

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

- 1) What do economists mean when they say that the economy faces scarcity? 1) \_\_\_\_\_  
A) The resources available are not sufficient to produce all that everyone wants.  
B) The economy is producing far below its capacity to produce.  
C) There are fewer resources available than there were in the 1960s.  
D) It is quite evident that the world is running out of resources.
- 2) What do economists assume is true about human wants? 2) \_\_\_\_\_  
A) That we are on the verge of being able to satisfy them.  
B) They haven't changed much over the centuries.  
C) They are easily defined.  
D) They are unlimited.
- 3) Which of the following terms describes the next best alternative that must be sacrificed as a result of making a particular choice? 3) \_\_\_\_\_  
A) Macroeconomics.  
B) Microeconomics.  
C) Opportunity cost.  
D) The law of increasing costs.  
E) Scarcity.
- 4) What is the opportunity cost of a particular product? 4) \_\_\_\_\_  
A) The price paid for that product.  
B) The value put on that product by the person who bought it.  
C) The combined value of all the other alternatives that are given up as a result of buying that particular product.  
D) The value of the next-best alternative that is given up as a result of buying that particular product.
- 5) Gwen had only \$10 yesterday. She was uncertain whether to go out for lunch or to buy beer. In the end she bought beer. Which of the following statements is correct? 5) \_\_\_\_\_  
A) The cost of buying beer is less than lunch.  
B) The opportunity cost of beer is \$10.  
C) The opportunity cost of beer is lunch.  
D) The choice of the beer and not lunch is an example of constant costs.

- 6) Which of the following is correct? 6) \_\_\_\_\_
- A) Choice causes scarcity which involves increasing costs.
  - B) Scarcity forces choice which involves increasing costs.
  - C) Scarcity forces choice which involves opportunity costs.
  - D) Choice causes scarcity which involves opportunity costs.
- 7) What can we say is true as a result of people engaging in voluntary trade? 7) \_\_\_\_\_
- A) One person gains while there is a neutral effect on the other person.
  - B) One person gains and the other loses.
  - C) Neither person gains.
  - D) Both people gain.

The maximum production possible in Rome and in Cathay are as follows:

Rome	40 bread	or	20 figs
Cathay	20 bread	or	40 figs

- 8) If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what will be the output in each country? 8) \_\_\_\_\_
- A) 40 bread and 20 figs in Rome and 20 bread and 40 figs in Cathay.
  - B) 20 bread and 10 figs in Rome and 10 bread and 20 figs in Cathay.
  - C) 0 bread and 20 figs in Rome and 0 bread and 40 figs in Cathay.
  - D) 40 bread and 0 figs in Rome and 20 bread and 0 figs in Cathay.
- 9) If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what is the combined output in the two counties? 9) \_\_\_\_\_
- A) 60 bread and 60 figs.
  - B) 0 bread and 60 figs.
  - C) 30 bread and 30 figs.
  - D) 60 bread and 0 figs.
- 10) If each country specializes in the production of what it does best and trades with the other, what is the combined output? 10) \_\_\_\_\_
- A) 40 bread and 40 figs.
  - B) 20 bread and 20 figs.
  - C) 60 bread and 60 figs.
  - D) 30 bread and 30 figs.
- 11) If each country specializes in the production of what it does best, what are the gains from trade? 11) \_\_\_\_\_
- A) There are no gains.
  - B) 10 bread and 10 figs.
  - C) 20 bread.
  - D) 20 figs.

- 12) What is implied by the following statement: Should scarce resources be devoted to persuading people to quit smoking or to developing a less harmful form of tobacco? 12) \_\_\_\_\_
- A) What to produce?
  - B) For whom?
  - C) How much competition?
  - D) How much command?
  - E) How to produce?
- 13) What is implied by the following statement: The appropriate technology in one country can be quite different from the appropriate technology in another country. 13) \_\_\_\_\_
- A) For whom?
  - B) How to produce?
  - C) How much command?
  - D) What to produce?
  - E) How much competition?
- 14) What is implied by the following statement: Social policies are needed to ensure that no individual lives in poverty. 14) \_\_\_\_\_
- A) For whom?
  - B) How much command?
  - C) How to produce?
  - D) What to produce?
  - E) How much competition?
- 15) All of the following except one are considered to be among the three fundamental questions in economics. Which one is the exception? 15) \_\_\_\_\_
- A) For whom?
  - B) What to produce?
  - C) How much competition?
  - D) How to produce?
- 16) Which of the following was argued by John Stuart Mill? 16) \_\_\_\_\_
- A) The distribution of money is dictated by the pattern of resource use.
  - B) As technology changes, what is produced also necessarily changes.
  - C) Society can intervene in any fashion that it may wish to redistribute income.
  - D) It is ideas, not vested interests, which are dangerous for good and evil.
- 17) All of the following except one are factors of production. Which is the exception? 17) \_\_\_\_\_
- A) Land.
  - B) Enterprise.
  - C) Capital.
  - D) Labour.
  - E) Money.

- 18) Which of the following is an alternative for the term factors of production? 18) \_\_\_\_\_  
 A) Ways of coordinating an economy. B) Productive resources or inputs.  
 C) Methods of organizing an economy. D) Goods and services.
- 19) All of the following except one are included in the four Cs used, throughout history, by humankind to coordinate its economies. Which is the exception? 19) \_\_\_\_\_  
 A) Command.  
 B) Cooperation.  
 C) Communism.  
 D) Competition.  
 E) Custom.
- 20) \_\_\_\_\_ efficiency refers to 'getting the most for the last'. 20) \_\_\_\_\_  
 A) Economic B) Technical C) Allocative D) Productive
- 21) Ensuring the right type of products are produced is referred to as \_\_\_\_\_ efficiency. 21) \_\_\_\_\_  
 A) Productive B) Technical C) Economic D) Allocative
- 22) Which pair of the four Cs would play the dominant role in a simple hunter/gatherer society such as that of the San people of the Kalahari Desert? 22) \_\_\_\_\_  
 A) Competition and cooperation. B) Cooperation and custom.  
 C) Command and competition. D) Commercialization and competition.
- 23) Which pair of the four Cs plays the dominant role in Canada today? 23) \_\_\_\_\_  
 A) Cooperation and competition. B) Command and competition.  
 C) Custom and competition. D) Command and cooperation.
- 24) The fact that the typical movie theatre charges people for popcorn but does not charge them to use the restrooms is an example of which of the four Cs? 24) \_\_\_\_\_  
 A) Cooperation. B) Competition. C) Custom. D) Command.
- 25) Which of the following statements concerning capitalism and socialism is false? 25) \_\_\_\_\_  
 A) Government plays a larger role in a capitalist economy.  
 B) There is more economic planning in a socialist economy.  
 C) The Canadian economy is more socialist than is the US economy.  
 D) Sweden is more of a socialist economy than is Hong Kong.
- 26) Which of the following would best describe a policy of laissez-faire? 26) \_\_\_\_\_  
 A) An emphasis on the role of government.  
 B) A reliance on custom.  
 C) More production of consumer goods than capital goods.  
 D) An emphasis on the role of the market.  
 E) More production of capital goods than consumer goods.

- 27) What do economists always do when they are constructing theories or models? 27) \_\_\_\_\_
- A) They try to include as much information as possible.
  - B) They ensure that the theory can be expressed mathematically.
  - C) They attempt to duplicate the real world.
  - D) They make simplifying assumptions.
- 28) What is true about an economic model? 28) \_\_\_\_\_
- A) It can make predictions that can be tested with empirical data.
  - B) It could also be called an economic theory.
  - C) It establishes cause and effect between variables.
  - D) It is built on a series of assumptions, it establishes cause and effect between variables, it can make predictions that can be tested with empirical data, and it could also be called an economic theory.
  - E) It is built on a series of assumptions.
- 29) All of the following except one are true of economic theories or models. Which one is the exception? 29) \_\_\_\_\_
- A) They always reflect reality.
  - B) They are generalizations used to give context to our observations.
  - C) They attempt to establish cause and effect between economic variables.
  - D) They are built with assumptions and then tested with facts.
- 30) All of the following except one are positive statements. Which is the exception? 30) \_\_\_\_\_
- A) The degree of competition in our economy has been increasing in the last ten years.
  - B) Production is subject to the law of increasing costs.
  - C) A decrease in price will lead to a larger quantity bought.
  - D) The government needs to reduce its budget deficit.
- 31) All of the following statements, except one, are positive statements. Which is the exception? 31) \_\_\_\_\_
- A) A majority of economists argue that economics is a very relevant discipline.
  - B) Economics should be a mandatory course in all Canadian colleges and universities.
  - C) Economics is a possible undergraduate major for students who want to go to law school.
  - D) Economics is a social science.
  - E) Economics is sometimes referred as the science of choice.
- 32) All of the following statements, except one, are normative statements. Which is the exception? 32) \_\_\_\_\_
- A) The government is trying to mislead people about the tax on gasoline.
  - B) It is wrong for the government to tax gasoline.
  - C) The taxes on gasoline should be lower.
  - D) Lowering the taxes on gasoline would decrease the price at the pump.

- 33) What does the term technology mean to an economist? 33) \_\_\_\_\_
- A) The way various factors of production are combined to obtain output.
  - B) The way in which products are allocated.
  - C) The most recent methods of production.
  - D) High-tech methods of production as found, for example, in the computer industry.
- 34) What term is used to describe the way that the various factors of production are combined to obtain output? 34) \_\_\_\_\_
- A) Types of economies.
  - B) Opportunity costs.
  - C) Ways of coordinating an economy.
  - D) Technology.
- 35) Which of the following is a capital good? 35) \_\_\_\_\_
- A) A home computer.
  - B) An investment in IBM stock.
  - C) An oven in a bakery.
  - D) The first application of CD ROM technology to an economics textbook.
- 36) Which of the following statements describes the law of increasing costs? 36) \_\_\_\_\_
- A) The total cost of production rises as output goes up.
  - B) As the economy's production level of any particular item decreases, its opportunity cost rises.
  - C) If someone waits to make a purchase, she will pay a higher price.
  - D) As the economy's production level of any particular item increases, its opportunity cost rises.
  - E) The prices of consumer goods always rise and never fall.

The graph below is Mendork's production possibility curve for the only two goods that it produces—quirks and quarks.

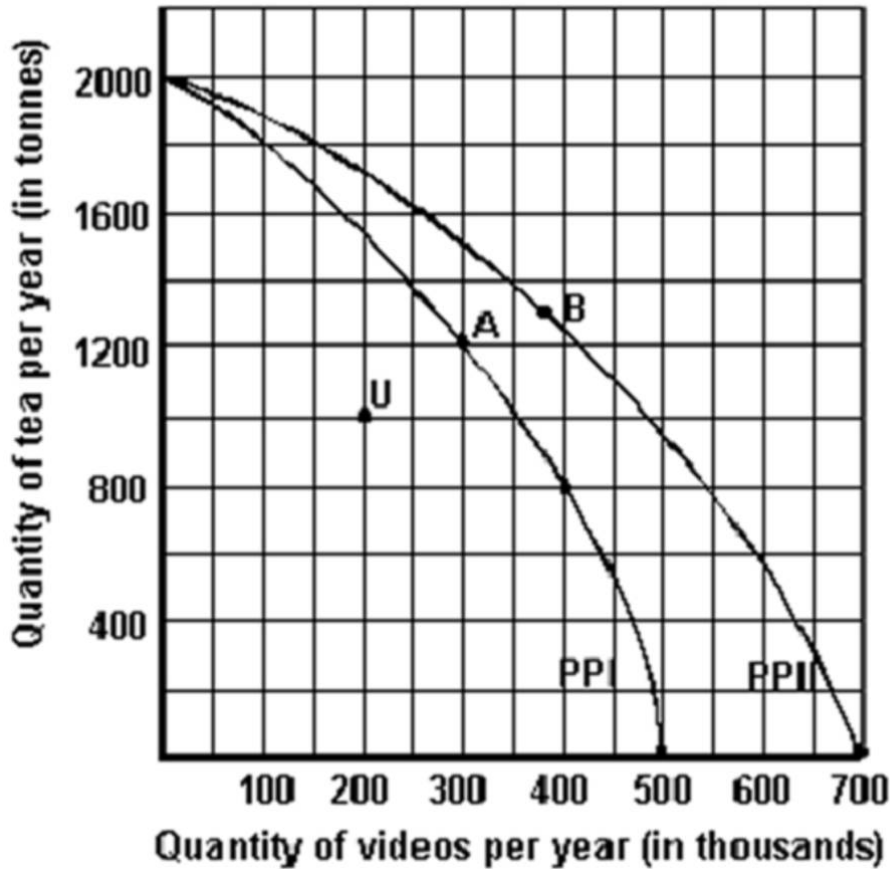


- 37) Refer to the graph above to answer this question. If this society chooses to produce 10 quirks, what is the maximum quantity of quarks it can produce? 37) \_\_\_\_\_
- A) 800 quarks.      B) 600 quarks.      C) No quarks.      D) 500 quarks.
- 38) Refer to the graph above to answer this question. What is the opportunity cost of producing the first 700 quarks? 38) \_\_\_\_\_
- A) It is 6 quirks.  
 B) It is 14 quirks.  
 C) It is 10 quirks.  
 D) The answer cannot be determined from the information given.
- 39) Refer to the graph above to answer this question. If Mendork's current production is at point A, what is the (approximate) cost of producing one more quirk? 39) \_\_\_\_\_
- A) 200 quarks.  
 B) One more quark.  
 C) 100 quarks.  
 D) 25 quarks.  
 E) 50 quarks.

- 40) Refer to the graph above to answer this question. If Mendork's current production is at point B, what is the opportunity cost of one more quark as output changes from point B to A? 40) \_\_\_\_\_
- A) 4 quirks.
  - B) 1 quirk.
  - C) 400 quirks.
  - D) 0.04 quirks.
  - E) 0.4 quirks.
- 41) Refer to the graph above to answer this question. If new technology increased the output of quirks by 50%, how many quirks could be produced if 600 quarks were produced? 41) \_\_\_\_\_
- A) No quirks.
  - B) 15 quirks.
  - C) 10 quirks.
  - D) 18 quirks.
  - E) 20 quirks.
- 42) Refer to the graph above to answer this question. Which of the following statements is correct if Mendork is currently producing 500 quarks and 8 quirks? 42) \_\_\_\_\_
- A) This society is using competition to coordinate its economic activities.
  - B) This society is not adequately answering the question: "What to produce".
  - C) This economy is growing quickly.
  - D) This society is experiencing either unemployment or inefficiency.
  - E) This economy is experiencing full employment.



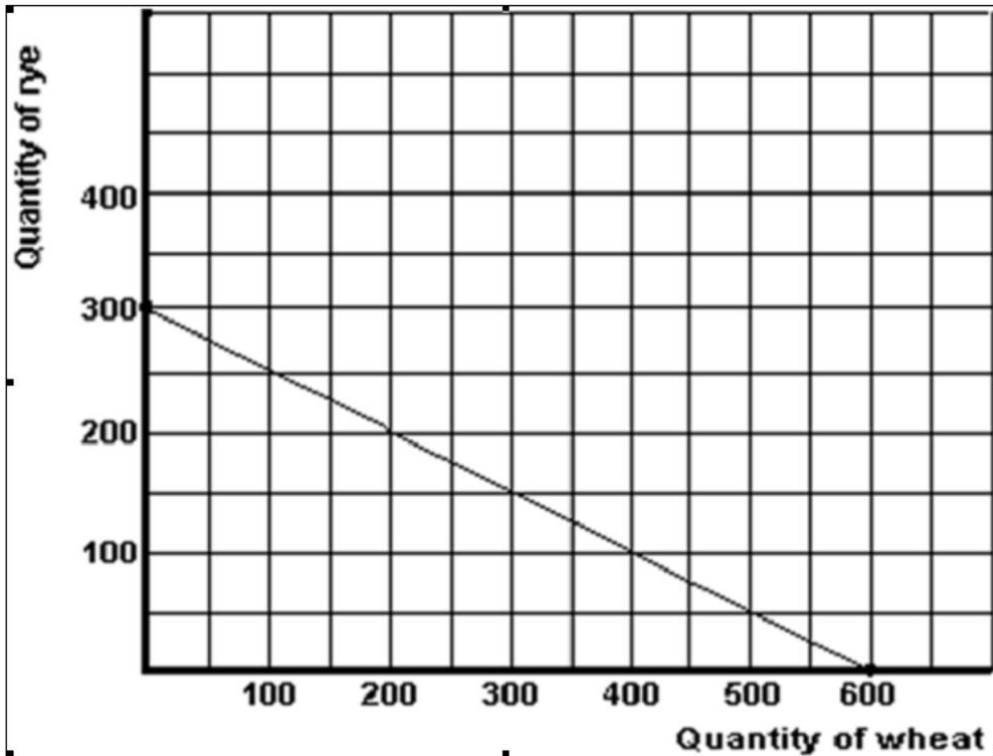
Below is a production possibilities curve involving tea and videos.



- 43) Refer to the graph above to answer this question. Which of the following illustrates the law of increasing costs? 43) \_\_\_\_\_
- A) A "bowed-out" production possibilities curve.
  - B) A straight-line production possibilities curve.
  - C) Any point inside the production possibilities curve.
  - D) Any point outside the production possibilities curve.
- 44) Refer to the graph above to answer this question. Assume that the economy is facing PPI and that the economy is currently producing the combination of tea and videos represented by point A. What is the opportunity cost of increasing the output of videos to 400,000? 44) \_\_\_\_\_
- A) 100,000 videos.
  - B) 400 tons of tea.
  - C) 800 tons of tea.
  - D) 300,000 videos.
- 45) Refer to the graph above to answer this question. Assume that the economy is facing PPI and that 2,000 tons of tea are produced, how many videos could be produced? 45) \_\_\_\_\_
- A) 500,000.
  - B) 0.
  - C) 600,000.
  - D) 2,000.

- 46) Refer to the graph above to answer this question. What might point U indicate? 46) \_\_\_\_\_  
A) The technology being used is not the most appropriate one.  
B) The resources being used are not being used efficiently.  
C) Not all resources available to the economy are being used.  
D) All of these.
- 47) Refer to the graph above to answer this question. What is indicated by the shape of both the PPI and the PPII curves? 47) \_\_\_\_\_  
A) Increasing costs. B) Decreasing costs.  
C) Constant costs. D) Alternative costs.
- 48) Refer to the graph above to answer this question. What could have caused the shift from PPI to PPII? 48) \_\_\_\_\_  
A) Capital accumulation in the tea industry.  
B) A decrease in the opportunity cost of tea.  
C) Technological change in the video industry.  
D) A decrease in the price of videos.
- 49) Refer to the graph above to answer this question. Assume that the economy is producing on PPI at point A. After the shift from PPI to PPII, what does point B represent? 49) \_\_\_\_\_  
A) An increase in the production of both goods.  
B) An increase in the production of tea but not of videos.  
C) A decrease in the production of tea but not of videos.  
D) An increase in the production of videos but not of tea.
- 50) Refer to the graph above to answer this question. What is indicated by the shift from PPI to PPII? 50) \_\_\_\_\_  
A) Inefficiency. B) Inflation.  
C) Economic growth. D) Unemployment.

Below is a production possibilities curve for a large tract of prairie farm land.



- 51) Refer to the graph above to answer this question. What is the total cost of producing 300 units of rye 51) \_\_\_\_\_
- A) 0.5 units of rye. B) 2 units of rye.  
C) 600 units of rye. D) 0 units of rye.
- 52) Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of wheat? 52) \_\_\_\_\_
- A) 0.5 units of rye. B) 2 units of rye.  
C) \$2. D) 5 units of rye.
- 53) Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of rye? 53) \_\_\_\_\_
- A) 0.5 units of wheat. B) 5 units of wheat.  
C) 2 units of wheat. D) \$400.
- 54) Refer to the graph above to answer this question. Given the shape of the PP curve, which of the following statements is correct? 54) \_\_\_\_\_
- A) Opportunity costs are constant.  
B) The resources being used to produce rye and wheat are very similar.  
C) The law of increasing costs doesn't apply.  
D) The two goods being produced are very similar.  
E) It is better for the economy to produce rye.

- 55) Refer to the graph above to answer this question. If 300 units of rye are being produced, how many units of wheat are possible? 55) \_\_\_\_\_
- A) 0 units of wheat. B) 200 units of wheat.  
C) 600 units of wheat. D) 300 units of wheat.
- 56) Refer to the graph above to answer this question. Which of the following statements would be correct if the land was producing 200 units of rye and 100 units of wheat? 56) \_\_\_\_\_
- A) Some of the land might be idle.  
B) The most appropriate technology may not be in use.  
C) Some of the land might be idle, the most appropriate technology may not be in use, and there may inefficiencies in production.  
D) There may inefficiencies in production.
- 57) Refer to the graph above to answer this question. If 150 units of rye are currently being produced, what is the cost of producing 50 more units of rye? 57) \_\_\_\_\_
- A) 400 units of wheat.  
B) 100 units of wheat.  
C) 25 units of wheat.  
D) 50 units of wheat.  
E) Cannot be determined.

Below are some production possibilities data for the mystical land of Lhanor.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Kaldors</b>	0	4	8	12	16
<b>Bouldings</b>	60	54	42	24	0

- 58) Refer to the information above to answer this question. Approximately how many units of Kaldors can be produced if 48 units of Bouldings are being produced? 58) \_\_\_\_\_
- A) 6 Kaldors.  
B) 4 Kaldors.  
C) 8 Kaldors.  
D) 16 Kaldors.  
E) 0 Kaldors.
- 59) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the opportunity cost of 1 more Kaldor? 59) \_\_\_\_\_
- A) Approximately 1 Boulding.  
B) 4 Bouldings.  
C) Approximately 3 Bouldings.  
D) 54 Bouldings.  
E) 42 Bouldings.

- 60) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination D. What is the opportunity cost of producing 4 more Kaldors? 60) \_\_\_\_\_
- A) 6 Bouldings.
  - B) Zero.
  - C) 12 Bouldings.
  - D) 24 Bouldings.
  - E) 18 Bouldings.
- 61) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination A. What is the opportunity cost of producing 12 Kaldors? 61) \_\_\_\_\_
- A) 12 Bouldings.
  - B) 24 Bouldings.
  - C) 3 Bouldings.
  - D) 36 Bouldings.
  - E) 60 Bouldings.
- 62) Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the consequence of the production of Kaldors decreasing to 2? 62) \_\_\_\_\_
- A) The output of Bouldings will decrease by approximately 3.
  - B) The opportunity cost of Bouldings will rise.
  - C) The output of Bouldings will increase by 6.
  - D) The output of Bouldings will decrease.
  - E) The output of Bouldings will increase by approximately 3.
- 63) Refer to the information above to answer this question. Which of the following statements is correct if Lhanor is currently producing 10 Kaldors and 24 Bouldings? 63) \_\_\_\_\_
- A) This combinations of goods is not possible.
  - B) All resources must be fully employed.
  - C) Graphically, Lhanor is operating inside its PP curve.
  - D) 18 more units of Bouldings could be produced.

Below are some production possibilities data for the mystical land of Ghandor.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Arrows</b>	0	1	2	3	4
<b>Viners</b>	20	18	14	8	0

- 64) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination B. How many Viners could be produced if the production of Arrows increased by 2? 64) \_\_\_\_\_
- A) 14 units of Viners.
  - B) 8 units of Viners.
  - C) 3 units of Viners.
  - D) 4 units of Viners.

- 65) Refer to the information above to answer this question. What is the opportunity cost of producing the third unit of Arrows? 65) \_\_\_\_\_
- A) 1 unit of Viners. B) 14 units of Viners.  
C) 8 units of Viners. D) 6 units of Viners.
- 66) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination A. What is the opportunity cost of producing 4 units of Arrows. 66) \_\_\_\_\_
- A) Zero. B) 5 units of Viners.  
C) 20 units of Viners. D) 4 units of Viners.
- 67) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination D. What is the opportunity cost of producing an additional 10 units of Viners? 67) \_\_\_\_\_
- A) 2 units of Arrows. B) 1 unit of Arrows.  
C) 10 units of Arrows. D) 18 units of Arrows.
- 68) Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination E. What is the opportunity cost of producing 20 units of Viners? 68) \_\_\_\_\_
- A) 1 units of Arrows.  
B) 2 units of Arrows.  
C) 4 units of Arrows.  
D) 0 unit of Arrows.  
E) 3 units of Arrows.
- 69) All of the following except one would be included in a definition of economics. Which is the exception? 69) \_\_\_\_\_
- A) Resources.  
B) Scarcity.  
C) Choice.  
D) Paradigm.  
E) Unlimited wants.

1. unemployment in Nova Scotia
2. interest rates
3. wages for farm workers
4. inflation rates
5. government's farm price supports
6. monopoly practices in Canada

70) Refer to the above information to answer this question. Which of the above are macroeconomic concepts? 70) \_\_\_\_\_

- A) 1, 3 and 4.
- B) 2, 4 and 6.
- C) 2, 3 and 5.
- D) 2, 3 and 6.
- E) 1, 2 and 4.

71) Refer to the above information to answer this question. Which of the above are microeconomic concepts? 71) \_\_\_\_\_

- A) 2, 5 and 6.                      B) 1, 3 and 5.                      C) 1, 5 and 6.                      D) 3, 5 and 6.

72) All of the following except one are microeconomic statements. Which is the exception? 72) \_\_\_\_\_

- A) GDP increased by 1.8% in Canada last year.
- B) The profits of The Canadian Corporation last year was \$25 million.
- C) The demand for Turbinado sugar is increasing.
- D) The cost of production in the mining industry has recently declined.
- E) The price of wheat declined by 5% in Canada last year.

73) Which of the following is a microeconomic topic? 73) \_\_\_\_\_

- A) Supply and demand analysis of a factor market.
- B) Interest rate determination.
- C) Tax policies.
- D) Inflation rates.
- E) Unemployment.

74) All of the following except one are macroeconomic topics. Which is the exception? 74) \_\_\_\_\_

- A) The effect of an exchange rate change on total exports.
- B) The effect of the election of a new government on investment in Canada
- C) The effect of an interest rate change on the cost of your monthly loan payment.
- D) The effect of a tax change on total consumption.

- 75) What do most of the disagreements among economists involve? 75) \_\_\_\_\_  
A) The use of statistics.  
B) The use of mathematics.  
C) The appropriate goals and policies for the economy.  
D) Gathering data.  
E) Generalizing about facts.
- 76) Why do economists feel that their discipline is relevant? 76) \_\_\_\_\_  
A) It is a value-free study.  
B) Its methodology is so different from other social sciences.  
C) It is able to predict the future very well.  
D) The scope and range of subjects that it addresses is very wide.
- 77) Who said: "The ideas of economists, both when they are right and when they are wrong, are more powerful than is commonly understood"? 77) \_\_\_\_\_  
A) Pierre Trudeau. B) Adam Smith.  
C) Sayre and Morris. D) John Maynard Keynes.
- 78) Which of the following is true about inflation in Canada? 78) \_\_\_\_\_  
A) It is related to high levels of unemployment.  
B) It peaked in the 1970s.  
C) It was high in the years following the end of World War II and the Korean War.  
D) It has not occurred since 1993.  
E) It occurred in the early part of the Great Depression.
- 79) Which of the following is true of the period of the 1950s and 1960s? 79) \_\_\_\_\_  
A) It was a period of low unemployment and generally low inflation.  
B) It was a period in which unemployment and inflation did not seem to be related.  
C) It was a period of low unemployment but high inflation.  
D) It was a period of high unemployment and high inflation.
- 80) What happened in the period between the mid-1960s and the mid-1980s? 80) \_\_\_\_\_  
A) Both unemployment and inflation fell.  
B) Unemployment rose but inflation fell.  
C) Both unemployment and inflation rose.  
D) Unemployment fell but inflation rose.
- 81) Since the 1990's, Canada's average annual economic growth rate has been approximately \_\_\_\_\_ percent. 81) \_\_\_\_\_  
A) 1.5%. B) 2.5%. C) 4.0%. D) 3.5%.



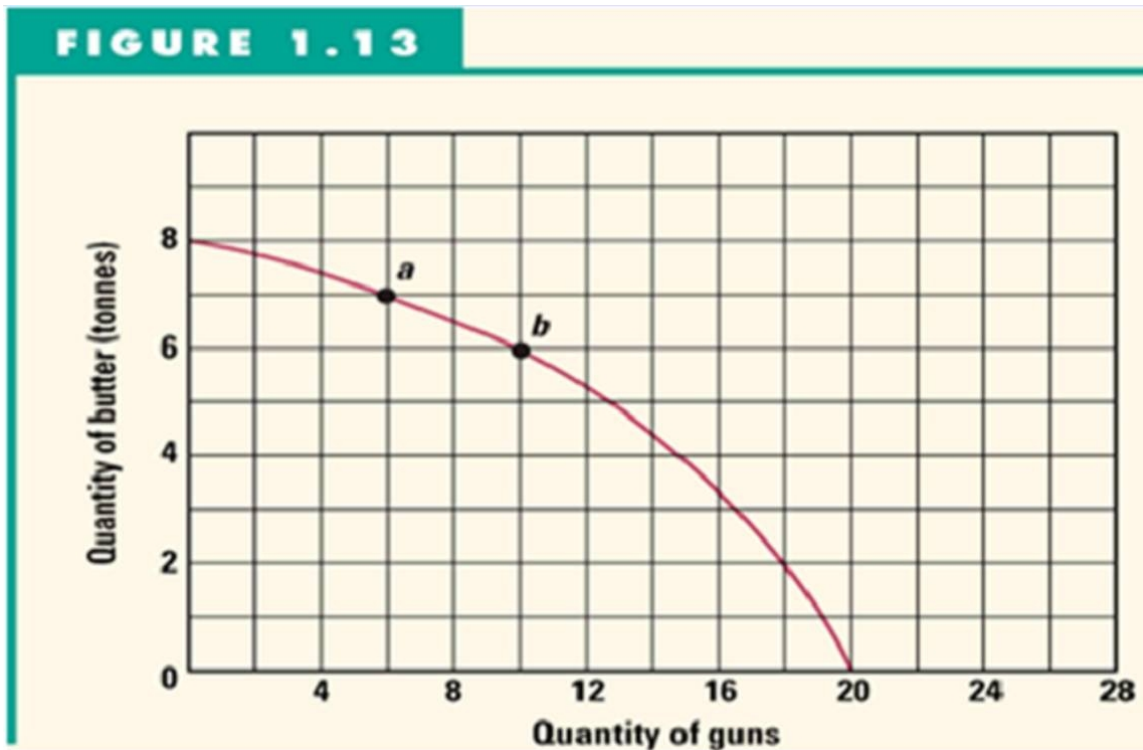
- 82) Economic growth often comes with all, except one, of the following problems. Which is the exception? 82) \_\_\_\_\_  
 A) High unemployment rates. B) High levels of pollution.  
 C) Resource depletion. D) More traffic congestion.
- 83) What happened to unemployment and inflation rates in Canada in the 1990s? 83) \_\_\_\_\_  
 A) Both inflation and unemployment rates rose.  
 B) Both inflation and unemployment rates fell.  
 C) Inflation rates rose but unemployment rates fell.  
 D) Inflation rates fell but unemployment rates rose.
- 84) What has happened to Canada's unemployment rate in the last 30 years? 84) \_\_\_\_\_  
 A) It has been relatively stable. B) It has barely dropped below 6%.  
 C) It has steadily increased. D) It has ranged between 5% and 12%.
- 85) What economic goal is involved in guaranteeing every Canadian citizen a certain minimum level of income? 85) \_\_\_\_\_  
 A) Achieving a more equitable distribution of incomes.  
 B) Achieving stronger economic growth.  
 C) Achieving full employment.  
 D) Controlling inflation.
- 86) How has Canada performed recently compared with the G8 countries in terms of economic growth and inflation? 86) \_\_\_\_\_  
 A) It has had the second-lowest growth rate and second-highest inflation rate.  
 B) It has had the fourth highest growth rate and second lowest inflation rate.  
 C) It has had the lowest growth rate and second-lowest inflation rate.  
 D) It has had the highest growth rate and second-highest inflation rate.
- 87) Approximately, what percentage of Canada's national income goes to the poorest 20% of the population? 87) \_\_\_\_\_  
 A) 15%. B) 4%. C) 25%. D) 10%.
- 88) Approximately, what percentage of Canada's national income goes to the richest 20% of the population? 88) \_\_\_\_\_  
 A) 47% B) 9%. C) 25%. D) 16%. E) 35%
- 89) Over the past five years, where did Canada rank in terms of managing its debt and deficit amongst the G8 nations? 89) \_\_\_\_\_  
 A) Amongst the top B) Amongst the bottom  
 C) About the middle D) Second from the bottom

- 90) Which two economic goals are the most difficult to achieve simultaneously? 90) \_\_\_\_\_  
 A) Economic growth and a high standard of living.  
 B) Economic growth and full employment.  
 C) Full employment and an equitable distribution of incomes.  
 D) Full employment and stable prices.
- 91) All of the following are tools used by government to help achieve economic goals. 91) \_\_\_\_\_  
 Which is the exception?  
 A) Monetary policy. B) Fiduciary policy.  
 C) Fiscal policy D) Direct controls.
- 92) What does fiscal policy relate to? 92) \_\_\_\_\_  
 A) The government's interest rate and money supply policies.  
 B) The government's control over the money supply.  
 C) The Bank of Canada's control over the money supply.  
 D) The government's taxation and spending policies.
- 93) What does monetary policy relate to? 93) \_\_\_\_\_  
 A) The government's interest rate and money supply policies.  
 B) The Bank of Canada's interest rate and money supply policies.  
 C) The government's taxation and spending policies.  
 D) The government's control over the money supply.
- 94) What are direct controls? 94) \_\_\_\_\_  
 A) The government's interest rate and money supply policies.  
 B) The government's taxation and spending policies.  
 C) Policies introduced to address specific macroeconomic goals.  
 D) The Bank of Canada's control over the money supply.
- 95) What is the definition of opportunity cost? 95) \_\_\_\_\_  
 A) The value of the next best alternative that is given up as a result of making a particular decision.  
 B) The cost incurred in producing a good.  
 C) The amount of money spent on a good.  
 D) The value of all the alternatives given up as a result of making a particular decision.
- 96) Meridith had only \$16 to spend this last weekend. She was, at first, uncertain about 96) \_\_\_\_\_  
 whether to go to two movies she had been wishing to see or to buy a new CD she had recently heard. In the end she went to the movies. Which of the following statements is correct?  
 A) The opportunity cost of the two movies is \$16.  
 B) The choice of two movies rather than one CD was a bad one.  
 C) The opportunity cost of the two movies is one CD.  
 D) The choice of the two movies and not the CD is an example of increasing costs.

- 97) In reference to voluntary trade, what was Adam Smith the first to recognize? 97) \_\_\_\_\_  
A) It benefits one party to the trade but only at the expense of the other.  
B) It does not happen very often.  
C) It benefits both parties to the trade.  
D) It may or may not benefit one or both of the parties to the trade.
- 98) What are the three fundamental questions in economics? 98) \_\_\_\_\_  
A) What to produce, how to produce it, and for whom is it produced.  
B) What to produce, how to produce it, and who should produce it.  
C) Who should produce, what is the right way to produce, and how should we decide?  
D) Is it necessary, is it right, and is it valuable?
- 99) What are the four basic ways that society can use to organize its economic affairs? 99) \_\_\_\_\_  
A) Using cooperation, command, custom or competition.  
B) Using capitalism, communism, fantasy and technology.  
C) With consumer goods, capital goods, models and positive statements.  
D) Using plentiful resources, opportunity costs, technology and specialization.
- 100) "Factors of production" is a term that can be used interchangeably with: 100) \_\_\_\_\_  
A) Technologies. B) Either resources or inputs.  
C) Consumer goods. D) Models.
- 101) What are the factors of production? 101) \_\_\_\_\_  
A) Competition, command, custom, and cooperation.  
B) Land, labour, money, and capital.  
C) Land, labour, money, and enterprise.  
D) Land, labour, capital, and enterprise.
- 102) What are the names of the factor payments? 102) \_\_\_\_\_  
A) Wages, interest, and profits.  
B) Wages, interest, rent, and profits.  
C) Wages and profits.  
D) Consumption spending and investment spending.
- 103) What is an example of an economic model? 103) \_\_\_\_\_  
A) Scarcity of resources. B) Production possibilities curve.  
C) Positive statements. D) Opportunity costs.
- 104) All of the following, except one, are capital goods. Which is the exception? 104) \_\_\_\_\_  
A) An office building. B) A boiler in a pulp mill.  
C) An airport runway. D) A garden shed.

- 105) Which of the following is not a macroeconomic goal? 105) \_\_\_\_\_  
A) Ensuring that the true needs of all people are met.  
B) Improvements in the standard of living.  
C) Stable prices.  
D) Full employment.
- 106) All of the following, except one, are tools of macroeconomic policy. Which is the exception? 106) \_\_\_\_\_  
A) Direct controls. B) Monetary policy.  
C) Fiscal policy. D) Destabilization policy.
- 107) Which of the following refers to the concept of specialization? 107) \_\_\_\_\_  
A) Different nations have different opportunity costs of producing goods.  
B) Some individuals are richer than others.  
C) Different individuals value goods differently.  
D) Some nations are richer than others.
- 108) Economics is relevant because 108) \_\_\_\_\_  
A) economist has all the right answers.  
B) it teaches us how to make money.  
C) many issues has an economic dimension.  
D) None of these.
- 109) Which of the following is most valid with respect to macroeconomic goals? 109) \_\_\_\_\_  
A) Some are complementary and some are in conflict.  
B) They are always in conflict with each other.  
C) They tend to complement each other.  
D) They are accepted as valid by everyone in society.
- 110) What is the distinction between a positive and a normative statement? 110) \_\_\_\_\_  
A) Positive statements are correct statements of fact, whereas normative statements are incorrect.  
B) Positive statements are assertions that can be tested with data, whereas normative statements are based on a value system of beliefs.  
C) Normative statements are assertions that can be tested with data, whereas positive statements are based on a value system of beliefs.  
D) The distinction depends on the context in which each statement is used.

Figure 1.13 shows Mendork's production possibility curve for the only two goods that it produces—guns and butter.



- 111) Refer to Figure 1.13 to answer this question. If Mendork's production is currently that indicated by point a, what is the cost of producing four more guns? 111) \_\_\_\_\_
- A) 1 tonne of butter.                      B) 6 tonnes of butter.  
C) 10 tonnes of butter.                    D) 2 tonnes of butter.
- 112) Refer to Figure 1.13 to answer this question. What is the opportunity cost of one more tonne of butter as output changes from point b to a? 112) \_\_\_\_\_
- A) 4 guns.                      B) 10 guns.                      C) 2 guns.                      D) 6 guns.
- 113) Refer to Figure 1.13 to answer this question. Which of the following statements is correct if Mendork is currently producing 5 tonnes of butter and 8 guns? 113) \_\_\_\_\_
- A) This economy is growing quickly.  
B) This society is experiencing either unemployment or inefficiency.  
C) This society is using competition to coordinate its economic activities.  
D) This economy is experiencing full employment.  
E) This society is not adequately answering the "for whom" question.

- 114) Refer to Figure 1.13 to answer this question. What is the opportunity cost of producing 2 tonnes of butter? 114) \_\_\_\_\_
- A) 20 guns.
  - B) 18 guns.
  - C) 2 guns.
  - D) The answer cannot be determined from the information given.
- 115) Refer to Figure 1.13 to answer this question. If new technology increased the output of guns by 50 percent, how many guns could be produced if 6 tonnes of butter were produced? 115) \_\_\_\_\_
- A) 0 guns.
  - B) 18 guns.
  - C) 20 guns.
  - D) 15 guns.
  - E) 10 guns.
- 116) What is the controversy with economic growth? 116) \_\_\_\_\_
- A) Economic growth leads to higher income.
  - B) Economic growth leads to greater job satisfaction.
  - C) Economic growth leads to increase pollution.
  - D) Economic growth leads to greater leisure time.
- 117) Which of the following statements describes the law of increasing costs? 117) \_\_\_\_\_
- A) If you wait to make a purchase, you will pay a higher price.
  - B) As the quantity produced of any particular item decreases, its per unit cost of production rises.
  - C) The total cost of production rises as output goes up.
  - D) As the quantity produced of any particular item increases, its per unit cost of production rises.
  - E) The prices of consumer goods and services always rise and never fall.
- 118) Which of the following statements is correct for a society that emphasizes the production of capital goods over that of consumer goods? 118) \_\_\_\_\_
- A) The society will have to save more now than a society that did not emphasize the production of capital goods.
  - B) The society could enjoy the same quantity of consumer goods and a larger quantity of capital goods in the future.
  - C) The society will have to save less now than a society that did not emphasize the production of capital goods.
  - D) The society will grow faster than a society that emphasizes the production of consumer goods.
  - E) The society could enjoy the same quantity of capital goods and a larger quantity of consumer goods in the future.

- 119) All of the following statements, except one, are positive statements. Which is the exception? 119) \_\_\_\_\_
- A) Increasing cigarette taxes will result in higher prices.
  - B) The government must increase the tax on cigarettes.
  - C) The price of cigarettes is higher in Canada than in Russia.
  - D) Higher price for cigarettes will decrease the quantity demanded.
- 120) All of the following statements, except one, are normative statements. Which is the exception? 120) \_\_\_\_\_
- A) Cuts to government spending in Canada have had enormous social costs.
  - B) Increasing taxes is better than cutting government spending.
  - C) Government spending is a topic in macroeconomics.
  - D) The government should decrease spending.
- 121) Resource depletion and high rates of pollution are possible results of which of the following? 121) \_\_\_\_\_
- A) Unemployment.
  - B) A higher standard of living.
  - C) Economic growth.
  - D) A more equitable distribution of income.
  - E) All of these
- 122) Which of the following forces choice in macroeconomics? 122) \_\_\_\_\_
- A) Opportunity costs.
  - B) Scarcity.
  - C) Voluntary trade.
  - D) Limited wants and needs.
  - E) All of these.
- 123) In general, how to produce depends most on which of the following? 123) \_\_\_\_\_
- A) Distribution of income.
  - B) Opportunity costs and productivity of factors.
  - C) The scientific method.
  - D) Demand for goods and services.
- 124) Which type of economy would involve a central governing body making all of the fundamental economic decisions? 124) \_\_\_\_\_
- A) Command.
  - B) Custom.
  - C) Competition.
  - D) Consumer.
  - E) Cooperation.

- 125) Which of the following is the factor payment received for the ability to give practical applications to ideas? 125) \_\_\_\_\_  
A) Interest.      B) Profit.      C) Wages.      D) Capital.      E) Rent.
- 126) Which of the following is true about economics? 126) \_\_\_\_\_  
A) It is more complex than reality.  
B) It deals in generalities.  
C) It ignores reality in developing models.  
D) It is a pure science.
- 127) Which of the following best describe the economies of a capitalist society? 127) \_\_\_\_\_  
A) Competition.      B) Mix of competition and command.  
C) Mix of competition and custom.      D) Command.
- 128) All of the following, except one, are factors of production. Which is the exception? 128) \_\_\_\_\_  
A) Competition.  
B) Enterprise.  
C) Land.  
D) Capital.  
E) Labour.
- 129) Which of the following is a consumer good or service? 129) \_\_\_\_\_  
A) A government bond.  
B) A haircut.  
C) An office computer.  
D) A farm tractor.  
E) A menu in a restaurant.
- 130) All of the following, except one, are typically macroeconomic topics. Which is the exception? 130) \_\_\_\_\_  
A) Unemployment.  
B) Interest rates.  
C) Taxation policies.  
D) National income.  
E) Marginal utility.



The following table shows the production possibilities for the country of Erewhon:

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
<b>Wine</b>	0	10	18	24	28	30
<b>Cheese</b>	40	28	18	10	4	0

- 131) Refer to the table above to answer this question. Erewhon is producing 21 wine, approximately how many units of cheese can it produce? 131) \_\_\_\_\_  
 A) 13 units of cheese. B) 14 units of cheese  
 C) 7 units of cheese D) 17 units of cheese
- 132) Refer to the table above to answer this question. If Erewhon is producing 23 cheese, approximately how many units of wine can it produce? 132) \_\_\_\_\_  
 A) 5 units of wine. B) 14 units of wine  
 C) 15 units of wine D) 12 units of wine
- 133) Refer to the table above to answer this question. What is the total cost of producing the first 10 units of wine? 133) \_\_\_\_\_  
 A) 28 units of cheese B) 6 units of cheese  
 C) 12 units of cheese D) 24 units of cheese
- 134) Refer to the table above to answer this question. What is the total cost of producing the first 10 units of cheese? 134) \_\_\_\_\_  
 A) 6 units of wine B) 24 units of wine  
 C) 20 units of wine D) 28 units of wine
- 135) Refer to the table above to answer this question. If Erewhon is producing combination D, what is the cost of producing 4 more units of wine? 135) \_\_\_\_\_  
 A)  $\frac{2}{3}$  of a unit of cheese B) 8 units of cheese  
 C) 6 units of cheese D)  $1\frac{1}{2}$  units of cheese
- 136) Refer to the table above to answer this question. If Erewhon is producing combination D, what is the cost of producing 1 more unit of cheese? 136) \_\_\_\_\_  
 A)  $1\frac{1}{3}$  units of wine B) 8 units of wine  
 C) 6 units of wine D)  $\frac{3}{4}$  of a unit of wine

The following table shows the production capabilities of producing rice and beans in the country of Aipotu:

<b>% Inputs</b>	<b>Output of rice</b>	<b>% inputs</b>	<b>Output of beans</b>
0	0	0	0
20	100	20	60
40	180	40	100
60	240	60	130
80	280	80	150
100	300	100	160

- 137) Refer to the table above to answer this question. If Aipotu produces 240 rice, how many beans can it produce? 137) \_\_\_\_\_  
 A) 60 beans                      B) 130 beans                      C) 100 beans                      D) 30 beans
- 138) Refer to the table above to answer this question. If Aipotu produces 60 beans, how much rice can it produce? 138) \_\_\_\_\_  
 A) 100 rice                      B) 280 rice                      C) 130 rice                      D) 20 rice
- 139) Refer to the table above to answer this question. What is the cost of producing 180 rice? 139) \_\_\_\_\_  
 A) 40 beans                      B) 30 beans                      C) 60 beans                      D) 100 beans
- 140) Refer to the table above to answer this question. What is the cost of producing 100 beans? 140) \_\_\_\_\_  
 A) 40 rice                      B) 180 rice                      C) 120 rice                      D) 60 rice
- 141) Refer to the table above to answer this question. If Aipotu is presently producing 100 rice, what is the cost of producing 80 more rice? 141) \_\_\_\_\_  
 A) 60 beans                      B) 20 beans                      C) 100 beans                      D) 10 beans
- 142) Refer to the table above to answer this question. If Aipotu is presently producing 100 beans, what is the cost of producing 50 more beans? 142) \_\_\_\_\_  
 A) 180 rice                      B) 280 rice                      C) 100 rice                      D) 140 rice

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

- 143) Economic growth is a goal we should always strive to achieve. 143) \_\_\_\_\_
- 144) An economy as a whole faces scarcity because of limited national income. 144) \_\_\_\_\_
- 145) The three fundamental questions in economics are what, how, and how many. 145) \_\_\_\_\_
- 146) Opportunity cost is the value of the next-best alternative that is given up as a result of making a particular choice. 146) \_\_\_\_\_

- 147) There are only three Cs that humankind has used to coordinate its economies: cooperation, custom, and competition. 147) \_\_\_\_\_
- 148) Wages, interest, rent, and profits are the four factors of production. 148) \_\_\_\_\_
- 149) A production possibility curve is a graphical representation of the various combinations of output that are wanted. 149) \_\_\_\_\_
- 150) Macroeconomics focuses on the outcomes of decisions by people and firms, whereas microeconomics is a study of how the major components of an economy interact. 150) \_\_\_\_\_
- 151) Technological improvement can be illustrated graphically by a rightward shift in the production possibilities curve. 151) \_\_\_\_\_
- 152) Allocative efficiency is also referred to as productivity. 152) \_\_\_\_\_

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 153) Identify and explain the three fundamental questions in economics. 153) \_\_\_\_\_
- 154) Identify and explain the four factors of production and the names given to payments received by each. 154) \_\_\_\_\_
- 155) Define and give an example of the law of increasing costs. 155) \_\_\_\_\_
- 156) Identify and briefly explain the four Cs used to organize an economy. Which one is the most recent, and when did it emerge. 156) \_\_\_\_\_
- 157) What are some of the problems of economic growth? 157) \_\_\_\_\_
- 158) The cost of getting a degree (tuition and textbooks) from a private school is \$20,000 a year. Evaluate this statement. 158) \_\_\_\_\_
- 159) How does microeconomics differ from macroeconomics? 159) \_\_\_\_\_

160) Explain how microeconomics differs from macroeconomics and then categorize the following questions as either microeconomic or macroeconomic questions: 160) \_\_\_\_\_

- (a) How will interest rates change when the Federal Reserve Bank increases the money supply?
- (b) How will Nike's share of the market change when Reebok increases their marketing expenditures?
- (c) How does a tariff on imported steel affect the U.S. steel industry?
- (d) Should Wal-Mart renovate its stores nationwide?
- (e) Should the government lower income taxes to stimulate consumption?

161) Consider a farmer's production possibilities curve, with corn measured on the vertical axis, and soybeans on the horizontal. Describe the impact of each of the following on the curve: 161) \_\_\_\_\_

- (a) The farmer buys or rents more land.
- (b) A higher yielding variety of corn seed is developed.
- (c) The farmer hires 50 percent more farm workers.
- (d) The price of soybeans increases.

162) Below is the production possibilities table for the country of Lavaland. 162) \_\_\_\_\_

<b>% resources devoted to production of tanks</b>	<b>Number of tanks</b>	<b>% resources devoted to production of pizza</b>	<b>Number of pizzas</b>	<b>Row</b>
0	0	100	15	A
20	4	80	14	B
40	7	60	12	C
60	9	40	9	D
80	11	20	5	E
100	12	0	0	F

- (a) Use the information in the Table to draw the production possibilities curve (PP1) for Lavaland. Put tanks on the horizontal axis.
- (b) What is the cost to Lavaland of moving from point A to point B on its PP1?
- (c) What is the cost to Lavaland of moving from point E to point F?
- (d) What general economic principle is being illustrated by your answers to part (b) and (c) above? Explain.

163) Below is a list of resources. Indicate whether each is labour (L), capital (K), land (N), or enterprise (E). 163) \_\_\_\_\_

- a) A shopping mall.
- b) A shoal of salmon on the high seas.
- c) Lumber in a lumber yard.
- d) The work of a brain surgeon.
- e) The work done by Todd Bertuzzi, hockey player.

164) Tigris produces only two products: tennis balls and tennis racquets. Each worker comes with a fixed quantity of materials and capital, and the economy's labour force is fixed at 100 workers. The following table indicates the amounts of balls and racquets that can be produced daily with various quantities of labour: 164) \_\_\_\_\_

<b>Number of Workers</b>	<b>Daily Production of Tennis Balls</b>	<b>Number of Workers</b>	<b>Daily Production of Racquets</b>
0	0	0	0
20	80	20	30
40	150	40	50
60	200	60	65
80	230	80	75
100	250	100	80

- a) Can Tigris produce 200 balls and 60 racquets?
- b) What is the total cost of producing 150 balls?
- c) What is the total cost of producing 75 racquets?
- d) If Tigris is currently producing 230 balls, what is the cost of an additional 20 balls?
- e) If Tigris is currently producing 30 racquets, what is the cost of an additional 20 racquets?

165) The data below show the total production (in millions) of the only two goods produced in the countries of Carleton and Cumbria.

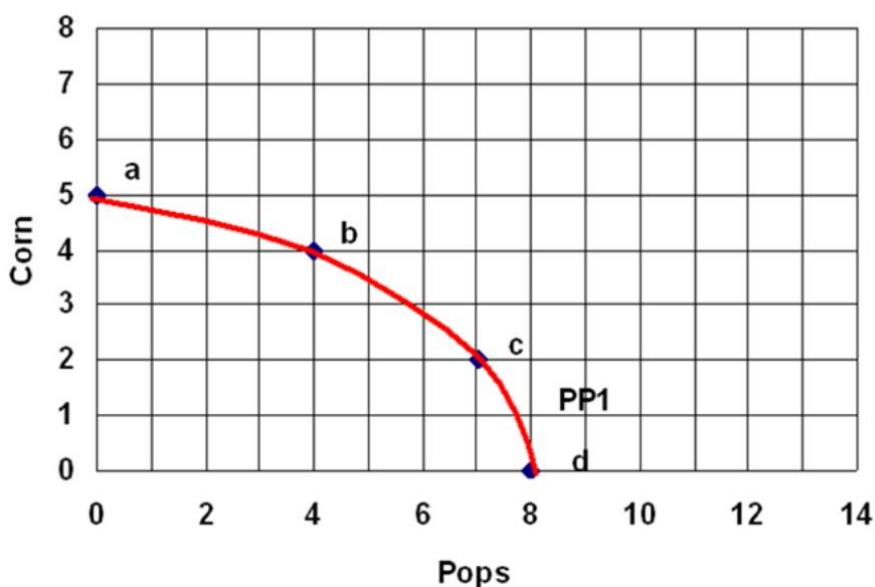
165) \_\_\_\_\_

Carleton	10 binoculars	or	15 cameras
Cumbria	12 binoculars	or	9 cameras

- What is the opportunity cost of a binocular in Carleton?
- What is the opportunity cost of a camera in Cumbria?
- If, before trade, each country was devoting half its resources to producing each product, what is the total amount they were both producing?
- If the two countries were to specialize in producing the product they do best, what would be the total amount they could produce?
- What are the total gains as a result of specialization?

166) The following graph shows the production possibilities for the economy of Esher:

166) \_\_\_\_\_



- What is the total cost of producing 7 pops?
- What is the total cost of producing 4 corns?
- What is the cost of moving from point b to point c? Suppose that Esher experiences a 50% increase in the productivity of producing Pops.
- Draw in the new production possibilities curve labelled PP2.
- If Esher wants to have 6 pops, how many corn can it now have?

- 167) Identify the following statements as either positive (P) or normative (N) and also whether they are microeconomic (MI) or macroeconomic (MA) in nature: 167) \_\_\_\_\_
- a) The government should impose a maximum on the price of oil.
  - b) The price of oil in Canada is determined by the market.
  - c) Economic growth is too low in Canada.
  - d) The lowest earning 20 percent of the Canadian population earn only 5 percent of the total income.
  - e) Unemployment is a far more serious problem than inflation.
- 168) Why is economics relevant? 168) \_\_\_\_\_
- 169) Discuss the pros and cons of economic growth. 169) \_\_\_\_\_
- 170) Discuss the pros and cons of taking from the rich and giving to the poor. 170) \_\_\_\_\_
- 171) Define economics. 171) \_\_\_\_\_
- 172) List seven macroeconomic goals. 172) \_\_\_\_\_
- 173) What is the difference between a positive and a normative statement? 173) \_\_\_\_\_
- 174) Define normative statement. Give an example. 174) \_\_\_\_\_
- 175) What is the difference between a factor of production and factor price? Give an example of each. 175) \_\_\_\_\_
- 176) Explain why voluntary trade is mutual beneficial. 176) \_\_\_\_\_
- 177) Scarcity implies choice. Explain 177) \_\_\_\_\_
- 178) Choice implies opportunity cost. Explain. 178) \_\_\_\_\_
- 179) Distinguish between a capital good and a consumer good. 179) \_\_\_\_\_
- 180) Suppose two identical economies with the same production possibility curve. If country A produces more capital goods relative to country B, which country will grow faster? Explain. 180) \_\_\_\_\_

181) Given the following production possibility curve.

181) \_\_\_\_\_

	A	B	C	D	E
Good X	20	18	15	9	0
Good Y	0	5	8	11	12

- a) What is the per unit opportunity cost from point A to point B?
- b) What is the per unit opportunity cost from point B to point C?
- c) What is the per unit opportunity cost from point C to point D?
- d) What is the per unit opportunity cost from point D to point E?

182) Is it more cost effective to remove snow from city highways with labour or capital? Explain.

182) \_\_\_\_\_

183) List the tools policy makers use to achieve economic goals

183) \_\_\_\_\_

184) Given the following production possibility curve.

184) \_\_\_\_\_

	A	B	C	D	E
Peanut Butter	30	27	22	15	0
Jelly	0	8	11	14	15

- a) What is the total cost of producing 27 units of peanut butter?
- b) What is the total cost of producing 8 units of jelly?
- c) What is the opportunity cost from point B to point D?
- d) What is the per unit cost of going from point B to point A?



185) Using the following information,

185) \_\_\_\_\_

Method	Labour	Capital	Output
A	3 units	1 unit	5 units
B	4 units	1 unit	5 units
C	2 units	2 units	5 units

- a) Which method is more efficient, Method A or Method B?
- b) Which method is more efficient, Method A or Method C?

186) Suppose both Alpha and Beta has 10 units of economic resource.  
One unit of economic resource can produce

186) \_\_\_\_\_

	Cups		Saucer
Alpha	3 units	or	1 unit
Beta	2 units	or	4 units

- a) What is the opportunity cost of 1 cup for Alpha?
- b) What is the opportunity cost of 1 saucer for Beta?
- c) If Alpha and Beta are allow to trade, would Alpha specialize in the production of cups or saucer? Explain

187) What is the difference between productive and allocative efficiency?

187) \_\_\_\_\_

188) Productivity refers to which type of efficiency?

188) \_\_\_\_\_

189) Which form of efficiency stresses the production of the 'right type' of products?

189) \_\_\_\_\_

Answer Key

Testname: UNTITLED1

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

Answer Key

Testname: UNTITLED1

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

Answer Key

Testname: UNTITLED1

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

151) TRUE

152) FALSE

153) The first fundamental question asks: What is to be produced? What this means is that all societies have to decide what types of products and what quantities of each it should produce every year. Should it put the emphasis on capital goods or consumer goods, on residential or non-residential goods, on electronic products or food stuffs and so on.

The second question is: How are these products going to be produced, i.e. what technology should we employ? Should we employ a simple but labour-intensive technology, for instance, or alternatively make use of sophisticated but expensive machinery? Should we manufacture things in giant assembly-line plants or in small workshops etc?

The final question is: For whom are these products produced? How do we allocate the products and the resulting income between people? How are we to decide what share of the economic pie each person should receive?

154)

Factors of Production	Factor explained	Factor Payments
Labour	human physical and mental effort	wages
Capital	human made resources	interest
Land	natural resources	rent
Enterprise	the innovator and risk-taker	profit

155) The law of increasing costs states that as an economy's production level of any particular item increases, its per unit cost of production rises. Perhaps one of the best examples of this law in operation is in the area of pollution. Using hypothetical figures to illustrate: 40 years ago the cost to reduce harmful automobile emissions by 30% was say \$5 a car (filtering devices etc); to reduce those emissions by a further 30% would have cost an additional \$20 a car (enforced use of unleaded gases etc); a further 30% reduction would cost an additional \$100 a car. To reduce the emissions to zero would likely cost \$2,000 a car. What this means is that the provision of cleaner and cleaner air gets increasingly expensive.

156) **Co-operation** means that decisions in society are made by people discussing things together in order to achieve a consensus, as in a commune for instance. **Command** implies a leader or group of leaders who have the authority to determine what happens without consultation with the people as happened in ancient slave societies and in modern totalitarian states like Nazi Germany or the Soviet Union. **Custom** is a feature of traditional societies like Feudal Europe, China and Japan where the fundamental questions were determined by past practice; what was good for our ancestors is good enough for us. **Competition** is the most recent of the four Cs and emerged out of the Industrial Revolution 250 years ago. It places emphasis on individuals acting separately and for their own good in producing and consuming. Here, it is the market that determines how the three fundamental questions are answered.

157) High growth rates means that the economy and the people must be able to adjust to change very quickly and this may prove to be difficult and painful. In addition, high growth rates are often associated with high rates of pollution, resource depletion, as well as traffic congestion, noise and stress.

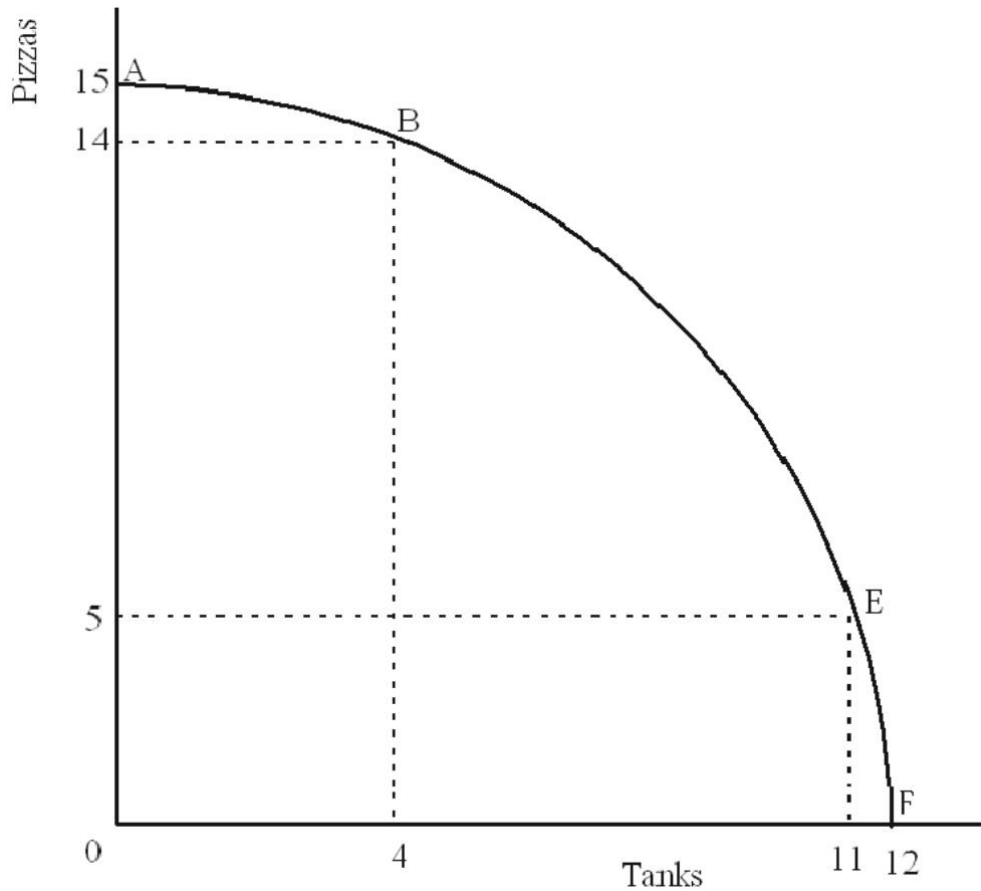
158) The \$20,000 is the direct cost of attending college. The statement failed to incorporate the opportunity cost of attending college, which includes the salary a student could have earned during a year, and also the interest rate that could have been earned, had the student deposited the money in the bank.

Answer Key

Testname: UNTITLED1

- 159) Microeconomics involves an analysis of individual parts of an economy whereas macroeconomic analysis looks at the big picture, the economy as a whole. Microeconomics is the study of individual choice, and how choice is influenced by economic forces. Macroeconomics is the study of the economy as a whole, which includes inflation, unemployment, business cycles and growth.
- 160) Microeconomics is the study of individual choice and how that choice is influenced by economic forces, while macroeconomics is the study of inflation, unemployment, business cycles, and growth primarily from the whole to the parts. Micro focuses on individual choices while macro focuses on aggregate relationships.
- (a) macroeconomics
  - (b) microeconomics
  - (c) microeconomics
  - (d) microeconomics
  - (e) macroeconomics
- 161) (a) The entire curve should shift out, since more land could presumably be used to grow either crop.  
(b) The vertical intercept will shift up, as greater amounts of corn can now be grown, but the amount of potential soybean crop remains unchanged.  
(c) The entire curve will shift out from the origin, though not necessarily by 50 percent since we do not know the productivity of the workers.  
(d) No effect, since it has changed neither the amount of inputs available nor the technology.

162) (a) The diagram should look like this:



(b) The opportunity cost of moving from point A to point B is 1 pizza.

(c) The cost of moving from point E to point F is 5 pizzas.

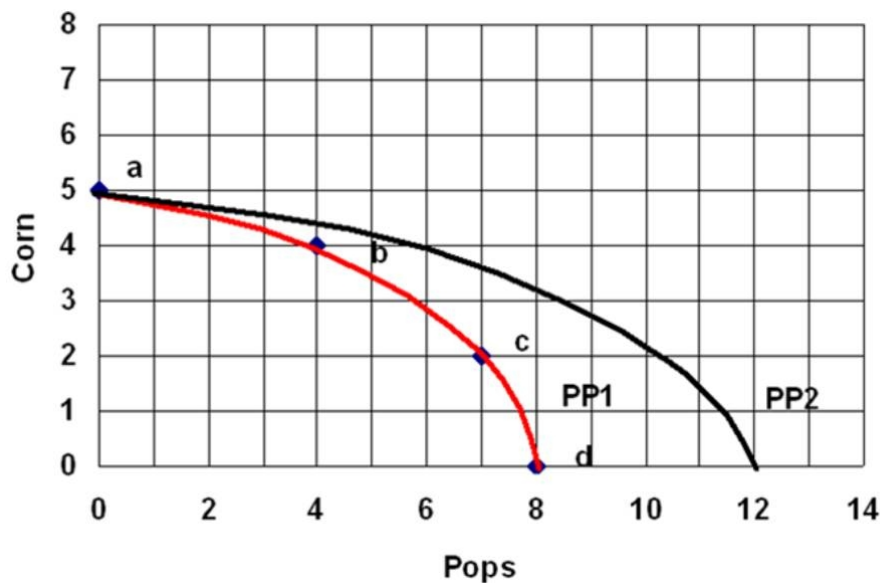
(d) In moving from A to B, Lavaland gained 4 tanks. In moving from E to F, Lavaland gained 1 tank. But the cost of attaining one tank was much more with the move from E to F than it was when the movement was from A to B. In moving from A to B each tank required the giving up of an average of 1/4 of a pizza, whereas moving from E to F one tank required giving up 5 pizzas. The increasing cost of another tank (in terms of pizzas foregone) as Lavaland moved from A to F illustrates the principle of increasing marginal opportunity cost.

- 163) a) K  
 b) N  
 c) K  
 d) L  
 e) L

Answer Key

Testname: UNTITLED1

- 164) a) No.  
b) 15 racquets.  
c) 170 balls.  
d) 30 racquets.  
e) 30 balls.
- 165) a) 1 1/2 cameras.  
b) 1 1/3 binoculars.  
c) 11 binoculars and 12 cameras.  
d) 12 binoculars and 15 cameras.  
e) 1 binocular and 3 cameras.
- 166) a) 3 corn  
b) 4 pops  
c) 2 corn  
d) See the following graph:



- e) 4 corn.
- 167) a) N MI  
b) P MI  
c) N MA  
d) P MA  
e) N MA
- 168) The study of economics helps us to understand better how the world functions. Analyzing issues from an economic dimension gives you the insight to the different arguments of many controversies in our society.



Answer Key

Testname: UNTITLED1

169) Pro

- Greater income which allowing consumers to purchase more and bigger goods.
- Higher standard of living enabling people to enjoy more leisure time.
- Increase social and political stability because dividing a growing pie is easier than dividing a shrinking pi
- Decrease in birth rate reduces the strain on the environment

Con

- Leads to greater environmental damage, increase stress and traffic congestion in people's daily life
- Too much emphasis on material things at the expense of things that are more important for personal well-being (for example, job satisfaction)

170) Pro

- Government might be able to lower social unrest and disharmony by reducing the income gap between th rich and poor.

Con

- Higher taxes distort markets.
- Disincentive to work hard and to take on risks

171) Economics is a social science that studies the ways humans and societies organize themselves to make choices about the use of scarce resources, which are used to produce the goods and services necessary to satisfy human wants and needs.

172) Improved standard of living

Economic growth

Full employment

Stable prices

Viable balance of international trade

An equitable distribution of income

Manageable government debt and deficit

173) Positive statements are assertions about the world that can be verified by using empirical data. Normative statements are based of personal value systems and cannot be verified by appealing to facts. Economic theory attempts to relate to positive statements and not normative statements.

174) Normative statements are based of personal value systems and cannot be verified by appealing to facts.

Example, the unemployment rate should be 5% or the unemployment rate ought to be 5%.

175) Factor of production is a productive resource. Factor price is what is paid for the productive resource.

Factors of production: land, labour, capital, enterprise.

Factor price: rent for land, wage for labour, interest for capital, and profit for enterprise.

176) Voluntary trade always benefits both parties because if one party does not benefit, that party will not trade.

Answer Key

Testname: UNTITLED1

- 177) Society cannot produce all the goods and service everybody wants because resources are scarce. The basic problem to an economy is unlimited needs and wants and limited resources. To best solve this problem the economy has to decide what goods and service to produce to best satisfy human needs and wants. Thus scarcity implies choice.
- 178) Since the economy cannot produce all the goods and service everybody wants, the economy has to decide what goods and services to produce. By deciding to produce one good, the economy is giving up the opportunity to produce something else. This is opportunity cost.
- 179) Consumer goods are products used by consumers to satisfy their wants and needs, for example bread and beer. Capital goods are goods used to produce consumer goods and they do not directly satisfy consumer wants and needs.
- 180) Country A will have higher economic growth. By producing more capital goods in the current period, country A will be able to produce more capital and consumer goods in the future.
- 181) a) The per unit opportunity cost from point A to point B is 0.40 units of Good X.  
b) The per unit opportunity cost from point B to point C is 1 units of Good X.  
c) The per unit opportunity cost from point B to point C is 1.33 units of Good X.  
d) The per unit opportunity cost from point B to point C is 9 units of Good X.
- 182) It depends on the opportunity cost, if the city's opportunity cost for labour is lower then the city will use labour to remove snow from city highways.
- 183) Fiscal policy  
Monetary policy  
Direct controls
- 184) a) 9 units of jelly  
b) 3 units of peanut butter  
c) 12 units of peanut butter  
d)  $\frac{8}{3}$  units of jelly
- 185) a) Method A is more efficient. Method A requires one less unit of labour the produce the same amount of output as Method B. Efficiency means getting the most for the least.  
b) Indeterminate, Method A requires one less unit of capital but one more unit of labour to produce the same amount of Method C's output. Method A and Method C uses different technology
- 186) a) The opportunity cost of 1 cup in Alpha is  $\frac{1}{3}$  saucer.  
b) The opportunity cost of 1 saucer in Beta is  $\frac{1}{2}$  cup.  
c) Alpha would specialize in the production of cups because it has a lower opportunity cost in cup production. The opportunity cost of 1 cup for Alpha is  $\frac{1}{3}$  saucer and 2 cups for Beta.
- 187) Productive efficiency refers to 'the production of an output at the lowest average cost.' Allocative efficiency refers to 'the production of the combination of products that best satisfies consumer's demand'.
- 188) Productive efficiency.
- 189) Allocative efficiency.