companies ripping off consumers by charging exorbitantly high prices for gasoline?

198) The distinction between microeconomics and macroeconomics is
- A) that microeconomics examines the beach, while macroeconomics looks at the sand, individual rocks, and shells, so to speak.
- B) so clear-cut that every topic can be readily labeled as either macro or micro.
- C) that microeconomics studies the behavior of individual consumers, workers, and firms, while macroeconomics studies the economy as a whole.
- D) that microeconomics seeks to obtain an overview, while macroeconomics observes the details of individual components.

199) Matt observes that "there is a high correlation between educational attainment and the level of income." Jean concurs and adds that "high school graduates should all proceed to college."
- A) Both Matt's and Jean's statements are positive.
- B) Both Matt's and Jean's statements are normative.
- C) Matt's statement is normative, while Jean's statement is positive.
- D) Matt's statement is positive, while Jean's statement is normative.

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200) The statement in a newspaper that "consumer prices rose last month by 1 percent, and if this trend continues, the annual rate of inflation will be 12 percent for the year" is an example of

A) a normative economic statement.
B) a positive economic statement.
C) microeconomic analysis.
D) rational self-interest.

201) Which of the following is a positive economic statement?

A) Government must maintain the current level of defense spending to keep the nation safe.
B) The minimum wage should be increased to give people a decent wage.
C) Americans should buy American products in order to boost the national economy.
D) Stock prices rose to a new record last month for the fourth month in a row.

202) Which of the following is a normative economic statement?

A) The poverty rate hit a new high last year and income inequality also increased.
B) Health care accounts for roughly a third of total spending in the economy.
C) The government needs to revamp the Social Security program to make it sustainable.
D) Retail sales are expected to continue on their downward trend in the next three quarters.

203) Which one of the following is a normative economic statement?

A) The unemployment rate fell for the fourth straight month, reflecting the effects from stronger economic growth in the second quarter.
B) The worsening balance of trade must be corrected if this nation is to remain competitive in the world economy.
C) Consumer prices are rising at a faster rate than in past months, indicating a renewal of inflationary pressures on the economy.
D) To help balance the federal budget, Congress increased the tax on gasoline to its highest level in the past 10 years.

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204) The economizing problem is
A) the need to make choices because economic wants exceed economic means.
B) how to distribute resources equally among all members of society.
C) that people's means often exceed their wants.
D) that people do not know how to rationally allocate resources.

205) The economizing problem is one of deciding how to make the best use of
A) virtually unlimited resources to satisfy virtually unlimited wants.
B) limited resources to satisfy virtually unlimited wants.
C) unlimited resources to satisfy limited wants.
D) limited resources to satisfy limited wants.

206) Scarcity
A) persists only because countries have failed to achieve continuous full employment.
B) persists because economic wants exceed available resources.
C) has been solved in all industrialized nations.
D) has been eliminated in affluent societies such as the United States and Canada.

207) The alternative combinations of two goods that a consumer can purchase with a specific money income is shown by
A) a production-possibilities curve.
B) a demand curve.
C) a consumer expenditure line.
D) a budget line.

208) The budget line shows
A) the amount of product X that a consumer is willing to give up to obtain one more unit of product Y.
B) all possible combinations of two goods that can be purchased, given money income and the prices of the goods.
C) the minimum amount of two goods that a consumer can purchase with a specific money income.
D) all possible combinations of two goods that yield the same level of utility to the consumer.

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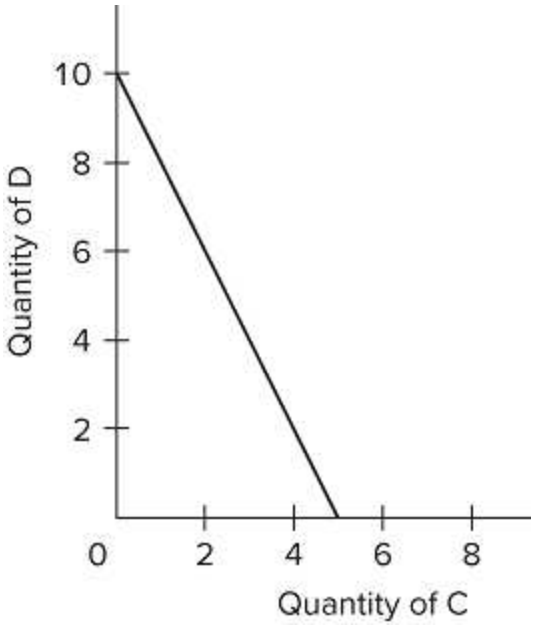
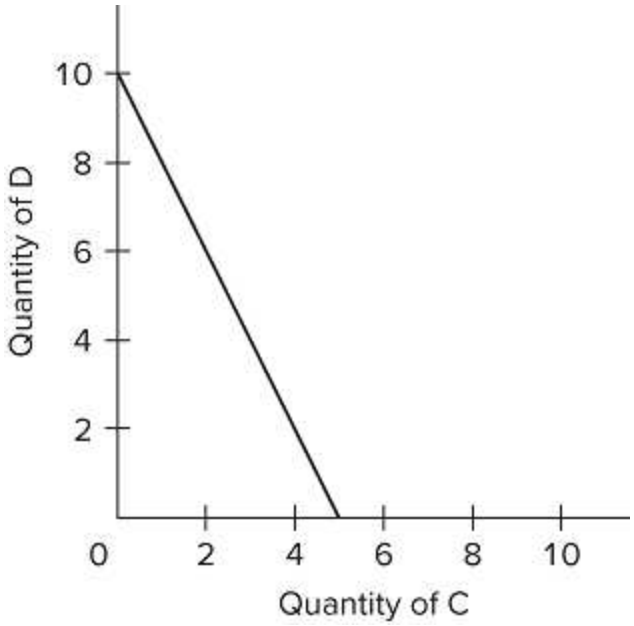


209) Refer to the budget line shown in the diagram. If the consumer's money income is $50, the

A) prices of C and D cannot be determined.
B) price of C is $5 and the price of D is $10.
C) consumer can obtain a combination of 5 units of both C and D.
D) price of C is $10 and the price of D is $5.



210) Refer to the budget line shown in the diagram. If the consumer's money income is $200, the

A) price of C is $5 and the price of D is $10.
B) price of C is $40 and the price of D is $20.
C) prices of C and D cannot be determined.
D) consumer can obtain a combination of 5 units of both C and D.

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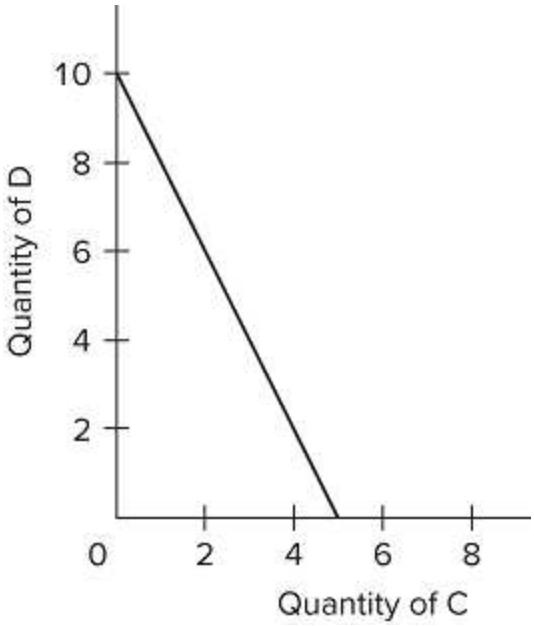
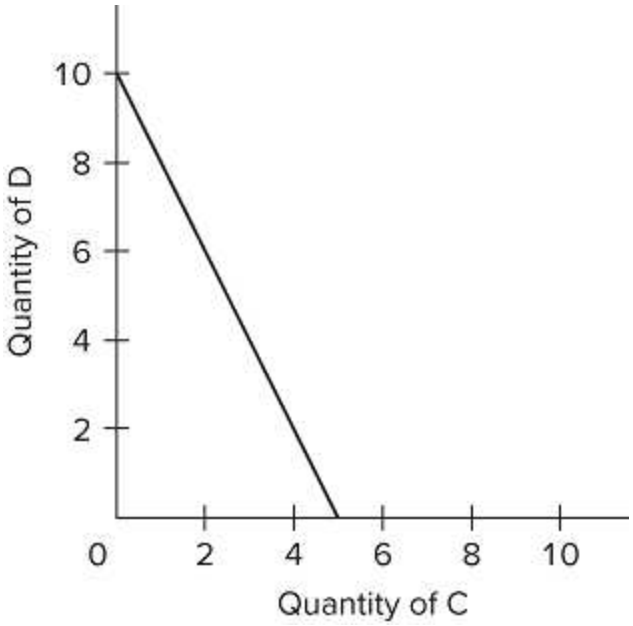


211) Refer to the budget line shown in the diagram. Which of the following combinations of goods is unattainable for this consumer?

A) 4 units of C and 6 units of D
B) 5 units of C and no units of D
C) 1 unit of C and 8 units of D
D) 2 units of C and 6 units of D



212) Refer to the budget line shown in the diagram. Which of the following combinations of goods is attainable for this consumer?

A) 2 units of C and 6 units of D
B) 5 units of C and 1 unit of D
C) 4 units of C and 4 units of D
D) 3 units of C and 6 units of D

213) Which of the following will cause an outward parallel shift of the budget line?

A) a decrease in money income
B) an increase in money income
C) an increase in the prices of both goods
D) a decrease in the price of one of the goods

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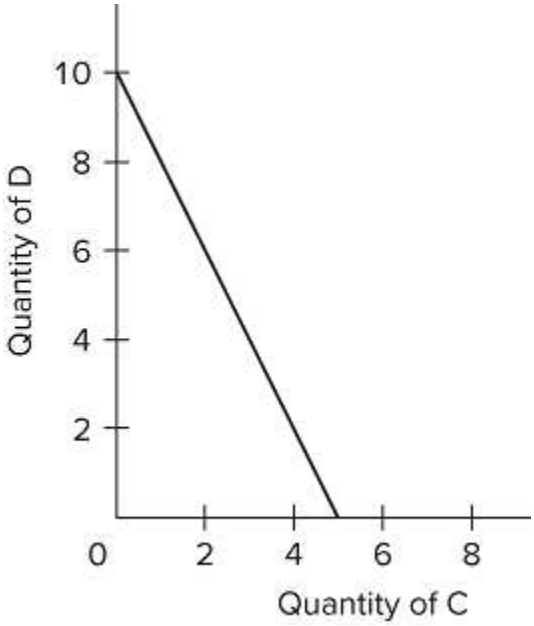
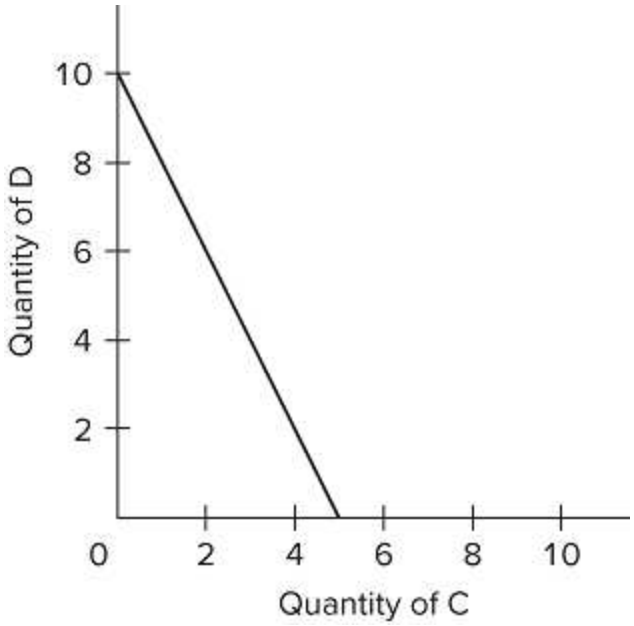
214) Which of the following will cause an outward rotation of the budget line?
- A) A decrease in the price of one of the goods
- B) A decrease in money income
- C) An increase in the price of one of the goods
- D) An increase in money income



215) Refer to the budget line shown in the diagram. The absolute value of the slope of the budget line is
- A) M-U-C ÷ M-U-D.
- B) one-half.
- C) PD ÷ PC.
- D) PC ÷ PD.



216) Refer to the budget line shown in the diagram. The absolute value of the slope of the budget line is
- A) two.
- B) one-half.
- C) five.
- D) ten.

217) In moving along a given budget line,
- A) the prices of both products and money income are assumed to be constant.
- B) each point on the line will be equally satisfactory to consumers.
- C) money income varies, but the prices of the two goods are constant.
- D) the prices of both products are assumed to vary, but money income is constant.

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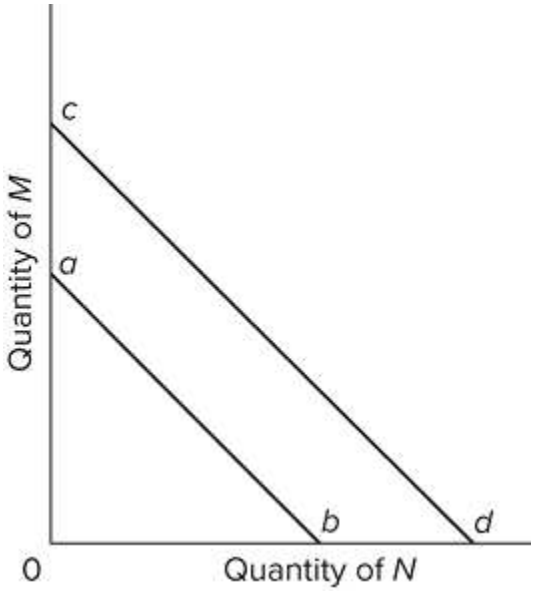
218) An increase in money income
- A) shifts the consumer's budget line to the right.
- B) shifts the consumer's budget line to the left.
- C) increases the slope of the budget line.
- D) has no effect on the budget line.



219) The shift of the budget line from cd to ab in the figure is consistent with
- A) decreases in the prices of both M and N.
- B) an increase in the price of M and a decrease in the price of N.
- C) a decrease in money income.
- D) an increase in money income.

220) The shift of the budget line from cd to ab in the figure is consistent with
- A) increases in the prices of both M and N by the same proportion.
- B) an increase in the price of M and a decrease in the price of N.
- C) decreases in the prices of both M and N by the same proportion.
- D) an increase in money income.

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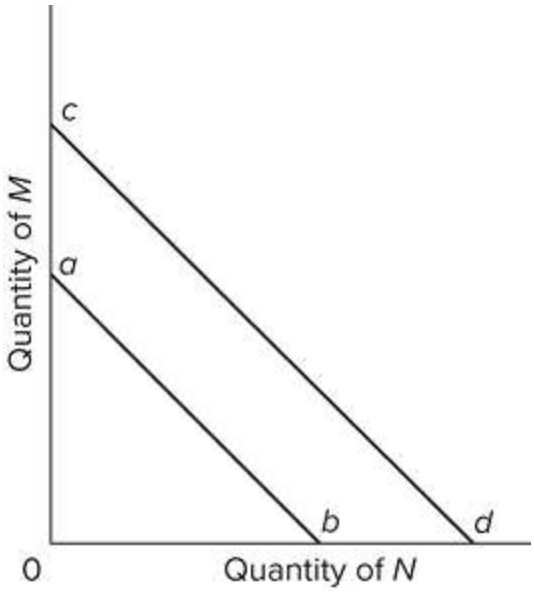
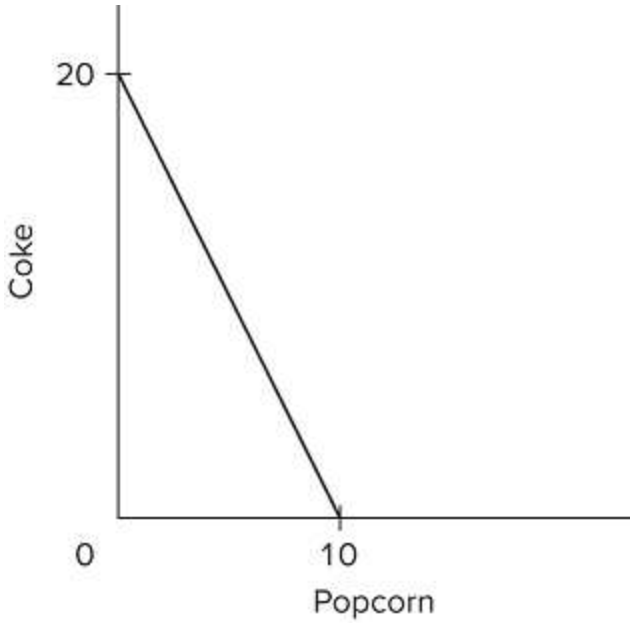


221) The shift of the budget line from ab to cd in the figure could have been caused by which of the following

A) proportional increases in the prices of both M and N.
B) decreases in the prices of M and N by unequal proportions.
C) a decrease in money income.
D) an increase in money income.

222) Any combination of goods lying outside of the budget line

A) implies that the consumer is not spending all of the consumer's income.
B) yields less utility than any point on the budget line.
C) yields less utility than any point inside the budget line.
D) is unattainable, given the consumer's income.



223) Suppose you have a money income of $10, all of which you spend on Coke and popcorn. In the diagram, the prices of Coke and popcorn, respectively, are

A) $0.50 and $1.00.
B) $1.00 and $0.50.
C) $1.00 and $2.00.
D) $0.40 and $0.50.

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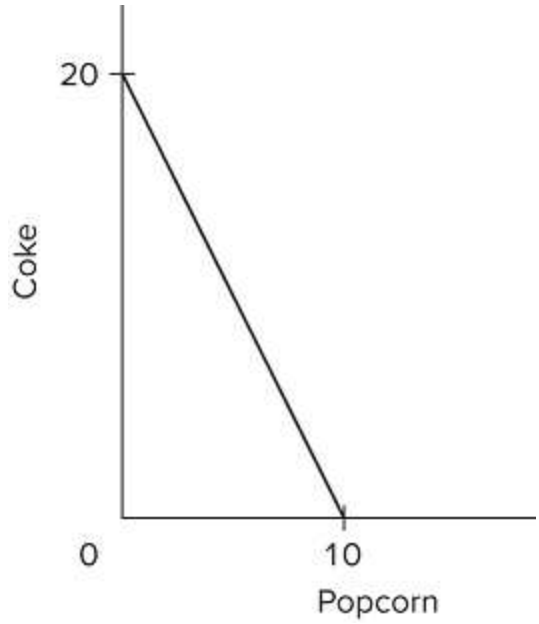

224) Suppose you have a money income of $10, all of which you spend on Coke and popcorn. In the diagram, the prices of Coke and popcorn, respectively, are

A) $1.00 and $2.00.
B) $0.40 and $0.50.
C) $1.00 and $0.50.
D) $0.50 and $1.00.

225) %media:ch_01_247to248_png.ext% Assuming that the prices of goods X and Y, as well as income, are positive and fixed, which of the above graphs could represent a budget line for this consumer?

A) both 2 and 4.
B) Any of the four graphs could represent the budget line
C) 3 only
D) l only

226) Other things equal, an increase in a consumer's money income

A) increases the amount of utility a consumer receives from a given quantity of a good.
B) shifts the individual's budget line rightward because she can now purchase more of both products.
C) eliminates the individual's economizing problem.
D) causes the consumer to choose a different combination of goods along a given budget line.

227) The slope of a budget line reflects the

A) desirability of the two products.
B) price ratio of the two products.
C) amount of the consumer's income.
D) utility ratio of the two products.

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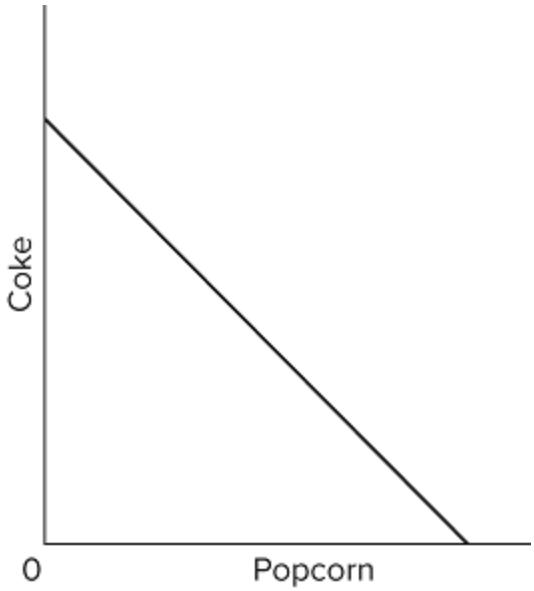


228) Suppose Elroy's budget line is as shown on the diagram. If his tastes change in favor of Coke and against popcorn, the budget line will

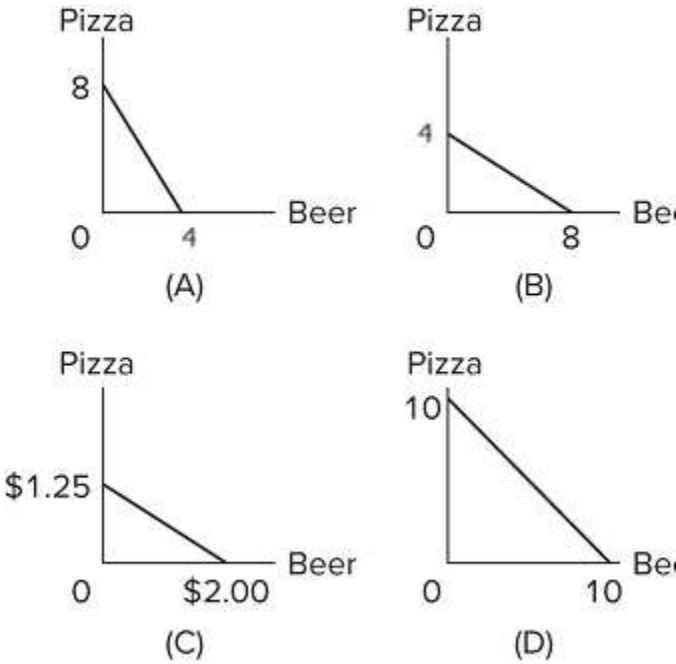
A) become steeper.
B) become flatter.
C) shift rightward.
D) be unaffected.

229) Assume the price of product Y (the quantity of which is on the vertical axis) is $15 and the price of product X (the quantity of which is on the horizontal axis) is $3. Also assume that money income is $60. The absolute value of the slope of the resulting budget line is

A) 5.
B) 1/5.
C) 4.
D) 20.

230) Assume the price of product Y (the quantity of which is on the vertical axis) is $15 and the price of product X (the quantity of which is on the horizontal axis) is $3. Also assume that money income is $60. The absolute value of the slope of the resulting budget line is

A) 1/5.
B) 20.
C) 4.
D) 5.



231) Refer to the graphs. Assume that pizza is measured in slices and beer in pints. In which of the graphs is the opportunity cost of a pint of beer equal to one slice of pizza?

A) graph A
B) graph B
C) graph C
D) graph D

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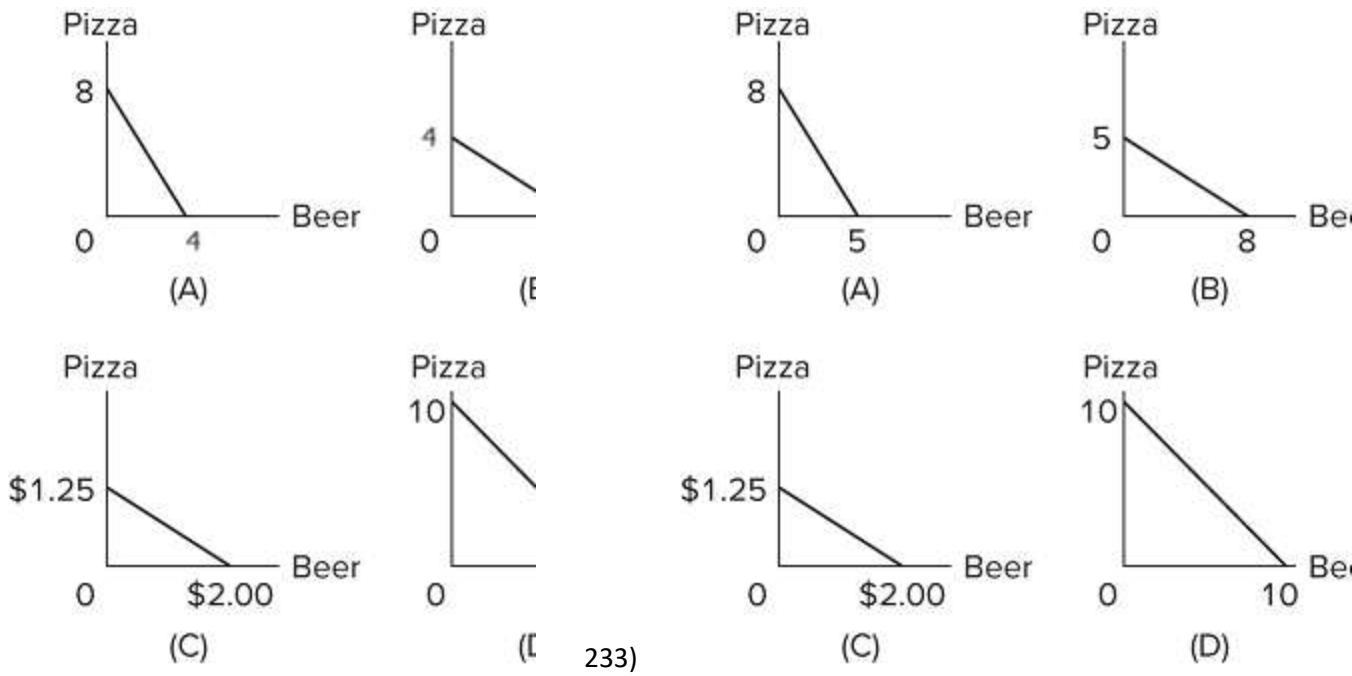

232) Refer to the graphs. Assume that pizza is measured in slices and beer in pints. In which of the graphs is the opportunity cost of a slice of pizza equal to half a beer?

A) graph A
B) graph D
C) graph B
D) graph C

233) Refer to the graphs. Assume that pizza is measured in slices and beer in pints. In which of the graphs is the opportunity cost of a pint of beer the lowest?

A) graph A
B) graph B
C) graph C
D) graph D

234) Suppose that Julia receives a $20 gift card for the local coffee shop, where she only buys lattes and muffins. If the price of a latte is $4 and the price of a muffin is $2, then we can conclude that Julia

A) should only buy muffins.
B) should only buy lattes.
C) can buy 5 lattes or 10 muffins if she chooses to buy only one of the two goods.
D) can buy 5 lattes and 10 muffins with her $20 gift card.

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235) Suppose that Julia receives a $24 gift card for the local coffee shop, where she only buys lattes and muffins. If the price of a latte is $3 and the price of a muffin is $2, then we can conclude that Julia

A) can buy 8 lattes or 12 muffins if she chooses to buy only one of the two goods.
B) can buy 8 lattes and 12 muffins with her $24 gift card.
C) should only buy muffins.
D) should only buy lattes.

236) Suppose that Hideki's budget for entertainment is $120 per month. His entertainment choices in town include movies that cost $12 each and rounds of golf that cost $20 each. Based on this information, we can conclude that Hideki

A) should only go to the movies, since that is the cheaper option.
B) can go to 10 movies or play 6 rounds of golf per month.
C) should only play golf, since that typically lasts longer than a movie.
D) can go to 10 movies and play 6 rounds of golf per month.

237) Suppose that Hideki's budget for entertainment is $120 per month. His entertainment choices in town include movies that cost $12 each and rounds of golf that cost $20 each. Based on this information, we can conclude that Hideki

A) can go to 10 movies or play 6 rounds of golf per month.
B) should only play golf, since that typically lasts longer than a movie.
C) should only go to the movies, since that is the cheaper option.
D) can go to 10 movies and play 6 rounds of golf per month.

238) Camille is at the candy store with Grandma Mary, who offers to buy her $6 worth of candy. If lollipops are $1 each and candy bars are $2 each, what combination of candy can Camille's Grandma Mary buy her?

A) six lollipops and three candy bars
B) two lollipops and two candy bars
C) three lollipops and two candy bars
D) one lollipop and three candy bars

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239) Camille is at the candy store with Grandma Mary, who offers to buy her $12 worth of candy. If lollipops are $1 each and candy bars are $4 each, what combination of candy can Camille's Grandma Mary buy her?

A) twelve lollipops and three candy bars
B) two lollipops and four candy bars
C) four lollipops and two candy bars
D) two lollipop and three candy bars

240) Oksana enjoys footraces, entering multiple races each year. Her annual budget for entry fees is $600. The two distances Oksana likes to run are marathons, which cost $100 each, and 10K races that cost $40 each. Which combination of races can Oksana afford in a given year that will exactly exhaust her budget for entry fees?

A) one marathon and ten 10Ks
B) three marathons and eight 10Ks
C) four marathons and two 10Ks
D) two marathons and ten 10Ks

241) Oksana enjoys footraces, entering multiple races each year. Her annual budget for entry fees is $630. The two distances Oksana likes to run are marathons, which cost $90 each, and 10K races that cost $45 each. Which combination of races can Oksana afford in a given year that will exactly exhaust her budget for entry fees?

A) six marathons and two 10Ks
B) one marathon and ten 10Ks
C) three marathons and nine 10Ks
D) four marathons and two 10Ks

242) The economizing problem for individuals is a consequence of the fact that

A) economic means or incomes are greater than economic wants.
B) economic wants are greater than economic means or incomes.
C) positive economics is more important than normative economics.
D) normative economics is more important than positive economics.

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243) Which of the following statements regarding people's wants is true?
- A) Over time, people's wants tend to be stable and constant.
- B) As people consume more products, their wants will be reduced.
- C) Intangible services, just like tangible goods, may satisfy people's wants.
- D) People's wants do not include their basic needs.

244) A budget line is a graph that shows the various combinations of two products that a
- A) consumer can buy with a given amount of money income.
- B) business firm can produce with a given budget.
- C) household can produce with a given amount of resources.
- D) nation can trade with another nation.

245) Suppose that a consumer purchases just two goods, X and Y. The ratio of the price of good X to the price of good Y is the
- A) intercept on the Y axis of the budget line.
- B) intercept on the X axis of the budget line.
- C) size of the shift in the budget line.
- D) slope of the budget line.

246) Suppose that a consumer purchases just two goods, X and Y. The Y-intercept of the budget line in this case would indicate the
- A) maximum dollar amount of budget that the consumer has for good Y.
- B) price that the consumer has to pay for each unit of good Y.
- C) maximum quantity of good Y that the consumer could buy with a given budget.
- D) quantity of good Y that the consumer would want to buy.

247) Suppose that a consumer purchases just two goods, X and Y. The slope of the budget line would indicate the
- A) opportunity cost of good Y in terms of good X given up for each unit of Y.
- B) opportunity cost of good X in terms of good Y given up for each unit of X.
- C) maximum quantity of good Y that the consumer could buy with a given budget.
- D) maximum quantity of good X that the consumer could buy with a given budget.

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248) A point or product-combination to the left of (or inside) a budget line
- A) is attainable, but a combination or point to the right of the line is unattainable.
- B) is unattainable, but a combination or point to the right of the line is attainable.
- C) costs more than a combination or point on the budget line.
- D) costs more than a combination or point outside the budget line.

249) Assume that a consumer spends a given budget on only two goods and that the prices of the two goods are constant. The budget line in this case would
- A) definitely be a straight downward-sloping line.
- B) possibly be a straight upward-sloping line.
- C) be a curved graph bowed outward.
- D) be a curved bell-shaped graph.

250) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. If the consumer spent all of her budget on just apples or just bananas, how many apples or bananas maximum would she be able to buy?
- A) 12 apples or 8 bananas
- B) 8 apples or 12 bananas
- C) 16 apples or 12 bananas
- D) 8 apples or 16 bananas

251) Assume that a consumer has a given budget or income of $10 and that she can buy only two goods, apples or bananas. The price of an apple is $1.00 and the price of a banana is $0.50. If the consumer spent all of her budget on just apples or just bananas, how many apples or bananas maximum would she be able to buy?
- A) 12 apples or 4 bananas
- B) 8 apples or 15 bananas
- C) 10 apples or 20 bananas
- D) 5 apples or 10 bananas

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252) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. What is the slope of the budget line if the quantity of apples were measured on the horizontal axis and bananas on the vertical axis?

A) −0.5
B) −0.8
C) −1.6
D) −2

253) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $2.00 and the price of a banana is $1.00. What is the slope of the budget line if the quantity of apples were measured on the horizontal axis and bananas on the vertical axis?

A) −6
B) −2
C) −1.5
D) −0.5

254) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. If the consumer decides to buy 4 apples, how many bananas can she also buy with the remainder of her budget, assuming she exhausts her income?

A) 8 bananas
B) 4 bananas
C) 6 bananas
D) 10 bananas

255) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. If the consumer decides to buy 4 apples, how many bananas can she also buy with the remainder of her budget, assuming she exhausts her income?

A) 4 bananas
B) 8 bananas
C) 10 bananas
D) 6 bananas

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256) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. For this consumer, the opportunity cost of buying one more apple is

A) 0.5 of a banana.
B) 0.8 of a banana.
C) 1 banana.
D) 2 bananas.

257) Assume that a consumer has a given budget or income of $24 and that she can buy only two goods, apples or bananas. The price of an apple is $3.00 and the price of a banana is $2.00. For this consumer, the opportunity cost of buying one more apple is

A) 1 banana.
B) 0.5 of a banana.
C) 0.67 of a banana.
D) 1.5 bananas.

258) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. This means that, in order to buy two bananas, this consumer must forgo

A) 1 apple.
B) 1.5 apples.
C) 0.5 apple.
D) 0.75 apple.

259) Assume that a consumer has a given budget or income of $10 and that she can buy only two goods, apples or bananas. The price of an apple is $2.00 and the price of a banana is $1.00. This means that, in order to buy two bananas, this consumer must forgo

A) 4 apples.
B) 2 apples.
C) 0.1 apples.
D) 1 apple.

260) Assume that a consumer purchases only two products and there is a decrease in the consumer's income. The prices of the two products stays constant. The decrease in income will result in

A) a shift of the budget line inward to the left.
B) a shift of the budget line outward to the right.
C) a decrease in the slope of the budget line.
D) an increase in the slope of the budget line.

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261) Assume that a consumer purchases only two products. Suppose that the consumer's money income doubles, and the prices of the two products also double. These changes in income and prices will result in

A) a shift of the budget line inward to the left.
B) a shift of the budget line outward to the right.
C) no change in the budget line.
D) an increase in the slope of the budget line.

262) Which of the following does an individual's budget line *not* reveal?

A) how much of each good the individual wants
B) what combinations of the two goods an individual can attain
C) the opportunity cost of one good in terms of the other
D) that a person faces scarcity in terms of what their limited income can purchase

263) One major part of the opportunity costs of one's decision to go to college after high school graduation is the

A) additional income that one can get if one had a college degree.
B) education that one gets while in college.
C) high-school diploma needed in order to apply for college.
D) full-time job that one could have gotten instead of going to college.

264) Which of the following is a labor resource?

A) a computer programmer
B) a computer
C) silicon (sand) used to make computer chips
D) software used by a firm

265) Which of the following is a capital resource?

A) a computer programmer
B) a corporate bond issued by a computer manufacturer
C) silicon (sand) used to make computer chips
D) software used by a firm

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266) Which of the following is a capital resource?
A) the recipes of a restaurant
B) a share of stock representing partial ownership of the restaurant
C) the ingredients used by a restaurant to create menu items
D) the restaurant staff

267) The four factors of production are
A) land, labor, capital, and money.
B) land, labor, capital, and entrepreneurial ability.
C) labor, capital, technology, and entrepreneurial ability.
D) labor, capital, entrepreneurial ability, and money.

268) Which of the following is a land resource?
A) a farmer
B) an oil drilling rig
C) a machine for detecting earthquakes
D) natural gas

269) Which of the following lists includes only capital resources (and therefore no labor or land resources)?
A) an ice arena, a professional hockey player, hockey uniforms
B) the owner of a new start-up firm, a chemistry lab, a researcher
C) a hydroelectric dam, water behind the dam, power lines
D) autos owned by a car rental firm, blueprints owned by a contractor, vans used to shuttle rental customers to and from the airport

270) Money is not an economic resource because
A) money, as such, does not produce anything.
B) idle money balances do not earn interest income.
C) it is not scarce.
D) money is not a free gift of nature.

271) Economic resources are also called
A) free gifts of nature.
B) consumption goods.
C) units of money capital.
D) factors of production.

272) Which of the following do economists consider to be capital?
A) a pair of stockings
B) a construction crane
C) a savings account
D) a share of IBM stock

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273) The main function of the entrepreneur is to
A) make routine pricing decisions.
B) innovate.
C) purchase capital.
D) create market demand.

274) Which of the following is *not* a main function of the entrepreneur?
A) to make routine pricing decisions
B) to innovate
C) to assume the risk of economic losses
D) to make strategic business decisions

275) The process of producing and accumulating capital is called
A) money capital.
B) depreciation.
C) investment.
D) consumption.

276) Which of the following is *not* considered by economists to be an economic resource?
A) money
B) factory workers
C) computers at a retail store
D) a forest

277) Which of the following would *not* be classified as an economic resource by economists?
A) a professional soccer player
B) water in a town's reservoir
C) money in a business checking account
D) the manager of the local hamburger restaurant

278) Which of the following would *not* be classified as capital by economists?
A) warehouse facilities used to store goods
B) intellectual property owned by the firm
C) money in a business checking account
D) trucks used to ship goods to distributors

279) The economizing problem faced by society is essentially one of deciding how to make the best use of
A) limited economic resources to satisfy limited wants.
B) unlimited economic resources to satisfy unlimited wants.
C) unlimited economic resources to satisfy limited wants.
D) limited economic resources to satisfy unlimited economic wants.

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280) Economists would classify all of the following as "land," *except*
- A) two thousand acres of virgin forest.
- B) a hydroelectric dam.
- C) crude oil reserves.
- D) iron ore deposits.

281) The individual who brings together economic resources and assumes the risk of business ventures in a capitalist economy is called the
- A) manager.
- B) entrepreneur.
- C) stockbroker.
- D) banker.

282) Which of the following would *not* be considered a capital resource by economists?
- A) a van used by a father to transport his family around
- B) an office computer used by an accountant
- C) a drug formula owned by a pharmaceutical company
- D) a camera used by a professional photographer

283) Which of the following would *not* be considered a capital resource by economists?
- A) the secret recipe used in a restaurant's signature dish
- B) 100 shares of stock in a major corporation
- C) an electric drill used by a construction worker
- D) the songs written and produced by a professional musician

284) Which of the following is considered an economic resource?
- A) the ice cream that kids buy at the ice cream parlor
- B) the HD-TV sets in people's homes
- C) the land that is designated as national parks by the government
- D) Shoppers buying stuff at the mall.

285) Which of the following is *not* a factor of production?
- A) money
- B) labor
- C) capital
- D) entrepreneur

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286) Which of the following is considered a firm's "factor of production"?
- A) money or cash balances of the firm
- B) the firm's shares of common stock
- C) U.S. Treasury bonds owned by the firm
- D) the office building occupied by the firm

287) Money is *not* considered to be an economic resource because
- A) as such it is not productive.
- B) money is not a free gift of nature.
- C) money is made by humans.
- D) idle money balances do not earn interest income.

288) One basic difference between "land" and "capital" resources is that land is
- A) manufactured, while capital is created by humans.
- B) unlimited, while capital is limited.
- C) natural, while capital is created by humans.
- D) limited, while capital is unlimited.

289) Which of the following is considered to be an entrepreneur?
- A) a self-employed person
- B) an MBA graduate hired by a firm to be its CEO
- C) a production-line worker
- D) a customer of a firm

290) The role of the entrepreneur in society is to
- A) provide capital to the firm, which the management combines with labor.
- B) bring the factors of production together and take the risks of producing output.
- C) control the land upon which all production takes place and to get the most rent.
- D) regulate what products are considered safe to market.

291) One basic difference between "labor" and "entrepreneur" is that
- A) labor is hired by a firm, whereas the entrepreneur owns the firm.
- B) an entrepreneur has high-level skills, whereas labor does not.
- C) labor performs manual work, whereas an entrepreneur performs mental work.
- D) education is important for an entrepreneur but not for labor.

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292) The production possibilities curve illustrates the basic principle that
- A) the production of more of any one good will in time require smaller and smaller sacrifices of other goods.
- B) an economy will automatically obtain full employment of its resources.
- C) if all the resources of an economy are in use, more of one good can be produced only if less of another good is produced.
- D) an economy's capacity to produce increases in proportion to its population size.

293) Which of the following will *not* produce an outward shift of the production possibilities curve?
- A) upgrading the quality of a nation's human resources
- B) reducing unemployment
- C) increasing the quantity of a society's labor force
- D) improving a society's technological knowledge

294) Which of the following would produce an outward shift of the production possibilities curve?
- A) increased government spending
- B) reducing unemployment
- C) better matching of worker skills to available jobs
- D) innovations that create new product designs

295) Which of the following will *not* produce an outward shift of the production possibilities curve?
- A) improved education that enhances worker productivity
- B) professional musicians producing new songs
- C) better matching existing worker skills to available jobs
- D) invention of a new pharmaceutical product

296) Unemployment
- A) causes the production possibilities curve to shift outward.
- B) can exist at any point on a production possibilities curve.
- C) is illustrated by a point outside the production possibilities curve.
- D) is illustrated by a point inside the production possibilities curve.

297) If the production possibilities curve is a straight line,
- A) the two goods will sell at the same market prices.
- B) economic resources are perfectly substitutable between the production of the two goods.
- C) the two goods are equally important to consumers.
- D) equal quantities of the two goods will be produced at each possible point on the curve.

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298) A production possibilities curve illustrates
- A) scarcity.
- B) market prices.
- C) consumer preferences.
- D) the distribution of income.

299) A production possibilities curve illustrates
- A) scarcity.
- B) opportunity costs
- C) what choices are available to a society.
- D) All of these choices are correct.

300) A production possibilities curve shows
- A) that resources are unlimited.
- B) that people prefer one of the goods more than the other.
- C) the maximum amounts of two goods that can be produced, assuming the full use of available resources.
- D) combinations of capital and labor necessary to produce specific levels of output.

301) A nation's production possibilities curve is bowed out from the origin because
- A) resources are not generally equally efficient in producing every good.
- B) opportunity costs of producing a good tend to fall as more of the good is produced.
- C) resources are scarce.
- D) wants are virtually unlimited.

302) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. If the economy is producing at production alternative C, the opportunity cost of the tenth unit of consumer goods will be approximately
- A) 4 units of capital goods.
- B) 2 units of capital goods.
- C) 3 units of capital goods.
- D) 1/3 of a unit of capital goods.

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303) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. If the economy is producing at production alternative B, the opportunity cost of the sixth unit of consumer goods will be approximately

A) 4 units of capital goods.
B) 1/4 of a unit of capital goods.
C) 3 units of capital goods.
D) 1/3 of a unit of capital goods.

304) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. As compared to production alternative D, the choice of alternative C would

A) tend to generate a more rapid growth rate.
B) be unattainable.
C) entail unemployment.
D) tend to generate a slower growth rate.

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305) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. A total output of 3 units of capital goods and 4 units of consumer goods

A) is irrelevant because the economy is capable of producing a larger total output.
B) will result in the maximum rate of growth available to this economy.
C) would involve an inefficient use of the economy's scarce resources.
D) is unobtainable in this economy.

306) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. For this economy to produce a total output of 3 units of capital goods and 13 units of consumer goods, it must

A) expand its resources or improve its technology.
B) use its resources more efficiently than the data in the table now indicate.
C) allocate its available resources most efficiently among alternative uses.
D) achieve the full employment of available resources.

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307) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. For these data, the law of increasing opportunity costs is reflected in the fact that

A) the amount of consumer goods that must be sacrificed to get more capital goods diminishes beyond a point.
B) as more consumer goods are produced, each additional unit of capital goods sacrificed yields fewer and fewer additional units of consumer goods.
C) the production possibilities data would graph as a straight downward-sloping line.
D) the economy's resources are presumed to be scarce.

308) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	10	8	6	4	2	0
Consumer Goods	0	20	36	46	50	52

Refer to the table. If the economy is producing at production alternative C, the opportunity cost of the thirty-seventh unit of consumer goods will be approximately

A) $\frac{1}{5}$ of a unit of capital goods.
B) 2 units of capital goods.
C) 1 units of capital goods.
D) $\frac{1}{10}$ of a unit of capital goods.

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309) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	20	18	16	14	12	0
Consumer Goods	0	30	46	50	60	62

Refer to the table. If the economy is producing at production alternative C, the opportunity cost of 2 capital goods will be approximately

A) 30 consumer goods.
B) 3 consumer goods.
C) 16 consumer goods.
D) 46 capital goods.

310) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	10	8	6	4	2	0
Consumer Goods	0	20	36	46	50	52

Refer to the table. Which of the following production alternatives would be expected to generate more future growth?

A) alternative F
B) alternative E
C) alternative D
D) alternative C

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311) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	10	8	6	4	2	0
Consumer Goods	0	20	36	46	50	52

Refer to the table. Which of the following combinations of capital goods and consumer goods represents an efficient use of the economy's scarce resources?

A) 30 units of consumer goods and 6 units of capital goods
B) 20 units of consumer goods and 8 units of capital goods
C) 46 units of consumer goods and 6 units of capital goods
D) 36 units of consumer goods and 4 units of capital goods

312) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	12	10	8	6	4	0
Consumer Goods	0	22	38	48	52	54

Refer to the table. Which of the following combinations of capital goods and consumer goods represents an efficient use of the economy's scarce resources?

A) 32 units of consumer goods and 8 units of capital goods
B) 48 units of consumer goods and 8 units of capital goods
C) 22 units of consumer goods and 10 units of capital goods
D) 38 units of consumer goods and 6 units of capital goods

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313) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	B	C	D	E	F
Capital Goods	10	8	6	4	2	0
Consumer Goods	0	20	36	46	50	52

Refer to the table. For this economy to produce a total output of 5 units of capital goods and 50 units of consumer goods, it must

A) reduce unemployment.
B) develop better technology or expand the available resources.
C) better match the current skills of workers to the available jobs.
D) change its preferences.

314) When an economy is operating under conditions of full employment, the production of more of commodity A will mean the production of less of commodity B because

A) of the law of increasing opportunity costs.
B) economic wants are insatiable.
C) resources are limited.
D) resources are specialized and only imperfectly substitutable.

315) Assume that a change in government policy results in greater production of both consumer goods and investment goods. We can conclude that

A) the economy was not employing all of its resources before the policy change.
B) the economy's production possibilities curve has been shifted to the left as a result of the policy decision.
C) this economy's production possibilities curve is convex (bowed inward) to the origin.
D) the law of increasing opportunity costs does not apply in this society.

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316) Assume that an economy experiences greater production of both consumer goods and investment goods. We can definitively conclude that
- A) the economy was not employing all of its resources before the policy change.
- B) the economy's production possibilities curve has shifted to the right.
- C) the economy is more efficiently matching resources to their best uses.
- D) any of these things might account for why production of both goods increased.

317) The production possibilities curve
- A) shows all of those levels of production that are consistent with a stable price level.
- B) indicates that any combination of goods lying outside the curve is economically inefficient.
- C) is a frontier between all combinations of two goods that can be produced and those combinations that cannot be produced.
- D) shows all of those combinations of two goods that are most preferred by society.

318) Any point inside the production possibilities curve indicates
- A) the presence of technological change.
- B) that resources are imperfectly substitutable among alternative uses.
- C) the presence of inflationary pressures.
- D) that more output could be produced with the available resources.

319) Any point inside the production possibilities curve indicates that
- A) technology must improve for the economy to produce more.
- B) resources are not currently being put to their best uses.
- C) government policy is restriction production.
- D) the economy needs more resources to increase production.

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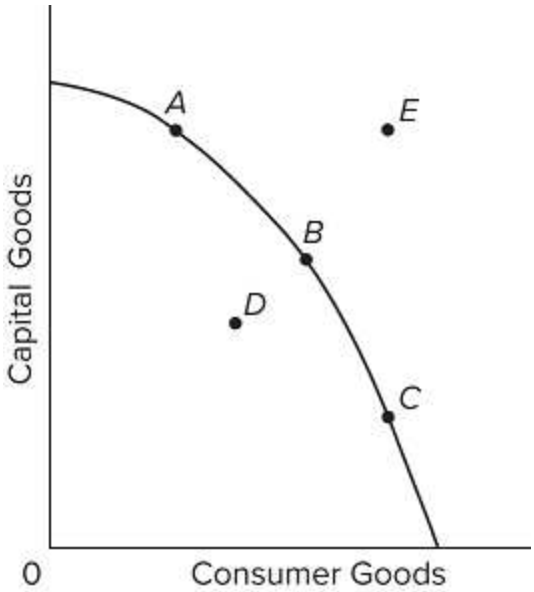
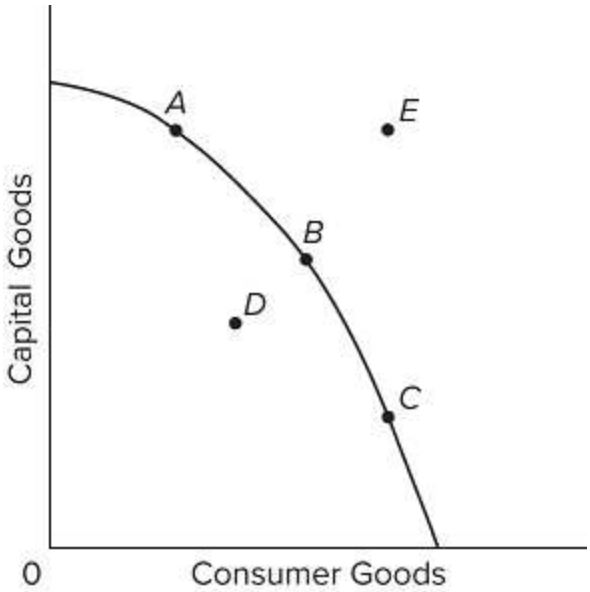


320) Refer to the diagram. Other things equal, this economy will shift its production possibilities curve outward the most if

A) the ratio of capital to consumer goods is minimized.
B) it chooses point C.
C) it chooses point B.
D) it chooses point A.



321) Refer to the diagram. Which point represents the economy experiencing unemployment?

A) A
B) B
C) C
D) D

322) Which of the following is assumed in constructing a typical production possibilities curve?

A) The economy is using its resources inefficiently.
B) Resources are perfectly shiftable among alternative uses.
C) Production technology is fixed.
D) The economy is engaging in international trade.

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323) The typical production possibilities curve is

A) an upward-sloping line that is bowed out from the origin.
B) a downward-sloping line that is bowed in toward the origin.
C) a downward-sloping line that is bowed out from the origin.
D) a straight upward-sloping line.

324) The slope of the typical production possibilities curve

A) is positive.
B) becomes steeper as one moves southeast along the curve.
C) is constant as one moves down the curve.
D) becomes flatter as one moves southeast along the curve.

325) Assume an economy is incurring unemployment. The effect of resolving this problem will be to

A) move the level of actual output closer to the economy's production possibilities curve.
B) create a less equal distribution of income.
C) shift its production possibilities curve to the left.
D) shift its production possibilities curve to the right.

326)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4

	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that the amount and quality of resources are the same in both countries. We can conclude that

A) Duckistan is technologically better than Herbania at producing military goods.
B) Herbania is technologically better than Duckistan at producing both military goods and civilian goods.
C) the total opportunity cost of producing 4 units of military goods is the same in both countries.
D) Herbania is technologically superior to Duckistan in producing civilian goods.

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327)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that technology and the quality of resources are the same in both countries. We can conclude that

A) Duckistan has more resources than Herbania.
B) Herbania has more resources than Duckistan.
C) Duckistan has greater opportunity costs than Herbania.
D) prices are twice as high in Herbania as in Duckistan.

328)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that the amount and quality of resources are the same in both countries. We can conclude that

A) Herbania is technologically superior to Duckistan in producing civilian goods.
B) Herbania is technologically better than Duckistan at producing both military goods and civilian goods.
C) the total opportunity cost of producing 4 units of military goods is the same in both countries.
D) Duckistan is technologically better than Herbania at producing military goods.

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329)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that technology and the quality of resources are the same in both countries. We can conclude that

A) prices are twice as high in Herbania as in Duckistan.
B) Duckistan has greater opportunity costs than Herbania.
C) Duckistan has more resources than Herbania.
D) Herbania has more resources than Duckistan.

330)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Opportunity costs of producing military goods are

A) increasing in Duckistan but constant in Herbania.
B) constant in both Duckistan and Herbania.
C) larger in Duckistan than in Herbania.
D) smaller in Duckistan than Herbania.

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331)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Opportunity costs of producing military goods are

A) smaller in Duckistan than Herbania.
B) larger in Duckistan than in Herbania.
C) smaller in Duckistan than Herbania.
D) increasing in Duckistan but constant in Herbania.
E) larger in Duckistan than in Herbania.
F) constant in both Duckistan and Herbania.

332)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Opportunity costs are

A) constant in both Duckistan and Herbania.
B) larger in Duckistan than in Herbania.
C) increasing in both Duckistan and Herbania.
D) increasing in Duckistan and constant in Herbania.

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333)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that Duckistan and Herbania are each producing 14 units of civilian goods and 2 units of military goods. Then

A) Duckistan is fully employing its resources, but Herbania is not.
B) both Duckistan and Herbania are fully employing their resources.
C) Herbania is fully employing its resources, but Duckistan is not.
D) neither Duckistan nor Herbania is fully employing its resources.

334)

	Duckistan Production Possibilities				
	A	B	C	D	E
Civilian Goods	20	18	14	8	0
Military Goods	0	1	2	3	4
	Herbania Production Possibilities				
	A	B	C	D	E
Civilian Goods	40	36	26	14	0
Military Goods	0	1	2	3	4

Refer to the tables. Suppose that Duckistan is producing 14 units of civilian goods and 1 units of military goods, and Herbania is producing 14 units of civilian goods and 2 units of military goods. Then

A) both Duckistan and Herbania are fully employing their resources.
B) Duckistan is fully employing its resources, but Herbania is not.
C) Herbania is fully employing its resources, but Duckistan is not.
D) Duckistan is fully employing its resources, but Herbania is not.
E) both Duckistan and Herbania are fully employing their resources.
F) Herbania is fully employing its resources, but Duckistan is not.
G) neither Duckistan nor Herbania is fully employing its resources.

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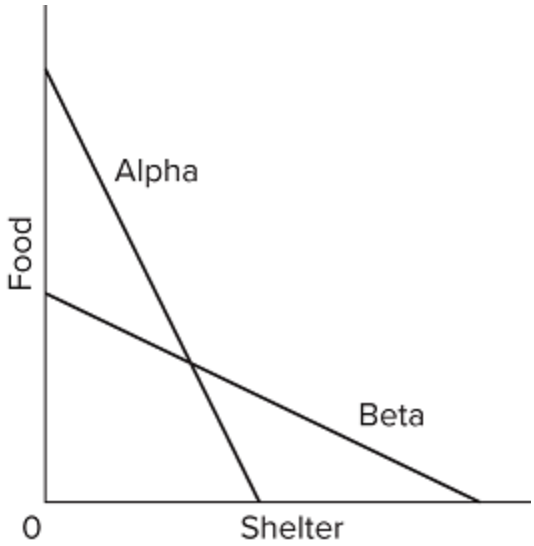

335) In the figure are two linear production possibilities curves for countries Alpha and Beta. We can conclude that

A) different value systems make it impossible to compare opportunity costs in the two countries.
B) the opportunity cost of shelter is greater in Beta than it is in Alpha.
C) the opportunity cost of food is greater in Alpha than it is in Beta.
D) the opportunity cost of shelter is greater in Alpha than it is in Beta.

336) Which of the following is *not* correct? A typical production possibilities curve

A) indicates how much of two products society can produce.
B) reveals how much each additional unit of one product will cost in terms of the other product.
C) specifies how much of each product a society will want to produce.
D) indicates that to produce more of one product, a society must forgo larger and larger amounts of the other product.

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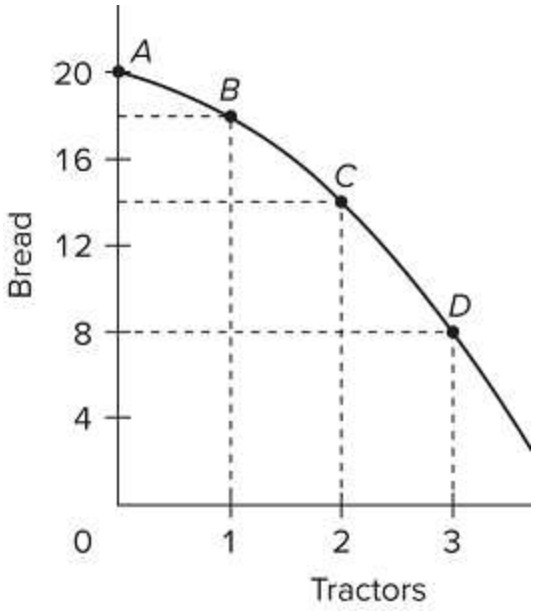
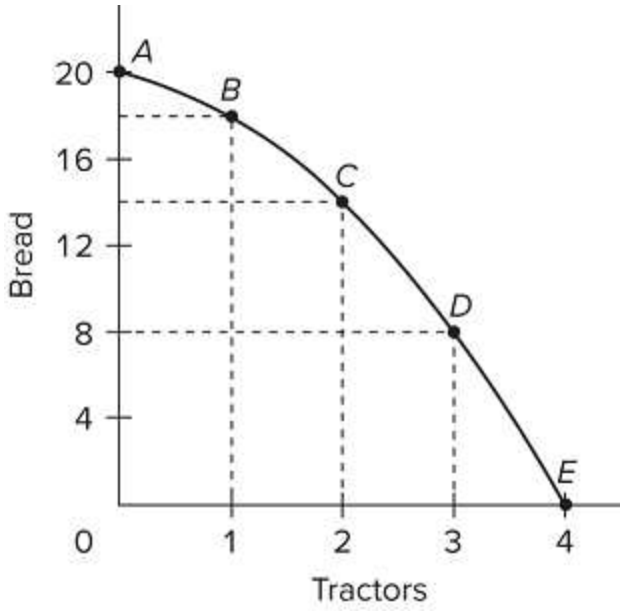


337) Refer to the diagram. This production possibilities curve is constructed so that

A) resources are presumed to be perfectly shiftable between bread and tractors.
B) the opportunity cost of bread diminishes as more bread is produced.
C) the opportunity cost of tractors increases as more bread is produced.
D) the opportunity costs of both bread and tractors increase as more of each is produced.



338) Refer to the diagram. Which of the following is a normative statement?

A) Point C is superior to point B because it is important to enhance the future of society.
B) If society is initially at point C, it must sacrifice 6 units of bread to obtain one more unit of tractors.
C) If society produces 2 units of tractors and 12 units of bread, it is not using its available resources with maximum efficiency.
D) Other things equal, the combination of outputs represented by point D will result in more rapid economic growth than will the combination represented by point C.

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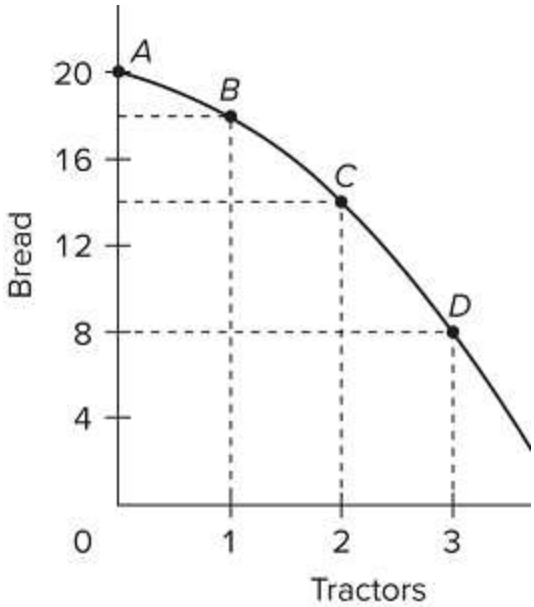
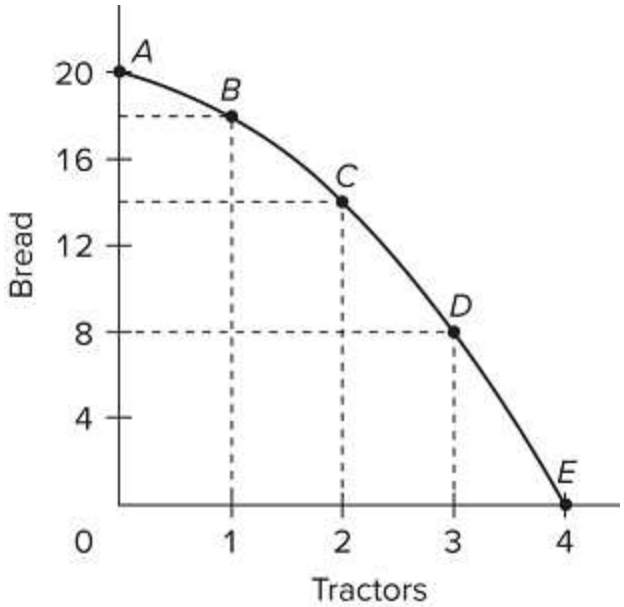


339) Refer to the diagram. Which of the following is a positive statement?

A) A point inside the production possibilities curve is superior to a point on the curve because the former requires less work effort.
B) Because any society should stress economic growth as its major goal, point D is superior to point C.
C) Point B is preferable to point C because the ultimate goal of economic activity is to maximize consumption.
D) Given its resources and technology, this society is incapable of simultaneously producing 3 units of tractors and 15 units of bread.



340) Refer to the diagram. Starting at point A, the opportunity cost of producing each successive unit of tractors is

A) a constant 2 units of bread.
B) 2, 4, 6, and 8 units of bread.
C) 8, 6, 4, and 2 units of bread.
D) the reciprocal of the output of tractors.

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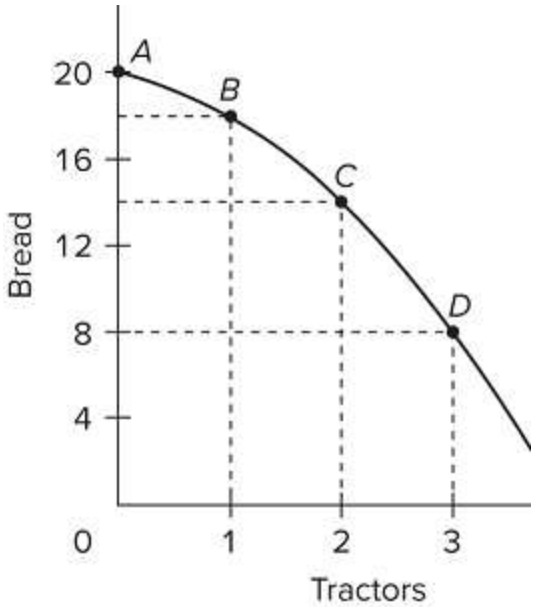
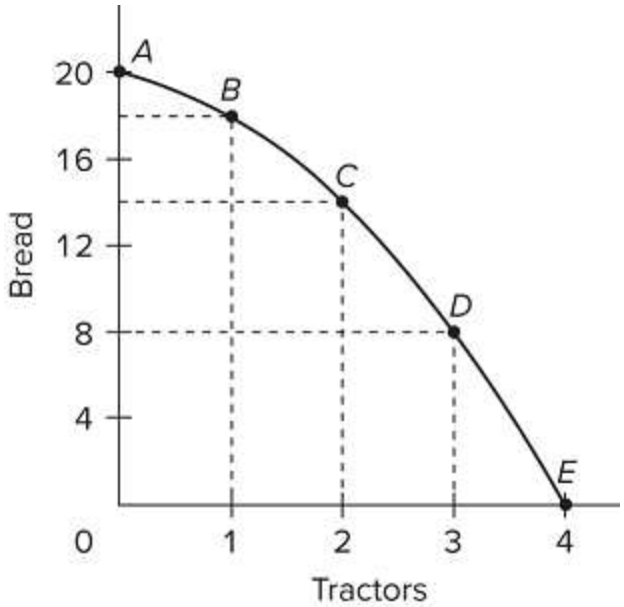


341) Refer to the diagram. Starting at point C, the opportunity cost of producing the third and fourth unit(s) of tractors is

A) 2 unit(s) of bread.
B) 6 and 8 unit(s) of bread.
C) the reciprocal of the output of tractors.
D) 8 and 6 unit(s) of bread.



342) Refer to the diagram. Starting at point E, the production of successive units of bread will cost

A) a constant 8 units of tractors.
B) a constant 6 units of tractors.
C) 1/8, 1/6, 1/4, and 1/2 units of tractors.
D) 1/2, 1/4, 1/6, and 1/8 units of tractors.

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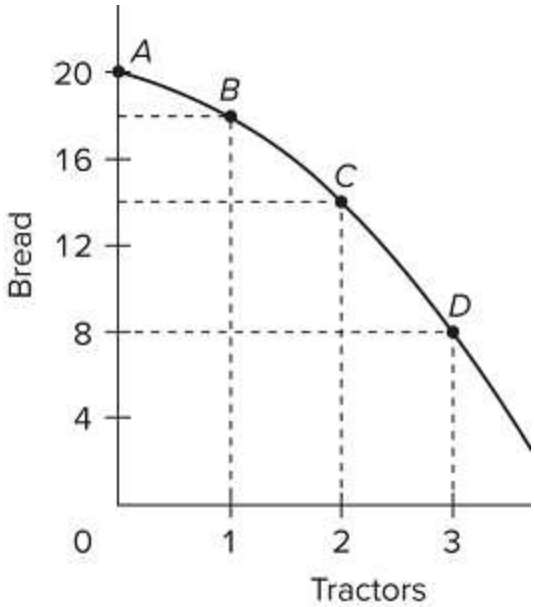
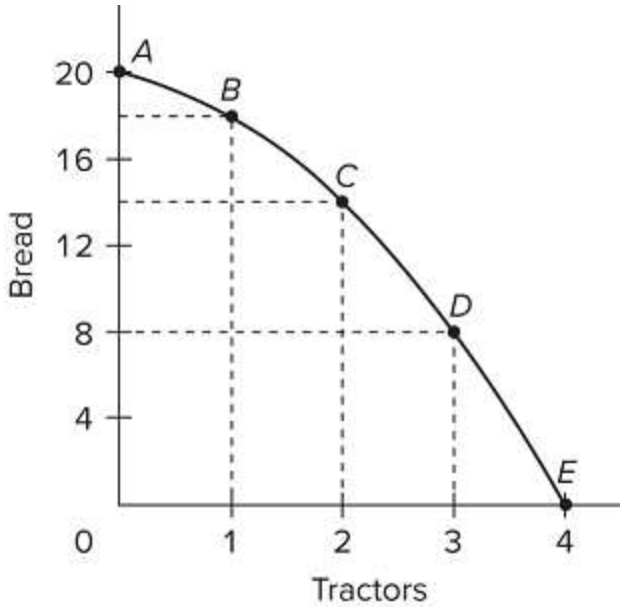


343) Refer to the diagram. If the economy is currently at point C, what is the opportunity cost of a third unit of tractors?

A) 6 units of bread
B) 8 units of bread
C) 12 units of bread
D) The opportunity cost of the third unit of tractors cannot be determined.



344) Refer to the diagram. If the economy is currently at point B, what is the opportunity cost of a second unit of tractors?

A) 16 units of bread
B) 4 units of bread
C) 14 units of bread
D) The opportunity cost of the second unit of tractors cannot be determined.

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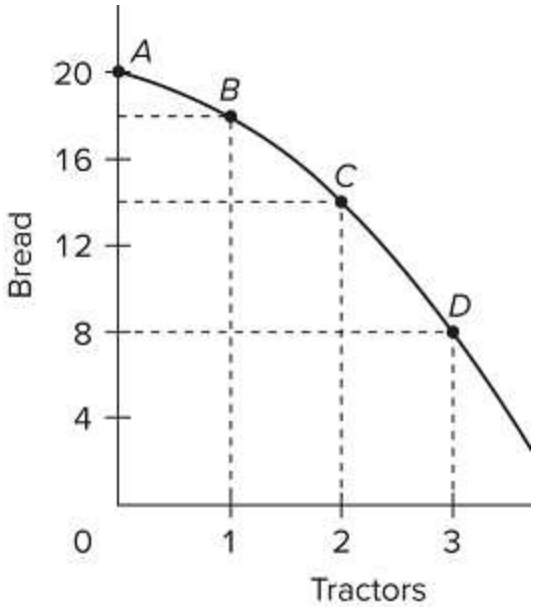
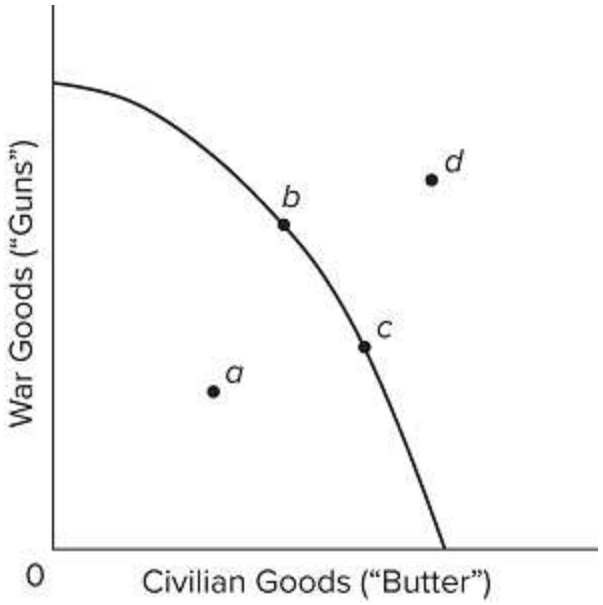


345) Refer to the diagram. If the economy is currently at point C, what is the opportunity cost of the fifteenth unit of bread?

A) 1 unit of tractors
B) 1/2 units of tractors
C) 1/8 units of tractors
D) 1/4 units of tractors



346) Refer to the production possibilities curve. At the onset of the Second World War, the United States had large amounts of idle human and property resources. Its economic adjustment from peacetime to wartime can best be described by the movement from point

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

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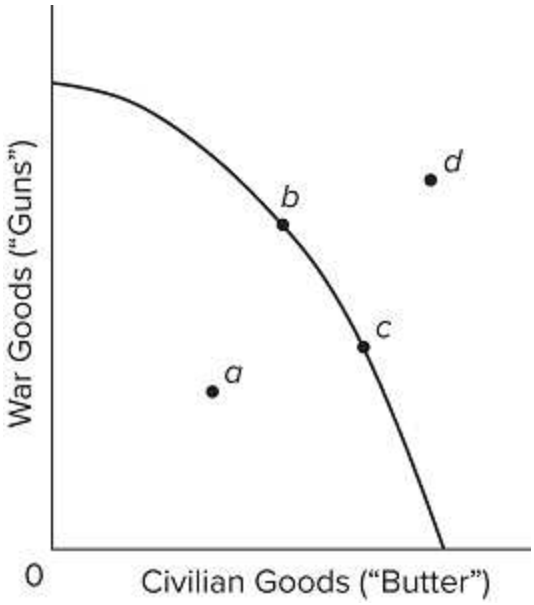

347) Refer to the production possibilities curve. At the onset of the Second World War, the Soviet Union was already at full employment. Its economic adjustment from peacetime to wartime can best be described by the movement from point

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

348) The production possibilities curve shows

A) the various combinations of two goods that can be produced when society employs all of its scarce resources.
B) the minimum outputs of two goods that will sustain a society.
C) the various combinations of two goods that can be produced when some resources are unemployed.
D) the ideal, but unattainable, combinations of two goods that would maximize consumer satisfaction.

349) The negative slope of the production possibilities curve is a graphical way of indicating that

A) any economy "can have its cake and eat it too."
B) to produce more of one product, we must do with less of another.
C) the principle of increasing opportunity costs applies to only parts of the economy.
D) consumers buy more when prices are low than when prices are high.

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350) If an economy is operating *on* its production possibilities curve for consumer goods and capital goods, this means that
- A) it is impossible to produce more consumer goods.
- B) resources cannot be reallocated between the two goods.
- C) it is impossible to produce more capital goods.
- D) more consumer goods can only be produced at the cost of fewer capital goods.

351) The construction of a production possibilities curve assumes
- A) the quantities of all resources are unlimited.
- B) technology is fixed.
- C) some resources are unemployed.
- D) there is no inflation in the economy.

352) The construction of a production possibilities curve assumes
- A) some resources are unemployed.
- B) the quantities of all resources are unlimited.
- C) technology is fixed.
- D) there is no inflation in the economy.

353) A typical concave (bowed out from the origin) production possibilities curve implies
- A) that economic resources are unlimited.
- B) that society must choose among various attainable combinations of goods.
- C) decreasing opportunity costs.
- D) that society is using a market system to allocate resources.

354) A typical concave (bowed out from the origin) production possibilities curve implies that
- A) economic resources are not completely substitutable for each other in production.
- B) economic resources are perfect substitutes for each other.
- C) opportunity costs are constant.
- D) society maximizes well-being when it produces in the very center of the curve.

355) A typical concave (bowed out from the origin) production possibilities curve implies that
- A) economic resources are perfect substitutes for each other.
- B) opportunity costs increase as an economy tries to produce more of a good.
- C) society maximizes well-being when it produces in the very center of the curve.
- D) all resources are fully employed.

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356) The production possibilities curve tells us

A) the specific combination of two products that is most desired by society.
B) that costs do not change as society varies its output.
C) that costs are irrelevant in a society that has fixed resources.
D) the combinations of two goods that can be produced with society's available resources.

357) The production possibilities curve has

A) a positive slope that increases as we move along it from left to right.
B) a negative slope that increases (becomes steeper) as we move along it from left to right.
C) a negative slope that decreases (becomes flatter) as we move along it from left to right.
D) a negative slope that is constant as we move along it from left to right.

358) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30

	South Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the table. If South Cantina is producing at production alternative D, the opportunity cost of the third unit of capital goods will be

A) 3 units of consumer goods.
B) 4 units of consumer goods.
C) 5 units of consumer goods.
D) 6 units of consumer goods.

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359) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South CantinaProduction Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the table. If South Cantina is producing at production alternative B, the opportunity cost of the fifth unit of capital goods will be

A) 4 units of consumer goods.
B) 1/8 of a unit of consumer goods.
C) 8 units of consumer goods.
D) 27 units of consumer goods.

360) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the tables. If North Cantina is producing at production alternative B, the opportunity cost of the 11th unit of consumer goods will be

A) 10 units of capital goods.
B) 1/4 of a unit of capital goods.
C) 8 units of capital goods.
D) 1/8 of a unit of capital goods.

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361) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30

	South CantinaProduction Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the tables. If North Cantina is producing at production alternative E, the opportunity cost of the twenty-ninth unit of consumer goods will be

A) 2 units of capital goods.
B) 1 unit of capital goods.
C) 1/4 of a unit of capital goods.
D) 1/2 of a unit of capital goods.

362) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30

	South Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

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Refer to the tables. Suppose that North Cantina is producing 2 units of capital goods and 17 units of consumer goods, while South Cantina is producing 2 units of capital goods and 21 units of consumer goods. We can conclude that

A) North Cantina is fully and efficiently using its resources, but South Cantina is not.
B) South Cantina is fully and efficiently using its resources, but North Cantina is not.
C) neither South Cantina nor North Cantina is fully and efficiently using its resources.
D) both South Cantina and North Cantina are fully and efficiently using their resources.

363) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30

	South Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the tables. Suppose that resources in North Cantina and South Cantina are identical in quantity and quality. We can conclude that

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A) South Cantina has better technology than North Cantina in producing both capital and consumer goods.
B) North Cantina has better technology than South Cantina in producing both capital and consumer goods.
C) North Cantina is growing more rapidly than South Cantina.
D) North Cantina has better technology than South Cantina in producing consumer goods but not capital goods.

364) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the table. The opportunity cost of the fifth unit of capital goods

A) is higher in North Cantina than in South Cantina.

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B) is the same in North Cantina and South Cantina.
C) is lower in North Cantina than in South Cantina.
D) cannot be determined from the information provided.

365) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the table. If East Podunk is producing at production alternative C, the opportunity cost of the fourth unit of capital goods will be

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A) 15 units of consumer goods.
B) 12 units of consumer goods.
C) 27 units of consumer goods.
D) 9 units of consumer goods.

366) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the table. If East Podunk is producing at production alternative E, the opportunity cost of the second capital good will be

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A) 6 consumer goods.
B) 2 consumer goods.
C) 36 consumer goods.
D) 42 consumer goods.

367) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. If West Podunk is producing at production alternative C, the opportunity cost of the thirty-seventh unit of consumer goods will be

A) 12 units of capital goods.
B) 1/12 of a unit of capital goods.
C) 16 units of capital goods.
D) 1/16 of a unit of capital goods.

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368) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. If West Podunk is producing at production alternative D, the opportunity cost of the forty-ninth consumer good will be

A) 18 capital goods.
B) 1/8 capital good.
C) 14 capital goods.
D) 1/16 capital good.

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369) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	42	50	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. If West Podunk is producing at production alternative C, the opportunity cost of the 43rd consumer good will be

A) 8 capital goods.
B) 16 capital goods.
C) 1/4 capital good.
D) 1/8 capital good.

370) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. If West Podunk is producing at production alternative C, the opportunity cost of the thirty-seventh unit of consumer good will be

A) 12 units of capital goods.
B) 1/12 of a unit of capital goods.
C) 16 units of capital goods.
D) 1/16 of a unit of capital goods.

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371) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. If West Podunk is producing at production alternative E, the opportunity cost of the fifty-seventh consumer good will be

A) 1/4 capital good.
B) 57 capital goods.
C) 0 capital goods.
D) 4 capital goods.

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372) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60

	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. Suppose that West Podunk is producing 4 units of capital goods and 20 units of consumer goods, while East Podunk is producing 3 units of capital goods and 24 units of consumer goods. We can conclude that

A) West Podunk is fully and efficiently using its resources, but East Podunk is not.
B) East Podunk is fully and efficiently using its resources, but West Podunk is not.
C) neither East Podunk nor West Podunk is fully and efficiently using its resources.
D) both East Podunk and West Podunk are fully and efficiently using their resources.

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373) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. Suppose that West Podunk is producing 4 units of capital goods and 20 units of consumer goods, while East Podunk is producing 2 units of capital goods and 36 units of consumer goods. We can conclude that

A) both East Podunk and West Podunk are fully and efficiently using their resources.
B) West Podunk is fully and efficiently using its resources, but East Podunk is not.
C) neither East Podunk nor West Podunk is fully and efficiently using its resources.
D) East Podunk is fully and efficiently using its resources, but West Podunk is not.

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374) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60

	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. Suppose that resources in West Podunk and East Podunk are identical in quantity and quality. We can conclude that

A) East Podunk has better technology than West Podunk in producing both capital and consumer goods.
B) West Podunk has better technology than East Podunk in producing both capital and consumer goods.
C) West Podunk is growing more rapidly than East Podunk.
D) the two nations have similar technology in the production of capital goods, but West Podunk has better technology in the production of consumer goods.

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375) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60

	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the tables. Suppose that resources in West Podunk and East Podunk are identical in quality and quantity. We can conclude that

A) West Podunk has better technology than East Podunk in producing both capital and consumer goods.
B) West Podunk is growing more rapidly than East Podunk.
C) East Podunk has better technology than West Podunk in producing both capital and consumer goods.
D) the two nations have similar technology in the production of capital goods, but West Podunk has better technology in the production of consumer goods.

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376) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the table. The opportunity cost of the third unit of capital goods

A) is higher in East Podunk than in West Podunk.

B) is the same in West Podunk and East Podunk.

C) is lower in East Podunk than in West Podunk.

D) cannot be determined from the information provided.

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377) Answer the question on the basis of the following production possibilities table for two countries, West Podunk and East Podunk.

	West Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	20	36	48	56	60
	East Podunk Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	15	27	36	42	45

Refer to the table. The opportunity cost of the fourth unit of capital goods

A) cannot be determined from the information provided.
B) is lower in East Podunk than in West Podunk.
C) is higher in East Podunk than in West Podunk.
D) is the same in West Podunk and East Podunk.

378) If an economy is operating inside its production possibilities curve for consumer goods and capital goods, it

A) can only produce more consumer goods by producing fewer capital goods.
B) can only produce more capital goods by producing fewer consumer goods.
C) can produce more of both consumer goods and capital goods by using resources that are currently idle.
D) must improve its technology to produce more output.

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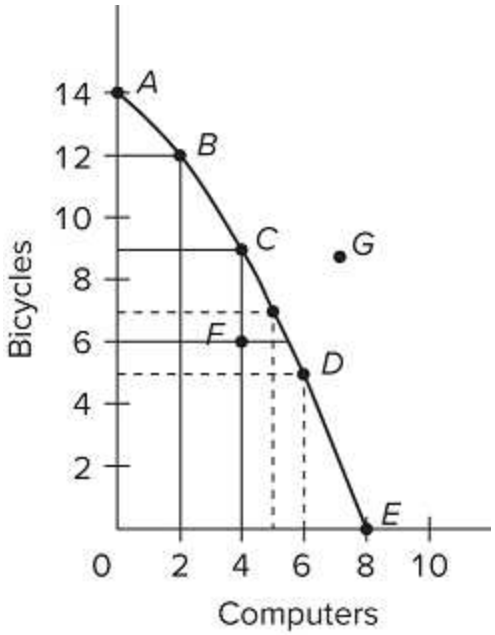
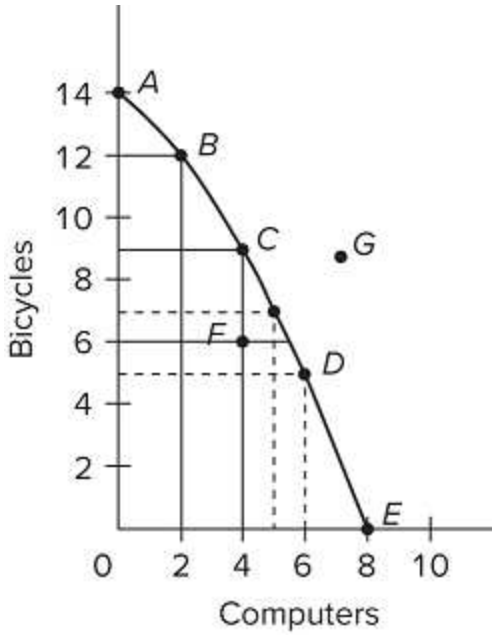


379) Refer to the diagram. Points A, B, C, D, and E show

A) that the opportunity cost of bicycles increases, while that of computers is constant.
B) combinations of bicycles and computers that society can produce by using its resources efficiently.
C) that the opportunity cost of computers increases, while that of bicycles is constant.
D) that society's demand for bicycles is greater than its demand for computers.



380) Refer to the diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost

A) will be 4 units of bicycles.
B) will be 2 units of bicycles.
C) will be zero because unemployed resources are available.
D) of doing so cannot be determined from the information given.

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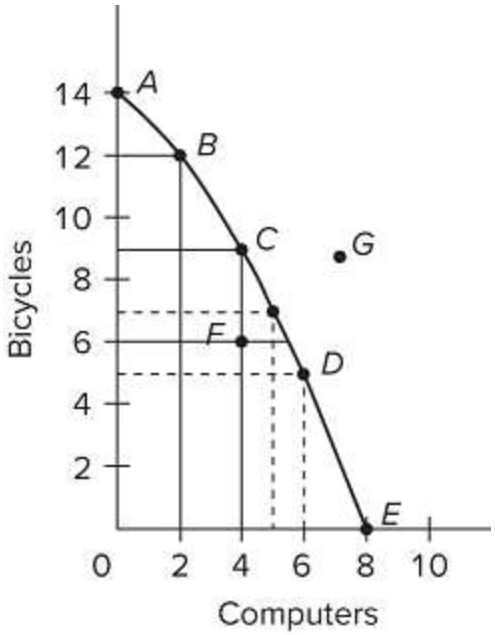
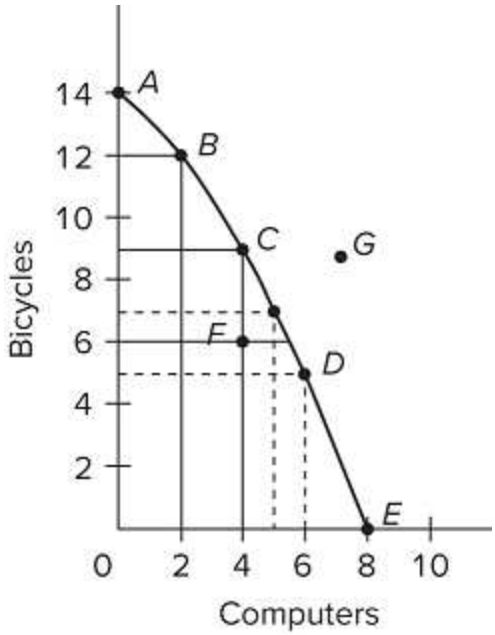


381) Refer to the diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost

A) will be zero because unemployed resources are available.
B) of doing so cannot be determined from the information given.
C) will be 4 units of bicycles.
D) will be 2 units of bicycles.



382) Refer to the diagram. The combination of computers and bicycles shown by point G is

A) attainable but too costly.
B) unattainable given currently available resources and technology.
C) attainable but involves unemployment.
D) irrelevant because it is inconsistent with consumer preferences.

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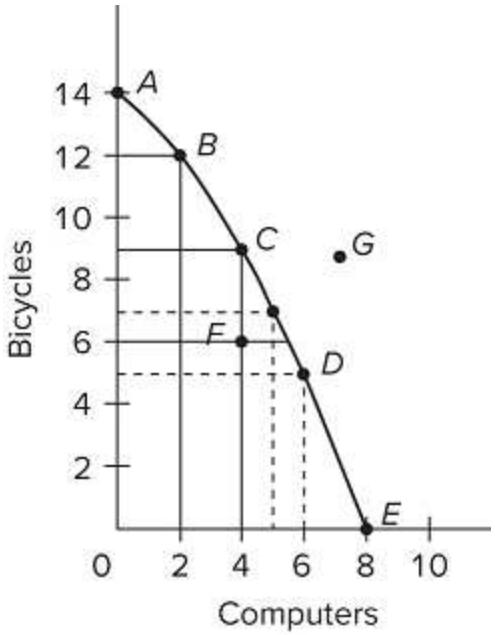
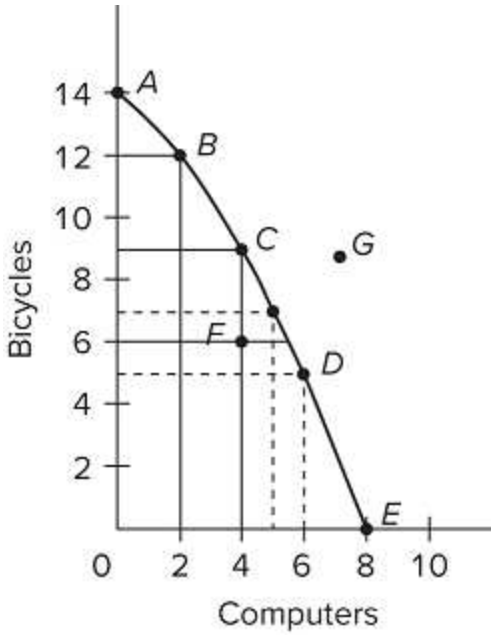


383) Refer to the diagram. The combination of computers and bicycles shown by point G

A) is attainable but implies that the economy is not using all its resources.
B) is unattainable given currently available resources and technology.
C) suggests that opportunity costs are constant.
D) is irrelevant because it is inconsistent with consumer preferences.



384) Refer to the diagram. If society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more units of bicycles

A) cannot be achieved because resources are fully employed.
B) will cost 1 unit of computers.
C) will cost 2 units of computers.
D) will cause some resources to become unemployed.

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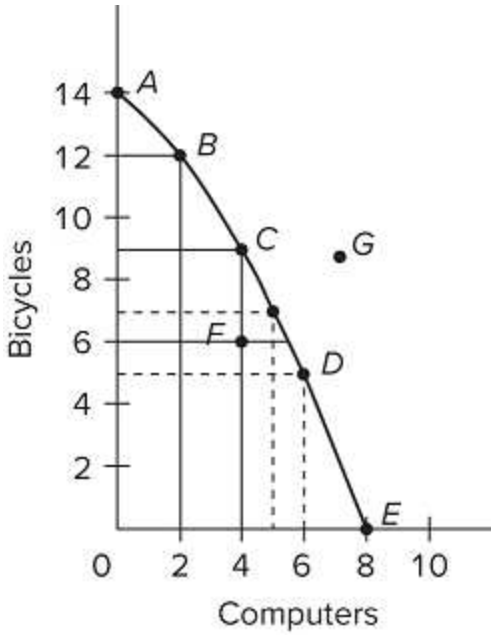
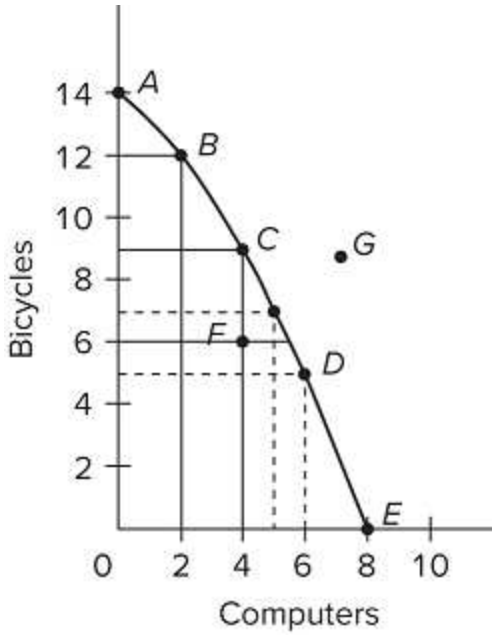


385) Refer to the diagram. If society is currently producing the combination of bicycles and computers shown by point C, the production of 3 more units of bicycles

A) cannot be achieved because resources are fully employed.
B) will cause some resources to become unemployed.
C) will cost 4 units of computers.
D) will cost 2 units of computers.



386) Refer to the diagram. The combination of computers and bicycles shown by point F

A) is unattainable given currently available resources and technology.
B) is attainable but implies that the economy is not using all its resources.
C) is irrelevant because it is inconsistent with consumer preferences.
D) suggests that opportunity costs are constant.

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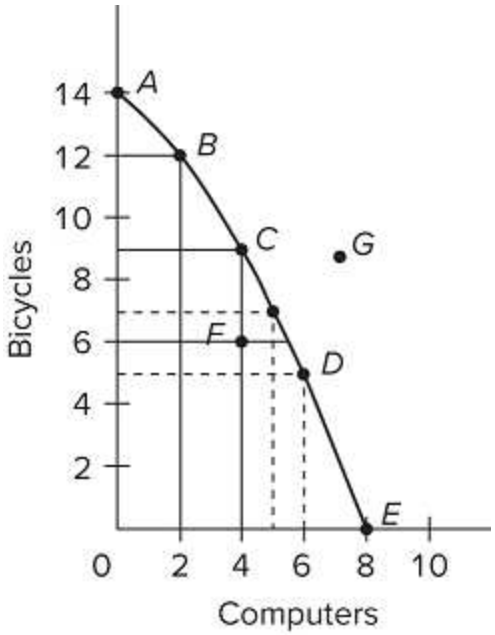
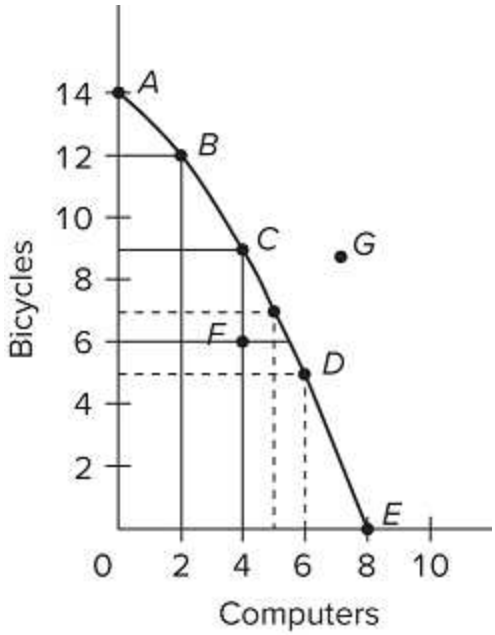


387) Refer to the diagram. The movement down the production possibilities curve from point A to point E suggests that the production of

A) computers, but not bicycles, is subject to increasing opportunity costs.
B) bicycles, but not computers, is subject to increasing opportunity costs.
C) both bicycles and computers is subject to constant opportunity costs.
D) both bicycles and computers is subject to increasing opportunity costs.



388) Refer to the diagram. Suppose this economy is currently producing at point D. For this economy to produce at point G, it would have to

A) expand its resources or improve its technology.
B) use existing resources and technology more efficiently.
C) change its preferences.
D) implement policies that increase government spending.

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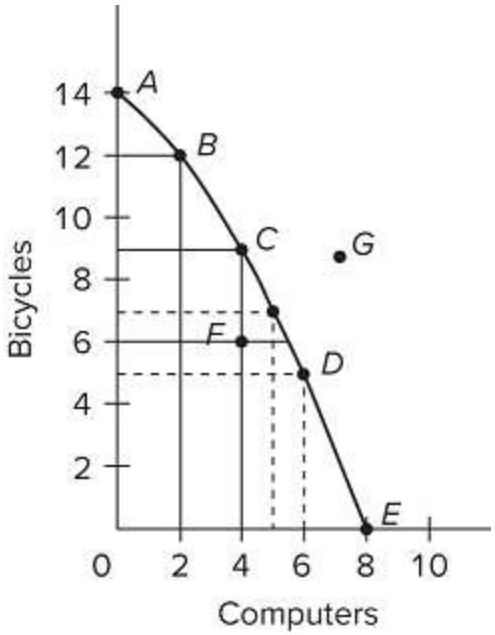
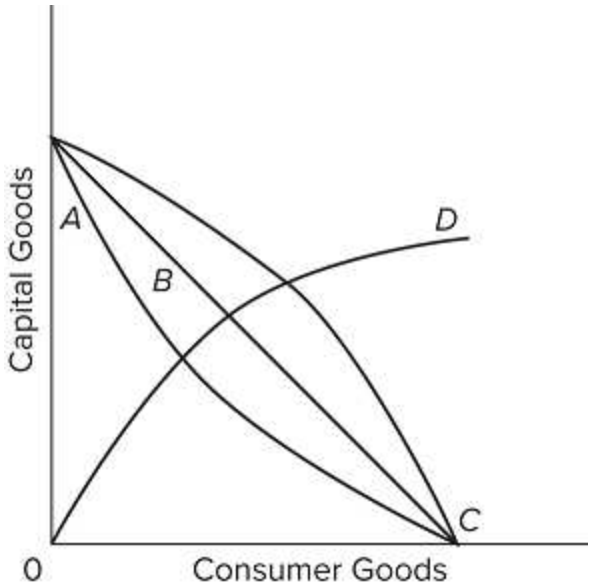


389) Refer to the diagram. Suppose this economy is currently producing at point C. For this economy to produce at point F, it would have to

A) expand its resources or improve its technology.
B) use existing resources and technology less efficiently.
C) use existing resources and technology more efficiently.
D) implement policies that increase government spending.



390) Refer to the diagram. As it relates to production possibilities analysis, the law of increasing opportunity cost is reflected in curve

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

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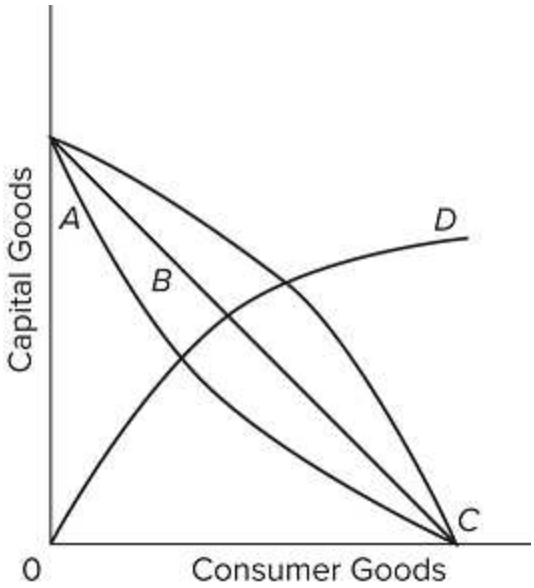
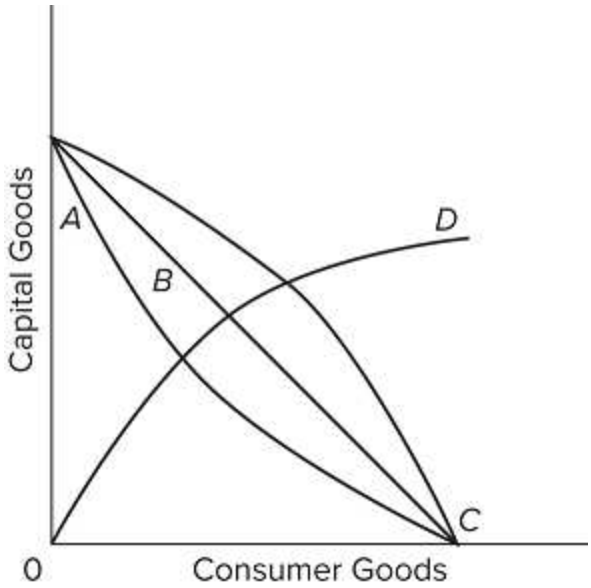


391) Refer to the diagram. Curve B is a

A) production possibilities curve indicating constant opportunity costs.
B) production possibilities curve indicating increasing opportunity costs.
C) demand curve indicating that the quantity of consumer goods demanded increases as the price of capital falls.
D) technology frontier curve.



392) Refer to the diagram. All other things equal, curve C

A) reflects increasing opportunity costs because the slope of the curve becomes less steep as one moves down along the curve.
B) is a less desirable production possibilities curve for an economy than curve B.
C) is a more desirable production possibilities curve for an economy than curve A.
D) has a steeper slope throughout than curve B.

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393) The fact that the slope of the production possibilities curve becomes steeper as we move down along the curve indicates that
- A) the principle of increasing opportunity costs is relevant.
- B) society's resources are limited.
- C) the opportunity cost of producing each product is constant.
- D) resources are perfectly substitutable between alternative uses.

394) The law of increasing opportunity costs states that
- A) if society wants to produce more of a particular good, it must sacrifice larger and larger amounts of another good to do so.
- B) the sum of the costs of producing a particular good cannot rise above the current market price of that good.
- C) if the sum of the costs of producing a particular good rises by a specified percentage, the price of that good must rise by a greater relative amount.
- D) if the prices of all the resources used to produce goods increase, the cost of producing any particular good will increase at the same rate.

395) The concept of opportunity cost
- A) is irrelevant in socialistic economies because of central planning.
- B) suggests that the use of resources in any particular line of production means that alternative outputs must be forgone.
- C) is irrelevant if the production possibilities curve is shifting to the right.
- D) suggests that insatiable wants can be fulfilled.

396) The law of increasing opportunity costs is reflected in a production possibilities curve that is
- A) an upward-sloping straight line.
- B) a downward-sloping straight line.
- C) bowed out from the origin.
- D) bowed in toward the origin.

397) The concept of scarcity and the law of increasing opportunity costs, respectively, are represented by
- A) a curve bowed in toward the origin, upward-sloping.
- B) a downward-sloping curve, bowed out from the origin.
- C) a curve bowed out from the origin, upward-sloping.
- D) a downward-sloping curve, bowed in toward the origin.

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398) The concept of opportunity cost and the law of increasing opportunity costs, respectively, are represented by
- A) a positively sloped curve, bowed in toward the origin.
- B) a curve bowed out from the origin, negatively sloped.
- C) a curve bowed out from the origin, positively sloped.
- D) a downward sloped curve, bowed out from the origin.

399) The point on the production possibilities curve that is most desirable can be found by
- A) estimating the marginal costs of both products in real or physical terms.
- B) comparing marginal benefits and marginal costs.
- C) determining where least-cost production occurs.
- D) calculating where economic growth will be greatest.

400) The optimal point on a production possibilities curve is achieved where
- A) the smallest physical amounts of inputs are used to produce each good.
- B) each good is produced at a level where marginal benefits equal marginal costs.
- C) large amounts of capital goods are produced relative to consumer goods.
- D) large amounts of consumer goods are produced relative to capital goods.

401) The marginal-benefit curve is
- A) upward-sloping because of increasing marginal opportunity costs.
- B) upward-sloping because successive units of a specific product yield less and less extra benefit.
- C) downward-sloping because of increasing marginal opportunity costs.
- D) downward-sloping because successive units of a specific product yield less and less extra benefit.

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402) The marginal-cost curve is
- A) upward-sloping because of increasing marginal opportunity costs.
- B) upward-sloping because successive units of a specific product yield less and less extra utility.
- C) downward-sloping because of increasing marginal opportunity costs.
- D) downward-sloping because successive units of a specific product yield less and less extra utility.

403) The quantity of digital music players produced should be
- A) reduced if marginal benefits exceed marginal costs.
- B) reduced if marginal costs exceed marginal benefits.
- C) increased if marginal costs exceed marginal benefits.
- D) reduced to zero if their unit costs exceed the unit costs of alternative products.

404) The quantity of face masks produced should be
- A) increased if marginal benefits exceed marginal costs.
- B) increased if marginal costs exceed marginal benefits.
- C) reduced if marginal benefits exceed marginal costs.
- D) increased if total benefits exceed total costs.

405) The quantity of running shoes produced should be
- A) increased if total benefits exceed total costs.
- B) increased if marginal costs exceed marginal benefits.
- C) reduced if marginal costs exceed marginal benefits.
- D) reduced if marginal benefits exceed marginal costs.

406) If the output of product X is such that marginal benefit equals marginal cost,
- A) the correct amount of resources is being allocated to X's production.
- B) the value of producing X exceeds the value of producing alternative products with the available resources.
- C) there can be a net gain to society by allocating either more or less resources to producing X.
- D) resources are overallocated to the production of X.

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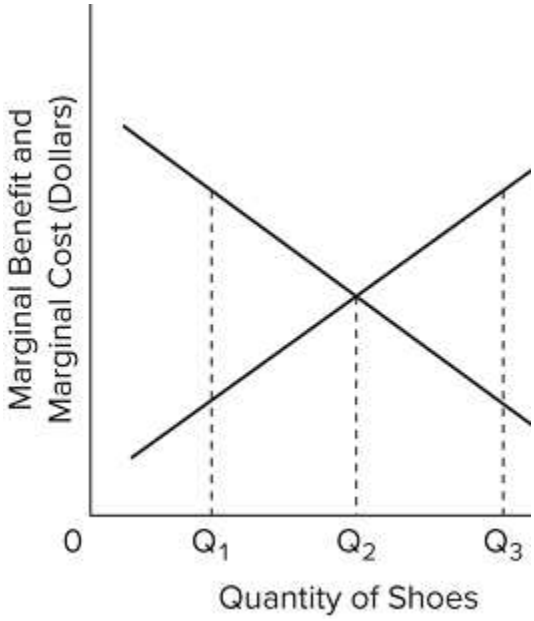
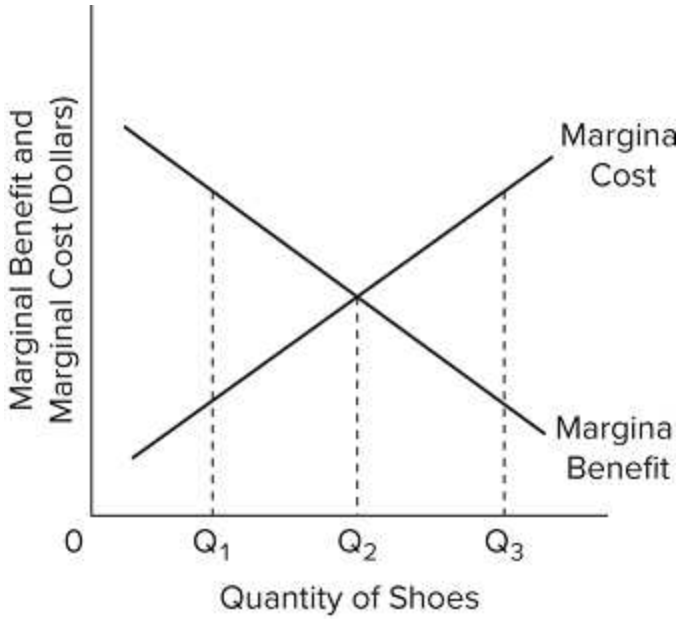
407) If the output of product X is such that marginal benefit exceeds marginal cost,

A) the correct amount of resources is being allocated to X's production.
B) the value of producing X exceeds the value of producing alternative products with the available resources.
C) there can be a net gain to society by allocating fewer resources to producing X.
D) resources are overallocated to the production of X.



408) Refer to the diagram for athletic shoes. The optimal output of shoes is

A) Q1.
B) Q2.
C) Q3.
D) greater than Q3.



409) Refer to the diagram for athletic shoes. Which of the following would change the optimal quantity to Q3?

A) a decrease in the marginal benefit of athletic shoes.
B) an increase in the marginal cost of athletic shoes.
C) an increase in the marginal benefit of athletic shoes.
D) Q3 is already the optimal quantity.

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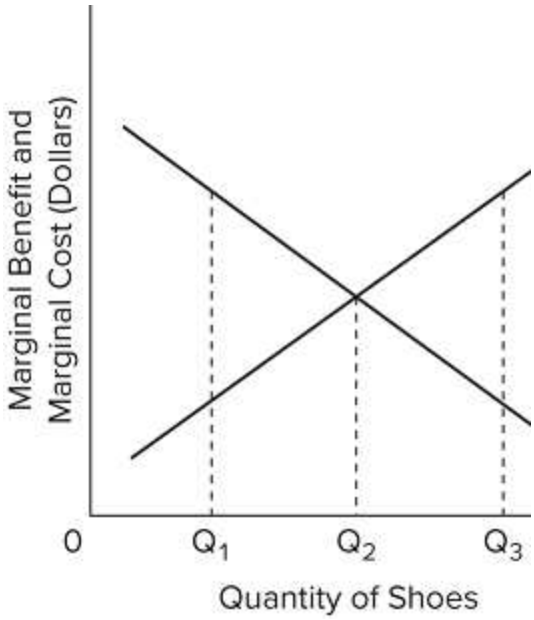
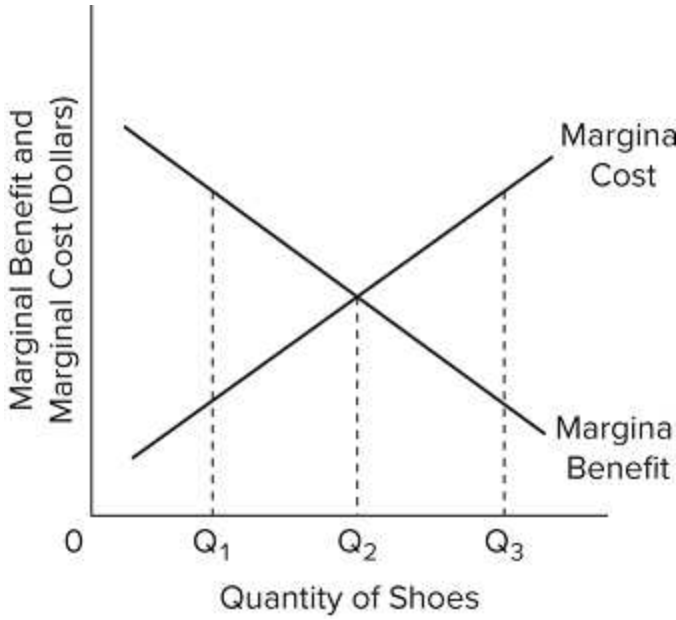


410) Refer to the diagram for athletic shoes. Which of the following would change the optimal quantity to Q3?

A) Q3 is already the optimal quantity.
B) An increase in the marginal benefit of athletic shoes.
C) A decrease in the marginal benefit of athletic shoes.
D) An increase in the marginal cost of athletic shoes.



411) Refer to the diagram for athletic shoes. Which of the following would change the optimal quantity to Q1?

A) a decrease in the marginal cost of athletic shoes
B) an increase in the marginal cost of athletic shoes
C) an increase in the marginal benefit of athletic shoes
D) Q1 is already the optimal quantity.

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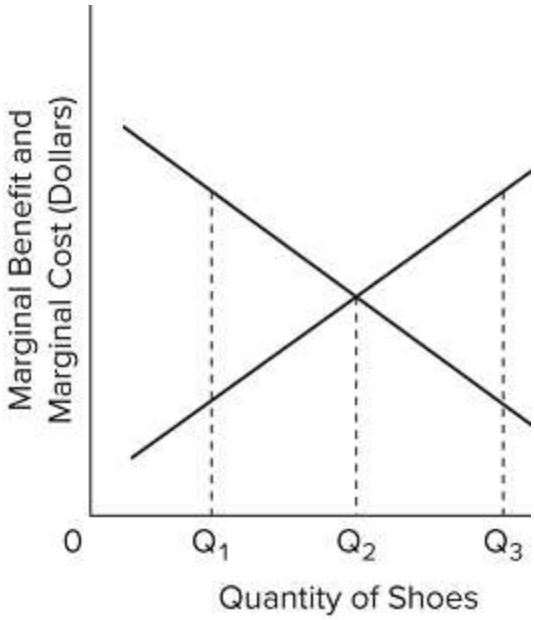
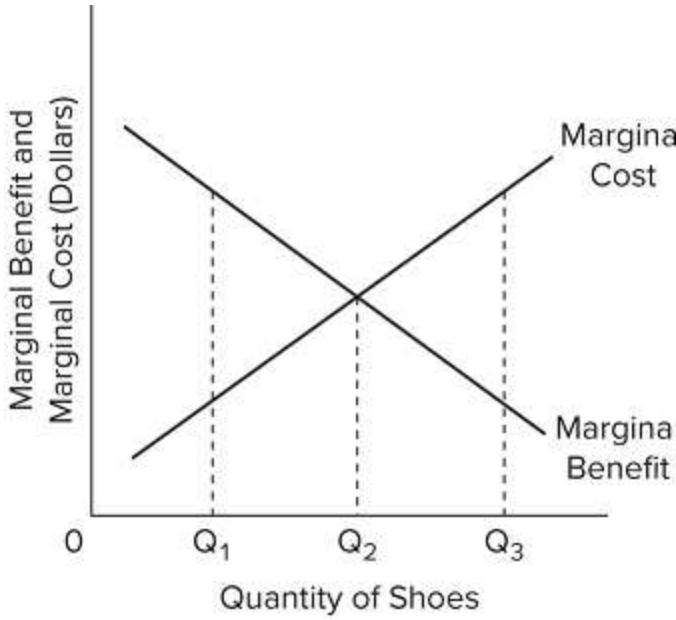


412) Refer to the diagram for athletic shoes. If the current output of shoes is Q1, then

A) society would consider additional units of shoes to be more valuable than alternative uses of those resources.
B) society would consider additional units of shoes to be less valuable than alternative uses of those resources.
C) society would experience a net loss by producing more shoes.
D) resources are being allocated efficiently to the production of shoes.



413) Refer to the diagram for athletic shoes. If the current output of shoes is Q1, then

A) resources are being allocated efficiently to the production of shoes.
B) society would experience a net loss by producing more shoes.
C) society would consider additional units of shoes to be more valuable than alternative uses of those resources.
D) society would consider additional units of shoes to be less valuable than alternative uses of those resources.

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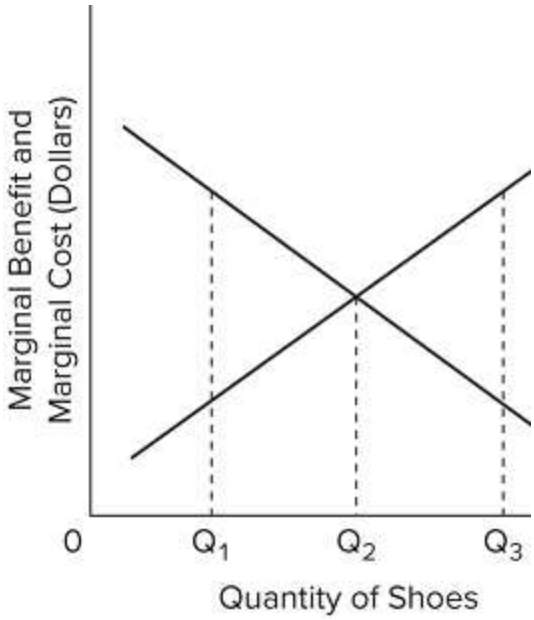
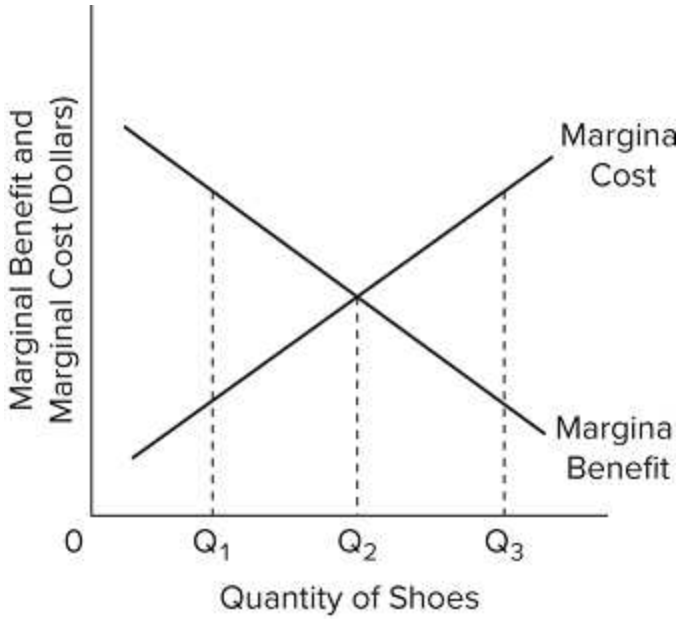


414) Refer to the diagram for athletic shoes. If the current output of shoes is Q3, then

A) resources are being allocated efficiently to the production of shoes.
B) society would consider additional units of shoes to be more valuable than alternative products.
C) society would consider additional units of shoes to be less valuable than alternative products.
D) society would experience a net gain by producing more shoes.



415) Refer to the diagram for athletic shoes. If the current output of shoes is Q2, then reduced shipping costs for athletic shoes would

A) not affect the optimal quantity.
B) reduce the optimal quantity.
C) increase or decrease the optimal quantity, depending on the drop in shipping costs.
D) increase the optimal quantity.

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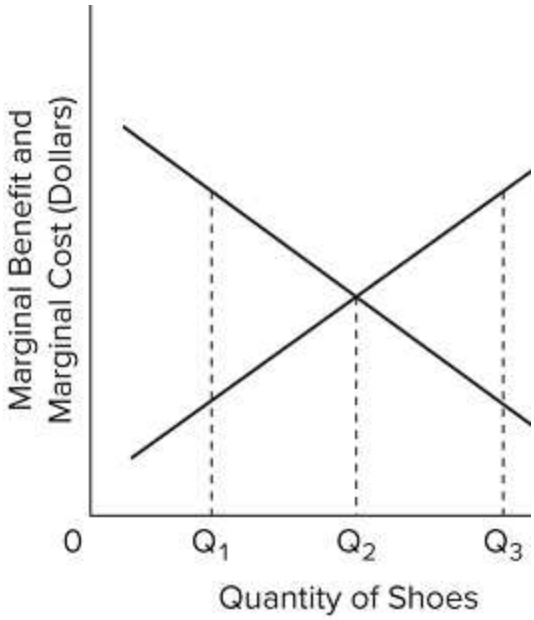
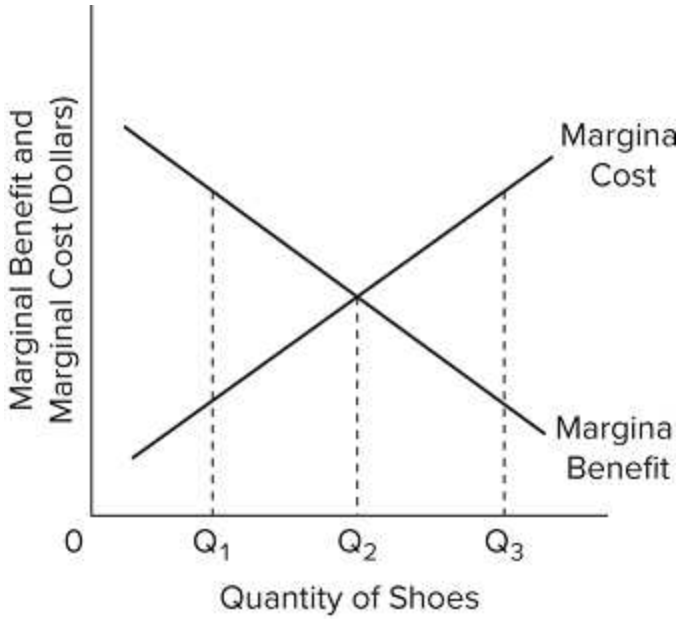


416) Refer to the diagram for athletic shoes. If the current output of shoes is Q3, then

A) society should produce fewer shoes to achieve the optimal allocation of resources.
B) society should produce more shoes to achieve the optimal allocation of resources.
C) resources are being allocated efficiently to the production of shoes.
D) shoes are more valuable to society than alternative products.



417) Refer to the diagram for athletic shoes. If the current output of shoes is Q2, then

A) society should produce more shoes to achieve the optimal allocation of resources.
B) society should produce fewer shoes to achieve the optimal allocation of resources.
C) additional shoes are more valuable to society than alternative products.
D) resources are being allocated efficiently to the production of shoes.

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418) Suppose that a fully employed economy produces only two goods, hamburgers and flat-panel TVs. If the economy is currently producing more than the optimal quantity of hamburgers, then to attain the optimal allocation of resources, it should

A) produce more hamburgers and fewer TVs.
B) produce more TVs and fewer hamburgers.
C) produce more of both goods.
D) produce fewer of both goods.

419) Suppose that a fully employed economy produces only two goods, hamburgers and flat-panel TVs. If the economy is currently producing more than the optimal quantity of hamburgers, then to attain the optimal allocation of resources, it should

A) produce more hamburgers and fewer TVs.
B) produce more of both goods.
C) produce fewer of both goods.
D) produce more TVs and fewer hamburgers.

420) Suppose that an economy is producing on its production possibilities curve but is not producing quantities of each good where the marginal benefit equals the marginal cost for each good. This economy

A) should not change its production, because it cannot improve its allocation by shifting resources.
B) can improve its allocation by lowering the unemployment rate.
C) can improve its allocation by producing more of one good and less of the other.
D) can improve its allocation by producing more of both goods.

421) Suppose that an economy is producing on its production possibilities curve but is not producing quantities of each good where the marginal benefit equals the marginal cost for each good. Based on this we can conclude that this economy is achieving

A) an optimal allocation of resources, but not full employment.
B) neither full employment nor an optimal allocation of resources.
C) both full employment and an optimal allocation of resources.
D) full employment, but not an optimal allocation of resources.

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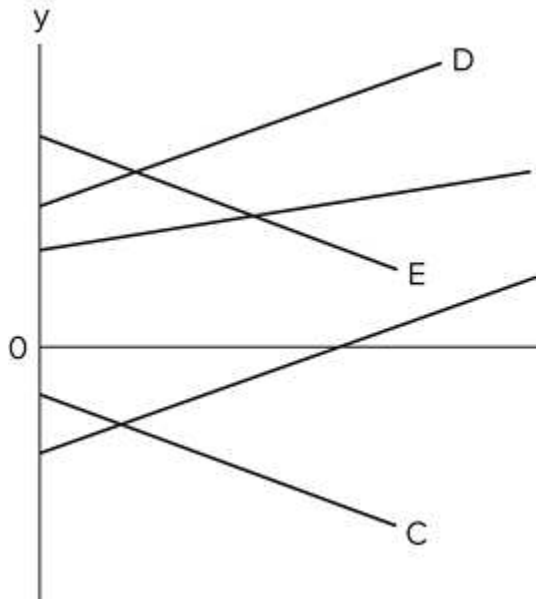
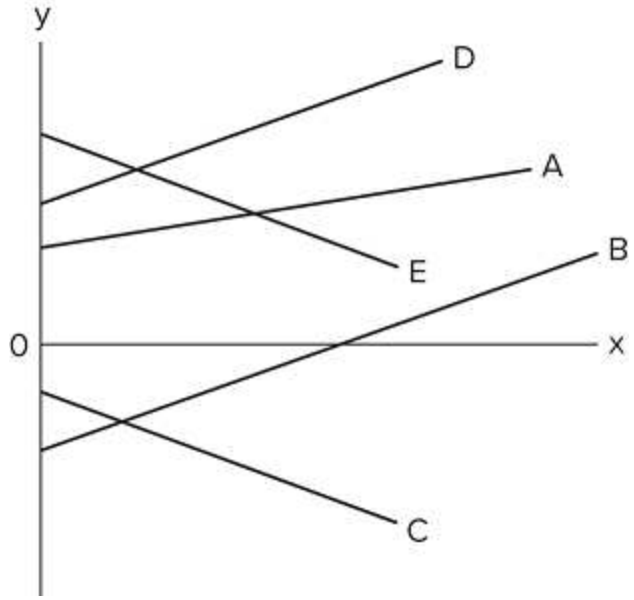
422) The optimal allocation of resources is found

A) where MB = MC.
B) at every point along a production possibilities curve.
C) where the marginal benefit is at its greatest.
D) where the marginal cost is at its lowest.



423) Refer to the diagram. Assume that the horizontal axis measures the quantity of a good and the vertical axis measures the marginal-benefit and marginal cost of the good. Assuming that the good represented here has at least some positive benefits and costs, which line(s) represent(s) a possible marginal-benefit curve?

A) E only
B) both A and D
C) A, B, and D
D) both C and E



424) Refer to the diagram. Assume that the horizontal axis measures the quantity of a good and the vertical axis measures the marginal benefit and marginal-cost of the good. Assuming that producing any amount of a good comes with positive costs, which line(s) represent(s) best represent possible marginal-cost curve(s)?

A) E only
B) both A and D
C) A, B, and D
D) both C and E

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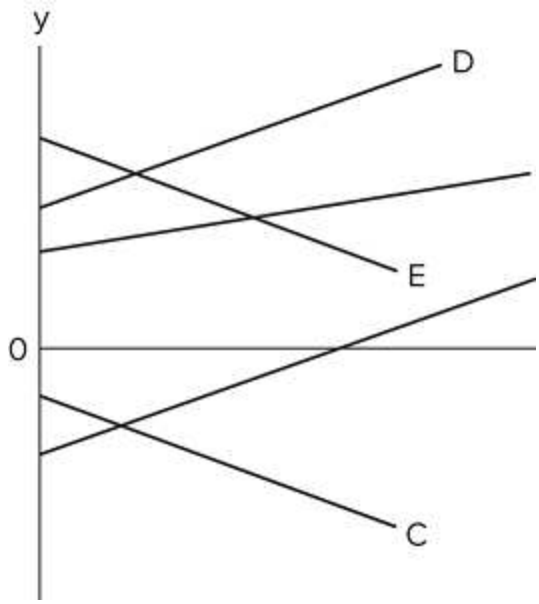

425) Refer to the diagram. Assume that the horizontal axis measures the quantity of a good and the vertical axis measures the marginal-benefit and marginal-cost of the good. Assuming that the good represented here has at least some positive benefits and costs, what can we conclude about the marginal-benefit and marginal-cost curves?

A) There is no combination of curves shown that could represent the optimal allocation of resources to this good.
B) Curves A and D are possible marginal-benefit curves; curve E is a marginal-cost curve.
C) Curves A and D are possible marginal-cost curves; curve E is a marginal-benefit curve.
D) Curve C is the marginal-benefit curve and curve B is the marginal-cost curve.

426) Which of the following is one of the simplifying assumptions made in constructing a production possibilities curve?

A) The state of technology is constantly changing.
B) A wide variety of products are produced.
C) Resources are fully employed and are used in least-cost methods of production.
D) Quantities of available resources in the economy vary as we move from one point on the curve to another.

427) The production possibilities curve is a graph of

A) the maximum amounts of labor and capital resources available for production.
B) various combinations of goods and services among which consumers are indifferent in terms of preference.
C) the maximum combinations of products that can be produced with the available resources.
D) the maximum amount of capital and labor that the economy can employ.

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428) On a production possibilities curve, the single optimal or best combination of output for any society

A) is at a point near the top of the curve.
B) is at the precise midpoint of the curve.
C) is at a point near the bottom of the curve.
D) depends upon the preferences of society.

429) All of the following would affect the position and shape of a nation's production possibilities curve, *except*

A) the amount of labor available.
B) the level of unemployment.
C) the amount of the capital resources.
D) the rate of technological progress.

430) If a nation produces more consumer goods and less capital goods, then the nation will have

A) more consumption now, but less consumption later.
B) less consumption now, but more consumption later.
C) more consumption now, with no effect on consumption later.
D) less consumption later, with no effect on consumption now.

431) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

If the nation uses all of its resources to produce only wheat, then its production combination will be

A) A.
B) B.
C) E.
D) F.

432) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Which of the following output-combinations is unattainable?

A) 1 steel and 80 wheat
B) 4 steel and 55 wheat
C) 30 wheat and 3 steel
D) 95 wheat and 0 steel

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433) A nation can produce two products: steel and wheat. The following table is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Which of the following output-combinations is unattainable?

A) 2 steel and 100 wheat
B) 1 steel and 80 wheat
C) 95 wheat and 0 steel
D) 30 wheat and 3 steel

434) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

A change from combination C to B means that

A) 1 unit of steel is given up to get 75 units of wheat.
B) 2 units of steel are given up to get 75 units of wheat.
C) 1 unit of steel is given up to get 15 more units of wheat.
D) 2 units of steel are given up to get 15 more units of wheat.

435) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

A change from combination D to C means that

A) 2 units of steel are given up to get 20 more units of wheat.
B) 1 unit of steel is given up to get 55 units of wheat.
C) 1 unit of steel is given up to get 20 more units of wheat.
D) 2 units of steel are given up to get 55 units of wheat.

436) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The *marginal* opportunity cost of the third unit of steel is

A) 18.3 units of wheat.
B) 25 units of wheat.
C) 20 units of wheat.
D) 55 units of wheat.

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437) A nation can produce two products: steel and wheat. The following table is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The *marginal* opportunity cost of the fifth unit of steel is

A) 30 units of wheat.
B) 6 units of wheat.
C) 25 units of wheat.
D) 100 units of wheat.

438) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The opportunity cost of producing the 91st unit of wheat is approximately

A) 10 units of steel.
B) 0 units of steel.
C) 1 unit of steel.
D) 1/10 of a unit of steel.

439) A nation can produce two products: steel and wheat. The following table is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The opportunity cost of producing the 1st unit of wheat is approximately

A) 0 units of steel.
B) 1 unit of steel.
C) 30 units of steel.
D) 1/30 of a unit of steel.

440) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

In moving stepwise from possibility A to B to C ... to F, the marginal opportunity cost of a unit of steel in terms of wheat

A) increases.
B) decreases.
C) remains constant.
D) increases at first, then decreases.

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441) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Which of the following combinations of the two goods is optimal for this society?

A) 2 units of steel and 75 units of wheat
B) 3 units of steel and 55 units of wheat
C) 4 units of steel and 30 units of wheat
D) It is impossible to determine the optimal combination with the information provided.

442) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Suppose this two-good economy is operating on its production possibilities curve and the marginal benefit of steel equals the marginal cost of steel at 3 units. What is the optimal quantity of wheat?

A) 55 units of wheat
B) 75 units of wheat
C) 90 units of wheat
D) The optimal quantity of wheat cannot be determined.

443) A nation can produce two products: steel and wheat. The following table is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	16	15	13	10	6	0

Suppose this two-good economy is operating on its production possibilities curve and the marginal benefit of steel equals the marginal cost of steel at 4 units. What is the optimal quantity of wheat?

A) 6 units of wheat
B) 13 units of wheat
C) 15 units of wheat
D) The optimal quantity of wheat cannot be determined.

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444) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Suppose this two-good economy is currently producing 1 unit of steel and 80 units of wheat. If for steel the marginal benefit equals marginal cost at 2 units, what can we conclude about this economy?

A) It is producing at full employment and the allocation of resources cannot be improved.
B) It is producing at less than full employment and the economy should reallocate some of its wheat production to steel production.
C) It is producing at full employment and the economy should reallocate some of its wheat production to steel production.
D) It is producing the maximum amount of steel possible but is at less than full employment in terms of wheat. It should increase wheat production and leave steel production unchanged.

445) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

According to the production possibilities schedule, a combination of 4 tanks and 650 autos is

A) attainable and involves an efficient use of society's resources.
B) attainable but would not be in the best interests of a strong national defense.
C) less than (or below) the maximum attainable output combination.
D) not attainable because the nation does not have sufficient resources.

446) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

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Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

Given the production possibilities schedule above, a combination of 3 tanks and 350 autos

A) illustrates the trade-off between tanks and autos.
B) is attainable but entails some unemployment or inefficient use of society's resources.
C) cannot be produced by society, given its current resources and production technology.
D) is not attainable because this combination is not listed in the schedule.

447) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

Given the production possibilities schedule above, a combination of 2 tanks and 850 autos

A) is not attainable because this combination is not listed in the schedule.
B) is attainable but entails some unemployment or inefficient use of society's resources.
C) is both attainable and represents an efficient use of society's resources.
D) cannot be produced by society, given its current resources and production technology.

448) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

In moving from combination C to B, the opportunity cost of producing 100 more autos is

A) 2 units of tanks.
B) 1 unit of tanks.
C) 850 units of autos.
D) 1,800 units of autos.

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449) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

In moving from combination D to C, the opportunity cost of producing 200 more autos is

A) 3 units of tanks.
B) 1,500 units of autos.
C) 650 units of autos.
D) 1 unit of tanks.

450) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *total* opportunity cost of three unit(s) of tanks is

A) 200 units of autos.
B) 350 units of autos.
C) 650 units of autos.
D) 1,000 units of autos.

451) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *total* opportunity cost of five unit(s) of tanks is

A) 350 units of autos.
B) 0 units of autos.
C) 1,000 units of autos.
D) 200 units of autos.

452) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *marginal* opportunity cost of the fourth unit of tanks is

A) 3 units of tanks.
B) 300 units of autos.
C) 350 units of autos.
D) 650 units of autos.

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453) A nation can produce two products: tanks and autos. The following table is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *marginal* opportunity cost of the second unit of tanks is

A) 850 units of autos.
B) 150 units of autos.
C) 100 units of autos.
D) 2 units of tanks.

454) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities

Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

If the nation produces more and more tanks, the opportunity cost of each additional tank in terms of autos

A) remains constant.
B) falls.
C) increases.
D) cannot be measured.

455) In a graph of the production possibilities curve, the two axes of the graph indicate the

A) prices of the two products that a nation can produce.
B) maximum quantities of the two resources that a nation possesses.
C) price of the products on the vertical axis, and quantities on the horizontal.
D) quantities of the two products that a nation can produce.

456) A point inside the production possibilities curve is _____, while a point outside the curve is _____.

A) attainable; unattainable
B) unattainable; attainable
C) below the maximum possible; the maximum possible
D) the maximum possible; below the maximum possible

457) A point or combination that is on the production possibilities curve is

A) attainable, and resources are fully employed.
B) attainable, but some resources are unemployed.
C) unattainable, but some resources are unemployed.
D) attainable only if we get additional resources.

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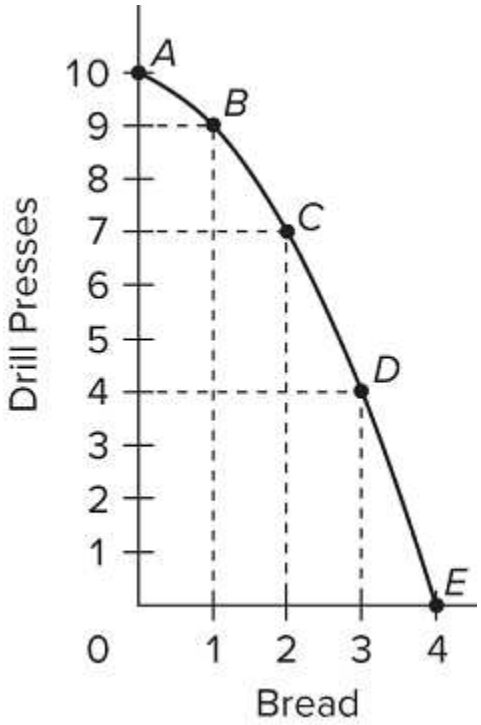
458) A point outside (to the right of) the production possibilities curve of a nation

A) is not attainable for this nation.
B) is easily attainable for this nation.
C) implies that there are unemployed resources in this nation.
D) implies that this nation is using its resources fully.

459) The following graph is the production possibilities curve of a nation.



The combination "5 drill presses and 2 bread" indicates

A) an unattainable combination for the nation.
B) that some resources in the nation are unemployed.
C) an ideal combination for the nation.
D) a combination produced when the nation is at full employment.

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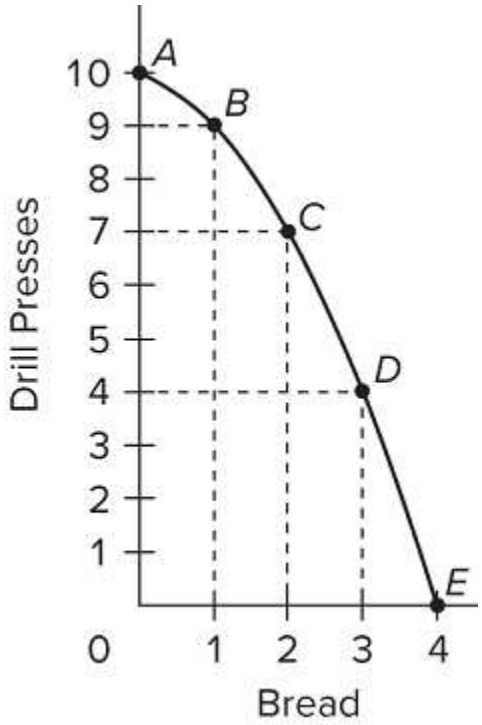
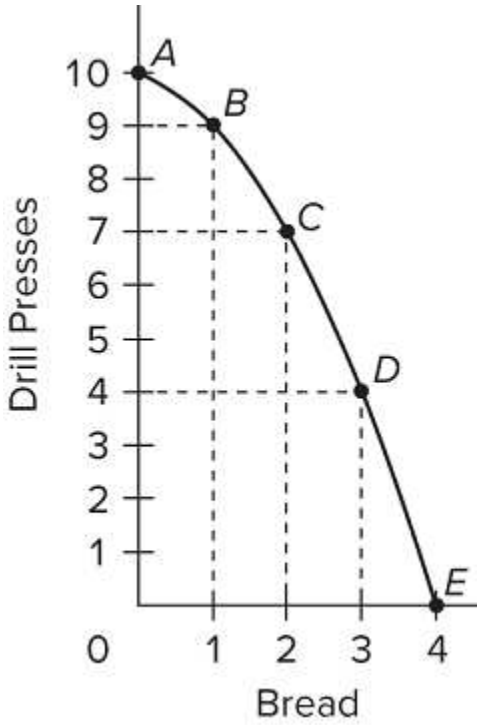
460) The following graph is the production possibilities curve of a nation.



The combination "7 drill presses and 3 bread" indicates

A) that some resources in the nation are unemployed.
B) a combination produced when the nation is at full employment.
C) an unattainable combination for the nation.
D) an ideal combination for the nation.

461) The following graph is the production possibilities curve of a nation.



Which of the following combinations would be unattainable?

A) 8 drill presses and 1 bread
B) 7 drill presses and 2 bread
C) 10 drill presses and 4 bread
D) 2 drill presses and 3 bread

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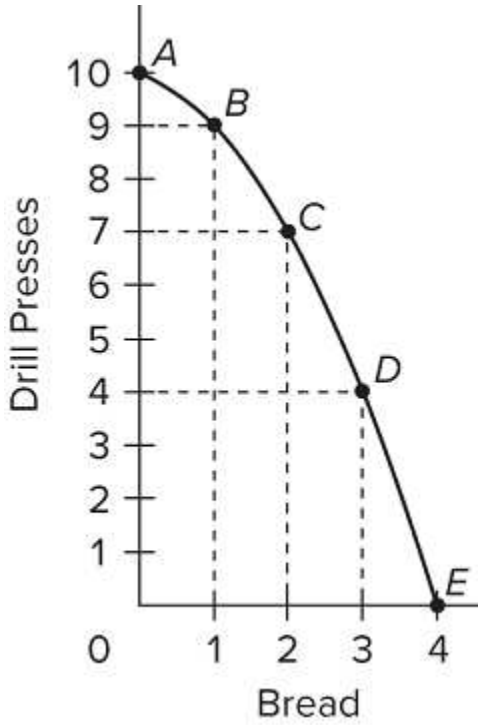
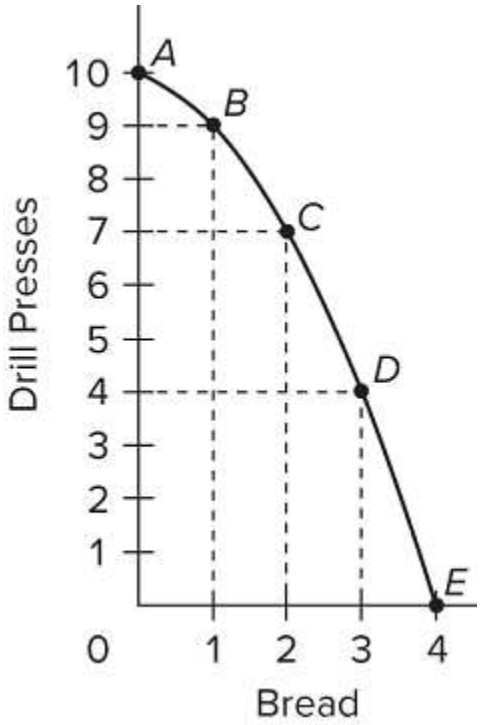
462) The following graph is the production possibilities curve of a nation.



Which of the following combinations would be unattainable?

A) 7 drill presses and 2 bread
B) 8 drill presses and 1 bread
C) 2 drill presses and 3 bread
D) 10 drill presses and 4 bread

463) The following graph is the production possibilities curve of a nation.



The total opportunity cost of 9 drill presses is

A) 1 unit of bread.
B) 1 unit of drill presses.
C) 3 units of bread.
D) 10 units of drill presses.

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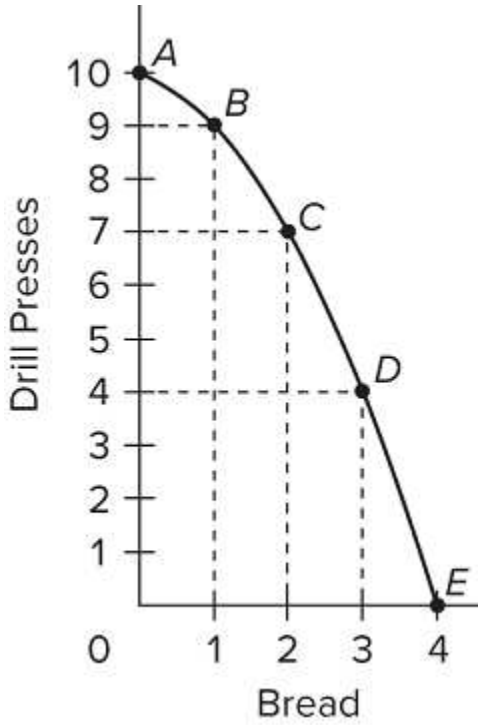
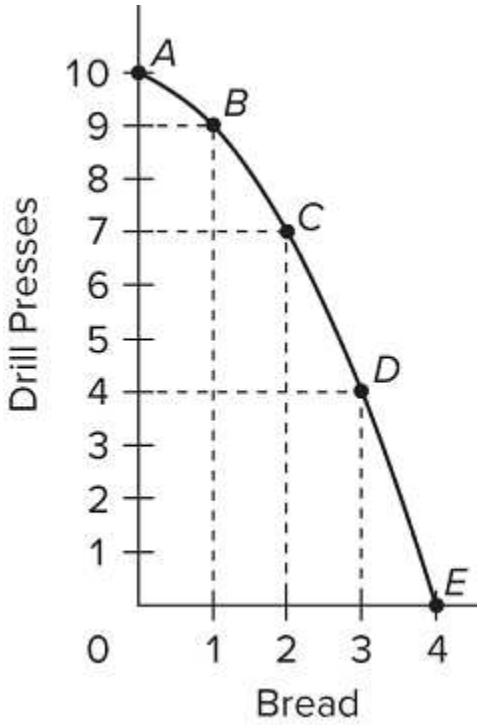
464) The following graph is the production possibilities curve of a nation.



The total opportunity cost of 4 drill presses is

A) 4 units of drill presses.
B) 1 unit of bread.
C) 6 units of drill presses.
D) 1/4 of a unit of bread.

465) The following graph is the production possibilities curve of a nation.



The marginal opportunity cost of the fourth unit of bread is

A) 10 units of drill presses.
B) 1 unit of drill presses.
C) 3 units of drill presses.
D) 4 units of drill presses.

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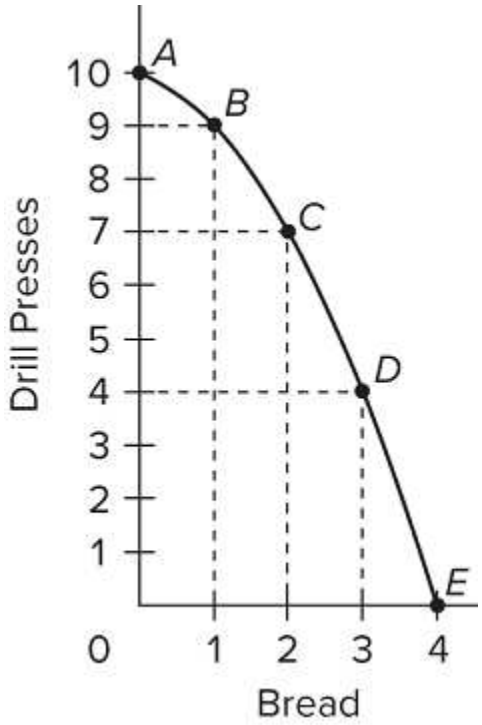
466) The following graph is the production possibilities curve of a nation.



The marginal opportunity cost of the first unit of bread is

A) 1 unit of drill presses.
B) 7 units of drill presses.
C) 9 units of drill presses.
D) 4 units of drill presses.

467) A movement from one point to another along the production possibilities curve would imply that

A) the labor force available to society has grown.
B) productivity has increased over time.
C) productivity has declined over time.
D) society is producing a different combination of outputs.

468) If a nation is initially on its production possibilities curve, then it can increase its production of one good only by

A) decreasing the production of the other good.
B) increasing the production of the other good.
C) holding constant the production of the other good.
D) decreasing the price of the other good.

469) Because of increasing opportunity costs, the production possibilities curve

A) is bowed out from (or concave to) the origin.
B) can be either downward- or upward-sloping.
C) at first rises, then falls eventually.
D) is a straight downward-sloping line.

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470) The law of increasing opportunity costs states that
- A) costs of production increase for one good, but costs decrease for the other good.
- B) increases in wages and other resource costs is what the increasing opportunity costs refer to.
- C) increases in the production of one good require larger and larger sacrifices of the other good.
- D) increases in the production of one good make the production of that good easier.

471) If the opportunity cost of producing extra units of one good (expressed in terms of the amount of another good given up) remains constant, then the shape of the production possibilities curve is
- A) a straight horizontal line.
- B) a straight downward-sloping line.
- C) an upward-sloping line.
- D) a vertical line.

472) Which of the following statements is an explanation for the law of increasing opportunity costs?
- A) Many economic resources are better at producing one product rather than another.
- B) The economy is employing all of its available resources.
- C) In any economy, the state of technology is changing and resources are variable.
- D) The economy is achieving productive efficiency by producing goods at the least cost.

473) If the production possibilities curve is a straight line, then
- A) the opportunity cost of producing one good is zero.
- B) the law of increasing opportunity costs does not apply.
- C) the society can produce more of both goods simultaneously.
- D) the society is capable of producing only one of the goods and not the other.

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474) If economic resources are perfectly interchangeable between the two products shown on a production possibilities graph,

A) the economy will always be at full employment.
B) more of one product can be produced without producing less of the other product.
C) the production possibilities curve would be a straight line.
D) the two products are of equal value to the economy.

475) The best output or the optimal production of the nation is

A) a combination of products at the midpoint of the production possibilities curve.
B) a combination of products at either of the two endpoints of the production possibilities curve.
C) determined by equalizing the marginal benefits and marginal costs of each product.
D) the production combination where the opportunity costs are minimized.

476) When a nation is under-allocating resources to the production of a good, then the

A) marginal benefit is greater than the marginal cost of the good.
B) marginal benefit is less than the marginal cost of the good.
C) marginal cost of producing the good is decreasing.
D) marginal benefit of producing the good is increasing.

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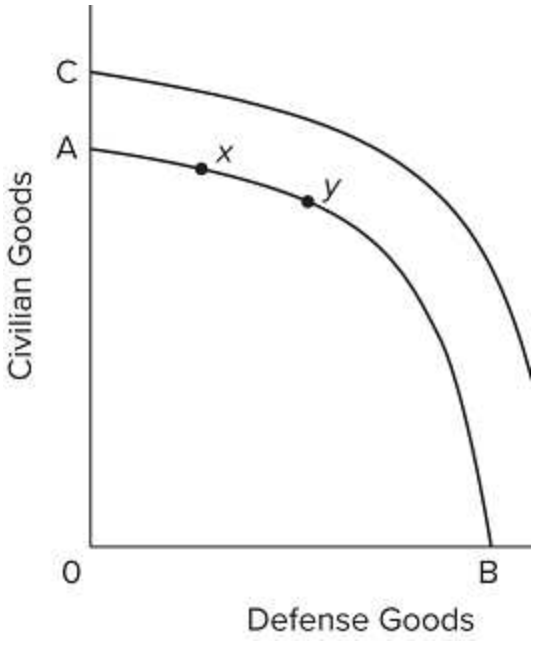
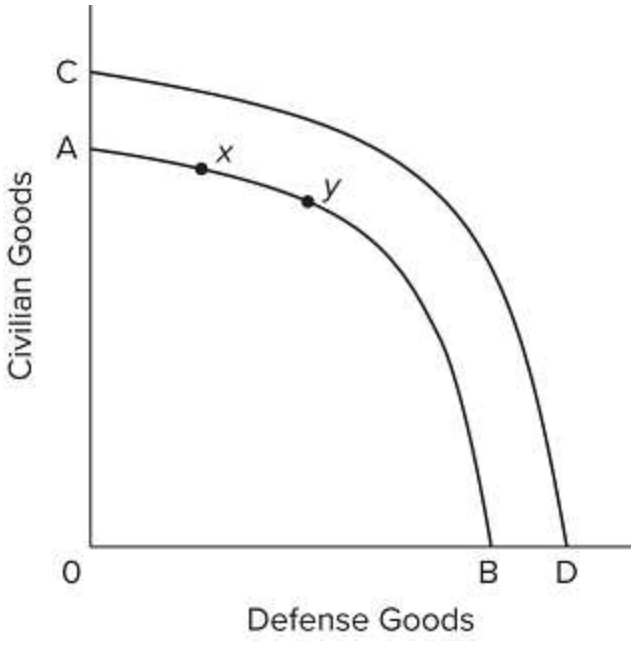


477) Refer to the diagram. The direct economic impact of the destruction and loss of lives caused by the terrorist attacks of September 11, 2001, is illustrated by the

A) shift of the production possibilities curve from CD to AB.
B) shift of the production possibilities curve from AB to CD.
C) move from x to y on production possibilities curve AB.
D) move from y to x on production possibilities curve AB.



478) Refer to the diagram. The U.S. response to the events of September 11, 2001, is illustrated by the

A) shift of the production possibilities curve from CD to AB.
B) shift of the production possibilities curve from AB to CD.
C) move from x to y on production possibilities curve AB.
D) move from y to x on production possibilities curve AB.

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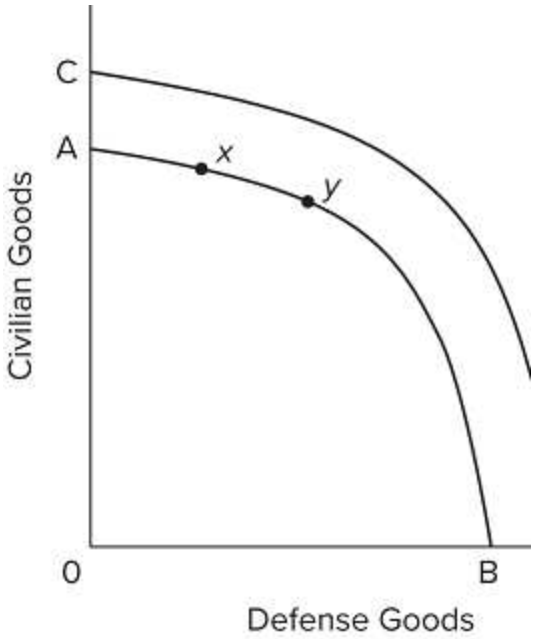

479) Refer to the diagram. Suppose that point y represents the optimal combination of civilian goods and defense goods. We can conclude that at y, the marginal benefit of defense goods

A) exceeds the marginal cost of defense goods.
B) equals the marginal cost of defense goods.
C) is zero.
D) is negative.

480) In response to the terrorist attacks of September 11, 2001, the government decided to allocate more resources toward defense goods. The government's decision reflects their assessment that

A) the marginal benefits of additional defense goods outweighed the marginal cost.
B) the marginal cost of additional defense goods outweighed the marginal benefit.
C) there cannot be too many defense goods.
D) civilian goods are not worth producing.

481) In the United States, over 1 million deaths were attributed to the COVID-19 pandemic. How would we expect these deaths to have affected the production possibilities curve for the United States?

A) It would move the economy along the production possibilities curve.
B) It would move the economy from a point inside the curve to a point closer to the curve.
C) It would shift the production possibilities curve out.
D) It would shift the production possibilities curve in.

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482) In the early weeks of the COVID-19 pandemic, thousands died, millions became unemployed, and consumption shifted from in-person experiences (like restaurant dining) toward personal protective equipment (PPE), such as masks and hand sanitizer. Which of the following does *not* describe how this would have affected the production possibilities curve for the United States?

A) If the economy had been operating on the curve, it would have moved the economy along the curve.
B) It moved the economy from a point on or near the curve to a point further inside the curve.
C) It shifted the production possibilities curve out.
D) It shifted the production possibilities curve in.

483) As a result of the COVID-19 pandemic, a number of new vaccines and medical therapies were developed. Assuming no other effects from the pandemic, how would these new medical technologies affect the U.S. production possibilities curve?

A) It would shift the curve out.
B) It would shift the curve in.
C) It would move the economy from a point on the curve to a point inside the curve.
D) It would have no effect on the curve.

484) If the marginal benefit of a good is less than its marginal cost, then the nation should

A) produce more of that good.
B) maintain the current level of production of that good.
C) reduce the marginal benefit of that good.
D) reduce the production of that good.

485) Suppose that a nation can only make two products: defense goods and civilian goods. In a graph of the marginal benefit (MB) and marginal cost (MC) of defense goods, a leftward shift of the MB curve will cause the optimal quantity of

A) civilian goods to decrease.
B) both civilian goods and defense goods to decrease.
C) defense goods to decrease.
D) defense goods to increase.

486) Suppose that a nation at full employment can only make two products: defense goods and civilian goods. In a graph of the marginal benefit (MB) and marginal cost (MC) of defense goods, a leftward shift of the MB curve will cause the optimal quantity of

A) civilian goods to decrease.
B) both civilian goods and defense goods to decrease.
C) defense goods to decrease.
D) civilian goods to increase.

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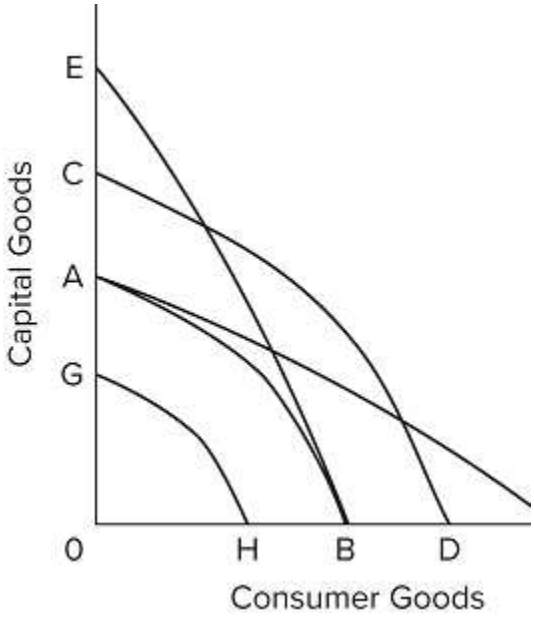
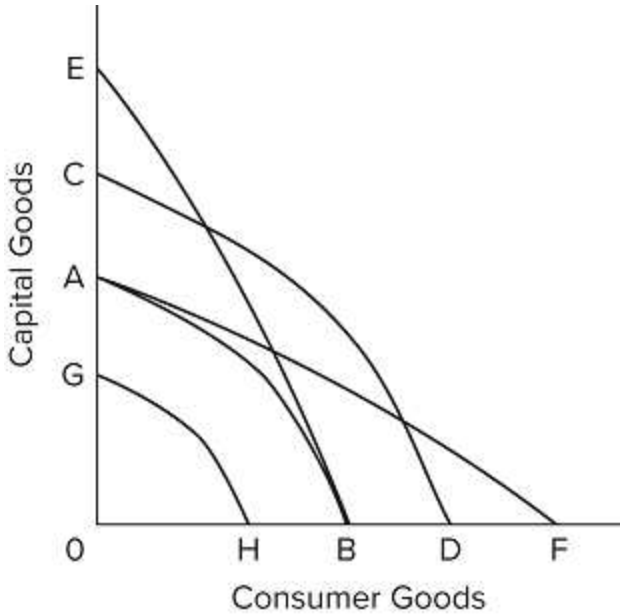
487) Imagine an ideal scenario where world peace prevails and all nations are led by peace-minded leaders. In such a world, the

A) MB for defense goods would shift left.
B) MB for defense goods would shift right.
C) MC for defense goods would shift left.
D) MC for defense goods would shift right.



488) Refer to the diagram. Technological advance in producing both capital goods and consumer goods is shown by the shift of the production possibilities curve from AB to

A) CD.
B) EB.
C) AF.
D) GH.



489) Refer to the diagram. Technological advance that improves the ability to produce capital goods but not consumer goods is shown by the shift of the production possibilities curve from AB to

A) CD.
B) BE.
C) AF.
D) GH.

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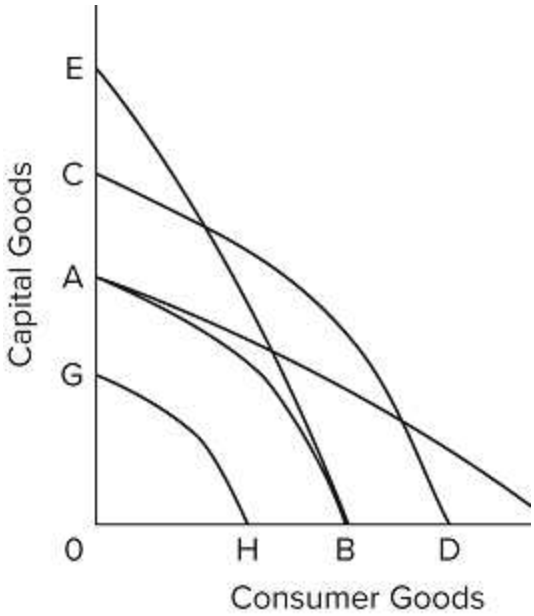
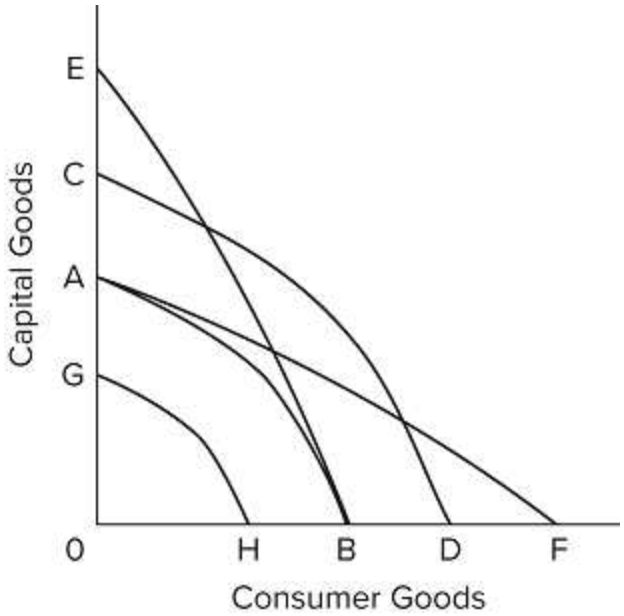


490) Refer to the diagram. Technological advance that is useful in producing consumer goods but not in producing capital goods is shown by the shift of the production possibilities curve from AB to

A) CD.
B) EB.
C) AF.
D) GH.



491) Refer to the diagram. The effects of the COVID-19 pandemic are shown by the shift of the production possibilities curve from AB to

A) CD.
B) EB.
C) AF.
D) GH.

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492) The basic difference between consumer goods and capital goods is that

A) consumer goods are produced in the private sector and capital goods are produced in the public sector.
B) an economy that commits a relatively large proportion of its resources to capital goods must accept a lower growth rate.
C) the production of capital goods is not subject to the law of increasing opportunity costs.
D) consumer goods satisfy wants directly, while capital goods satisfy wants indirectly.

493) Which of the following will shift the production possibilities curve to the right?

A) an increase in the unemployment rate from 6 to 8 percent
B) a decline in the efficiency with which the present labor force is allocated
C) a decrease in the unemployment rate from 8 to 6 percent
D) a technological advance that allows farmers to produce more output from given inputs

494) Other things equal, which of the following would shift an economy's production possibilities curve to the left?

A) the discovery of a low-cost means of generating and storing solar energy
B) the entrance of more women into the labor force
C) a law requiring mandatory retirement from the labor force at age 55
D) an increase in the proportion of total output that consists of capital or investment goods

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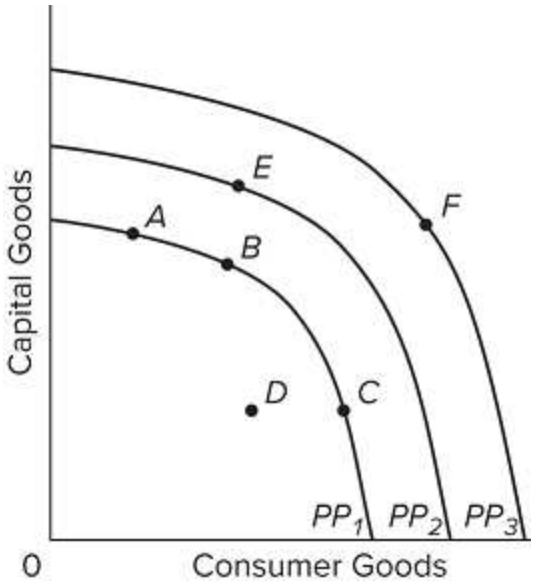
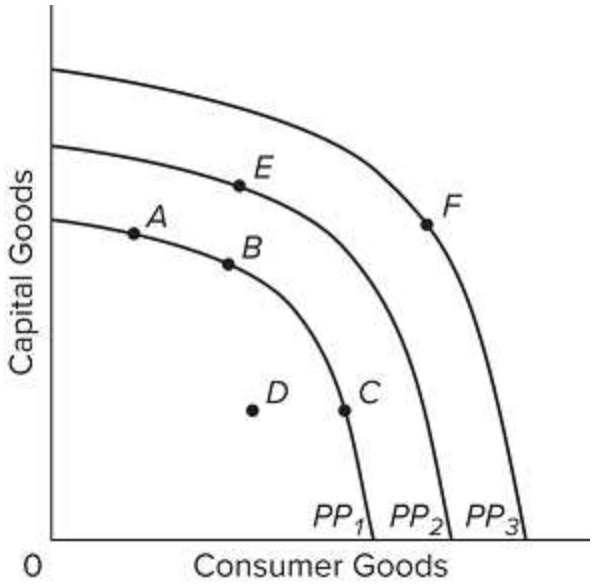


495) Refer to the diagram. The concave shape of each production possibilities curve indicates that

A) resources are perfectly substitutable.
B) wants are virtually unlimited.
C) resources are perfectly substitutable.
D) resources are not equally suited for alternative uses.



496) Refer to the diagram. The concept of opportunity cost is best represented by the

A) shift of the production possibilities curve from PP1 to PP2.
B) move from B on PP1 to E on PP2.
C) move from B on PP1 to C on PP1.
D) move from D inside PP1 to B on PP1.

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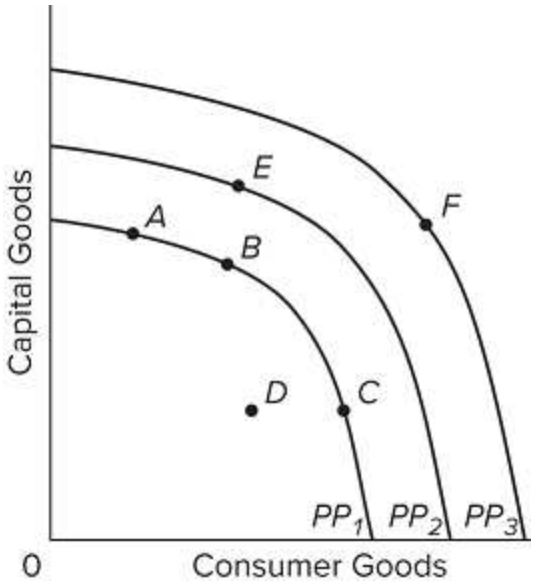
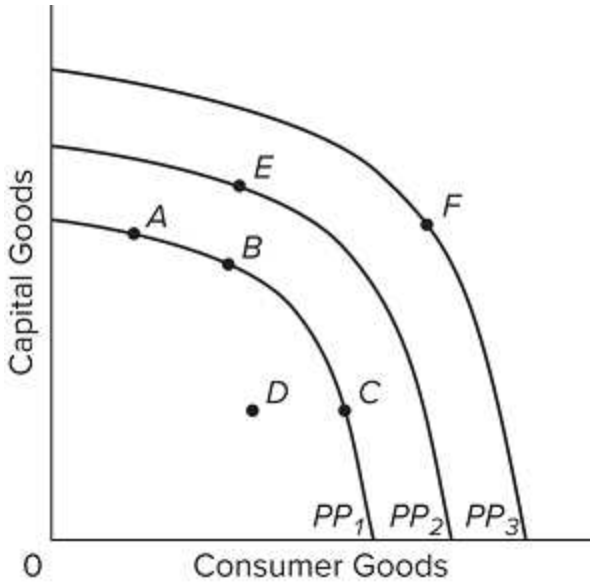


497) Refer to the diagram. The concept of opportunity cost is best represented by the

A) move from D inside PP1 to B on PP1.
B) move from C on PP1 to A on PP1.
C) move from B on PP1 to E on PP2.
D) shift of the production possibilities curve from PP1 to PP2.



498) Refer to the diagram. Other things equal, which of the following positions relative to PP1 would be the most likely to result in a future production possibilities curve of PP3 rather than PP2?

A) A
B) B
C) C
D) D

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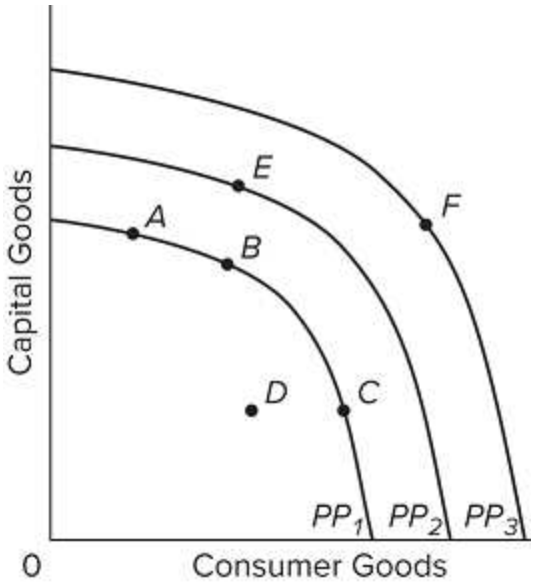
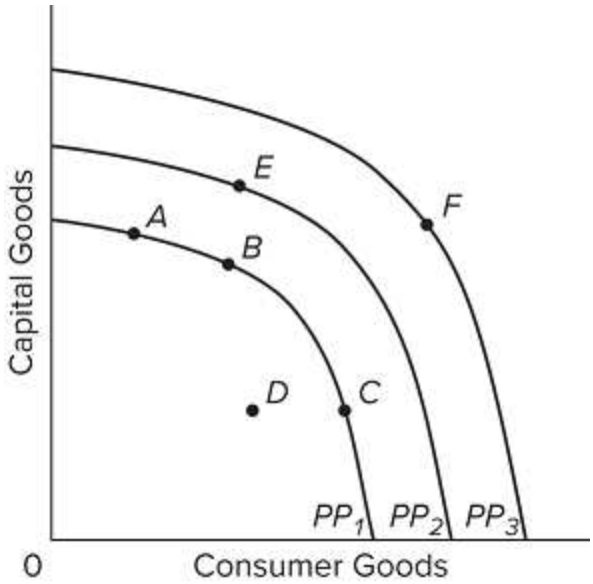


499) Refer to the diagram. An improvement in technology will

A) shift the production possibilities curve from PP1 to PP2.
B) shift the production possibilities curve from PP2 to PP1.
C) move the economy from A to C along PP1.
D) move the economy from A, B, or C on PP1 to D.



500) Refer to the diagram. An improvement in technology will

A) move the economy from B to A along PP1.
B) shift the production possibilities curve from PP3 to PP2.
C) shift the production possibilities curve from PP2 to PP3.
D) move the economy from A, B, or C on PP1 to D.

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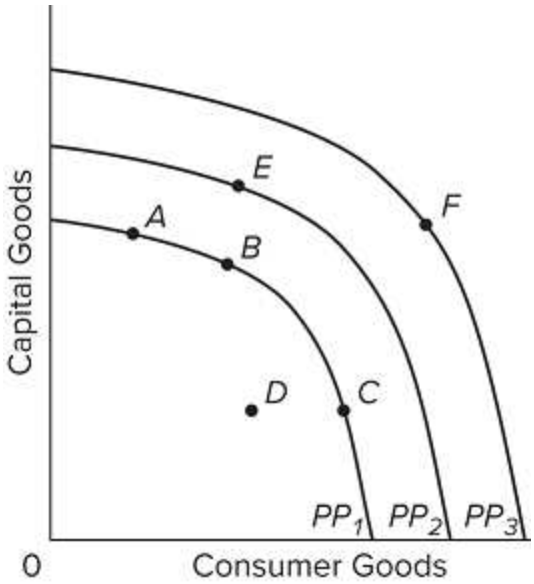

501) Refer to the diagram. Which one of the following would shift the production possibilities curve from PP1 to PP2?

A) a new variant of the corona virus leading to an increase in pandemic cases
B) immigration of skilled workers into the economy
C) an increase in consumer prices
D) a reduction in hourly wages

502) Which of the following statements, if any, is correct for a nation that is producing only consumer and capital goods?

A) Other things equal, the more consumer goods a nation produces, the greater will be its future growth rate.
B) Other things equal, the more capital goods a nation produces, the greater will be its future growth rate.
C) There is no general relationship between the current division of output between consumer and capital goods and the future growth rate.
D) None of these statements are correct.

503) All of the following could immediately or eventually lead to an inward shift of a nation's production possibilities curve, *except*

A) emigration of skilled workers to other nations.
B) a decline in the birthrate.
C) an increase in the average skill level of all occupational groups.
D) depletion and reduced availability of major energy resources.

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504) A nation's production possibilities curve might shift to the left (inward) as a result of

A) technological advance.
B) increases in the size of the labor force.
C) the depletion of its soil fertility due to overplanting and overgrazing.
D) investing in more capital goods.

505) Which of the following will enable a nation to obtain a combination of consumer goods and capital goods outside its production possibilities curve?

A) full employment
B) international specialization and trade
C) full production
D) productive efficiency

506) Suppose that Scoobania, which has full employment, can obtain 1 unit of capital goods by sacrificing 2 units of consumer goods domestically but can obtain 1 unit of capital goods from another country by trading 1 unit of consumer goods for it. This reality illustrates

A) a rightward (outward) shift of the production possibilities curve.
B) increasing opportunity costs.
C) achieving points beyond the production possibilities curve through international specialization and trade.
D) productive efficiency.

507) Through specialization and international trade, a nation

A) can attain some combination of goods lying outside its production possibilities curve.
B) can move from a high consumption–low investment to a high investment–low consumption point on its production possibilities curve.
C) will only attain some combination of goods lying within its production possibilities curve.
D) will cause its production possibilities curve to shift leftward.

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508) Some agricultural sub-Saharan nations of Africa have overfarmed and overgrazed their land to the extent that significant portions of it have turned into desert. This suggests that

A) the production possibilities curves of such nations are more bowed out from the origin.
B) the production possibilities curves of such nations have shifted inward.
C) the production possibilities curves of such nations have shifted outward.
D) these nations are operating at some point outside of their production possibilities curves.

509) If all discrimination in the United States were eliminated, the economy would

A) have a less concave production possibilities curve.
B) produce at some point closer to its production possibilities curve.
C) be able to produce at some point outside of its production possibilities curve.
D) produce more consumer goods and fewer investment goods.

510) A country can achieve some combination of goods outside its production possibilities curve by

A) idling some of its resources.
B) specializing and engaging in international trade.
C) buying the debt (bonds and stocks) of foreign nations.
D) producing more capital goods and fewer consumer goods.

511) In recent years the economy of Japan has grown, despite the fact that the population of Japan has declined. Which of the following would best explain Japan's economic growth despite having a smaller population?

A) immigration of new workers into Japan
B) advancements in technology that make labor more productive
C) reduced employment of capital because fewer workers are available to use it
D) greater consumption of goods imported from other countries

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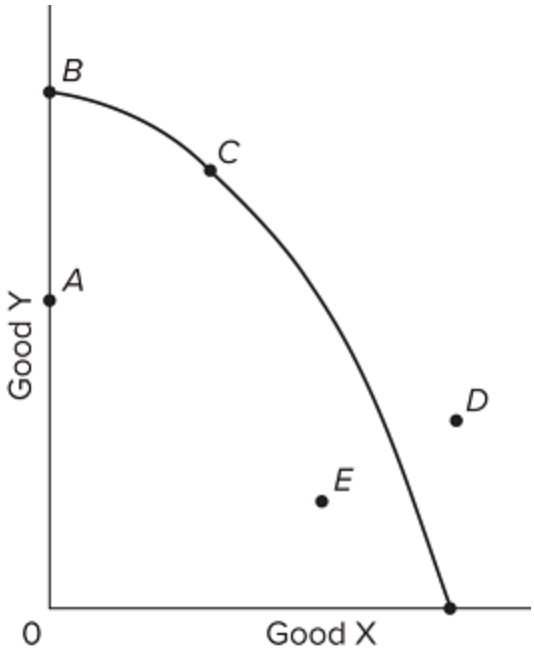
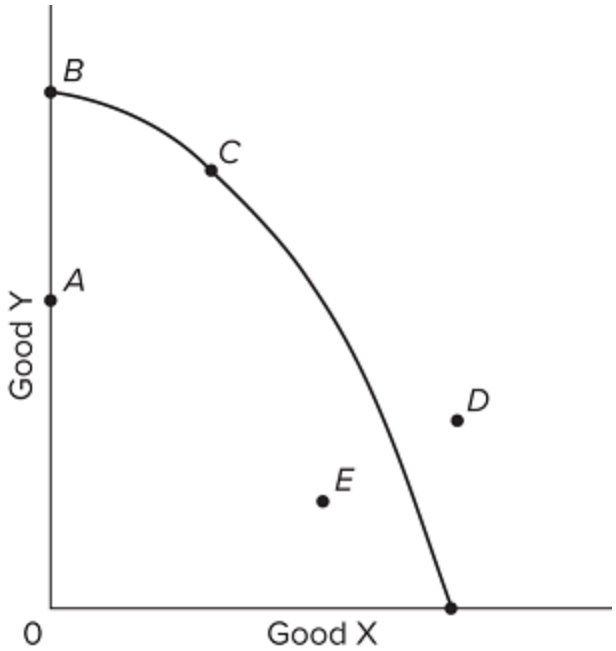


512) The graph provided shows the production possibilities curve for an economy producing two goods, X and Y. Which of the points on the graph indicate(s) unemployed resources?

A) D only
B) E and A only
C) B and A only
D) B and C only



513) The graph provided shows the production possibilities curve for an economy producing two goods, X and Y. All of the following may allow the economy to produce combination D in the future, except

A) lower unemployment.
B) increasing labor supply.
C) economic growth.
D) technological advances.

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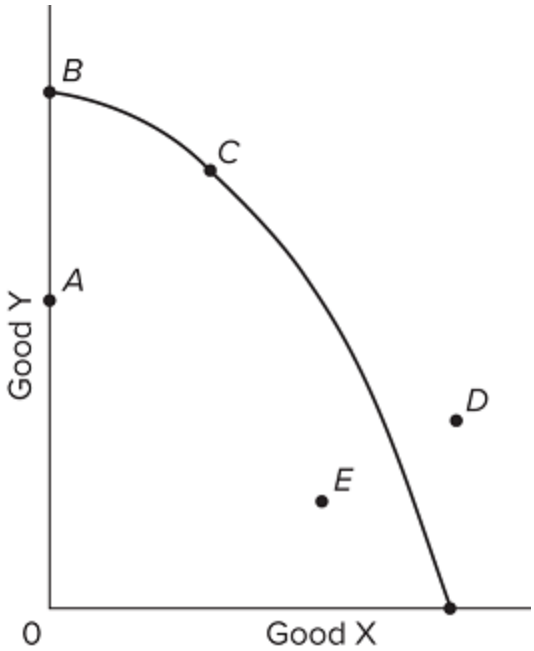

514) Refer to the provided graph. Which of the following movements would indicate economic growth?
- A) from point A to point C
- B) from point B to point C
- C) from point A to point E
- D) from point C to point D

515) If a nation is operating at a point inside the production possibilities curve, it indicates that the nation could
- A) increase its production of both goods X and Y simultaneously.
- B) increase its production of one good, but only at the expense of reducing the other good.
- C) not produce any more of one of the goods X or Y.
- D) not employ any more resources, because all resources are now employed.

516) Consider an economy that is producing inside its production possibilities curve. This economy could move closer toward its production possibilities curve by
- A) distributing incomes more equally.
- B) employing more of its available resources.
- C) increasing the levels of wages and prices.
- D) acquiring additional resources.

517) A reduction in the level of unemployment would have which effect with respect to the nation's production possibilities curve?
- A) It would shift the curve to the right.
- B) It would shift the curve to the left.
- C) It would not shift the curve; it would be represented by a movement from a point inside the curve toward a point on the curve.
- D) It would not shift the curve; it would be represented by a movement from a point on the curve to a point outside the curve.

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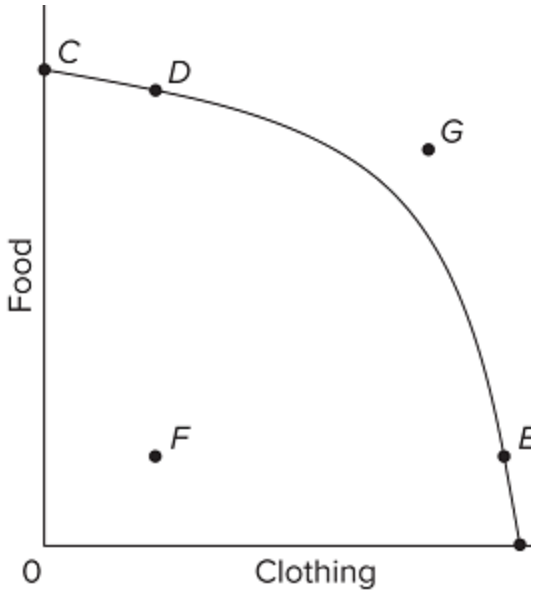
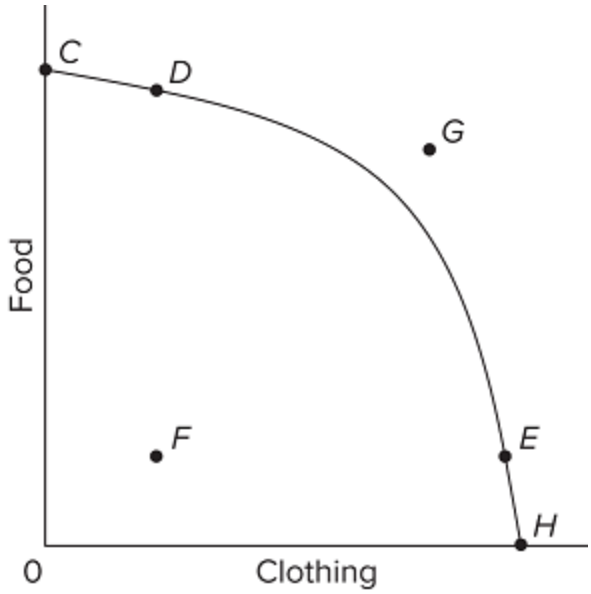


518) Refer to the provided graph. Which of the following movements would indicate a reduction in unemployment and an increase in capacity utilization?

A) from point C to point D
B) from point F to point H
C) from point E to point D
D) from point D to point G



519) Refer to the provided graph. Which of the following statements about combination G is true?

A) The nation cannot produce combination G even if the nation gets additional resources.
B) The nation can currently produce combination G, but not if the nation specializes and trades with another nation.
C) The nation may not be able to produce combination G, but it can consume that combination if it specializes and trades with other nations.
D) The nation would much prefer to be at combination F than at combination G.

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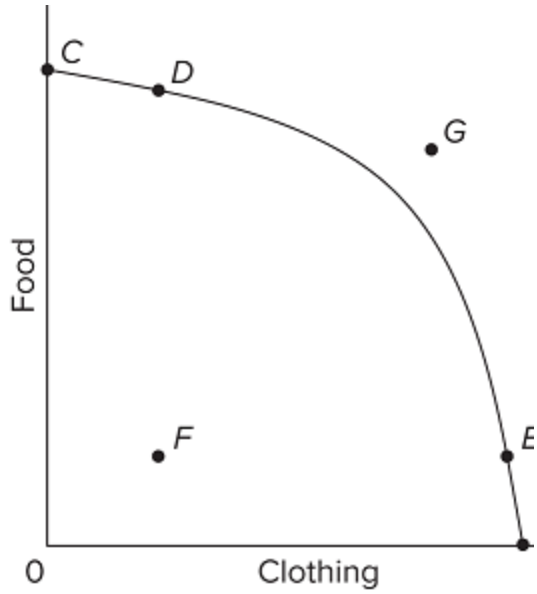

520) Which point or output combination in the provided graph could the nation produce only if it experienced economic growth?

A) combination F
B) combination G
C) combination C
D) combination E

521) Economic growth in a fully employed economy may be represented by

A) a movement from one end of the production possibilities curve to the other.
B) an upward-sloping production possibilities curve.
C) a movement from a point inside to a point on the production possibilities curve.
D) a rightward shift of the production possibilities curve.

522) Economic growth in a fully employed economy is a result of

A) a reduction in the unemployment rate.
B) an increase in the opportunity costs of production.
C) a decrease in the demand for resources.
D) an increase in the supply of resources.

523) A nation that devotes more of its resources to the production of capital goods rather than consumer goods is likely to

A) cause its production possibilities curve to shift outward.
B) cause its production possibilities curve to shift inward.
C) increase the slope of its production possibilities curve.
D) decrease the slope of its production possibilities curve.

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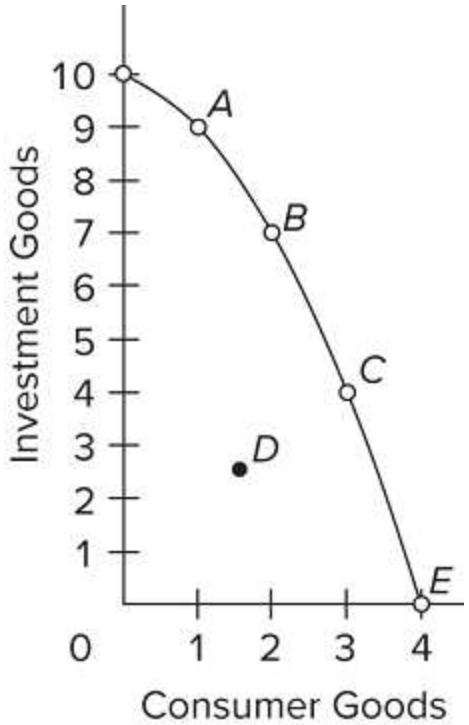
524) Which of the following statements is *not* correct?

A) An increase in a nation's labor supply will cause its potential output to increase.

B) Economic growth can be illustrated by an expansion of a nation's production possibilities curve.

C) An increase in the quantity of a nation's resources will cause economic growth, but an increase in the quality of resources will not.

D) New technologies or new ways of producing output can cause a nation's production possibilities curve to shift outward.



525) Refer to the provided graph. Which point in the graph would allow a simultaneous increase in the production of both investment and consumer goods?

A) A

B) B

C) C

D) D

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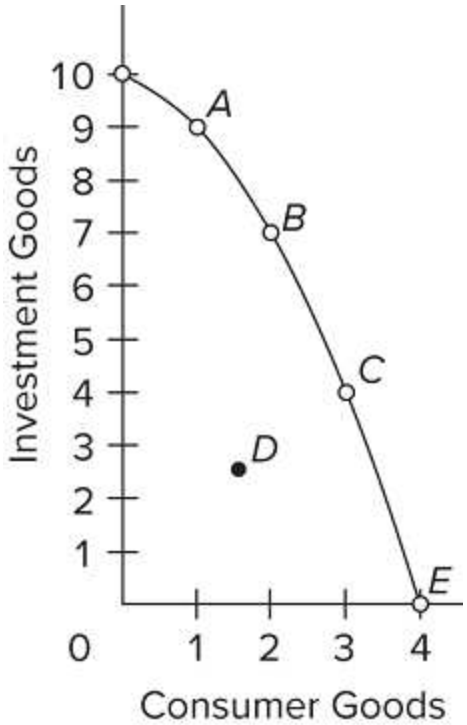
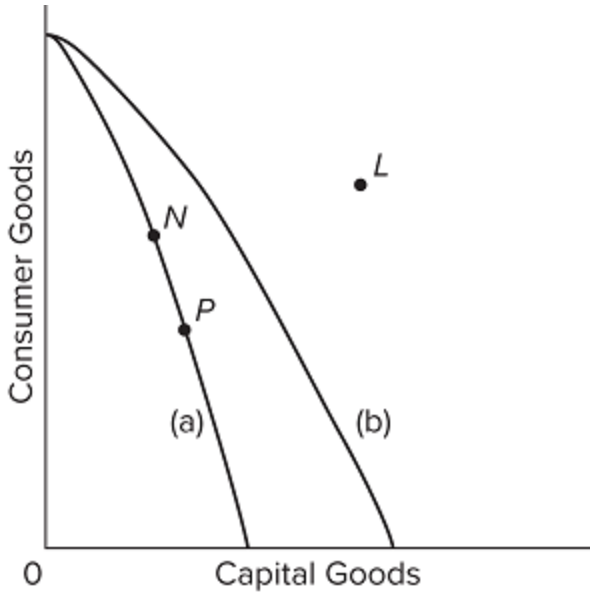


526) Refer to the provided graph. All of the following developments would allow a movement from point C to a point outside the production possibilities curve, except

A) an increase in the supply of resource.
B) an improvement in the quality of resources.
C) a reduction in unemployment of resources.
D) a technological advance.



527) Refer to the provided production possibilities curves. Curve (a) is the current curve for the economy. Focusing on curve (a), point N suggests that the economy currently produces

A) more goods for the future than at point P.
B) fewer goods for the future than at point P.
C) fewer goods for the present than at point P.
D) a combination of output that is less than its potential.

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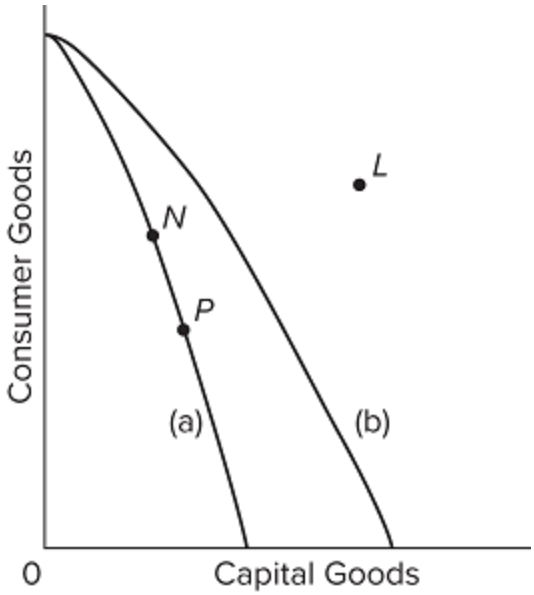
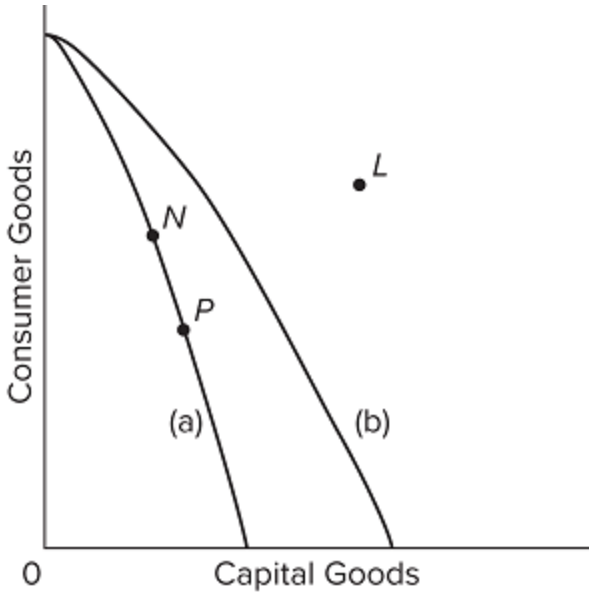


528) Refer to the provided production possibilities curves. Curve (a) is the initial curve for the economy, and the nation is initially producing combination P. A shift from curve (a) to curve (b) suggests that the economy can then increase its production of capital goods

A) only if it reduces its production of consumer goods.
B) so as to produce the combination L.
C) and consumer goods simultaneously.
D) but will have to hold constant its production of consumer goods.



529) Refer to the provided production possibilities curves. Curve (a) is the initial curve for the economy. If the economy's production possibilities then shift to curve (b), then

A) point N would still indicate a case of full production and full employment of resources.
B) point P would still indicate a case of full production and full employment of resources.
C) point N would indicate some unemployment of resources or idle production capacity.
D) point L would indicate some unemployment of resources or idle production capacity.

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530) Suppose there are two economies, Alpha and Beta, which have the same production possibilities curves. If Beta devotes more resources to produce capital goods than consumer goods as compared to Alpha, then in the future we would expect that

A) Alpha will experience greater economic growth than Beta.
B) Beta will experience greater economic growth than Alpha.
C) Alpha will not be able to achieve full employment or productive efficiency.
D) Beta will not be able to achieve full employment or productive efficiency.

531) Cuba is a command economy that suffered a decline in economic growth because of a cut in the aid provided by the former Soviet Union when the latter collapsed. As a consequence, Cuba

A) experienced an outward shift of its production possibilities curve.
B) experienced an inward shift of its production possibilities curve.
C) moved from one point to another along its existing production possibilities curve.
D) went to a point inside its production possibilities curve.

532) Which situation would most likely cause a nation's production possibilities curve to shift inward?

A) an increase in unemployment
B) an increase in the amount of imports
C) an increase in the number of skilled immigrant workers
D) the destruction caused by bombing and warfare in a losing military conflict

533) A nation can increase its production possibilities by

A) shifting resources to produce more consumer goods and less investment goods.
B) shifting resources from private goods to public goods.
C) improving labor productivity.
D) eliminating unemployment.

534) A society can consume a combination of goods outside its production possibilities if there is

A) lower unemployment and increased capacity utilization.
B) specialization in production and international trade.
C) a change in consumers' tastes or preference for one good over another.
D) a change in prices of the two products.

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535) Specialization and international trade allow a nation to
- A) produce a combination of goods that is beyond (or outside) its production possibilities.
- B) consume a combination of goods that is beyond (or outside) its production possibilities.
- C) have an upward-sloping production possibilities curve.
- D) consume a lot of goods without having to produce any output.

536) (Consider This) "Free" products offered by firms
- A) may or may not be free to society but are never free to individuals receiving them.
- B) may or may not be free to individuals receiving them but are never free to society.
- C) are produced and distributed at no cost to society.
- D) are usually items nobody wants.

537) (Consider This) The assertion that Facebook is "free"
- A) accurately indicates that Facebook has overcome scarcity in the provision of social media platforms.
- B) means Facebook faces no production costs.
- C) may be true for its users, but only because someone else is covering the costs.
- D) depends on the fact that Facebook provides a service rather than a manufactured good.

538) (Consider This) A direct cost of going to college is
- A) tuition, while an indirect cost (opportunity cost) is books and other supplies.
- B) forgone income while in college, while an indirect cost (opportunity cost) is tuition.
- C) tuition, while an indirect cost (opportunity cost) is forgone income while in college.
- D) books and supplies, while an indirect cost (opportunity cost) is food and housing.

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539) (Consider This) An exception to the advice "go to college, stay in college, and earn a degree" occurs when

A) tuition expenses are high and rising.
B) the opportunity cost of attending college is extraordinarily high.
C) the price of textbooks is high and rising.
D) the economy is growing rapidly and jobs are plentiful.

540) (Consider This) What is the best economic explanation for why a person would drop out of college in order to start a business?

A) The person has a good idea for starting a business.
B) The person has to pay a higher tuition to attend college.
C) The expected future benefits from starting a business now are greater than the costs.
D) The opportunity cost of starting a business is high now but will be low later in life.

541) (Consider This) What is a major opportunity cost of going to college on a full-time basis?

A) the cost of transportation to college instead of to a job
B) the cost of living expenses (room and board) to attend college
C) the forgone income that would have been earned working in a full-time job
D) the greater income that will be earned from having a college degree

542) When Starbucks considers setting up a new location

A) both the marginal benefits and marginal costs of the new location are largely unknown.
B) it knows the marginal benefits of the new location better than the marginal costs.
C) it knows the marginal costs of the new location better than the marginal benefits.
D) it ignores marginal benefit-marginal cost analysis because the Starbucks franchise is a well-established global success.

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543) When faced with multiple options for a new location, Starbucks first chooses the ones for which
- A) marginal benefit exceeds marginal cost by the greatest amount.
- B) marginal benefit and marginal cost are closest to being equal.
- C) the setup costs are minimized.
- D) there are no currently existing coffee shops.

544) Starbucks should continue to add stores in a city
- A) until all remaining competing coffee stores have left the market.
- B) as long as the gap between marginal benefits and marginal costs is growing.
- C) as long as the marginal benefit of opening a new location does not fall below the marginal cost.
- D) as long as the marginal cost of opening a new location does not fall below the marginal benefit.

545) Assuming a fixed amount of menu space, Starbucks should
- A) not risk losing profitable menu items by adding new ones.
- B) always choose to add first those items that generate the most revenue.
- C) always add a new item if it would be profitable, even if it means bumping an existing profitable item.
- D) only offer a new menu item if it replaces one for which the gap between MB and MC is smaller.

546) **(LAST WORD)** Which of the following is *not* a pitfall to sound economic reasoning?
- A) biases
- B) fallacy of composition
- C) marginal analysis
- D) post hoc fallacy

547) **(LAST WORD)** Which of the following statements is an example of the post hoc fallacy?
- A) "It's raining today because I just washed my car."
- B) "If it's good for an individual to save more, it's therefore good if we all save more."
- C) "Anyone advocating for more government regulation is a socialist."
- D) "Daily temperatures and ice cream purchases are positively related."

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548) **(LAST WORD)** The post hoc fallacy is the error of

A) concluding that what is true for an individual must be true for a group, and vice versa.
B) concluding that just because one event precedes another, the first must have caused the second.
C) allowing loaded terminology to interfere with sound economic reasoning.
D) allowing preconceptions and biases to interfere with objective analysis.

549) **(LAST WORD)** Which of the following statements is an example of the fallacy of composition?

A) "High inflation in the economy is mainly the result of corporate greed."
B) "People usually buy sunscreen before summer, thus causing the warmer weather."
C) "I forgot my heavy coat today so it started to snow."
D) "If I start my commute earlier in the morning, I'll miss rush hour traffic. Therefore, if everyone starts their commute earlier, they will all miss rush hour."

550) If we say that two variables are directly related, this means that

A) the relationship between the two is purely random.
B) an increase in one variable is associated with a decrease in the other variable.
C) an increase in one variable is associated with an increase in the other variable.
D) the two graph as a downward-sloping line.

551) If we say that two variables are inversely related, this means that

A) the two graph as an upward-sloping line.
B) an increase in one variable is associated with a decrease in the other.
C) an increase in one variable is associated with an increase in the other.
D) the resulting relationship can be portrayed by a straight line parallel to the horizontal axis.

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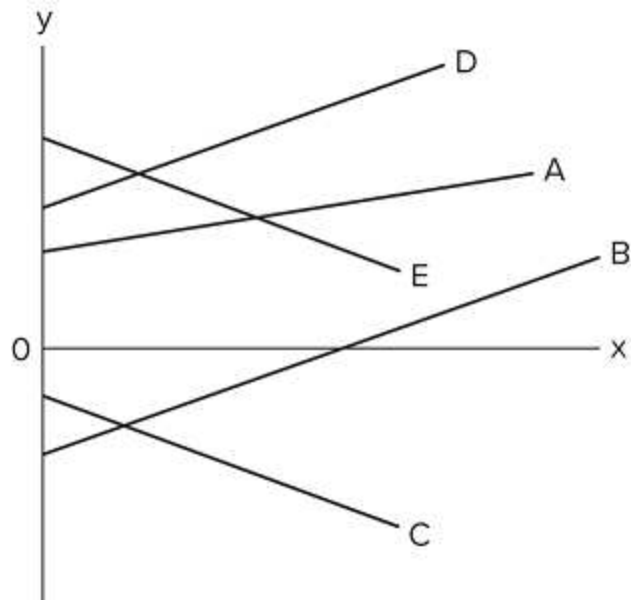
552) Economists

A) always put the independent variable on the horizontal axis and the dependent variable on the vertical axis.
B) always put the dependent variable on the horizontal axis and the independent variable on the vertical axis.
C) are somewhat arbitrary in assigning independent and dependent variables to the horizontal and vertical axes.
D) measure the slope of a line differently than do mathematicians.

553) Which of the following statements is correct?

A) The value of the independent variable is determined by the value of the dependent variable.
B) The value of the dependent variable is determined by the value of the independent variable.
C) The dependent variable designates the "cause" and the independent variable the "effect."
D) Dependent variables graph as upward-sloping lines; independent variables graph as downward-sloping lines.



554) Refer to the diagram. Which line(s) show(s) a positive relationship between x and y?

A) A only
B) A and D only
C) A, B, and D
D) both C and E

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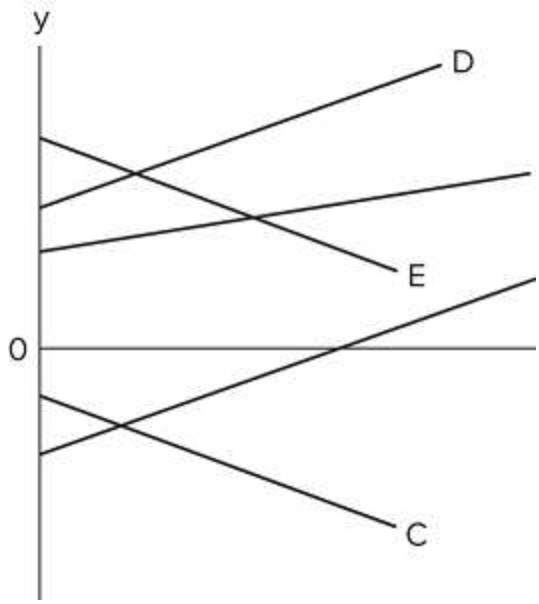
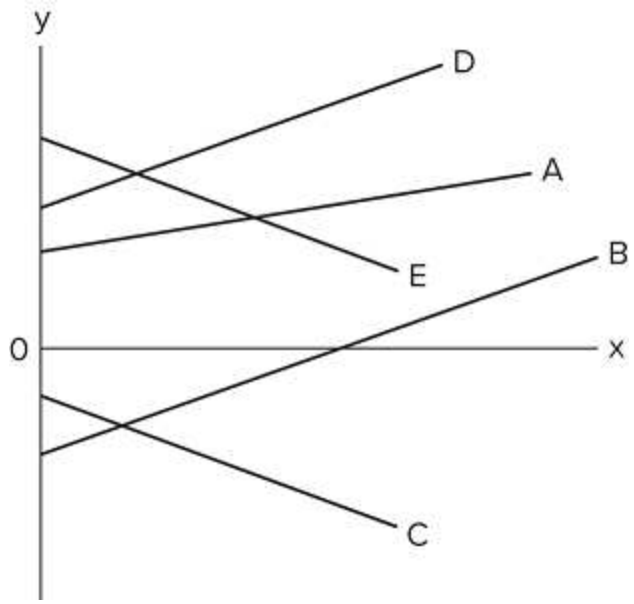


555) Refer to the diagram. Which line(s) show(s) a negative relationship between x and y?

A) B and C
B) both A and D
C) A, B, and D
D) both C and E



556) Refer to the diagram. Which line(s) show(s) a positive vertical intercept?

A) A and D only
B) B and C only
C) A, D, and E
D) A, D, and B

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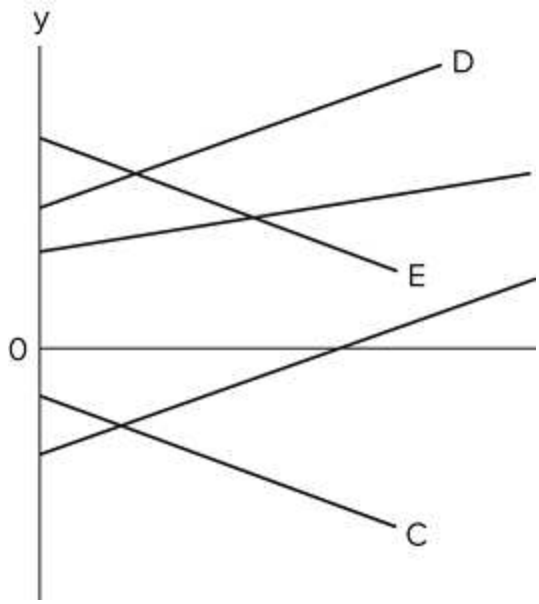

557) Refer to the diagram. Which line(s) show(s) a negative vertical intercept?
- A) C only
- B) both C and E
- C) B, C, and E
- D) both B and C

558) If two variables are inversely related, then as the value of one variable
- A) increases, the value of the other may either increase or decrease.
- B) decreases, the value of the other decreases.
- C) increases, the value of the other decreases.
- D) increases, the value of the other increases.

559) If a positive relationship exists between *x* and *y*,
- A) an increase in *x* will cause *y* to decrease.
- B) a decrease in *x* will cause *y* to increase.
- C) the relationship will graph as an upward-sloping line.
- D) the vertical intercept must be positive.

560) %media:ch_01_247to248_png.ext% Answer on the basis of the relationships shown in the four figures. The amount of *y* is directly related to the amount of *x* in
- A) both 1 and 4.
- B) both 1 and 2.
- C) 2 only.
- D) 1 only.

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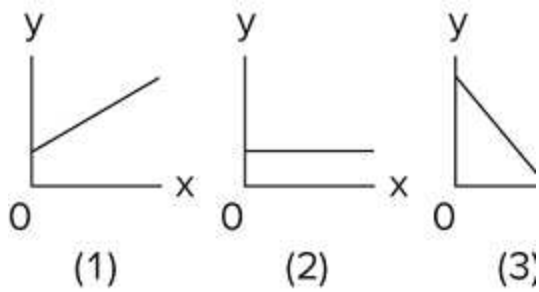

561) Answer on the basis of the relationships shown in the four figures. The amount of y is inversely related to the amount of x in

A) both 1 and 3.
B) 2 only.
C) 3 only.
D) both 1 and 3.
E) 1 only.
F) 3 only.
G) 1 only.

562) If price (P) and quantity (Q) are directly related, this means that

A) a change in Q will alter P, but a change in P will not alter Q.
B) if P increases, Q will decrease.
C) if P increases, Q will also increase.
D) an increase in P will cause Q to change, but the direction in which Q changes cannot be predicted.

563) Answer the question on the basis of the following information. Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate.

Refer to the information. Which of the following is an accurate verbal statement of the described relationship?

A) There is no regular or dependable relationship between business investment and the interest rate.
B) The amount of business investment is unaffected by changes in the interest rate.
C) Investment spending by businesses varies inversely with the interest rate.
D) Investment spending by businesses varies directly with the interest rate.

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564) Answer the question on the basis of the following information. Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate.

(A)		(B)	
i	I	i	I
20	$50	24	$10
16	40	20	20
12	30	16	30
8	20	12	40
4	10	8	50
0	0	4	60
(C)		**(D)**	
i	I	i	I
20	$0	20	$10
16	10	16	20
12	20	12	30
8	30	8	40
4	40	4	50
0	50	0	60

Refer to the information. Using *i* and *I* to indicate the interest rate and investment (in billions of dollars) respectively, which of the following is the correct tabular presentation of the described relationship?

A) option A
B) option B
C) option C
D) option D

565) Answer the question on the basis of the following information. Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate. Refer to the information. Which of the following correctly expresses the indicated relationship as an equation?

A) $i = 20 - 4I$.
B) $i = 20 - 0.4I$.
C) $i = 24 - 0.4I$.
D) $i = 20 - 10I$.

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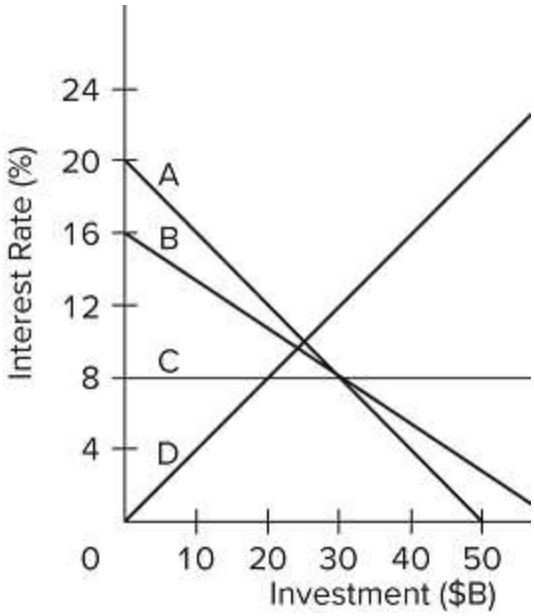

566) Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment, so investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate. Refer to the graph. Which of the following is the correct graphical presentation of the indicated relationship?

A) line D
B) line C
C) line B
D) line A

567) Answer the question on the basis of the following data.

After-Tax Income	Consumption
$ 1,000	$ 900
2,000	1,800
3,000	2,700
4,000	3,600
5,000	4,500

The data suggest that

A) consumption varies inversely with after-tax income.
B) consumption varies directly with after-tax income.
C) consumption and after-tax income are unrelated.
D) a tax increase will increase consumption.

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568) Answer the question on the basis of the following data.

After-Tax Income	Consumption
$ 1,000	$ 900
2,000	1,800
3,000	2,700
4,000	3,600
5,000	4,500

The data indicate that

A) consumers spend 80 percent of their after-tax incomes.
B) consumers spend 90 percent of their after-tax incomes.
C) a tax reduction will reduce consumption.
D) the relationship between consumption and after-tax income is random.

569) Answer the question on the basis of the following data.

After-Tax Income	Consumption
$ 1,000	$ 900
2,000	1,800
3,000	2,700
4,000	3,600
5,000	4,500

The data suggest that

A) a policy of tax reduction will increase consumption.
B) a policy of tax increases will increase consumption.
C) tax changes will have no impact on consumption.
D) after-tax income should be lowered to increase consumption.

570) The slope of a straight line can be determined by

A) comparing the absolute horizontal change to the absolute vertical change between two points on the line.
B) comparing the absolute vertical change to the absolute horizontal change between two points on the line.
C) taking the reciprocal of the vertical intercept.
D) comparing the percentage vertical change to the percentage horizontal change between two points on the line.

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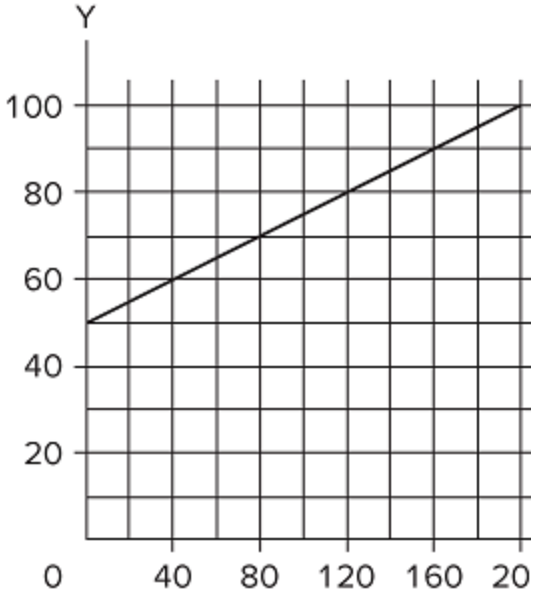
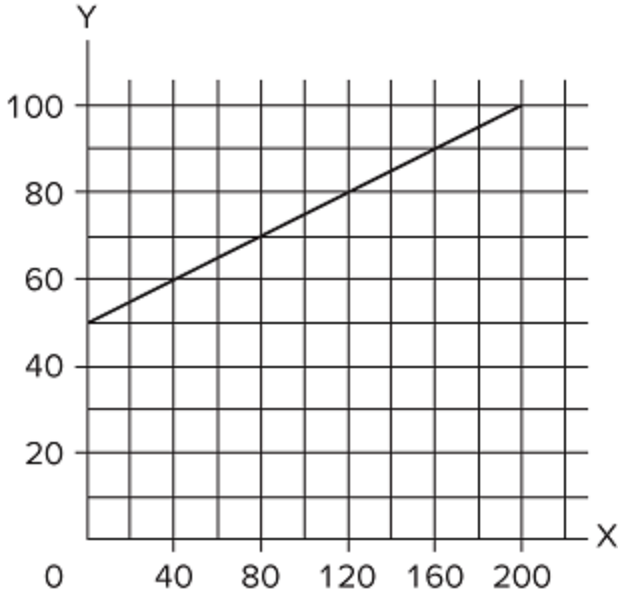


571) Refer to the diagram. The variables X and Y are

A) inversely related.
B) directly related.
C) unrelated.
D) negatively related.



572) Refer to the diagram. The vertical intercept

A) is 40.
B) is 50.
C) is 60.
D) cannot be determined from the information given.

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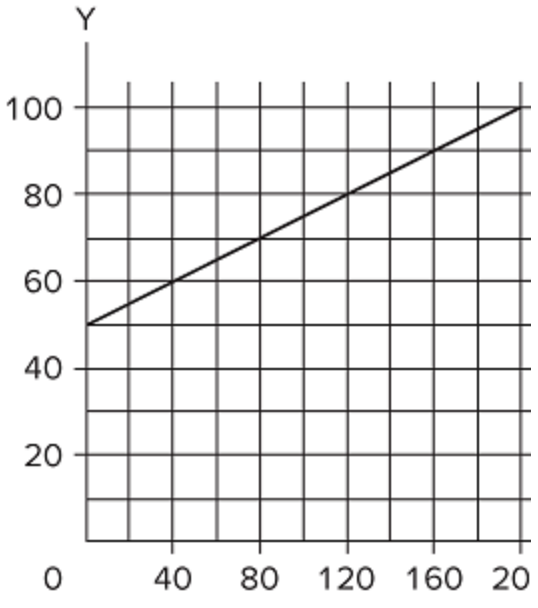
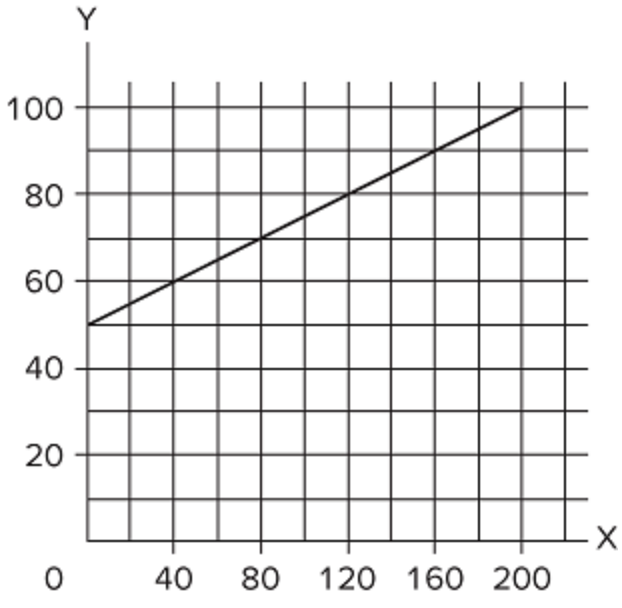


573) Refer to the diagram. The slope of the line

A) is −¼.
B) is +¼.
C) is 0.40.
D) cannot be determined from the information given.



574) Refer to the diagram. The equation that shows the relationship between Y and X is

A) Y = 50 + ¼ X.
B) X = ¼Y.
C) Y = 0.4X.
D) Y = ¼X − 50.

575) %media:ch_01_263to266_png.ext%
Refer to the graph. Which of the following statements is correct?

A) Quantity demanded and quantity supplied are independent of price.
B) Price and quantity demanded are directly related.
C) Price and quantity supplied are directly related.
D) Price and quantity supplied are inversely related.

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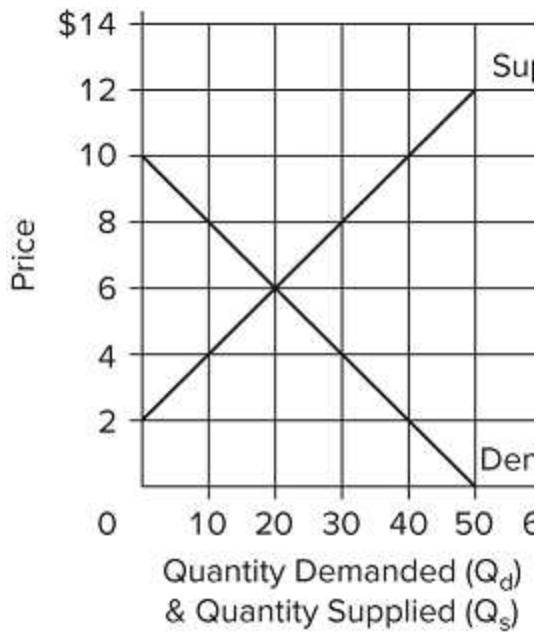

576) Refer to the graph. Which of the following schedules correctly reflects "Demand"?

(A)		(B)	
P	Qd	P	Qd
$12	0	$14	0
10	0	12	0
8	10	10	20
6	20	8	40
4	30	6	60
2	40	4	80
(C)		**(D)**	
P	Qd	P	Qd
$14	60	$12	0
12	50	10	10
10	40	8	20
8	30	6	30
6	20	4	40
4	10	2	50

A) option A
B) option B
C) option C
D) option D

577) %media:ch_01_263to266_png.ext%
Refer to the graph. Which of the following schedules correctly reflects "Supply"?

(A)		(B)	
P	Qs	P	Qs
$12	50	$14	50
10	30	12	40
8	10	10	30
6	0	8	20
4	0	6	10
2	0	4	0
(C)		**(D)**	
P	Qs	P	Qs
$12	50	$12	0
10	40	10	0
8	30	8	10
6	20	6	20
4	10	4	30
2	0	2	40

A) option A
B) option B
C) option C
D) option D

578) %media:ch_01_263to266_png.ext%
Refer to the graph. Using Q_d for quantity demanded and P for price, which of the following equations correctly states the demand for this product?

A) $P = Q_d/10$
B) $P = 50 - P \div 2$
C) $P = 10 - 0.2Q_d$
D) $P = 10 - 2Q_d$

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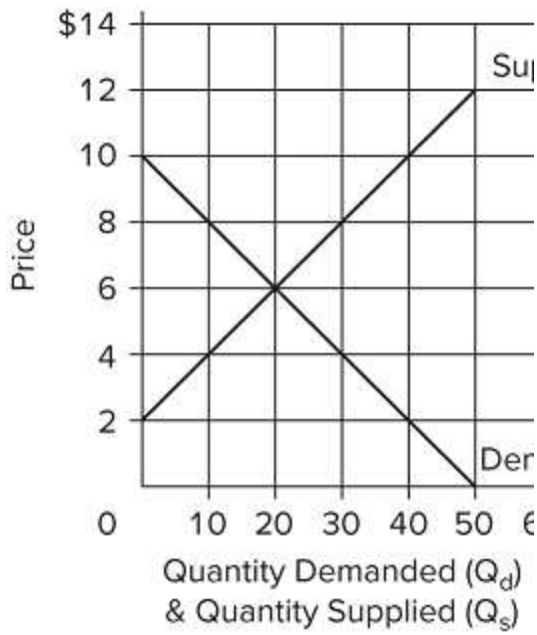

579) Refer to the graph. Using Qs for quantity supplied and P for price, which of the following equations correctly states the supply of this product?

A) P = 4 + 0.2Qs
B) P = 60/Qs
C) P = 10Qs − 2P
D) P = 2 + 0.2Qs

580) Assume a household would consume $100 worth of goods and services per week if its weekly income were zero and would spend an additional $80 per week for each $100 of additional income. Letting *C* represent consumption and *Y* represent income, the equation that summarizes this relationship is

A) $C = 80 + 100Y$.
B) $C = 100 + 0.8Y$.
C) $C = 100 + 80Y$.
D) $C = 80 + 0.1Y$.

581) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	K	L	M	N	P	R	T	U	V
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The variables are directly related in

A) all five data sets.
B) none of the data sets.
C) data sets 1, 2, and 3 only.
D) data sets 1, 2, and 5 only.

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582) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	K	L	M	N	P	R	T	U	V
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The vertical intercept is positive for

A) all five data sets.
B) data sets 1 and 3 only.
C) data sets 1, 3, and 5 only.
D) data set 2 only.

583) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	K	L	M	N	P	R	T	U	V
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The vertical intercept is negative for

A) none of the data sets.
B) data sets 1 and 3 only.
C) data sets 2 and 4 only.
D) data sets 1 and 5 only.

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584) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	K	L	M	N	P	R	T	U	V
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The equation for data set 3 is

A) $P = 90 - 0.5N$.
B) $P = 90 + 0.5N$.
C) $P = 0.5N$.
D) $P = 40 + 0.5N$.

585) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	K	L	M	N	P	R	T	U	V
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. For which data set(s) is the vertical intercept zero?

A) data set 4
B) data set 5
C) data sets 2 and 3
D) data sets 1, 2, 4, and 5

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586) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	K	L	M	N	P	R	T	U	V
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. The equation for data set 5 is

A) $V = 0.5Y$.
B) $U = -0.5V$.
C) $U = V$.
D) $V = 2U$.

587) Answer the question on the basis of the following five data sets, wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

(1)		(2)		(3)		(4)		(5)	
J	K	L	M	N	P	R	T	U	V
0	10	0	−15	100	40	0	−15	0	0
40	20	30	−5	80	50	20	−25	5	10
80	30	60	5	60	60	40	−35	10	20
120	40	90	15	40	70	60	−45	15	30
160	50	120	25	20	80	80	−55	20	40
200	60	150	35	0	90	100	−65	25	50

Refer to the data sets. Which of the data sets would graph as an upward-sloping line?

A) 1 only
B) 1, 2, and 3 only
C) 4 and 5 only
D) 1, 2, and 5 only

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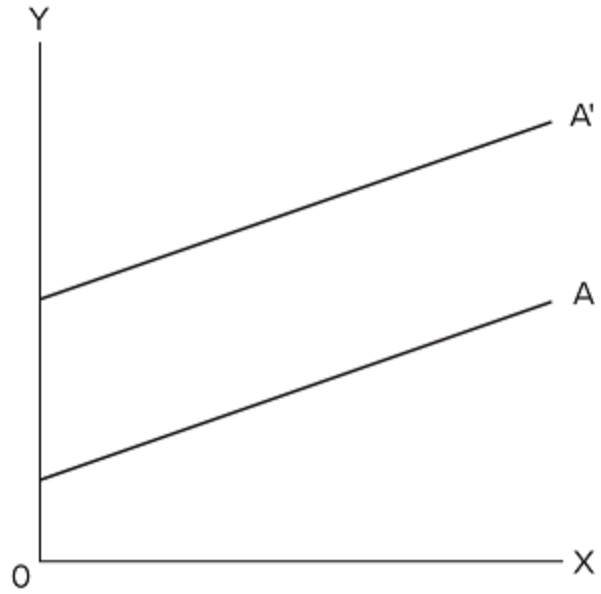
588) If the equation $y = 15 - 4x$ was plotted, the

A) vertical intercept would be −4.
B) vertical intercept would be +4.
C) slope would be +15.
D) slope would be −4.

589) If the equation $y = -10 + 2.5x$ was plotted,

A) the vertical intercept would be −10.
B) the slope would be −7.5.
C) it would graph as a downward-sloping line.
D) the slope would be −10.



590) The movement from line A to line A' represents a change in

A) the slope only.
B) the intercept only.
C) both the slope and the intercept.
D) neither the slope nor the intercept.

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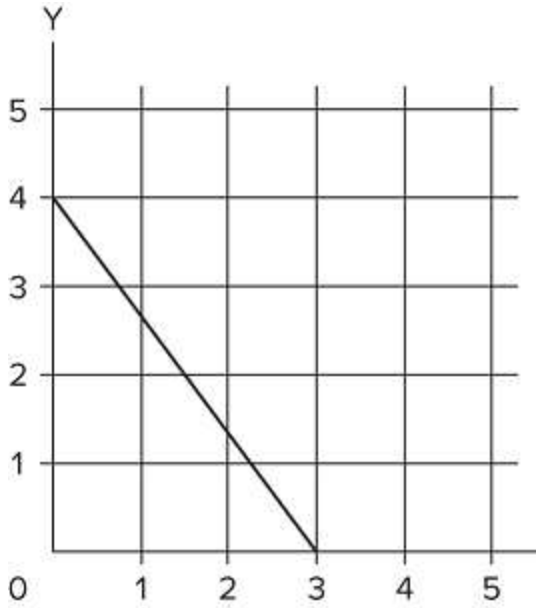
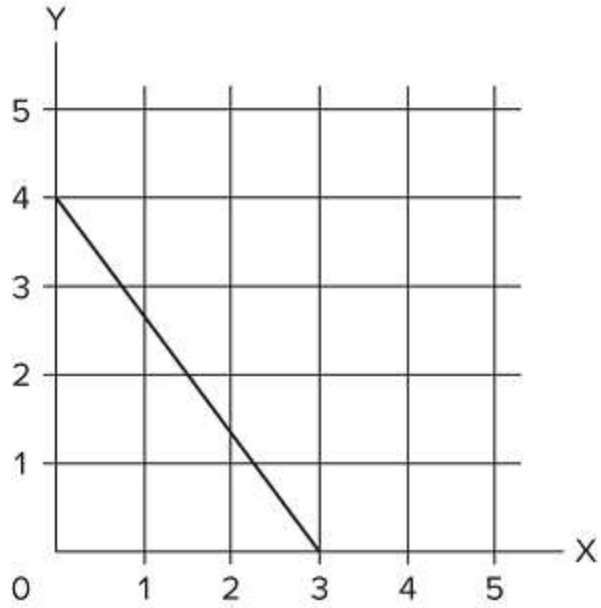
591) 

In the diagram, variables X and Y are

A) both dependent variables.
B) directly related.
C) inversely related.
D) unrelated.

592) 

In the diagram, the vertical intercept and slope are

A) 4 and −1⅓ respectively.
B) 3 and −11/3 respectively.
C) 3 and +3/4 respectively.
D) 4 and +3/4 respectively.

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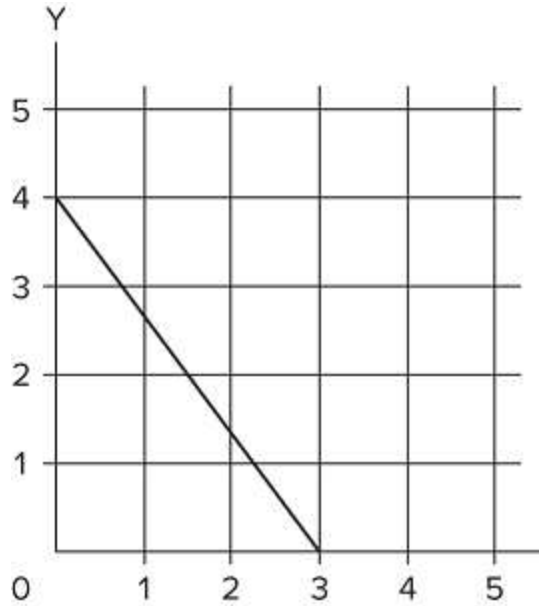


593) In the diagram, the equation for this line is

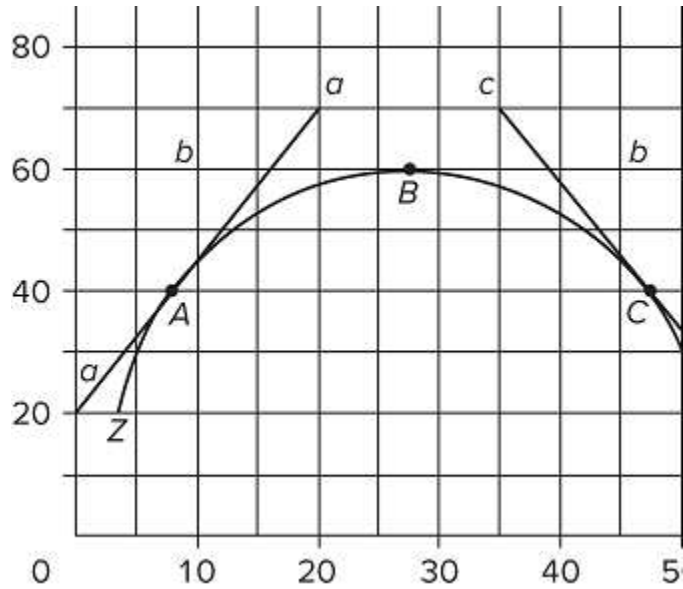
A) y = 4 − 1⅓x.
B) y = 3 + ¾x.
C) y = 4 − ¾x.
D) y = 4 + 1⅓x.

594) If we are considering the relationship between two variables and release one of the other-things-equal assumptions, we would expect

A) the relationship to change from direct to inverse.
B) the line representing that relationship on a graph to shift.
C) the data points to have a tighter fit to the line representing the relationship.
D) the relationship to change from inverse to direct.

595) The amount of pizzas that consumers want to buy per week is reflected in the equation $P = 15 - 0.02Q_d$, where Q_d is the amount of pizzas purchased per week and P is the price of pizzas. On the basis of this information, we can say that

A) if pizzas were free, people would consume 800 per week.
B) more pizzas will be purchased at a high price than at a low price.
C) if the price of pizzas is $6, then 150 will be purchased.
D) 50 fewer pizzas will be purchased per week for every $1 increase in price.



596) Refer to the diagram. The slope of curve ZZ at point A is approximately

A) +2.
B) +2½.
C) −2½.
D) +4.

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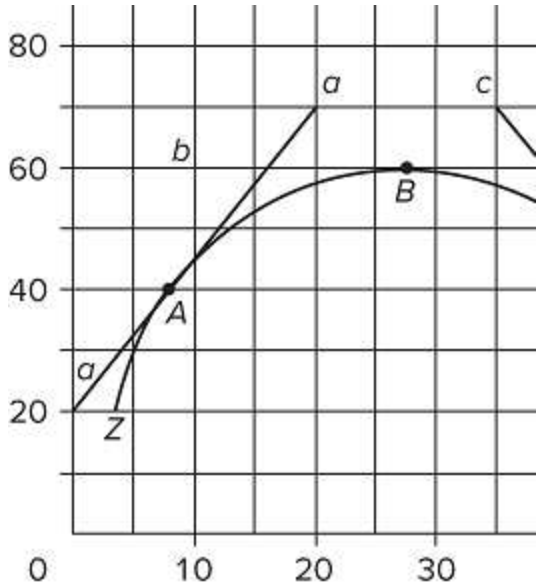
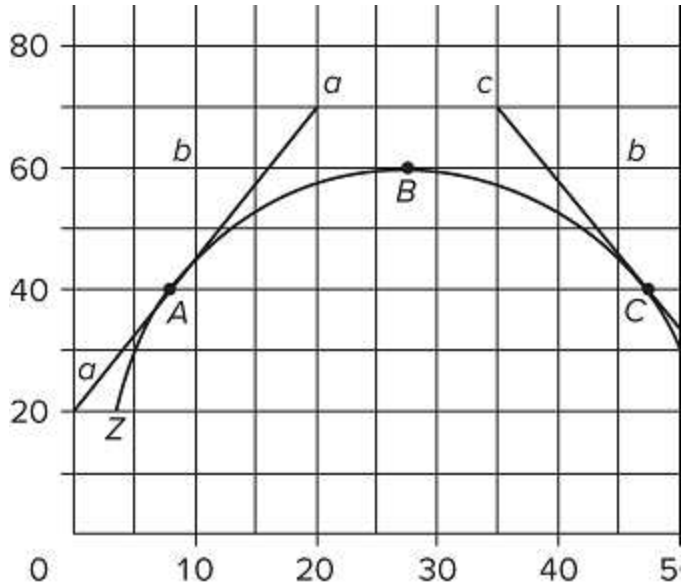


597) Refer to the diagram. The slope of curve ZZ at point B is

A) infinity.
B) zero.
C) +1.
D) −1.



598) Refer to the diagram. The slope of curve ZZ at point C is approximately

A) −4.
B) −2.
C) −2⅖.
D) +3.

599) The slope of a line parallel to the vertical axis is

A) zero.
B) one.
C) infinite.
D) one-half.

600) The slope of a line parallel to the horizontal axis is

A) zero.
B) one.
C) infinite.
D) one-half.

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601) Slopes of lines are especially important in economics because
- A) they measure marginal changes.
- B) they always tell us something about profits.
- C) positive slopes are always preferred to negative slopes.
- D) they always relate to resource and output scarcity.

602) If two variables are *directly* related, the relationship will have a graph that
- A) is a straight line.
- B) may either be upward-sloping or downward-sloping.
- C) is an upward-sloping line.
- D) is horizontal.

603) If an inverse relationship exists between two variables, then
- A) as one variable increases, the other decreases.
- B) as one variable increases, so does the other.
- C) the two variables are close substitutes for each other.
- D) both variables increase over time.

604) If A decreases, then B will also decrease. The graph relating the two variables A and B is
- A) vertical.
- B) downward-sloping.
- C) upward-sloping.
- D) horizontal.

605) In a relationship between two variables, the "independent variable" refers to the
- A) one measured on the vertical axis, in the convention of mathematics.
- B) one whose value is assumed constant.
- C) effect or outcome.
- D) cause or source variable.

606) The "other-things-equal" assumption is employed when
- A) the graph of a given relationship is shifting up or down.
- B) economists draw a two-dimensional (or two-axes) graph.
- C) the relationship is direct, but not when it is inverse.
- D) the relationship is inverse, but not when it is direct.

607) The slope of a graph that shows a direct relationship is
- A) always positive.
- B) either positive or negative.
- C) possibly zero.
- D) either zero or infinite.

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608) The slope of a graph with "income" on the horizontal axis and "saving" on the vertical axis is +0.2. This means that if

A) income is $100, then saving is $20.
B) income is 0.20, then saving is zero.
C) income increases by $100, then saving will rise by $20.
D) saving rises by $100, then income will rise by $20.

609) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)		(2)		(3)		(4)	
A	B	C	D	E	F	G	H
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

Which of the four sets of data-pairs show an inverse relationship between the independent and dependent variable?

A) 1 and 3
B) 2 and 3
C) 3 and 4
D) 2 and 4

610) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)		(2)		(3)		(4)	
A	B	C	D	E	F	G	H
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

The slope of the linear graph that pictures data set 2 above is

A) 0.10.
B) 20.
C) 5.
D) 10.

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611) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)		(2)		(3)		(4)	
A	B	C	D	E	F	G	H
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

The vertical intercept is 6 in which of the above data sets?

A) 1
B) 2
C) 3
D) 4

612) The question below is based on the following four sets of data-pairs: (1) A and B, (2) C and D, (3) E and F, and (4) G and H. In each set, the independent variable is in the left column and the dependent variable is in the right column.

(1)		(2)		(3)		(4)	
A	B	C	D	E	F	G	H
0	6	2	10	0	12	0	3
7	5	3	20	1	10	2	5
14	4	4	30	2	8	4	7
21	3	5	40	3	6	6	9

The linear equation for the relationship in data set 3 above is

A) F = 12E.
B) F = 12 − 2E.
C) E = 12F.
D) E = 12 −2 F.

613) In constructing the demand graph to show how the price of a good price affects how much of it the buyers will buy, the convention that economists follow is to measure price on the

A) horizontal axis because it is the independent variable.
B) vertical axis because it is the dependent variable.
C) vertical axis even though it is the independent variable.
D) horizontal axis even though it is the dependent variable.

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614) A relationship illustrated by an upward-sloping graph means that a(n)
- A) increase in the value of one variable causes the value of the other to decrease.
- B) decrease in the value of one variable causes the value of the other to decrease.
- C) decrease in the value of one variable causes the value of the other to increase.
- D) increase in the value of one variable causes the value of the other to increase.

615) In a graph of the relationship between income and saving, economists generally consider
- A) income to be the independent variable and place it on the vertical axis.
- B) income to be the dependent variable and place it on the horizontal axis.
- C) saving to be the dependent variable and place it on the vertical axis.
- D) saving to be the independent variable and place it on the vertical axis.

616) In a graph showing the relationship between variables X and Y, "*ceteris paribus*" means that
- A) X is inversely related to Y.
- B) X is positively related to Y.
- C) X and Y are independent.
- D) other variables not shown are held constant.

617) In a linear equation relating income and consumption where consumption is the dependent variable, the intercept is $1,000 and the slope of the line is 0.4. If income is $30,000, then consumption is
- A) $13,000.
- B) $15,000.
- C) $12,000.
- D) $14,000.

618) In a graph with "crop yield" on the vertical axis and "rainfall" on the horizontal axis, the vertical intercept refers to the
- A) steepness or flatness of the graph.
- B) amount of rainfall when "crop yield" is zero.
- C) amount of crop yield when "rainfall" is zero.
- D) total crop yield during a given period of time.

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619) Which of the following indicates an inverse relationship between x and y?

A) $y = -3 + 5x$
B) $y = 6.2x$
C) $y = 7 - 0.9x$
D) $y = -50$

620) Which of the following suggests a direct relationship between x and y?

A) a change in $y = -2$ coupled with a change in $x = -4$
B) a change in $y = 2$ coupled with a change in $x = 0$
C) a change in y =
D) a change in $y = 6$ coupled with a change in x =

621)

X	Y	Z
60	120	15
50	100	15
40	80	15

Variables X and Y in the above table are

A) positively related.
B) negatively related.
C) not directly related.
D) independently related.

622)

X	Y	Z
60	120	15
50	100	15
40	80	15

Variables X and Z in the provided table are

A) positively related.
B) negatively related.
C) independent.
D) nonlinearly related.

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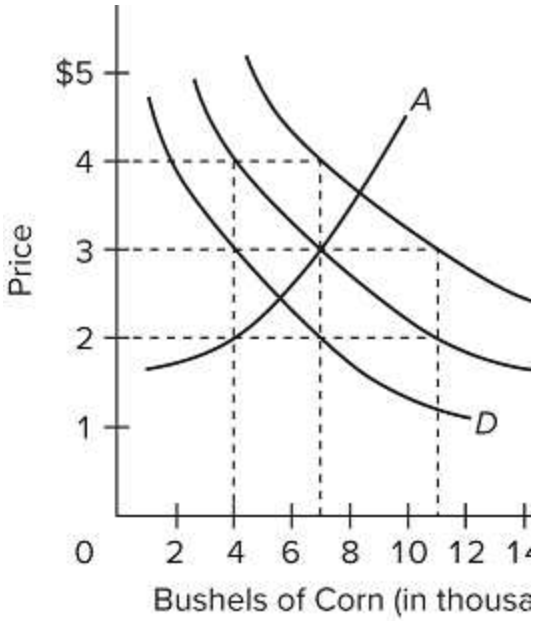
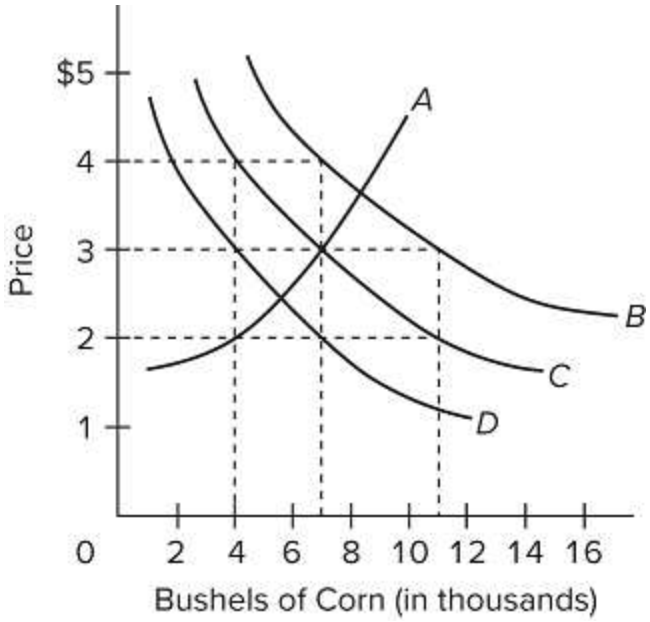


623) Refer to the following table, which shows the quantities of corn demanded at various levels of corn price (hypothetical data).

Price Per Bushel	Bushels Demanded Per Year
$ 5	2,000
4	4,000
3	7,000
2	11,000
1	16,000

Which curve in the graph shown above best represents the data in the table?

A) A
B) B
C) C
D) D



624) Refer to the provided graph. Which curve shows a direct relationship between price and quantity?

A) A
B) B
C) C
D) D

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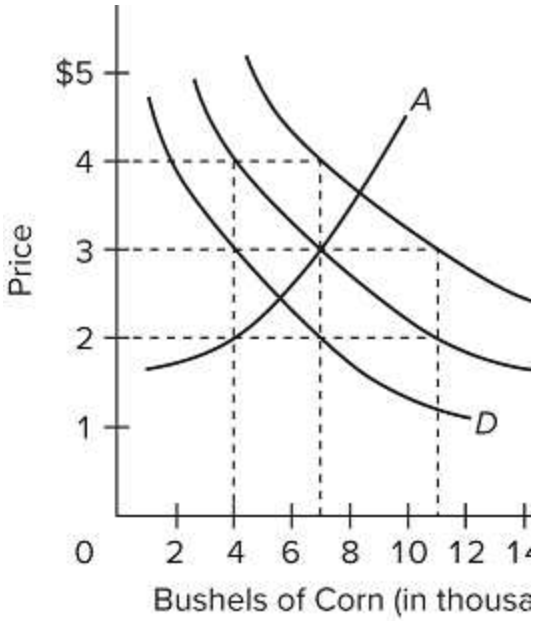
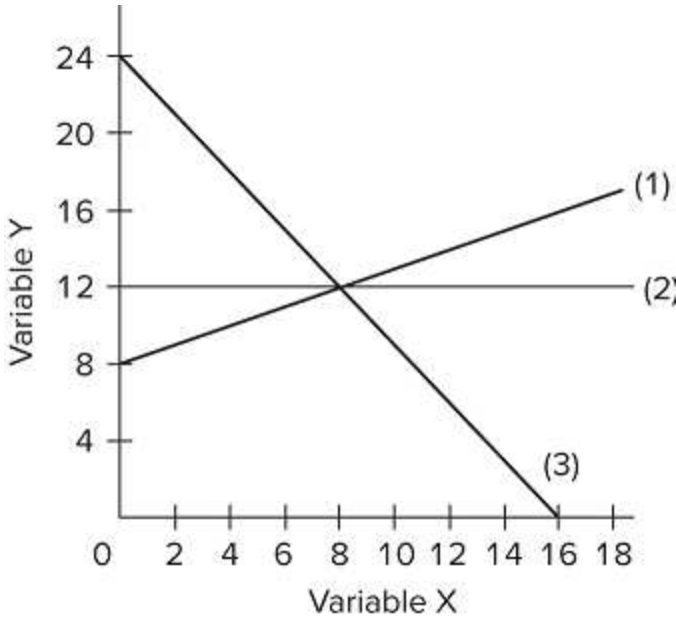


625) Refer to the provided graph. From the economists' perspective, which is the independent variable and which is the dependent variable?

A) Price is the independent variable, and quantity demanded is the dependent variable.
B) Price is the dependent variable, and quantity demanded is the independent variable.
C) Both price and quantity demanded are independent variables.
D) Both price and quantity demanded are dependent variables.



626) In line (2) on the provided graph, the variables x and y are

A) nonlinearly related.
B) directly related.
C) not correlated.
D) inversely related.

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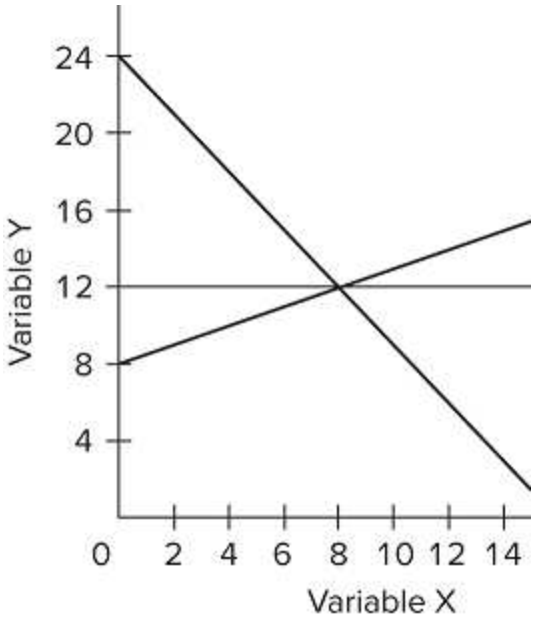
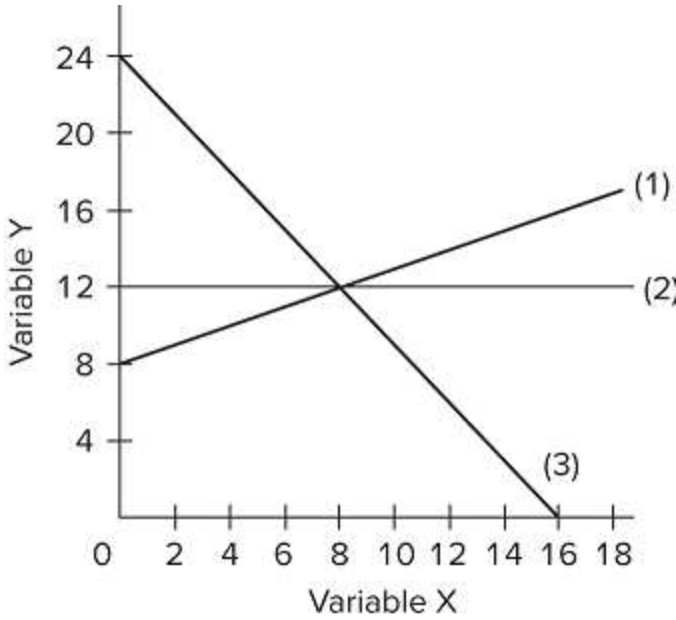


627) The slope of line (2) on the provided graph is

A) 0.
B) 12.
C) 18.
D) infinite.



628) The linear equation for line (1) on the provided graph is

A) y = 8 + 2x.
B) y = 8 + 0.5x.
C) x = 8 + 0.5y.
D) y = 8 − 2x.

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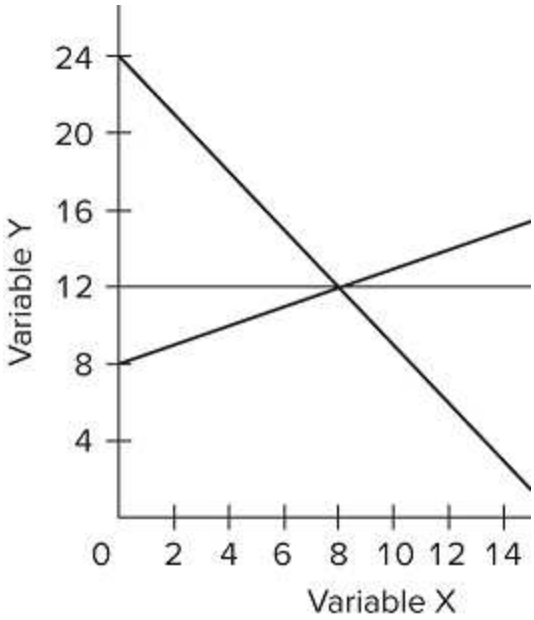

629) The vertical intercept of line (3) on the provided graph is

A) 16.
B) 24 ÷ 16, or 1.5.
C) 24.
D) −24 ÷ 16, or −1.5.

630) If a linear relation is described by the equation C = 35 − 5D, then the vertical intercept of the graph (where C is on the vertical axis) is

A) 35.
B) −5.
C) 30.
D) not known.

631) If you knew that the vertical intercept for a straight line was 15, that the slope was −0.5, and that the independent variable had a value of 8, the value of the dependent variable would be

A) 8.
B) 9.
C) 10.
D) 11.

632) If you knew that the vertical intercept for a straight line was 150 and that the slope of the line was 4, then the dependent variable would be 250 when the value of the independent variable is

A) 15.
B) 20.
C) 25.
D) 30.

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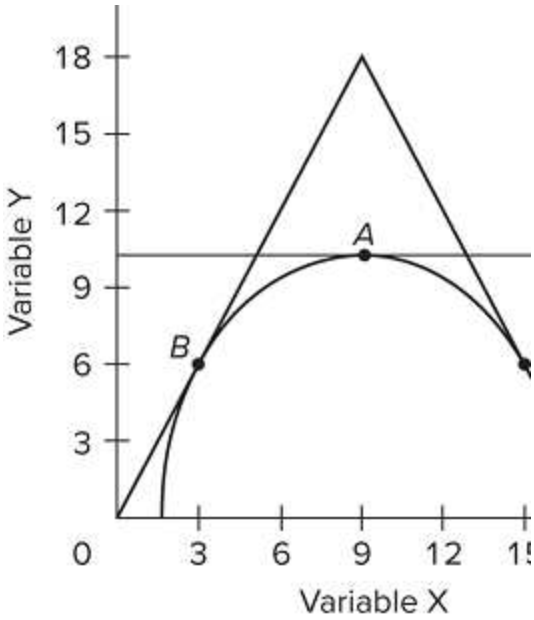
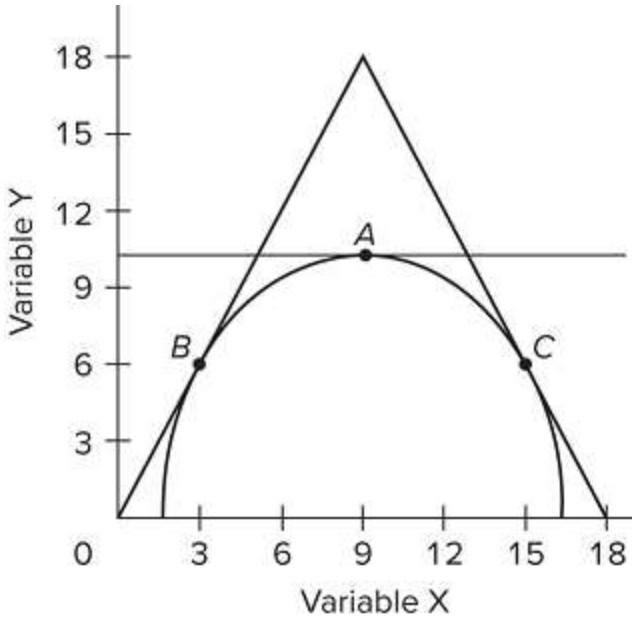


633) Refer to the provided graph. The slope of the line tangent to the curve at point A is

A) 0.
B) 0.5.
C) 2.
D) 4.



634) Refer to the provided graph. The slope of the line tangent to the curve at point B is

A) 0.5.
B) 3.
C) 6.
D) 2.0.

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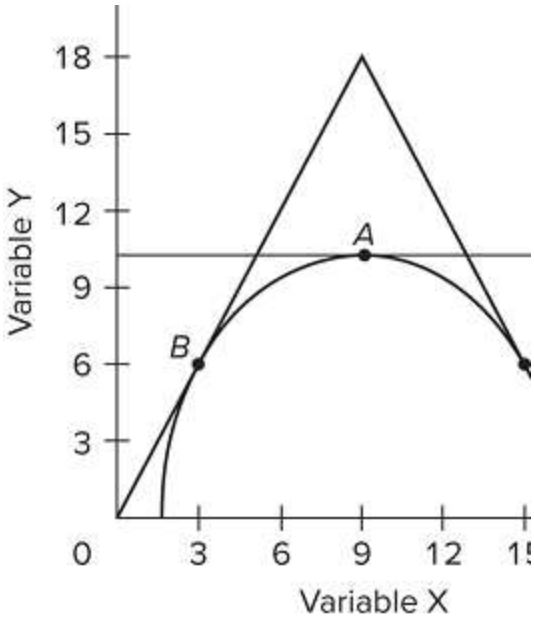

635) Refer to the provided graph. As we move along the curve from point B to A to C, the slope of the tangent line is
- A) increasing in algebraic value.
- B) decreasing in algebraic value.
- C) becoming more positive.
- D) becoming less negative.

636) Given: the intercept for a straight line is 12. If the value of the independent variable is 3, then the value of the dependent variable would be 18. The slope of this line is
- A) 1.
- B) 2.
- C) 3.
- D) 4.

637) In a linear equation relating income and consumption where consumption is the dependent variable, the intercept is $1,000 and the slope of the line is 0.4. If income is $20,000, then consumption is
- A) $8,000.
- B) $9,000.
- C) $10,000.
- D) $11,000.

638) In a linear equation relating price and quantity demanded where quantity demanded is the dependent variable, the intercept is 300 and the slope of the line is negative 20. If price is $5, then quantity demanded is
- A) 20.
- B) 100.
- C) 200.
- D) 300.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

639) Write a brief definition of economics.

640) Briefly describe the three interrelated features of the economic perspective.

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641) What do economists mean when they say that "there is no free lunch"?

642) (Consider This) What two lessons can we learn from Facebook's "free" service?

643) Is rational self-interest the same thing as selfishness? Explain.

644) Does engaging in purposeful behavior and using marginal analysis necessarily result in the best decisions? Explain.

645) Why are economic theories and principles purposeful simplifications?

646) Explain the importance of the *ceteris paribus*, or "other-things-equal," assumption.

647) Distinguish between microeconomics and macroeconomics.

648) Distinguish between a positive economic statement and a normative economic statement.

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649) Explain the individual's economizing problem.

650) How will an increase in income affect the budget line for two goods, all other things equal?

651) Will an increase in income solve an individual's economizing problem?

652) List the four resource categories, and give a brief description of each.

653) What four basic functions does the entrepreneur perform for the economy?

654) Explain the economic rationale for the law of increasing opportunity costs.

655) How is the most valued or optimal point on the production possibilities curve determined?

656) Economic growth is the result of what factors?

657) What do economists mean when they say that spending on capital goods (investment) is spending on "goods for the future"?

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658) What fundamental economic principle does a company like Starbucks use in making business decisions?

659) What are the benefits to society from companies like Starbucks using marginal analysis to make their business decisions?

660) (Last Word) What are some of the pitfalls to sound economic reasoning?

661) (Last Word) How is the post hoc fallacy related to the problem of confusing correlation with causation?

662) Why do economists use graphs in their work?

663) In a two-dimensional graph showing the relationship between income and consumption in the economy, what is shown on the vertical axis and what is shown on the horizontal axis?

664) Define what is meant by a positive or direct relationship between two variables, and describe the line graph depicting such a relationship.

665) Define what is meant by an inverse relationship between two variables, and describe the line graph depicting such a relationship.

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666) Differentiate between the independent and dependent variables in an economic relationship.

667) There are two sets of x, y points on a straight line in a two-variable graph with y on the vertical axis and x on the horizontal axis. What would be the linear equation for the line if one set of points were (0, 9) and the other set were (13, 61)?

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Answer Key

Test name: Chapter 01

1) FALSE
2) FALSE
3) FALSE
4) FALSE
5) FALSE
6) TRUE
7) FALSE
8) TRUE
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74) A
75) A
76) B
77) C

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78) A
79) D
80) A
81) A
82) A
83) A
84) B
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86) B
87) A
88) C
89) D
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156) B
157) C

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158) C
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169) C
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224) D
225) C
226) B
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234) C
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238) B
239) C
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318) D
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334) G
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336) C
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339) D
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398) D
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478) C
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558) C
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565) B
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638) C
639) Essay
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