

ch1

Student: _____

1. Which of the following is not one of the three core economic issues that must be resolved?
 - A. How to produce the goods and services we select.
 - B. What to produce with unlimited resources.
 - C. Who should get the goods and services we produce.
 - D. What to produce with limited resources.
2. "The economy" refers to the sum of all our:
 - A. Production activities.
 - B. Production, consumption and leisure activities.
 - C. Production and consumption activities.
 - D. Consumption and leisure activities.
3. Because resources are scarce society must make decisions about all of the following except:
 - A. What to produce.
 - B. Whether scarcity exists or not.
 - C. How to produce the selected goods and services.
 - D. For whom the goods and services are produced.
4. Because resources are scarce, how many key issues must society resolve?
 - A. Multiple.
 - B. Two.
 - C. Four.
 - D. Three.
5. The fundamental problem of economics is:
 - A. The law of increasing opportunity costs.
 - B. The scarcity of resources relative to human wants.
 - C. How to get government to operate efficiently.
 - D. How to create employment for everyone.
6. In economics, scarcity means that:
 - A. A shortage of a particular good will cause the price to fall.
 - B. A production-possibilities curve cannot accurately represent the tradeoff between two goods.
 - C. Society's desires exceed the want-satisfying capability of the resources available to satisfy those desires.
 - D. The market mechanism has failed.
7. To an economist, scarcity means that:

- A. Shortages will always exist.
- B. The market mechanism cannot be relied upon.
- C. A production-possibilities curve cannot accurately represent the tradeoff between two goods.
- D. There are not enough resources available to satisfy all our desires.

8. Given that resources are scarce:

- A. A "free lunch" is possible but only for a limited number of people.
- B. Opportunity costs are experienced whenever choices are made.
- C. Poor countries must make choices but rich countries with abundant resources do not have to make choices.
- D. Some choices involve opportunity costs while other choices do not.

9. The best description of the origin of the economic problem of scarcity is that humans have:

- A. Limited wants for goods and services and resources are also limited.
- B. Limited wants for goods and services and resources are unlimited.
- C. Unlimited wants for goods and services but resources are limited.
- D. Unlimited wants for goods and services and resources are also unlimited.

10. A consequence of the economic problem of scarcity is that:

- A. Choices have to be made about how resources are used.
- B. There is never too much of any good or service produced.
- C. The production of goods and services must be controlled by the government.
- D. The production-possibilities curve is bowed outward.

11. The basic factors of production include:

- A. Land, labor, money, and capital.
- B. Land, labor, money, and inputs.
- C. Labor and capital.
- D. Land, labor, capital, and entrepreneurship.

12. Factors of production are:

- A. Scarce in every society.
- B. Scarce only in United States.
- C. Scarce only in the poorest countries of the world.
- D. Unlimited in quantity.

13. Which of the following is not a factor of production?

- A. A psychiatrist.
- B. The \$100,000 used to start a new business.
- C. A bulldozer.
- D. Six thousand acres of farmland.

14. With respect to factors of production, which of the following statements is not true?

- A. Factors of production are also known as resources.
- B. In order to produce anything, it is necessary to have factors of production.
- C. Factors of production include land, labor, capital, and entrepreneurship.
- D. Only those resources that are privately owned are counted as factors of production.

15. Which of the following is the best example of land?

- A. The ethanol refined from corn.
- B. A factory that produces new goods and services.
- C. The river water used to float a riverboat casino.
- D. A barber's chair.

16. Capital, as economists use the term, refers to:

- A. The money needed to start a new business.
- B. The costs of operating a business.
- C. Shares of stock issued by businesses.
- D. Final goods that are used to produce other goods and services.

17. Which of the following is the best example of capital and no other factor of production?

- A. Clean air.
- B. Money in a savings account.
- C. A computer used by an insurance agent to service her customers.
- D. The property on which a landfill has been established.

18. Which economist argued that free markets unleashed the "animal spirits" of entrepreneurs, propelling innovation, technology and growth?

- A. Lord Kelvin.
- B. Kenneth Olsen.
- C. Irving Fisher.
- D. Joseph Schumpeter.

19. When free markets unleash the "animal spirits" of entrepreneurs, we can expect to see:

- A. A reliance on traditional techniques.
- B. Economic growth.
- C. A concentration of wealth.
- D. Economic decline.

20. The role of the entrepreneur in an economy is to:

- A. Bring the factors of production together and assume the risk of production.
- B. Work with government planners to determine what goods are produced.
- C. Arrange bank financing for the owners of new businesses.
- D. Ensure full employment of labor.

21. Economics is the study of how:

- A. Best to use society's scarce resources.
- B. Society spends the income of individuals.
- C. Society purchases resources, given its macroeconomic goals.
- D. Individual market participants decide what to produce given fixed resource constraints.

22. Economics can be defined as the study of:

- A. For whom resources are allocated to increase efficiency.
- B. How society spends the income of individuals.
- C. How scarce resources are allocated to fulfill society's goals.
- D. What scarce resources are used to produce goods and services.

23. Opportunity cost is:

- A. Only measured in dollars and cents.
- B. The dollar cost to society of producing the goods.
- C. The difficulty associated with using one good in place of another.
- D. The alternative that must be given up in order to get something else.

24. Every time we use scarce resources in one way:

- A. We always use them in the best way possible.
- B. We forgo the opportunity to use them in other ways.
- C. A free lunch is created.
- D. This use implies that no other uses were possible.

25. Opportunity cost may be defined as the:

- A. Goods or services that are forgone in order to obtain something else.
- B. Dollar prices paid for final goods and services.
- C. Dollar cost of producing a particular product.
- D. Difference between wholesale and retail prices.

26. The opportunity cost of studying for an economics test is:

- A. Negative, since it may improve your grade.
- B. Zero, because you knew when you registered for the class that studying would be required.
- C. The money you spent on tuition for the class.
- D. The best alternative use of your time.

27. The concept of opportunity cost would become irrelevant if:

- A. The market mechanism functioned to allocate resources fairly.
- B. The government allocated resources.
- C. The production-possibilities curve bowed outward.
- D. Resources were no longer scarce.

28. The "guns versus butter" dilemma that all nations confront is that:

- A. Guns and butter cannot be produced using the same resources.

- B. An increase in national defense implies still more sacrifices of civilian goods and services.
- C. An increase in national defense is only possible if we produce less butter.
- D. Butter is scarce, while guns are not.

29. A production-possibilities curve indicates the:

- A. Combinations of goods and services an economy is actually producing.
- B. Maximum combinations of goods and services an economy can produce given its available resources and technology.
- C. Maximum combinations of goods and services an economy can produce given unlimited resources.
- D. Average combinations of goods and services an economy can produce given its available resources and technology.

30. The alternative combinations of goods and services that can be produced in a given time period with all available resources and technology is referred to as:

- A. Opportunity cost.
- B. Factors of production.
- C. Production possibilities.
- D. Capital.

31. Which of the following is an assumption under which the production-possibilities curve is drawn?

- A. There is significant unemployment.
- B. The supply of resources is fixed.
- C. The price level is changing.
- D. Technology is changing.

32. Which of the following is an assumption under which the production-possibilities curve is drawn?

- A. All goods sell for the same price.
- B. The supply of resources is growing.
- C. Resources are equally well suited for production of all outputs.
- D. Technology is fixed.

33. Production-possibilities curves demonstrate that:

- A. Producing more of one good implies a reduction in the potential production of another good.
- B. It is always possible to produce more of one good.
- C. It is always possible to produce more of one good without producing less of another.
- D. It is never possible to produce zero output.

34. A point on a nation's production-possibilities curve represents:

- A. An undesirable combination of goods and services.
- B. Combinations of production that are unattainable, given current technology and resources.
- C. Levels of production that will cause both unemployment and inflation.
- D. The full employment of resources to achieve a particular combination of goods and services.

35. Which of the following correctly characterizes the shape of a production-possibilities curve?

- A. A straight line indicating the law of increasing opportunity costs applies.
- B. A straight line when there are constant opportunity costs.
- C. A line that curves outward when resources are perfectly adaptable in the production of different goods.
- D. A line that curves inward when resources are perfectly adaptable in the production of different goods.

36. If an economy is producing on its production-possibilities curve, then producing:

- A. More of one good implies producing more of another good.
- B. More of one good implies producing less of another good.
- C. Less of one good implies producing less of another good.
- D. More of one good implies shifting the curve toward the origin.

37. The production-possibilities curve illustrates:

- A. The limitations that exist because of scarce resources.
- B. That there is no limit to what an economy can produce.
- C. That there is no limit to the level of output.
- D. The existence of unlimited wants and resources.

38. The production-possibilities curve illustrates that:

- A. Society can always produce more of all goods simultaneously.
- B. Constant opportunity costs always exist.
- C. There are no opportunity costs in a wealthy economy.
- D. If society is efficient, it can produce more of one good only if it reduces output of another good.

39. According to the law of increasing opportunity costs:

- A. The more one is willing to pay for resources, the larger will be the possible level of production.
- B. Increasing the production of a particular good will cause the price of the good to rise.
- C. In order to produce additional units of a particular good, it is necessary for society to sacrifice increasingly larger amounts of alternative goods.
- D. Only by keeping production constant can rising prices be avoided.

40. The law of increasing opportunity costs explains:

- A. How everything becomes more expensive as the economy grows.
- B. The shape of the production-possibilities curve.
- C. Inflation.
- D. The position of the production-possibilities curve.

41. According to the law of increasing opportunity costs:

- A. Greater production leads to greater inefficiency.
- B. Greater production means factor prices rise.
- C. Greater production of one good requires increasingly larger sacrifices of other goods.
- D. Higher opportunity costs induce higher output per unit of input.

42. If an economy experiences increasing opportunity costs with respect to two goods, then the production-possibilities curve between the two goods will be:
- A. Bowed outward.
 - B. A straight, downward-sloping line.
 - C. Bowed inward.
 - D. Bowed outward until the two goods are equal, and then bowed inward.
43. The production-possibilities curve bows outward because:
- A. Resources are used inefficiently as more of a good is produced.
 - B. In order to get more of a particular good, increasing quantities of other goods must be given up.
 - C. Resources move easily from the production of one good to the production of another.
 - D. Resources are scarce and choices must be made.
44. If the United States decides to convert automobile factories to tank production, as it did during World War II, but finds that some auto manufacturing facilities are not well suited to tank production, then:
- A. The production-possibilities curve between tanks and automobiles will appear as a straight line.
 - B. The production-possibilities curve between tanks and automobiles will shift outward.
 - C. Decreasing opportunity costs will occur with greater automobile production.
 - D. Increasing opportunity costs will occur with greater tank production.
45. If Korea increases the size of its military, then, as long as nothing else changes, its:
- A. Production-possibilities curve will shift outward.
 - B. Production-possibilities curve will shift inward.
 - C. Production of non-military goods will increase.
 - D. Production of non-military goods will decrease.
46. If China decreases the size of its military, then, as long as nothing else changes, its:
- A. Production-possibilities curve will shift outward.
 - B. Production-possibilities curve will shift inward.
 - C. Production of non-military goods will increase.
 - D. Production of non-military goods will decrease.
47. Korea's inability to feed itself is partly due to the fact that:
- A. Resources used for the military aren't available for food production.
 - B. It does not own resources that are useful for food production.
 - C. Other nations hesitate to trade with Korea.
 - D. Korea operates significantly below its production-possibilities curve.
48. Efficiency can be defined as the:
- A. Maximum resources used in producing a given output level.
 - B. Maximum output of a good produced from the available resources.
 - C. Minimum output of a good produced from the available resources.

D. Maximum output of a good produced if all resources are devoted to its production.

49. When an economy is producing efficiently it is:

- A. Producing a combination of goods and services beyond the production-possibilities curve.
- B. Getting the most goods and services from the available resources.
- C. Experiencing decreasing opportunity costs.
- D. Producing equal amounts of all goods.

50. Which of the following is true when an economy is producing efficiently?

- A. The economy is producing on the production-possibilities curve.
- B. Goods and services are being produced using the most resources.
- C. The economy is getting the fewest goods and services from the available resources.
- D. Everyone in the economy is happy.

51. Every point on the production-possibilities curve is considered to be:

- A. Efficient.
- B. An optimal level of output.
- C. Equally desirable.
- D. Undesirable.

52. The points on a production-possibilities curve show:

- A. Desired output.
- B. Actual output.
- C. Potential output.
- D. All of the above.

53. In terms of the production-possibilities curve, inefficiency is represented by:

- A. All points on the curve.
- B. All points outside the curve.
- C. All points inside the curve.
- D. A rightward shift of the curve.

54. If an economy is producing inside the production-possibilities curve, then:

- A. It does not have enough resources to be efficient.
- B. It must give up some of one good to produce more of another good.
- C. The curve needs to shift inward.
- D. It is using its resources inefficiently.

55. If an economy is producing inside the production-possibilities curve, then:

- A. There is full employment of resources.
- B. It is operating efficiently.
- C. It can produce more of one good without giving up some of another good.
- D. There are not enough resources available to produce more output.

56. When technological change allows a smaller amount of a resource to be used in producing two goods shown on a production-possibilities curve, there will be:
- A. A movement along the production-possibilities curve.
 - B. An inward shift of the production-possibilities curve.
 - C. An outward shift of the production-possibilities curve.
 - D. No change in the production-possibilities curve.
57. A technological advance would best be represented by:
- A. A shift outward of the production-possibilities curve.
 - B. A shift inward of the production-possibilities curve.
 - C. A movement from inside the production-possibilities curve to a point on the production-possibilities curve.
 - D. A movement from the production-possibilities curve to a point inside the production-possibilities curve.
58. Which of the following events would allow the production-possibilities curve to shift outward?
- A. The economy's capital stock declines.
 - B. More teenagers enter the labor force.
 - C. Technology is lost.
 - D. People begin to retire at earlier ages.
59. Which of the following events would allow the production-possibilities curve to shift outward?
- A. More people retire before the traditional retirement age of 65.
 - B. People take less vacation time.
 - C. Hail storms and tornadoes strike a number of states.
 - D. People decide that they prefer more food and less of other goods.
60. The production-possibilities curve shifts outward in response to:
- A. Better technology or fewer resources or both.
 - B. Better technology or more resources or both.
 - C. Declining technology or fewer resources or both.
 - D. Declining technology or more resources or both.
61. Economic growth would best be represented by a:
- A. Shift outward of the production-possibilities curve.
 - B. Shift inward of the production-possibilities curve.
 - C. Movement from inside the production-possibilities curve to a point on the production-possibilities curve.
 - D. Movement from the production-possibilities curve to a point inside the production-possibilities curve.
62. Which of the following events would cause the production-possibilities curve to shift outward?
- A. A labor strike.

- B. The full employment of resources.
- C. Increased efficiency in the use of resources.
- D. A decrease in available resources.

63. Which of the following events would cause the production-possibilities curve to shift inward?

- A. A decrease in the supply of labor.
- B. An increase in the number of factories.
- C. A technological breakthrough occurs that makes production of all goods more efficient.
- D. An increase in the unemployment rate.

64. Which of the following will cause the production-possibilities curve to shift inward?

- A. An increase in population.
- B. A decrease in the size of the labor force.
- C. A technological advance.
- D. An increase in knowledge.

65. A decrease in available resources would cause:

- A. An economy to move inside its production-possibilities curve.
- B. The production-possibilities curve to shift inward.
- C. Opportunity costs to increase.
- D. The unemployment of resources.

66. The availability of fewer resources can be represented by:

- A. An inward shift of the production-possibilities curve.
- B. No change in the production-possibilities curve.
- C. A movement along the production-possibilities curve.
- D. An outward shift of the production-possibilities curve.

67. Which of the following is not a basic decision that all nations must confront?

- A. Should we have economic growth?
- B. How should we produce goods and services?
- C. For whom should goods and services be produced?
- D. What goods and services should we produce?

68. In a market economy, the question of WHAT to produce is answered by:

- A. Direct negotiations between consumers and producers.
- B. Producer profits and sales.
- C. Government directives.
- D. A democratic vote of all producers.

69. In a market economy, the question of HOW to produce is determined by:

- A. Government planners.
- B. The production possibilities curve.

- C. The least-cost method of production.
- D. The method of production which uses the least amount of labor.

70. In a market economy, the people who receive the goods and services that are produced are those who:

- A. Need the goods and services the most.
- B. Have the most political power.
- C. Want the goods and services the most.
- D. Are willing to pay the highest price.

71. The market mechanism may best be defined as:

- A. The use of market prices and sales to signal desired output.
- B. The use of market signals and government directives to select economic outcomes.
- C. The process by which the production-possibilities curve shifts inward.
- D. Price regulation by government.

72. The market mechanism:

- A. Allows buyers to communicate with producers indirectly.
- B. Is directed by the government in order to promote efficiency.
- C. Results in the misallocation of resources because producers seek to maximize profits.
- D. Allocates goods in an equitable manner.

73. The market mechanism:

- A. Is not a very efficient means of communicating consumer demand to the producers of goods and services.
- B. Works through central planning by government.
- C. Eliminates market failures created by government.
- D. Works because prices serve as a means of communication between consumers and producers.

74. The invisible hand refers to:

- A. Intervention in the economy by the government bureaucrats we do not see and over whom we have no control.
- B. Undiscovered natural resources.
- C. The allocation of resources by market forces.
- D. The person who has the responsibility to coordinate all the markets in a market economy.

75. The doctrine of laissez faire is based on the belief that:

- A. Markets are likely to do a better job of allocating resources than government directives.
- B. Government directives are likely to do a better job of allocating resources than markets.
- C. Government failure does not exist.
- D. Markets result in an unfair distribution of income.

76. Which of the following would advocate a laissez faire economic policy?

- A. Karl Marx.
- B. John Maynard Keynes.
- C. Adam Smith.
- D. President Franklin Roosevelt.

77. A city's decision to limit smoking in public areas is an example of:

- A. The invisible hand at work.
- B. The market mechanism at work.
- C. Market failure.
- D. Government intervention.

78. Karl Marx believed that the best use of resources would result from:

- A. Government directives.
- B. Laissez faire policies.
- C. Production decisions based on costs alone.
- D. A mixture of government directives and market signals.

79. Karl Marx wrote:

- A. The Wealth of Nations, which provided the rationale for centrally-planned economies.
- B. The Wealth of Nations, which described the virtues of market-based economies.
- C. Das Kapital, which provided the rationale for centrally-planned economies.
- D. Das Kapital, which described the virtues of market-based economies.

80. In a mixed economy like that in the United States, the question of WHAT to produce is determined by:

- A. Government directives only.
- B. Price signals and sales in markets only.
- C. Both government directives, and price signals and sales in markets.
- D. The invisible hand only.

81. A mixed economy:

- A. Is justified by the superiority of laissez faire over government intervention.
- B. Utilizes both market and nonmarket signals to allocate goods and services.
- C. Relies on the use of central planning by private firms rather than the government.
- D. Is one that allows trade with other countries.

82. Which of the following is the most appropriate way to match different economic systems with their corresponding failures?

- A. Market failures with command economies.
- B. Government failures with market economies.
- C. Market failures and government failures with mixed economies.
- D. Neither market nor government failure in a purely capitalist economy.

83. Which of the following can be used to correct market failure?

- A. The market mechanism.
- B. Laws and regulations.
- C. Laissez-faire price policies.
- D. Government failure.

84. When the invisible hand does not produce optimal outcomes for the economy, there is evidence of:

- A. Market failure.
- B. Government failure.
- C. Macroeconomic failure.
- D. Scarcity.

85. Government intervention may achieve a more optimal outcome than the market mechanism when addressing:

- A. Inefficient bureaucracy.
- B. Consumption of cigarettes.
- C. Lack of incentive to try new products or technologies.
- D. Inefficient bureaucracy, consumption of cigarettes, and lack of incentive to try new products or technologies.

86. If market signals result in pollution beyond the optimal level then:

- A. The economy experiences government failure.
- B. A laissez-faire approach will reduce the level of pollution.
- C. The market mechanism has failed.
- D. The government is allocating resources inefficiently.

87. Pollution is an example of:

- A. Inefficient operation by the firm that is polluting.
- B. Market failure.
- C. The ability of central planning to provide the optimal quantities of goods.
- D. Government failure.

88. The collapse of communism is evidence of:

- A. Ceteris paribus.
- B. Government failure.
- C. Market failure.
- D. The failure of a mixed economy.

89. When government directives do not produce better economic outcomes, which of the following has occurred?

- A. Government failure.
- B. Market failure.
- C. Macroeconomic failure.
- D. Scarcity.

90. Which of the following is an example of government failure?
- A. Bureaucratic delays.
 - B. Required use of pollution-control technologies that are obsolete.
 - C. Inefficient incentives.
 - D. Bureaucratic delays, required use of pollution-control technologies that are obsolete, and inefficient incentives.
91. Macroeconomics focuses on the performance of:
- A. Individual consumers.
 - B. Government agencies.
 - C. The overall economy.
 - D. All of the above.
92. Macroeconomics focuses on the performance of:
- A. Individual firms.
 - B. Particular government agencies.
 - C. Specific consumers.
 - D. The entire economy.
93. Which of the following is not a macroeconomic statement?
- A. The unemployment rate for the United States rose to 5 percent in the last quarter.
 - B. The price of corn rose to a ten year low in August.
 - C. Congress increased the minimum wage rate in January.
 - D. Jenny's wage rate rose and, in response, she decided to work more hours.
94. Which of the following are classified as microeconomic goals?
- A. Full employment, price stability, growth in output.
 - B. The welfare of individual consumers and business firms.
 - C. Production, pricing, and purchasing.
 - D. Land, labor, and capital.
95. The study of microeconomic theory focuses on the:
- A. Structure and performance of markets and the operation of the price system.
 - B. Operation of the entire economy.
 - C. Role of the banking system in the economy.
 - D. Interaction of international trade and domestic production of goods and services.
96. Microeconomics is concerned with issues such as:
- A. The demand for bottled water by individuals.
 - B. The level of inflation in the economy.
 - C. Maintaining a strong level of economic growth.
 - D. All of the above.

97. Economic models are used by economists to:

- A. Predict economic behavior.
- B. Develop economic policies.
- C. Explain economic behavior.
- D. Predict economic behavior, develop economic policies, and explain economic behavior.

98. The Latin phrase *ceteris paribus* means:

- A. The production-possibilities curve never shifts.
- B. Laissez faire.
- C. Other things remain equal.
- D. The invisible hand.

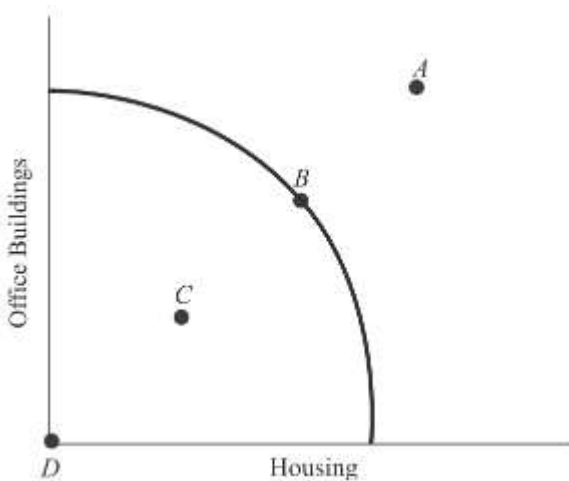


Figure 1.1
Production-possibilities curve

99. At which point is society employing some of its available technology but not all of it? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

100. At which point is society not able to produce either good because it is so inefficient? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

101. At which point is society producing the most output possible with the available resources and technology? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

102. At which point is society producing some of each type of structure but still producing inefficiently? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

103. At which point is society achieving productive efficiency? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

104. At which point might society be able to produce this combination if new resources were discovered but cannot produce at with current resources? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

105. At which point is society not able to produce with existing resources and technology? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

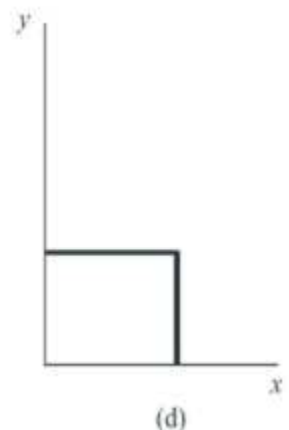
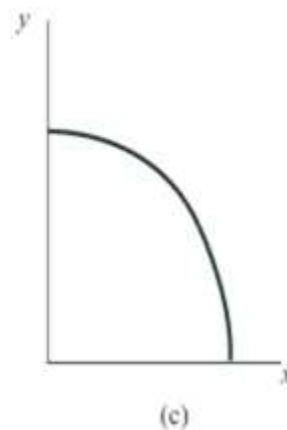
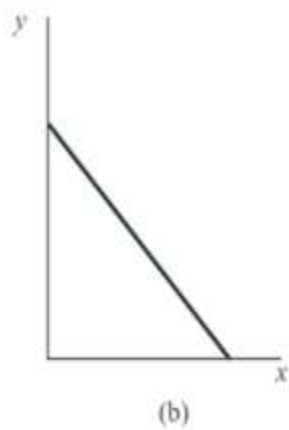
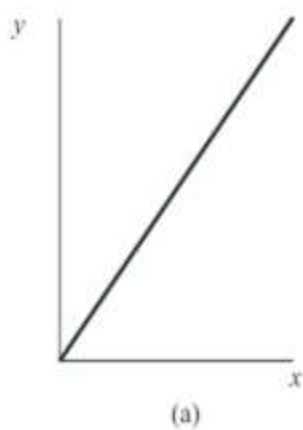


Figure 1.2

Production-possibilities curves

106. Choose the letter of the curve in Figure 1.2 that best represents a production-possibilities curve for two goods that use entirely different resources and for which the resources can in no way be adapted from the production of one good to the other.

- A. A.
- B. B.
- C. C.
- D. D.

107. Choose the letter of the curve in Figure 1.2 that best represents a production-possibilities curve for two goods that obey the law of increasing opportunity costs.

- A. A.
- B. B.
- C. C.
- D. D.

108. Choose the letter of the curve in Figure 1.2 that best represents a production-possibilities curve for two goods for which there are constant opportunity costs.

- A. A.
- B. B.
- C. C.
- D. D.

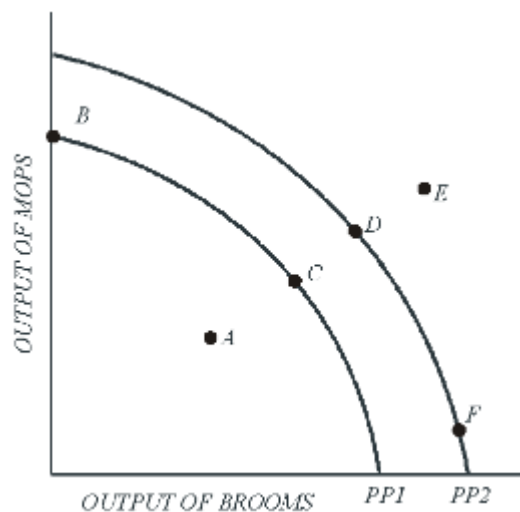


Figure 1.3

109. Using Figure 1.3, an increase in the capacity to produce can be represented by a movement from:

- A. Point A to point B.
- B. Point A to point C.
- C. Point B to point C.
- D. Point C to point F.

110. Using Figure 1.3, at point A:

- A. There is inefficient use of available resources.
- B. The available technology keeps production inside PP1.
- C. All available resources are being used efficiently.
- D. An increase in the production of mops would definitely require a decrease in the production of brooms.

111. Which of the following is true about the combination of mops and brooms represented by point E in Figure 1.3?

- A. This economy will never be able to reach point E.
- B. Point E is attainable if this economy uses more of its available resources.
- C. Point E is attainable if this economy becomes more efficient.
- D. Point E is attainable only if more resources become available or technological advances are made.

112. An increase in the proportion of the population that is unemployed is best represented in Figure 1.3 by a movement from point:

- A. C to point D.
- B. D to point C.
- C. C to point A.
- D. E to point D.

113. A movement from point F to point D in Figure 1.3 results in:

- A. A reallocation of resources from mop production to broom production.
- B. Permanent unemployment of workers producing brooms.
- C. A reallocation of resources from broom production to mop production.
- D. More efficient production.

114. In Figure 1.3, a shift of the production possibilities curve from PP1 to PP2 could be caused by:

- A. A decrease in the quantity of raw materials available.
- B. A decline in the production skills of workers.
- C. The use of improved production technology.
- D. All of the above could cause the shift.

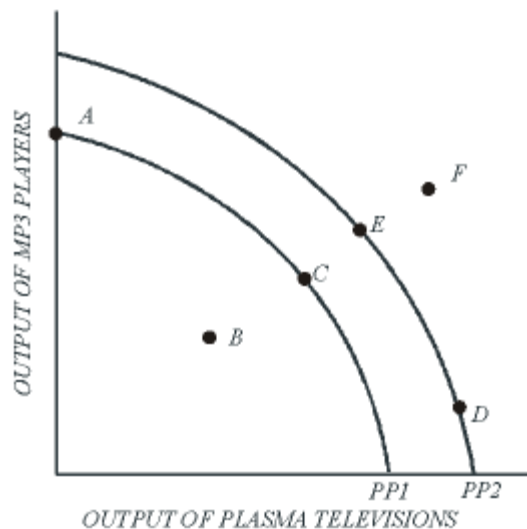


Figure 1.4

115. Using Figure 1.4, an increase in the capacity to produce can be represented by a movement from point:

- A. A to point B.
- B. C to point E.
- C. A to point C.
- D. D to point E.

116. Refer to Figure 1.4, at Point B:

- A. The available technology keeps production inside PP1.
- B. All available resources are being used efficiently.
- C. There is inefficient use of available resources.
- D. An increase in the production of plasma televisions would definitely require a decrease in the production of MP3 players.

117. Which of the following is true about the combination of plasma televisions and MP3 players represented by point F in Figure 1.4?

- A. This economy will never be able to reach point F.
- B. Point F is attainable if this economy reduces its unemployment rate.
- C. Point F will be more easily attainable if the government takes control of all privately-run factories.
- D. Point F can possibly be reached if more economic resources become available or technology improves.

118. A decrease in the proportion of the population that is unemployed is best represented in Figure 1.4 by a movement from point:

- A. C to point B.
- B. B to point C.
- C. C to point E.
- D. E to point F.

119. A movement from point C to point A in Figure 1.4 results in:

- A. More efficient production.
- B. Permanent unemployment of workers producing plasma televisions.
- C. A reallocation of resources from MP3 player production to plasma television production.
- D. A reallocation of resources from plasma television production to MP3 player production.

120. In Figure 1.4, a shift of the production-possibilities curve from PP1 to PP2 could be caused by:

- A. An increase in the unemployment rate.
- B. Implementation of training programs which improve the skills of workers.
- C. Better use of existing technology.
- D. Tougher pollution controls for the producers of plasma televisions and MP3 players.

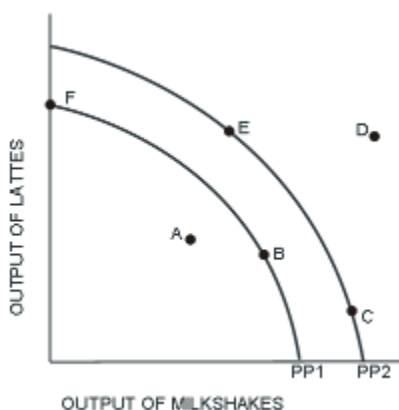


Figure 1.5

121. Using Figure 1.5, if an economy has the capacity to produce represented by PP2 then point E represents:

- A. A constant tradeoff between lattes and milkshakes.
- B. A combination of lattes and milkshakes that is not attainable.
- C. An efficient use of resources.
- D. The unemployment of resources.

122. Using Figure 1.5, if an economy is currently producing on PP2, which of the following would shift the production-possibilities curve toward PP1?

- A. An increase in the quantity of labor available.
- B. A decrease in the amount of capital available.
- C. An increase in the level of unemployment.
- D. An advancement in technology.

123. In Figure 1.5, if the opportunity cost of producing milkshakes was zero at all levels of production, the production-possibilities curve would best be represented by a:

- A. Vertical straight line.
- B. 45-degree line starting at the origin.
- C. Horizontal straight line.

D. Circle.

124. In Figure 1.5, at which of the following points would the opportunity cost of producing another latte be greatest?

- A. D.
- B. E.
- C. B.
- D. C.

125. In Figure 1.5, at which of the following points would the opportunity cost of producing another milkshake be greatest?

- A. F.
- B. E.
- C. B.
- D. C.

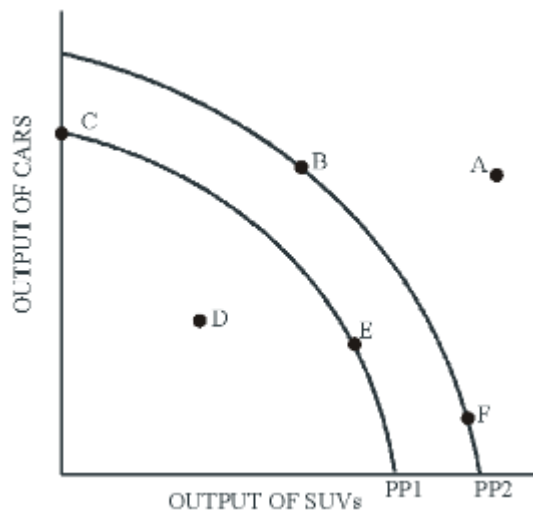


Figure 1.6

126. Using Figure 1.6, if an economy has the capacity to produce represented by PP1 then point E represents:

- A. A combination of cars and SUVs that is not attainable.
- B. A constant tradeoff between cars and SUVs.
- C. The unemployment of resources.
- D. An efficient use of resources.

127. In Figure 1.6, if the opportunity cost of producing cars was zero at all levels of production, the production-possibilities curve would be best represented by a:

- A. Vertical straight line.
- B. 45-degree line starting at the origin.
- C. Horizontal straight line.
- D. Circle.

128. In Figure 1.6, at which of the following points would the opportunity cost of producing an additional SUV be the lowest?

- A. B.
- B. E.
- C. A.
- D. F.

129. In Figure 1.6, at which of the following points would the opportunity cost of producing one more car be the lowest?

- A. F.
- B. E.
- C. B.
- D. C.

130. In Figure 1.6, at which of the following points would the opportunity cost of producing one more SUV be the highest?

- A. C.
- B. B.
- C. A.
- D. F.

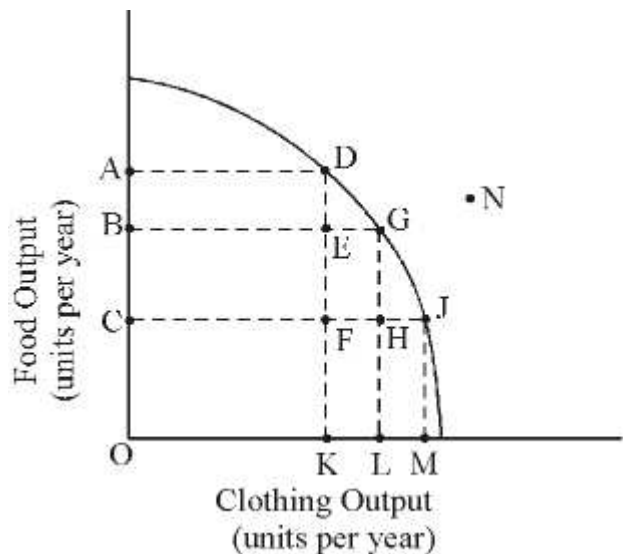


Figure 1.7

131. Refer to Figure 1.7. This economy will achieve efficiency in production at:

- A. Point D only.
- B. Point G only.
- C. Point J only.
- D. Points D, G, and J.

132. Refer to Figure 1.7. The cost of producing at point G rather than point D is:

- A. OA units of food.
- B. KL units of clothing.
- C. AB units of food.
- D. OL units of clothing.

133. Refer to Figure 1.7. The benefit of producing at point G rather than point D is:

- A. OA units of food.
- B. KL units of clothing.
- C. AB units of food.
- D. OL units of clothing.

134. Refer to Figure 1.7. The cost of producing at point D rather than point J is:

- A. KM units of clothing.
- B. AC units of food.
- C. OM units of clothing.
- D. OA units of food.

135. Refer to Figure 1.7. The benefit of producing at point D rather than point J is:

- A. KM units of clothing.
- B. OA units of food.
- C. OM units of clothing.
- D. AC units of food.

136. Refer to Figure 1.7. If this economy is currently producing at point F, then by employing more resources this economy:

- A. Can move to point D, but not points G or J.
- B. Can move to points D, G or J.
- C. Can move to point G, but not points D or J.
- D. Will remain at point F.

137. Refer to Figure 1.7. Which of the following points are considered to be inefficient?

- A. D.
- B. E.
- C. G.
- D. D, G, and J.

138. Refer to Figure 1.7. Which of the following points are unattainable?

- A. G.
- B. F.
- C. N.
- D. E.

139. Refer to Figure 1.7. Which of the following points show unemployment of resources?

- A. H.
- B. J.
- C. N.
- D. D.

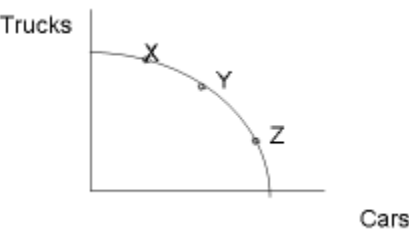


Figure 1.8

140. Refer to Figure 1.8. Assume that Point X is associated with production of 500 cars and 1,000 trucks while Point Y is associated with production of 600 cars and 950 trucks. If Point Z is associated with production of 700 cars, then it is most reasonable to assume that Point Z is also associated with production of:
- A. 1,100 trucks.
 - B. 950 trucks.
 - C. 900 trucks.
 - D. 812 trucks.
141. Refer to Figure 1.8. Assume that Point Z is associated with production of 10,000 cars and 10,000 trucks while Point Y is associated with production of 8,000 cars and 9,000 trucks. If Point Z is associated with production of 700 cars, then it is most reasonable to assume that Point Z is also associated with production of:
- A. 7,300 cars.
 - B. 7,600 cars.
 - C. 8,000 cars.
 - D. 8,800 cars.

Table 1.1 shows the hypothetical tradeoff between different combinations of Stealth bombers and B-1 bombers that might be produced in a year with the limited U.S. capacity, *ceteris paribus*. Complete the table by calculating the required opportunity costs for both the B-1 and Stealth bombers. Then answer the indicated questions.

Combination	Number of Stealth Bombers	Opportunity cost of Stealth bombers in terms of B-1s	Number of B-1s	Opportunity cost of B-1s in terms of Stealth bombers
S	10	_____	0	_____
T	9	_____	1	_____
U	7	_____	2	_____
V	4	_____	3	_____

Table 1.1

Production possibilities for bombers

142. On the basis of your calculations in Table 1.1, you may infer that the law of increasing opportunity costs applies to:
- A. Stealth bombers but not to B-1 bombers.
 - B. B-1 bombers but not to Stealth bombers.
 - C. Both B-1 bombers and Stealth bombers.
 - D. Neither B-1 bombers nor Stealth bombers.
143. On the basis of your calculations in Table 1.1, what is the opportunity cost of producing at point S rather than point T?
- A. 1 Stealth bomber.
 - B. 1 B-1 bomber.
 - C. 10 Stealth bombers.
 - D. 0.9 Stealth bombers.
144. On the basis of your calculations in Table 1.1, what is gained by producing at point S rather than point T?
- A. 1 Stealth bomber.
 - B. 1 B-1 bomber.
 - C. 10 Stealth bombers.
 - D. 0.9 Stealth bombers.
145. On the basis of your calculations in Table 1.1, what is the opportunity cost of producing at point V rather than point U?
- A. 3 B-1 bombers.
 - B. 1 B-1 bomber.
 - C. 4 Stealth bombers.
 - D. 3 Stealth bombers.
146. On the basis of your calculations in Table 1.1, what is gained by producing at point V rather than point U?
- A. 3 B-1 bombers.
 - B. 1 B-1 bomber.
 - C. 4 Stealth bombers.
 - D. 3 Stealth bombers.
147. In Table 1.1, the opportunity cost of increasing the production of B-1s from 1 to 2 in terms of Stealth bombers is:
- A. 1.
 - B. 2.
 - C. 0.33.
 - D. 2.

148. Refer to Table 1.1. In the production range of 7 to 9 Stealths, the opportunity cost of producing 1 more Stealth bomber in terms of B-1s is:

- A. 0.
- B. 3.
- C. 0.5.
- D. 2.

149. The highest opportunity cost anywhere in Table 1.1 for Stealth bombers in terms of B-1 bombers is:

- A. 1 B-1 per Stealth bomber.
- B. 3 B-1s per Stealth bomber.
- C. 2 B-1s per Stealth bomber.
- D. 0.5 B-1 per Stealth bomber.

150. The lowest opportunity cost anywhere in Table 1.1 for Stealth bombers in terms of B-1 bombers is:

- A. 0.1 B-1 per Stealth bomber.
- B. 0.5 B-1 per Stealth bomber.
- C. 2 B-1s per Stealth bomber.
- D. 0.33 B-1 per Stealth bomber.

151. The highest opportunity cost anywhere in Table 1.1 for B-1 bombers in terms of Stealth bombers is:

- A. 1 Stealth per B-1 bomber.
- B. 3 Stealths per B-1 bomber.
- C. 2 Stealths per B-1 bomber.
- D. 0.5 Stealth per B-1 bomber.

152. The lowest opportunity cost anywhere in Table 1.1 for B-1 bombers in terms of Stealth bombers is:

- A. 0 Stealth per B-1 bomber.
- B. 2 Stealths per B-1 bomber.
- C. 1 Stealths per B-1 bomber.
- D. 0.5 Stealth per B-1 bomber.

153. What is the relationship between the opportunity cost of Stealth bombers and the opportunity cost of B-1 bombers in Table 1.1?

- A. They are reciprocals of each other.
- B. As one increases the other increases.
- C. Neither conform to the law of increasing opportunity cost.
- D. They are reciprocals of each other and neither conforms to the law of increasing opportunity cost.

Table 1.2 shows the hypothetical tradeoff between different combinations of Stealth bombers and B-1 bombers that might be produced in a year with the limited U.S. capacity, *ceteris paribus*. Complete

the table by calculating the required opportunity costs for both the B-1 and Stealth bombers. Then answer the indicated questions.

Combination	Number of Stealth Bombers	Opportunity cost of Stealth bombers in terms of B-1 bombers	Number of B-1 bombers	Opportunity cost of B-1 bombers in terms of Stealth bombers
A	195	_____	20	_____
B	180	_____	35	_____
C	150	_____	45	_____
D	100	_____	50	_____

Table 1.2

Production possibilities for bombers

154. On the basis of your calculations in Table 1.2, the law of increasing opportunity costs applies to:

- A. Both B-1 and Stealth bombers.
- B. B-1 bombers but not to Stealth bombers.
- C. Stealth bombers but not to B-1 bombers.
- D. Neither bomber.

155. On the basis of your calculations in Table 1.2, what is the opportunity cost of producing at point B rather than point C?

- A. 45 B-1 bombers.
- B. 35 Stealth bombers.
- C. 180 Stealth bombers.
- D. 10 B-1 bombers.

156. On the basis of your calculations in Table 1.2, what is gained by producing at point B rather than point C?

- A. 45 B-1 bombers.
- B. 30 Stealth bombers.
- C. 180 Stealth bombers.
- D. 10 B-1 bombers.

157. On the basis of your calculations in Table 1.2, what is the opportunity cost of producing at point B rather than point A?

- A. 15 Stealth bombers.
- B. 15 B-1 bombers.
- C. 195 Stealth bombers.
- D. 20 B-1 bombers.

158. On the basis of your calculations in Table 1.2, what is gained by producing at point B rather than point A?

- A. 35 B-1 bombers.

- B. 195 Stealth bombers.
- C. 15 B-1 bombers.
- D. 15 Stealth bombers.

159. Refer to Table 1.2. In the production range of 20 to 35 B-1s, the opportunity cost of producing 1 more B-1 bomber in terms of Stealth bombers is:

- A. 195/20.
- B. 35/20.
- C. 15.
- D. 1.

160. Refer to Table 1.2. In the production range of 180 to 195 Stealth bombers, the opportunity cost of producing 1 more Stealth bomber in terms of B-1 bombers is:

- A. 15.
- B. 1.
- C. 195/20.
- D. 195/180.

161. The highest opportunity cost anywhere in Table 1.2 for B-1 bombers in terms of Stealth bombers is:

- A. 10 Stealths per B-1 bomber.
- B. .33 B-1 per Stealth bomber.
- C. .10 B-1 bomber per Stealth bomber.
- D. .10 Stealth per B-1 bomber.

162. The lowest opportunity cost anywhere in Table 1.2 for Stealth bombers in terms of B-1 bombers is:

- A. 3 B-1s per Stealth bomber.
- B. .33 B-1 per Stealth bomber.
- C. 10 B-1s per Stealth bomber.
- D. .10 B-1 per Stealth bomber.

163. In Table 1.2, what is the relationship between the opportunity cost of Stealth bombers and the opportunity cost of B-1 bombers?

- A. They are reciprocals of each other.
- B. As one increases the other increases.
- C. Neither conforms to the law of increasing opportunity cost.
- D. They are multiples of each other.

Table 1.3 shows the hypothetical tradeoff between different combinations of brushes and combs that might be produced in a year with the limited capacity for Country X, *ceteris paribus*. Complete the table by calculating the required opportunity costs for brushes and combs. Then answer the indicated questions.

Combination	Number of combs	Opportunity cost of combs in terms of brushes	Number of brushes	Opportunity cost of brushes in terms of combs
J	0		4	
K	10		3	
L	17		2	
M	21		1	
N	23		0	

Table 1.3

Production possibilities for brushes and combs

164. On the basis of your calculations in Table 1.3, what is the opportunity cost of producing at point M rather than point N?
- A. 23 combs.
 - B. 21 combs.
 - C. 1 brush.
 - D. 2 combs.
165. On the basis of your calculations in Table 1.3, what is gained by producing at point M rather than point N?
- A. 23 combs.
 - B. 21 combs.
 - C. 1 brush.
 - D. 2 combs.
166. On the basis of your calculations in Table 1.3, what is the opportunity cost of producing at point L rather than point K?
- A. 17 combs.
 - B. 2 brushes.
 - C. 1 brush.
 - D. 7 combs.
167. On the basis of your calculations in Table 1.3, what is gained from producing at point L rather than point K?
- A. 17 combs.
 - B. 10 combs.
 - C. 1 brush.
 - D. 7 combs.
168. On the basis of your calculations in Table 1.3, the law of increasing opportunity costs applies to:
- A. Both brushes and combs.
 - B. Combs but not brushes.

- C. Brushes but not combs.
- D. Neither brushes nor combs.

169. On the basis of your calculations in Table 1.3, in the production range of 2 to 3 brushes the opportunity cost of producing 1 more brush in terms of combs is:

- A. 3.33.
- B. 7.0.
- C. 0.67.
- D. 0.14.

170. On the basis of your calculations in Table 1.3, in the production range of 21 to 23 combs the opportunity cost of producing more comb in terms of brushes is:

- A. 1/21.
- B. 21/23.
- C. 1/2.
- D. 4.

171. On the basis of your calculations in Table 1.3, in the production range of 1 to 2 brushes the opportunity cost of producing 1 more brush in terms of combs is:

- A. 4.
- B. 1/2.
- C. 2/17.
- D. 1/7.

172. On the basis of your calculations in Table 1.3, the highest opportunity cost for combs in terms of brushes is:

- A. 0.10 combs per brush.
- B. 23 combs per brush.
- C. 0.50 combs per brush.
- D. 0.29 combs per brush.

173. On the basis of your calculations in Table 1.3, the lowest opportunity cost for brushes in terms of combs is:

- A. 10 brushes per comb.
- B. 2 brushes per comb.
- C. 0.33 brushes per comb.
- D. 8.5 brushes per comb.

174. One World View article is titled "Food Shortages Plague N. Korea." On a production-possibilities curve between private and public goods, a decrease in military spending in an effort to increase food production could be represented as:

- A. A movement along the production-possibilities curve toward public goods.
- B. A movement along the production-possibilities curve toward private goods.
- C. A shift outward of the production-possibilities curve.

D. A shift inward of the production-possibilities curve.

175. One World View article is titled "Food Shortages Plague N. Korea." If North Korea reduces the size of its military and produces more food, this is most consistent with:

- A. A movement along the economy's production-possibilities curve.
- B. Privatization.
- C. A laissez faire policy.
- D. The law of increasing opportunity costs.

176. One World View article states that China's leaders favor private ownership of property versus government ownership. This illustrates the success of:

- A. Incentives from a centrally planned economy.
- B. The theme of Das Kapital.
- C. Laissez faire policy.
- D. All of the above.

177. One World View article states that NASA plans to spend \$100 billion to establish a manned station on the moon, then continue on to Mars. This is an example of an activity that:

- A. Will move the U.S.'s production possibilities curve inward.
- B. Has no opportunity cost.
- C. Will move the U.S. from one point on its production possibilities curve to another point.
- D. Has a negative opportunity cost.

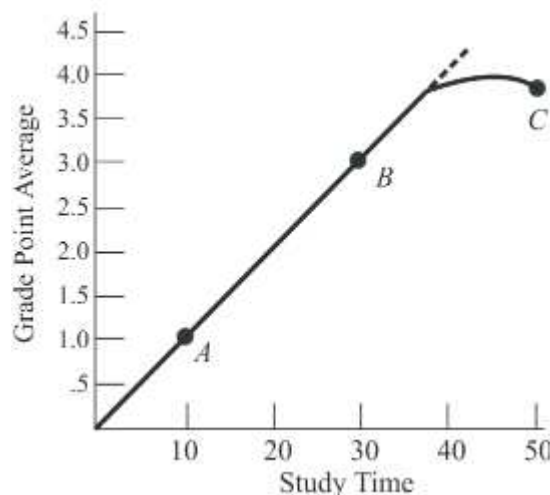


Figure 1.8
Relating grades and hours studied

178. In Figure 1.8, a grade-point average of 3.0 is associated with how many hours of study time per week?

- A. 5.
- B. 10.
- C. 15.

D. 20.

179. The slope of the line between grade-point averages of 1.0 and 3.0 in Figure 1.8 is:

- A. -2.0.
- B. $1/10$.
- C. $1/5$.
- D. 5.

180. Figure 1.8 suggests that the relationship between the variables is:

- A. Negative after 30 hours of study.
- B. Everywhere linear.
- C. Linear at places and nonlinear at places.
- D. Linear at places and nonlinear at places but always negatively sloped.

181. Figure 1.8 suggests that:

- A. The law of increasing opportunity cost does not apply.
- B. Resources can be perfectly adapted between study time and grade-point average.
- C. The relationship between study time and grade-point average is first linear, then nonlinear.
- D. The relationship between study time and grade-point average is constant.

182. Figure 1.8 suggests that if a student wants to achieve a grade-point average of 2.0, he or she should study:

- A. An average of 5 hours per week.
- B. An average of 10 hours per week.
- C. An average of 15 hours per week.
- D. More than 15 hours per week because he or she is a C student.

183. In Figure 1.8, as you move from Point B closer to point C the slope:

- A. Becomes negative.
- B. Remains constant.
- C. Decreases.
- D. Increases.

184. Refer to Figure 1.8. If the university decides to lower grading standards, then:

- A. This curve will shift rightward.
- B. This curve will shift leftward.
- C. The curve will begin to bend downward at an earlier point.
- D. We will slide up the curve from point B to point C.

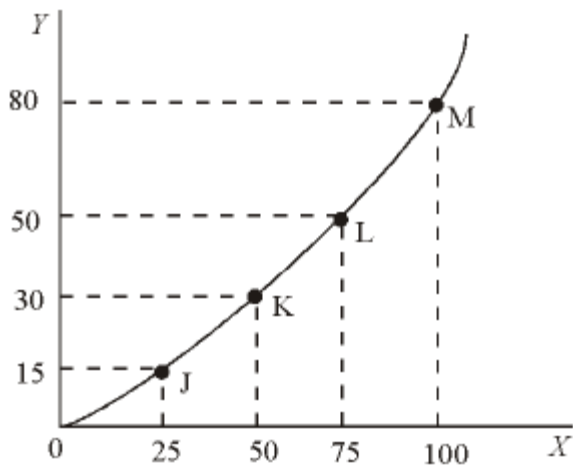


Figure 1.9

185. In Figure 1.9, as you move up the curve from Point J toward Point M, the slope:

- A. Increases.
- B. Remains constant.
- C. Decreases.
- D. Becomes negative.

186. In Figure 1.9, the slope of the line between Points L and M is:

- A. 1.20.
- B. 0.80.
- C. 0.75.
- D. 0.67.

187. In Figure 1.9, the slope of the line between Points K and L is:

- A. 1.25.
- B. 0.80.
- C. 0.75.
- D. 0.60.

188. In Figure 1.9 the slope of the line is:

- A. Greater at Point K than Point L.
- B. Equal to zero at all points.
- C. The same at Points J and K.
- D. Greater at Point M than Point L.

189. In Figure 1.9 the slope of the line is:

- A. Between zero and 1 at all points and decreasing as you move from Point J toward Point M.
- B. Negative and increasing as you move from Point J toward Point M.
- C. Positive and decreasing as you move from Point J toward Point M.
- D. Positive and increasing as you move from Point J toward Point M.

190. The slope of a curve at any point is given by the formula, the:

- A. Change in y coordinates between two points divided by the change in their x coordinates.
- B. Change in x coordinates between two points divided by the change in their y coordinates.
- C. Percentage change in y coordinates between two points divided by the percentage change in their x coordinates.
- D. Percentage change in x coordinates between two points divided by the percentage change in their y coordinates.

191. A linear curve that slopes downward from left to right has a:

- A. Negative slope.
- B. Positive slope.
- C. Slope that changes as you move along the curve.
- D. Slope of zero.

192. A linear curve can be distinguished by:

- A. The continuous change in its slope.
- B. The same slope throughout the curve.
- C. The changing relationship between the two variables.
- D. A shift in the curve.

193. A linear curve with a positive slope:

- A. Is drawn downward from left to right.
- B. Implies that there is a negative relationship between the two variables.
- C. Implies that there is a positive relationship between the two variables.
- D. Is drawn as a horizontal line.

194. When the relationship between two variables changes:

- A. There is movement from one point on the curve to another point on the curve.
- B. The curve becomes linear.
- C. The entire curve shifts.
- D. All of the above.

195. Goods are not scarce in the United States since people drive nice cars and have plenty to eat.

True False

196. Scarcity results when available resources cannot satisfy all desired uses of those resources.

True False

197. Critics of government regulation argue that government interference in the marketplace stifles the animal spirits of entrepreneurship.

True False

198. Opportunity cost is a theoretical concept with no practical application.

True False

199. The economic choices we make today about the use of scarce resources will impact the economy in the future.

True False

200. Every time we use scarce resources in one way, we give up the opportunity to use them in other ways.

True False

201. Opportunity costs only occur if the choices we make damage the environment.

True False

202. All output combinations that lie outside a production-possibilities curve are attainable with available resources and technology.

True False

203. Output combinations that lie inside the production-possibilities curve are characterized by efficient use of resources.

True False

204. Efficiency in production means getting the most output possible from the available resources.

True False

205. All of the choices on the production possibilities curve are equally desirable.

True False

206. If the economy is inside the production-possibilities curve, then more output can be produced using existing resources.

True False

207. Technological advance shifts the production-possibilities curve inward.

True False

208. For a market economy, the decision about what to produce is made by the government.

True False

209. All economies must make decisions concerning what to produce, how to produce it, and for whom to produce.

True False

210. Adam Smith observed how government directives can lead to the best allocation of resources.

True False

211. Price signals direct the answers to the WHAT, HOW, and FOR WHOM questions in a laissez-faire economy.

True False

212. The essential feature of the market mechanism is the price signal.

True False

213. In the U.S. market system, the government gives the signals for deciding how to use the majority of the resources.

True False

214. In a market economy, if a factory pollutes the air, the situation is referred to as government failure.

True False

215. Government failure occurs when government intervention fails to improve economic outcomes.

True False

216. Economists formulate an economy's objectives.

True False

217. Macroeconomics addresses the economy as a whole.

True False

218. Microeconomics is concerned with individual performance as well as the economy as a whole.

True False

219. The Latin phrase ceteris paribus refers to holding other variables constant.

True False

220. To calculate the slope of a line, find the vertical distance between two points and divide it by the horizontal distance between the same two points.

True False

221. The slope of a production-possibilities curve is positive.

True False

222. When a curve shifts, the underlying relationship between the two variables shown on the graph has changed.

True False

223. Explain why an economist would say "There is no such thing as a free lunch."

224. Describe the shape of the typical production-possibilities curve and explain why it has this shape.

225. Why do opportunity costs increase as society produces more of a good?

226. Explain the concept of inefficiency in terms of a production possibilities curve.

227. Explain the difference between macroeconomics and microeconomics. Give examples of each.

228. How does the market mechanism answer the WHAT, HOW, and FOR WHOM questions?

ch1 KEY

1. (p. 1) Which of the following is not one of the three core economic issues that must be resolved?

- A. How to produce the goods and services we select.
- B.** What to produce with unlimited resources.
- C. Who should get the goods and services we produce.
- D. What to produce with limited resources.

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-2
Schiller - Chapter 01 #1*

2. (p. 2) "The economy" refers to the sum of all our:

- A. Production activities.
- B. Production, consumption and leisure activities.
- C.** Production and consumption activities.
- D. Consumption and leisure activities.

*AACSB: Analytic
BT: Knowledge
Learning Objective: 1-3
Schiller - Chapter 01 #2
Topic: THE ECONOMY IS US*

3. (p. 4) Because resources are scarce society must make decisions about all of the following except:

- A. What to produce.
- B.** Whether scarcity exists or not.
- C. How to produce the selected goods and services.
- D. For whom the goods and services are produced.

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #3
Topic: SCARCITY: THE CORE PROBLEM*

4. (p. 4) Because resources are scarce, how many key issues must society resolve?

- A. Multiple.
- B. Two.
- C. Four.
- D.** Three.

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #4
Topic: SCARCITY: THE CORE PROBLEM*

5. (p. 4) The fundamental problem of economics is:

- A. The law of increasing opportunity costs.
- B.** The scarcity of resources relative to human wants.
- C. How to get government to operate efficiently.

D. How to create employment for everyone.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #5
Topic: SCARCITY: THE CORE PROBLEM

6. (p. 4) In economics, scarcity means that:

- A. A shortage of a particular good will cause the price to fall.
- B. A production-possibilities curve cannot accurately represent the tradeoff between two goods.
- C.** Society's desires exceed the want-satisfying capability of the resources available to satisfy those desires.
- D. The market mechanism has failed.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #6
Topic: SCARCITY: THE CORE PROBLEM

7. (p. 4) To an economist, scarcity means that:

- A. Shortages will always exist.
- B. The market mechanism cannot be relied upon.
- C. A production-possibilities curve cannot accurately represent the tradeoff between two goods.
- D.** There are not enough resources available to satisfy all our desires.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #7
Topic: SCARCITY: THE CORE PROBLEM

8. (p. 4) Given that resources are scarce:

- A. A "free lunch" is possible but only for a limited number of people.
- B.** Opportunity costs are experienced whenever choices are made.
- C. Poor countries must make choices but rich countries with abundant resources do not have to make choices.
- D. Some choices involve opportunity costs while other choices do not.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #8
Topic: SCARCITY: THE CORE PROBLEM

9. (p. 4) The best description of the origin of the economic problem of scarcity is that humans have:

- A. Limited wants for goods and services and resources are also limited.
- B. Limited wants for goods and services and resources are unlimited.
- C.** Unlimited wants for goods and services but resources are limited.
- D. Unlimited wants for goods and services and resources are also unlimited.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #9

10. (p. 4) A consequence of the economic problem of scarcity is that:

- A. Choices have to be made about how resources are used.
- B. There is never too much of any good or service produced.
- C. The production of goods and services must be controlled by the government.
- D. The production-possibilities curve is bowed outward.

AACSB: Reflective

BT: Comprehension

Learning Objective: 1-1

Schiller - Chapter 01 #10

Topic: SCARCITY: THE CORE PROBLEM

11. (p. 4) The basic factors of production include:

- A. Land, labor, money, and capital.
- B. Land, labor, money, and inputs.
- C. Labor and capital.
- D. Land, labor, capital, and entrepreneurship.

AACSB: Reflective

BT: Comprehension

Learning Objective: 1-1

Schiller - Chapter 01 #11

Topic: SCARCITY: THE CORE PROBLEM

12. (p. 4) Factors of production are:

- A. Scarce in every society.
- B. Scarce only in United States.
- C. Scarce only in the poorest countries of the world.
- D. Unlimited in quantity.

AACSB: Reflective

BT: Comprehension

Learning Objective: 1-1

Schiller - Chapter 01 #12

Topic: SCARCITY: THE CORE PROBLEM

13. (p. 4) Which of the following is not a factor of production?

- A. A psychiatrist.
- B. The \$100,000 used to start a new business.
- C. A bulldozer.
- D. Six thousand acres of farmland.

AACSB: Reflective

BT: Comprehension

Learning Objective: 1-1

Schiller - Chapter 01 #13

Topic: SCARCITY: THE CORE PROBLEM

14. (p. 4) With respect to factors of production, which of the following statements is not true?

- A. Factors of production are also known as resources.
- B. In order to produce anything, it is necessary to have factors of production.
- C. Factors of production include land, labor, capital, and entrepreneurship.

D. Only those resources that are privately owned are counted as factors of production.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #14
Topic: SCARCITY: THE CORE PROBLEM

15. (p. 4) Which of the following is the best example of land?

- A. The ethanol refined from corn.
- B. A factory that produces new goods and services.
- C.** The river water used to float a riverboat casino.
- D. A barber's chair.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #15
Topic: SCARCITY: THE CORE PROBLEM

16. (p. 4) Capital, as economists use the term, refers to:

- A. The money needed to start a new business.
- B. The costs of operating a business.
- C. Shares of stock issued by businesses.
- D.** Final goods that are used to produce other goods and services.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #16
Topic: SCARCITY: THE CORE PROBLEM

17. (p. 4) Which of the following is the best example of capital and no other factor of production?

- A. Clean air.
- B. Money in a savings account.
- C.** A computer used by an insurance agent to service her customers.
- D. The property on which a landfill has been established.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #17
Topic: SCARCITY: THE CORE PROBLEM

18. (p. 5) Which economist argued that free markets unleashed the "animal spirits" of entrepreneurs, propelling innovation, technology and growth?

- A. Lord Kelvin.
- B. Kenneth Olsen.
- C. Irving Fisher.
- D.** Joseph Schumpeter.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #18
Topic: SCARCITY: THE CORE PROBLEM

19. (p. 5) When free markets unleash the "animal spirits" of entrepreneurs, we can expect to see:

- A. A reliance on traditional techniques.
- B. Economic growth.**
- C. A concentration of wealth.
- D. Economic decline.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #19
Topic: SCARCITY: THE CORE PROBLEM

20. (p. 5) The role of the entrepreneur in an economy is to:

- A. Bring the factors of production together and assume the risk of production.**
- B. Work with government planners to determine what goods are produced.
- C. Arrange bank financing for the owners of new businesses.
- D. Ensure full employment of labor.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #20
Topic: SCARCITY: THE CORE PROBLEM

21. (p. 5) Economics is the study of how:

- A. Best to use society's scarce resources.**
- B. Society spends the income of individuals.
- C. Society purchases resources, given its macroeconomic goals.
- D. Individual market participants decide what to produce given fixed resource constraints.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #21
Topic: SCARCITY: THE CORE PROBLEM

22. (p. 5) Economics can be defined as the study of:

- A. For whom resources are allocated to increase efficiency.
- B. How society spends the income of individuals.
- C. How scarce resources are allocated to fulfill society's goals.**
- D. What scarce resources are used to produce goods and services.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #22
Topic: SCARCITY: THE CORE PROBLEM

23. (p. 5) Opportunity cost is:

- A. Only measured in dollars and cents.
- B. The dollar cost to society of producing the goods.
- C. The difficulty associated with using one good in place of another.
- D. The alternative that must be given up in order to get something else.**

24. (p. 5) Every time we use scarce resources in one way:

- A. We always use them in the best way possible.
- B.** We forgo the opportunity to use them in other ways.
- C. A free lunch is created.
- D. This use implies that no other uses were possible.

25. (p. 5) Opportunity cost may be defined as the:

- A.** Goods or services that are forgone in order to obtain something else.
- B. Dollar prices paid for final goods and services.
- C. Dollar cost of producing a particular product.
- D. Difference between wholesale and retail prices.

26. (p. 5) The opportunity cost of studying for an economics test is:

- A. Negative, since it may improve your grade.
- B. Zero, because you knew when you registered for the class that studying would be required.
- C. The money you spent on tuition for the class.
- D.** The best alternative use of your time.

27. (p. 5) The concept of opportunity cost would become irrelevant if:

- A. The market mechanism functioned to allocate resources fairly.
- B. The government allocated resources.
- C. The production-possibilities curve bowed outward.
- D.** Resources were no longer scarce.

28. (p. 6) The "guns versus butter" dilemma that all nations confront is that:

- A. Guns and butter cannot be produced using the same resources.
- B.** An increase in national defense implies still more sacrifices of civilian goods and services.
- C. An increase in national defense is only possible if we produce less butter.
- D. Butter is scarce, while guns are not.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #28
Topic: SCARCITY: THE CORE PROBLEM

29. (p. 6) A production-possibilities curve indicates the:

- A. Combinations of goods and services an economy is actually producing.
- B.** Maximum combinations of goods and services an economy can produce given its available resources and technology.
- C. Maximum combinations of goods and services an economy can produce given unlimited resources.
- D. Average combinations of goods and services an economy can produce given its available resources and technology.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #29
Topic: PRODUCTION POSSIBILITIES

30. (p. 6) The alternative combinations of goods and services that can be produced in a given time period with all available resources and technology is referred to as:

- A. Opportunity cost.
- B. Factors of production.
- C.** Production possibilities.
- D. Capital.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #30
Topic: PRODUCTION POSSIBILITIES

31. (p. 6) Which of the following is an assumption under which the production-possibilities curve is drawn?

- A. There is significant unemployment.
- B.** The supply of resources is fixed.
- C. The price level is changing.
- D. Technology is changing.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #31
Topic: PRODUCTION POSSIBILITIES

32. (p. 7) Which of the following is an assumption under which the production-possibilities curve is drawn?

- A. All goods sell for the same price.

- B. The supply of resources is growing.
- C. Resources are equally well suited for production of all outputs.
- D. Technology is fixed.**

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #32
Topic: PRODUCTION POSSIBILITIES

33. (p. 7) Production-possibilities curves demonstrate that:

- A. Producing more of one good implies a reduction in the potential production of another good.**
- B. It is always possible to produce more of one good.
- C. It is always possible to produce more of one good without producing less of another.
- D. It is never possible to produce zero output.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #33
Topic: PRODUCTION POSSIBILITIES

34. (p. 7) A point on a nation's production-possibilities curve represents:

- A. An undesirable combination of goods and services.
- B. Combinations of production that are unattainable, given current technology and resources.
- C. Levels of production that will cause both unemployment and inflation.
- D. The full employment of resources to achieve a particular combination of goods and services.**

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #34
Topic: PRODUCTION POSSIBILITIES

35. (p. 7) Which of the following correctly characterizes the shape of a production-possibilities curve?

- A. A straight line indicating the law of increasing opportunity costs applies.
- B. A straight line when there are constant opportunity costs.**
- C. A line that curves outward when resources are perfectly adaptable in the production of different goods.
- D. A line that curves inward when resources are perfectly adaptable in the production of different goods.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #35
Topic: PRODUCTION POSSIBILITIES

36. (p. 7) If an economy is producing on its production-possibilities curve, then producing:

- A. More of one good implies producing more of another good.
- B. More of one good implies producing less of another good.**
- C. Less of one good implies producing less of another good.
- D. More of one good implies shifting the curve toward the origin.

AACSB: Reflective

37. (p. 7) The production-possibilities curve illustrates:

- A. The limitations that exist because of scarce resources.
- B. That there is no limit to what an economy can produce.
- C. That there is no limit to the level of output.
- D. The existence of unlimited wants and resources.

38. (p. 7) The production-possibilities curve illustrates that:

- A. Society can always produce more of all goods simultaneously.
- B. Constant opportunity costs always exist.
- C. There are no opportunity costs in a wealthy economy.
- D. If society is efficient, it can produce more of one good only if it reduces output of another good.

39. (p. 8) According to the law of increasing opportunity costs:

- A. The more one is willing to pay for resources, the larger will be the possible level of production.
- B. Increasing the production of a particular good will cause the price of the good to rise.
- C. In order to produce additional units of a particular good, it is necessary for society to sacrifice increasingly larger amounts of alternative goods.
- D. Only by keeping production constant can rising prices be avoided.

40. (p. 8) The law of increasing opportunity costs explains:

- A. How everything becomes more expensive as the economy grows.
- B. The shape of the production-possibilities curve.
- C. Inflation.
- D. The position of the production-possibilities curve.

41. (p. 8) According to the law of increasing opportunity costs:

- A. Greater production leads to greater inefficiency.
- B. Greater production means factor prices rise.
- C. Greater production of one good requires increasingly larger sacrifices of other goods.
- D. Higher opportunity costs induce higher output per unit of input.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #41
Topic: PRODUCTION POSSIBILITIES

42. (p. 8) If an economy experiences increasing opportunity costs with respect to two goods, then the production-possibilities curve between the two goods will be:

- A. Bowed outward.
- B. A straight, downward-sloping line.
- C. Bowed inward.
- D. Bowed outward until the two goods are equal, and then bowed inward.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #42
Topic: PRODUCTION POSSIBILITIES

43. (p. 8) The production-possibilities curve bows outward because:

- A. Resources are used inefficiently as more of a good is produced.
- B. In order to get more of a particular good, increasing quantities of other goods must be given up.
- C. Resources move easily from the production of one good to the production of another.
- D. Resources are scarce and choices must be made.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #43
Topic: PRODUCTION POSSIBILITIES

44. (p. 8) If the United States decides to convert automobile factories to tank production, as it did during World War II, but finds that some auto manufacturing facilities are not well suited to tank production, then:

- A. The production-possibilities curve between tanks and automobiles will appear as a straight line.
- B. The production-possibilities curve between tanks and automobiles will shift outward.
- C. Decreasing opportunity costs will occur with greater automobile production.
- D. Increasing opportunity costs will occur with greater tank production.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #44
Topic: PRODUCTION POSSIBILITIES

45. (p. 8) If Korea increases the size of its military, then, as long as nothing else changes, its:

- A. Production-possibilities curve will shift outward.
- B. Production-possibilities curve will shift inward.
- C. Production of non-military goods will increase.

D. Production of non-military goods will decrease.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #45
Topic: PRODUCTION POSSIBILITIES

46. (p. 8) If China decreases the size of its military, then, as long as nothing else changes, its:

- A. Production-possibilities curve will shift outward.
- B. Production-possibilities curve will shift inward.
- C. Production of non-military goods will increase.
- D. Production of non-military goods will decrease.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #46
Topic: PRODUCTION POSSIBILITIES

47. (p. 9) Korea's inability to feed itself is partly due to the fact that:

- A. Resources used for the military aren't available for food production.
- B. It does not own resources that are useful for food production.
- C. Other nations hesitate to trade with Korea.
- D. Korea operates significantly below its production-possibilities curve.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #47
Topic: PRODUCTION POSSIBILITIES

48. (p. 10) Efficiency can be defined as the:

- A. Maximum resources used in producing a given output level.
- B. Maximum output of a good produced from the available resources.
- C. Minimum output of a good produced from the available resources.
- D. Maximum output of a good produced if all resources are devoted to its production.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #48
Topic: PRODUCTION POSSIBILITIES

49. (p. 10) When an economy is producing efficiently it is:

- A. Producing a combination of goods and services beyond the production-possibilities curve.
- B. Getting the most goods and services from the available resources.
- C. Experiencing decreasing opportunity costs.
- D. Producing equal amounts of all goods.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #49
Topic: PRODUCTION POSSIBILITIES

50. (p. 10) Which of the following is true when an economy is producing efficiently?

- A. The economy is producing on the production-possibilities curve.
- B. Goods and services are being produced using the most resources.
- C. The economy is getting the fewest goods and services from the available resources.
- D. Everyone in the economy is happy.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #50
Topic: PRODUCTION POSSIBILITIES

51. (p. 10) Every point on the production-possibilities curve is considered to be:

- A. Efficient.
- B. An optimal level of output.
- C. Equally desirable.
- D. Undesirable.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #51
Topic: PRODUCTION POSSIBILITIES

52. (p. 10) The points on a production-possibilities curve show:

- A. Desired output.
- B. Actual output.
- C. Potential output.
- D. All of the above.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #52
Topic: PRODUCTION POSSIBILITIES

53. (p. 10) In terms of the production-possibilities curve, inefficiency is represented by:

- A. All points on the curve.
- B. All points outside the curve.
- C. All points inside the curve.
- D. A rightward shift of the curve.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #53
Topic: PRODUCTION POSSIBILITIES

54. (p. 10) If an economy is producing inside the production-possibilities curve, then:

- A. It does not have enough resources to be efficient.
- B. It must give up some of one good to produce more of another good.
- C. The curve needs to shift inward.
- D. It is using its resources inefficiently.

55. (p. 10) If an economy is producing inside the production-possibilities curve, then:

- A. There is full employment of resources.
- B. It is operating efficiently.
- C.** It can produce more of one good without giving up some of another good.
- D. There are not enough resources available to produce more output.

56. (p. 11) When technological change allows a smaller amount of a resource to be used in producing two goods shown on a production-possibilities curve, there will be:

- A. A movement along the production-possibilities curve.
- B. An inward shift of the production-possibilities curve.
- C.** An outward shift of the production-possibilities curve.
- D. No change in the production-possibilities curve.

57. (p. 11) A technological advance would best be represented by:

- A.** A shift outward of the production-possibilities curve.
- B. A shift inward of the production-possibilities curve.
- C. A movement from inside the production-possibilities curve to a point on the production-possibilities curve.
- D. A movement from the production-possibilities curve to a point inside the production-possibilities curve.

58. (p. 11) Which of the following events would allow the production-possibilities curve to shift outward?

- A. The economy's capital stock declines.
- B.** More teenagers enter the labor force.
- C. Technology is lost.
- D. People begin to retire at earlier ages.

59. (p. 11) Which of the following events would allow the production-possibilities curve to shift outward?

- A. More people retire before the traditional retirement age of 65.
- B.** People take less vacation time.
- C. Hail storms and tornadoes strike a number of states.
- D. People decide that they prefer more food and less of other goods.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #59
Topic: PRODUCTION POSSIBILITIES

60. (p. 11) The production-possibilities curve shifts outward in response to:

- A. Better technology or fewer resources or both.
- B.** Better technology or more resources or both.
- C. Declining technology or fewer resources or both.
- D. Declining technology or more resources or both.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #60
Topic: PRODUCTION POSSIBILITIES

61. (p. 11) Economic growth would best be represented by a:

- A.** Shift outward of the production-possibilities curve.
- B. Shift inward of the production-possibilities curve.
- C. Movement from inside the production-possibilities curve to a point on the production-possibilities curve.
- D. Movement from the production-possibilities curve to a point inside the production-possibilities curve.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #61
Topic: PRODUCTION POSSIBILITIES

62. (p. 11) Which of the following events would cause the production-possibilities curve to shift outward?

- A. A labor strike.
- B. The full employment of resources.
- C.** Increased efficiency in the use of resources.
- D. A decrease in available resources.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #62
Topic: PRODUCTION POSSIBILITIES

63. (p. 11) Which of the following events would cause the production-possibilities curve to shift inward?

- A.** A decrease in the supply of labor.
- B. An increase in the number of factories.

- C. A technological breakthrough occurs that makes production of all goods more efficient.
- D. An increase in the unemployment rate.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #63
Topic: PRODUCTION POSSIBILITIES

64. (p. 11) Which of the following will cause the production-possibilities curve to shift inward?

- A. An increase in population.
- B.** A decrease in the size of the labor force.
- C. A technological advance.
- D. An increase in knowledge.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #64
Topic: PRODUCTION POSSIBILITIES

65. (p. 11) A decrease in available resources would cause:

- A. An economy to move inside its production-possibilities curve.
- B.** The production-possibilities curve to shift inward.
- C. Opportunity costs to increase.
- D. The unemployment of resources.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #65
Topic: PRODUCTION POSSIBILITIES

66. (p. 11) The availability of fewer resources can be represented by:

- A.** An inward shift of the production-possibilities curve.
- B. No change in the production-possibilities curve.
- C. A movement along the production-possibilities curve.
- D. An outward shift of the production-possibilities curve.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #66
Topic: PRODUCTION POSSIBILITIES

67. (p. 12) Which of the following is not a basic decision that all nations must confront?

- A.** Should we have economic growth?
- B. How should we produce goods and services?
- C. For whom should goods and services be produced?
- D. What goods and services should we produce?

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #67
Topic: BASIC DECISIONS

68. (p. 12) In a market economy, the question of WHAT to produce is answered by:

- A. Direct negotiations between consumers and producers.
- B. Producer profits and sales.**
- C. Government directives.
- D. A democratic vote of all producers.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #68
Topic: BASIC DECISIONS

69. (p. 12) In a market economy, the question of HOW to produce is determined by:

- A. Government planners.
- B. The production possibilities curve.
- C. The least-cost method of production.**
- D. The method of production which uses the least amount of labor.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #69
Topic: BASIC DECISIONS

70. (p. 12) In a market economy, the people who receive the goods and services that are produced are those who:

- A. Need the goods and services the most.
- B. Have the most political power.
- C. Want the goods and services the most.
- D. Are willing to pay the highest price.**

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #70
Topic: BASIC DECISIONS

71. (p. 12) The market mechanism may best be defined as:

- A. The use of market prices and sales to signal desired output.**
- B. The use of market signals and government directives to select economic outcomes.
- C. The process by which the production-possibilities curve shifts inward.
- D. Price regulation by government.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-3
Schiller - Chapter 01 #71
Topic: THE MECHANISMS OF CHOICE

72. (p. 12) The market mechanism:

- A. Allows buyers to communicate with producers indirectly.**
- B. Is directed by the government in order to promote efficiency.
- C. Results in the misallocation of resources because producers seek to maximize profits.

D. Allocates goods in an equitable manner.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #72
Topic: THE MECHANISMS OF CHOICE

73. (p. 12) The market mechanism:

- A. Is not a very efficient means of communicating consumer demand to the producers of goods and services.
- B. Works through central planning by government.
- C. Eliminates market failures created by government.
- D.** Works because prices serve as a means of communication between consumers and producers.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #73
Topic: THE MECHANISMS OF CHOICE

74. (p. 12) The invisible hand refers to:

- A. Intervention in the economy by the government bureaucrats we do not see and over whom we have no control.
- B. Undiscovered natural resources.
- C.** The allocation of resources by market forces.
- D. The person who has the responsibility to coordinate all the markets in a market economy.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #74
Topic: THE MECHANISMS OF CHOICE

75. (p. 13) The doctrine of laissez faire is based on the belief that:

- A.** Markets are likely to do a better job of allocating resources than government directives.
- B. Government directives are likely to do a better job of allocating resources than markets.
- C. Government failure does not exist.
- D. Markets result in an unfair distribution of income.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #75
Topic: THE MECHANISMS OF CHOICE

76. (p. 13) Which of the following would advocate a laissez faire economic policy?

- A. Karl Marx.
- B. John Maynard Keynes.
- C.** Adam Smith.
- D. President Franklin Roosevelt.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #76

77. (p. 13) A city's decision to limit smoking in public areas is an example of:

- A. The invisible hand at work.
- B. The market mechanism at work.
- C. Market failure.
- D. Government intervention.**

AACSB: Reflective

BT: Analysis

Learning Objective: 1-3

Schiller - Chapter 01 #77

Topic: THE MECHANISMS OF CHOICE

78. (p. 13) Karl Marx believed that the best use of resources would result from:

- A. Government directives.**
- B. Laissez faire policies.
- C. Production decisions based on costs alone.
- D. A mixture of government directives and market signals.

AACSB: Reflective

BT: Comprehension

Learning Objective: 1-3

Schiller - Chapter 01 #78

Topic: THE MECHANISMS OF CHOICE

79. (p. 14) Karl Marx wrote:

- A. The Wealth of Nations, which provided the rationale for centrally-planned economies.
- B. The Wealth of Nations, which described the virtues of market-based economies.
- C. Das Kapital, which provided the rationale for centrally-planned economies.**
- D. Das Kapital, which described the virtues of market-based economies.

AACSB: Reflective

BT: Comprehension

Learning Objective: 1-3

Schiller - Chapter 01 #79

Topic: THE MECHANISMS OF CHOICE

80. (p. 15) In a mixed economy like that in the United States, the question of WHAT to produce is determined by:

- A. Government directives only.
- B. Price signals and sales in markets only.
- C. Both government directives, and price signals and sales in markets.**
- D. The invisible hand only.

AACSB: Reflective

BT: Comprehension

Learning Objective: 1-3

Schiller - Chapter 01 #80

Topic: THE MECHANISMS OF CHOICE

81. (p. 15) A mixed economy:

- A. Is justified by the superiority of laissez faire over government intervention.
- B. Utilizes both market and nonmarket signals to allocate goods and services.**

- C. Relies on the use of central planning by private firms rather than the government.
- D. Is one that allows trade with other countries.

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-3
Schiller - Chapter 01 #81
Topic: THE MECHANISMS OF CHOICE

82. (p. 15) Which of the following is the most appropriate way to match different economic systems with their corresponding failures?

- A. Market failures with command economies.
- B. Government failures with market economies.
- C.** Market failures and government failures with mixed economies.
- D. Neither market nor government failure in a purely capitalist economy.

AACSB: Reflective
BT: Analysis
Learning Objective: 1-3
Schiller - Chapter 01 #82
Topic: THE MECHANISMS OF CHOICE

83. (p. 16) Which of the following can be used to correct market failure?

- A. The market mechanism.
- B.** Laws and regulations.
- C. Laissez-faire price policies.
- D. Government failure.

AACSB: Reflective
BT: Analysis
Learning Objective: 1-3
Schiller - Chapter 01 #83
Topic: THE MECHANISMS OF CHOICE

84. (p. 16) When the invisible hand does not produce optimal outcomes for the economy, there is evidence of:

- A.** Market failure.
- B. Government failure.
- C. Macroeconomic failure.
- D. Scarcity.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #84
Topic: THE MECHANISMS OF CHOICE

85. (p. 16) Government intervention may achieve a more optimal outcome than the market mechanism when addressing:

- A. Inefficient bureaucracy.
- B.** Consumption of cigarettes.
- C. Lack of incentive to try new products or technologies.
- D. Inefficient bureaucracy, consumption of cigarettes, and lack of incentive to try new products or technologies.

86. (p. 16) If market signals result in pollution beyond the optimal level then:

- A. The economy experiences government failure.
- B. A laissez-faire approach will reduce the level of pollution.
- C.** The market mechanism has failed.
- D. The government is allocating resources inefficiently.

87. (p. 16) Pollution is an example of:

- A. Inefficient operation by the firm that is polluting.
- B.** Market failure.
- C. The ability of central planning to provide the optimal quantities of goods.
- D. Government failure.

88. (p. 16) The collapse of communism is evidence of:

- A. Ceteris paribus.
- B.** Government failure.
- C. Market failure.
- D. The failure of a mixed economy.

89. (p. 16) When government directives do not produce better economic outcomes, which of the following has occurred?

- A.** Government failure.
- B. Market failure.
- C. Macroeconomic failure.
- D. Scarcity.

90. (p. 16) Which of the following is an example of government failure?

- A. Bureaucratic delays.
- B. Required use of pollution-control technologies that are obsolete.
- C. Inefficient incentives.
- D.** Bureaucratic delays, required use of pollution-control technologies that are obsolete, and inefficient incentives.

AACSB: Reflective
 BT: Application
 Learning Objective: 1-3
 Schiller - Chapter 01 #90
 Topic: THE MECHANISMS OF CHOICE

91. (p. 17) Macroeconomics focuses on the performance of:

- A. Individual consumers.
- B. Government agencies.
- C.** The overall economy.
- D. All of the above.

AACSB: Reflective
 BT: Comprehension
 Learning Objective: 1-3
 Schiller - Chapter 01 #91
 Topic: WHAT ECONOMICS IS ALL ABOUT

92. (p. 17) Macroeconomics focuses on the performance of:

- A. Individual firms.
- B. Particular government agencies.
- C. Specific consumers.
- D.** The entire economy.

AACSB: Reflective
 BT: Comprehension
 Learning Objective: 1-3
 Schiller - Chapter 01 #92
 Topic: WHAT ECONOMICS IS ALL ABOUT

93. (p. 17) Which of the following is not a macroeconomic statement?

- A. The unemployment rate for the United States rose to 5 percent in the last quarter.
- B. The price of corn rose to a ten year low in August.
- C. Congress increased the minimum wage rate in January.
- D.** Jenny's wage rate rose and, in response, she decided to work more hours.

AACSB: Reflective
 BT: Analysis
 Learning Objective: 1-3
 Schiller - Chapter 01 #93
 Topic: WHAT ECONOMICS IS ALL ABOUT

94. (p. 17) Which of the following are classified as microeconomic goals?

- A. Full employment, price stability, growth in output.
- B.** The welfare of individual consumers and business firms.
- C. Production, pricing, and purchasing.
- D. Land, labor, and capital.

AACSB: Reflective

*BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #94
Topic: WHAT ECONOMICS IS ALL ABOUT*

95. (p. 17) The study of microeconomic theory focuses on the:

- A. Structure and performance of markets and the operation of the price system.
- B. Operation of the entire economy.
- C. Role of the banking system in the economy.
- D. Interaction of international trade and domestic production of goods and services.

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #95
Topic: WHAT ECONOMICS IS ALL ABOUT*

96. (p. 17) Microeconomics is concerned with issues such as:

- A. The demand for bottled water by individuals.
- B. The level of inflation in the economy.
- C. Maintaining a strong level of economic growth.
- D. All of the above.

*AACSB: Reflective
BT: Analysis
Learning Objective: 1-3
Schiller - Chapter 01 #96
Topic: WHAT ECONOMICS IS ALL ABOUT*

97. (p. 18) Economic models are used by economists to:

- A. Predict economic behavior.
- B. Develop economic policies.
- C. Explain economic behavior.
- D. Predict economic behavior, develop economic policies, and explain economic behavior.

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #97
Topic: WHAT ECONOMICS IS ALL ABOUT*

98. (p. 18) The Latin phrase *ceteris paribus* means:

- A. The production-possibilities curve never shifts.
- B. Laissez faire.
- C. Other things remain equal.
- D. The invisible hand.

*AACSB: Analytic
BT: Knowledge
Learning Objective: 1-3
Schiller - Chapter 01 #98
Topic: WHAT ECONOMICS IS ALL ABOUT*

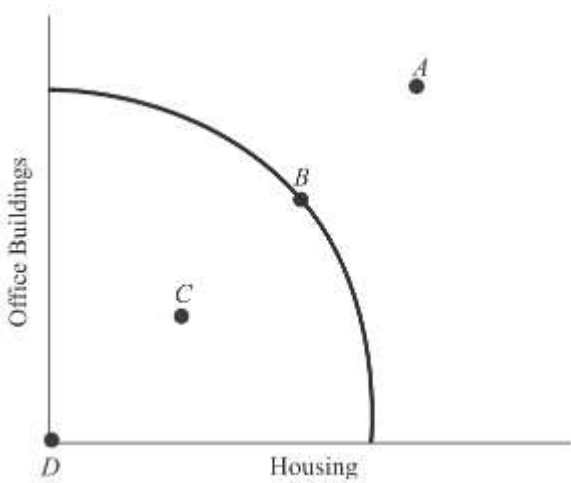


Figure 1.1
Production-possibilities curve

Schiller - Chapter 01

99. (p. 10) At which point is society employing some of its available technology but not all of it? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.**
- D. D.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #99

Topic: WHAT ECONOMICS IS ALL ABOUT

100. (p. 10) At which point is society not able to produce either good because it is so inefficient? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.**

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #100

Topic: WHAT ECONOMICS IS ALL ABOUT

101. (p. 10) At which point is society producing the most output possible with the available resources and technology? (See Figure 1.1.)

- A. A.
- B. B.**
- C. C.
- D. D.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #101
Topic: WHAT ECONOMICS IS ALL ABOUT

102. (p. 10) At which point is society producing some of each type of structure but still producing inefficiently? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #102
Topic: WHAT ECONOMICS IS ALL ABOUT

103. (p. 10) At which point is society achieving productive efficiency? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #103
Topic: WHAT ECONOMICS IS ALL ABOUT

104. (p. 10) At which point might society be able to produce this combination if new resources were discovered but cannot produce at with current resources? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #104
Topic: WHAT ECONOMICS IS ALL ABOUT

105. (p. 10) At which point is society not able to produce with existing resources and technology? (See Figure 1.1.)

- A. A.
- B. B.
- C. C.
- D. D.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #105
Topic: WHAT ECONOMICS IS ALL ABOUT

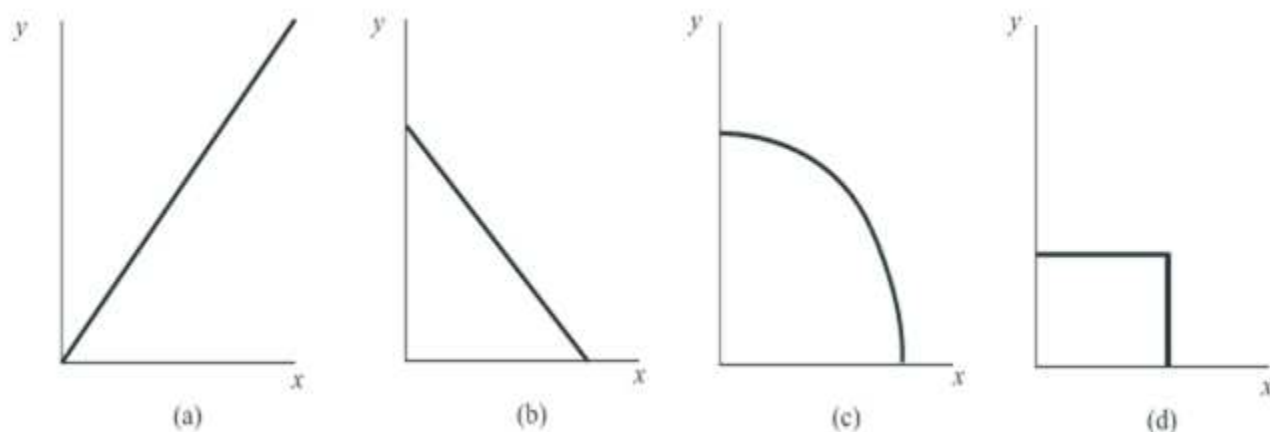


Figure 1.2
Production-possibilities curves

Schiller - Chapter 01

106. (p. 7) Choose the letter of the curve in Figure 1.2 that best represents a production-possibilities curve for two goods that use entirely different resources and for which the resources can in no way be adapted from the production of one good to the other.

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

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #106

Topic: WHAT ECONOMICS IS ALL ABOUT

107. (p. 7) Choose the letter of the curve in Figure 1.2 that best represents a production-possibilities curve for two goods that obey the law of increasing opportunity costs.

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

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #107

Topic: WHAT ECONOMICS IS ALL ABOUT

108. (p. 7) Choose the letter of the curve in Figure 1.2 that best represents a production-possibilities curve for two goods for which there are constant opportunity costs.

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

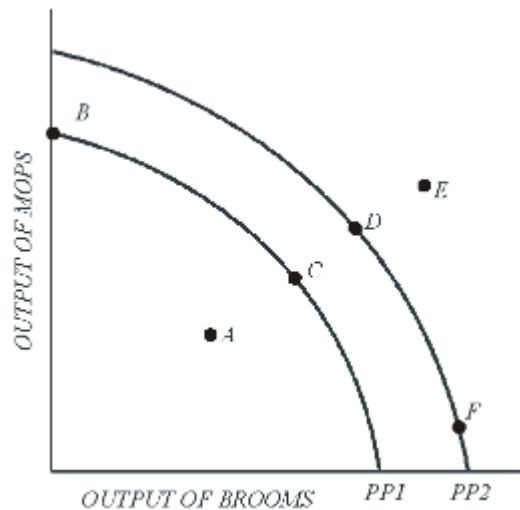


Figure 1.3

Schiller - Chapter 01

109. (p. 11) Using Figure 1.3, an increase in the capacity to produce can be represented by a movement from:

- A. Point A to point B.
- B. Point A to point C.
- C. Point B to point C.
- D. Point C to point F.**

110. (p. 10) Using Figure 1.3, at point A:

- A. There is inefficient use of available resources.**
- B. The available technology keeps production inside PP1.
- C. All available resources are being used efficiently.
- D. An increase in the production of mops would definitely require a decrease in the production of brooms.

111. (p. 10) Which of the following is true about the combination of mops and brooms represented by point E in Figure 1.3?

- A. This economy will never be able to reach point E.

- B. Point E is attainable if this economy uses more of its available resources.
- C. Point E is attainable if this economy becomes more efficient.
- D.** Point E is attainable only if more resources become available or technological advances are made.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #111
Topic: WHAT ECONOMICS IS ALL ABOUT

112. (p. 10) An increase in the proportion of the population that is unemployed is best represented in Figure 1.3 by a movement from point:

- A. C to point D.
- B. D to point C.
- C.** C to point A.
- D. E to point D.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #112
Topic: WHAT ECONOMICS IS ALL ABOUT

113. (p. 10) A movement from point F to point D in Figure 1.3 results in:

- A. A reallocation of resources from mop production to broom production.
- B. Permanent unemployment of workers producing brooms.
- C.** A reallocation of resources from broom production to mop production.
- D. More efficient production.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #113
Topic: WHAT ECONOMICS IS ALL ABOUT

114. (p. 10) In Figure 1.3, a shift of the production possibilities curve from PP1 to PP2 could be caused by:

- A. A decrease in the quantity of raw materials available.
- B. A decline in the production skills of workers.
- C.** The use of improved production technology.
- D. All of the above could cause the shift.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #114
Topic: WHAT ECONOMICS IS ALL ABOUT

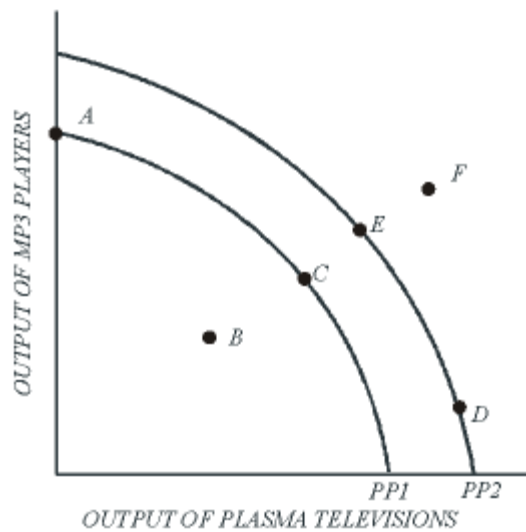


Figure 1.4

Schiller - Chapter 01

115. (p. 11) Using Figure 1.4, an increase in the capacity to produce can be represented by a movement from point:

- A. A to point B.
- B. C to point E.**
- C. A to point C.
- D. D to point E.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #115

Topic: WHAT ECONOMICS IS ALL ABOUT

116. (p. 10) Refer to Figure 1.4, at Point B:

- A. The available technology keeps production inside PP1.
- B. All available resources are being used efficiently.
- C. There is inefficient use of available resources.**
- D. An increase in the production of plasma televisions would definitely require a decrease in the production of MP3 players.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #116

Topic: WHAT ECONOMICS IS ALL ABOUT

117. (p. 11) Which of the following is true about the combination of plasma televisions and MP3 players represented by point F in Figure 1.4?

- A. This economy will never be able to reach point F.
- B. Point F is attainable if this economy reduces its unemployment rate.
- C. Point F will be more easily attainable if the government takes control of all privately-run factories.
- D. Point F can possibly be reached if more economic resources become available or technology**

improves.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #117
Topic: WHAT ECONOMICS IS ALL ABOUT

118. (p. 11) A decrease in the proportion of the population that is unemployed is best represented in Figure 1.4 by a movement from point:

- A. C to point B.
- B. B to point C.**
- C. C to point E.
- D. E to point F.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #118
Topic: WHAT ECONOMICS IS ALL ABOUT

119. (p. 7) A movement from point C to point A in Figure 1.4 results in:

- A. More efficient production.
- B. Permanent unemployment of workers producing plasma televisions.
- C. A reallocation of resources from MP3 player production to plasma television production.
- D. A reallocation of resources from plasma television production to MP3 player production.**

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #119
Topic: WHAT ECONOMICS IS ALL ABOUT

120. (p. 11) In Figure 1.4, a shift of the production-possibilities curve from PP1 to PP2 could be caused by:

- A. An increase in the unemployment rate.
- B. Implementation of training programs which improve the skills of workers.**
- C. Better use of existing technology.
- D. Tougher pollution controls for the producers of plasma televisions and MP3 players.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #120
Topic: WHAT ECONOMICS IS ALL ABOUT

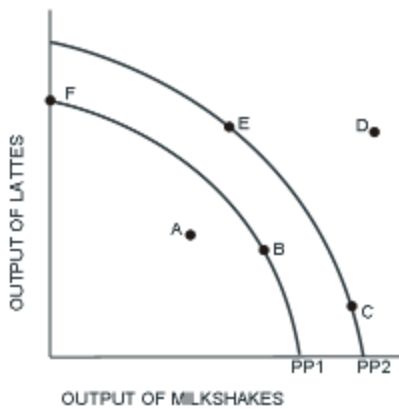


Figure 1.5

Schiller - Chapter 01

121. (p. 10) Using Figure 1.5, if an economy has the capacity to produce represented by PP2 then point E represents:

- A. A constant tradeoff between lattes and milkshakes.
- B. A combination of lattes and milkshakes that is not attainable.
- C.** An efficient use of resources.
- D. The unemployment of resources.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #121

Topic: WHAT ECONOMICS IS ALL ABOUT

122. (p. 11) Using Figure 1.5, if an economy is currently producing on PP2, which of the following would shift the production-possibilities curve toward PP1?

- A. An increase in the quantity of labor available.
- B.** A decrease in the amount of capital available.
- C. An increase in the level of unemployment.
- D. An advancement in technology.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #122

Topic: WHAT ECONOMICS IS ALL ABOUT

123. (p. 7) In Figure 1.5, if the opportunity cost of producing milkshakes was zero at all levels of production, the production-possibilities curve would best be represented by a:

- A. Vertical straight line.
- B. 45-degree line starting at the origin.
- C.** Horizontal straight line.
- D. Circle.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #123

124. (p. 8) In Figure 1.5, at which of the following points would the opportunity cost of producing another latte be greatest?

- A. D.
- B. E.**
- C. B.
- D. C.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #124

Topic: WHAT ECONOMICS IS ALL ABOUT

125. (p. 8) In Figure 1.5, at which of the following points would the opportunity cost of producing another milkshake be greatest?

- A. F.
- B. E.
- C. B.
- D. C.**

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #125

Topic: WHAT ECONOMICS IS ALL ABOUT

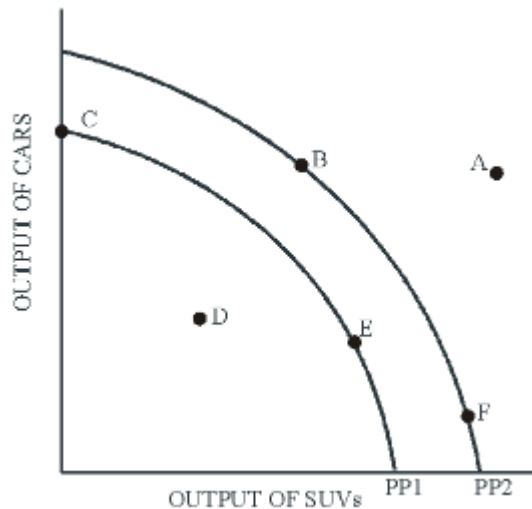


Figure 1.6

Schiller - Chapter 01

126. (p. 10) Using Figure 1.6, if an economy has the capacity to produce represented by PP1 then point E represents:

- A. A combination of cars and SUVs that is not attainable.
- B. A constant tradeoff between cars and SUVs.
- C. The unemployment of resources.

D. An efficient use of resources.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #126
Topic: WHAT ECONOMICS IS ALL ABOUT

127. (p. 7) In Figure 1.6, if the opportunity cost of producing cars was zero at all levels of production, the production-possibilities curve would be best represented by a:

- A.** Vertical straight line.
- B. 45-degree line starting at the origin.
- C. Horizontal straight line.
- D. Circle.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #127
Topic: WHAT ECONOMICS IS ALL ABOUT

128. (p. 8) In Figure 1.6, at which of the following points would the opportunity cost of producing an additional SUV be the lowest?

- A. B.
- B.** E.
- C. A.
- D. F.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #128
Topic: WHAT ECONOMICS IS ALL ABOUT

129. (p. 8) In Figure 1.6, at which of the following points would the opportunity cost of producing one more car be the lowest?

- A.** F.
- B. E.
- C. B.
- D. C.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #129
Topic: WHAT ECONOMICS IS ALL ABOUT

130. (p. 8) In Figure 1.6, at which of the following points would the opportunity cost of producing one more SUV be the highest?

- A. C.
- B. B.
- C. A.
- D.** F.

AACSB: Reflective

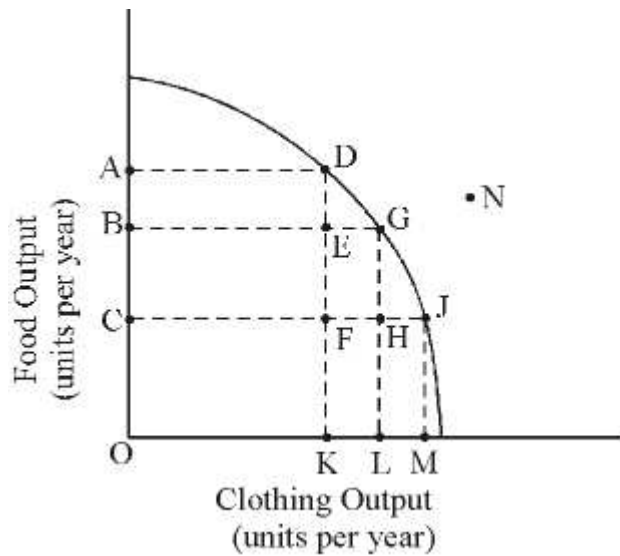


Figure 1.7

Schiller - Chapter 01

131. (p. 10) Refer to Figure 1.7. This economy will achieve efficiency in production at:

- A. Point D only.
- B. Point G only.
- C. Point J only.
- D. Points D, G, and J.**

AACSB: Reflective
 BT: Application
 Learning Objective: 1-1
 Schiller - Chapter 01 #131
 Topic: WHAT ECONOMICS IS ALL ABOUT

132. (p. 8) Refer to Figure 1.7. The cost of producing at point G rather than point D is:

- A. OA units of food.
- B. KL units of clothing.
- C. AB units of food.**
- D. OL units of clothing.

AACSB: Reflective
 BT: Application
 Learning Objective: 1-1
 Schiller - Chapter 01 #132
 Topic: WHAT ECONOMICS IS ALL ABOUT

133. (p. 8) Refer to Figure 1.7. The benefit of producing at point G rather than point D is:

- A. OA units of food.
- B. KL units of clothing.**
- C. AB units of food.

D. OL units of clothing.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #133
Topic: WHAT ECONOMICS IS ALL ABOUT

134. (p. 8) Refer to Figure 1.7. The cost of producing at point D rather than point J is:

- A. KM units of clothing.
- B. AC units of food.
- C. OM units of clothing.
- D. OA units of food.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #134
Topic: WHAT ECONOMICS IS ALL ABOUT

135. (p. 8) Refer to Figure 1.7. The benefit of producing at point D rather than point J is:

- A. KM units of clothing.
- B. OA units of food.
- C. OM units of clothing.
- D. AC units of food.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #135
Topic: WHAT ECONOMICS IS ALL ABOUT

136. (p. 12) Refer to Figure 1.7. If this economy is currently producing at point F, then by employing more resources this economy:

- A. Can move to point D, but not points G or J.
- B. Can move to points D, G or J.
- C. Can move to point G, but not points D or J.
- D. Will remain at point F.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #136
Topic: WHAT ECONOMICS IS ALL ABOUT

137. (p. 11) Refer to Figure 1.7. Which of the following points are considered to be inefficient?

- A. D.
- B. E.
- C. G.
- D. D, G, and J.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #137
Topic: WHAT ECONOMICS IS ALL ABOUT

138. (p. 10) Refer to Figure 1.7. Which of the following points are unattainable?

- A. G.
- B. F.
- C. N.**
- D. E.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #138
Topic: WHAT ECONOMICS IS ALL ABOUT

139. (p. 11) Refer to Figure 1.7. Which of the following points show unemployment of resources?

- A. H.**
- B. J.
- C. N.
- D. D.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #139
Topic: WHAT ECONOMICS IS ALL ABOUT

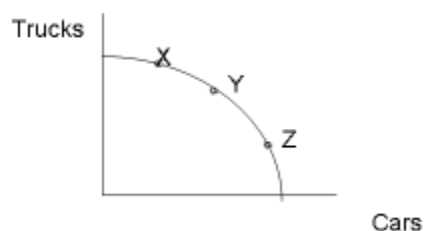


Figure 1.8

Schiller - Chapter 01

140. (p. 8) Refer to Figure 1.8. Assume that Point X is associated with production of 500 cars and 1,000 trucks while Point Y is associated with production of 600 cars and 950 trucks. If Point Z is associated with production of 700 cars, then it is most reasonable to assume that Point Z is also associated with production of:

- A. 1,100 trucks.
- B. 950 trucks.
- C. 900 trucks.
- D. 812 trucks.**

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #140
Topic: WHAT ECONOMICS IS ALL ABOUT

141. (p. 8) Refer to Figure 1.8. Assume that Point Z is associated with production of 10,000 cars and 10,000 trucks while Point Y is associated with production of 8,000 cars and 9,000 trucks. If Point Z is associated with production of 700 cars, then it is most reasonable to assume that

Point Z is also associated with production of:

- A. 7,300 cars.
- B. 7,600 cars.
- C. 8,000 cars.
- D. 8,800 cars.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #141

Topic: WHAT ECONOMICS IS ALL ABOUT

Table 1.1 shows the hypothetical tradeoff between different combinations of Stealth bombers and B-1 bombers that might be produced in a year with the limited U.S. capacity, ceteris paribus. Complete the table by calculating the required opportunity costs for both the B-1 and Stealth bombers. Then answer the indicated questions.

Combination	Number of Stealth Bombers	Opportunity cost of Stealth bombers in terms of B-1s	Number of B-1s	Opportunity cost of B-1s in terms of Stealth bombers
S	10	_____	0	_____
T	9	_____	1	_____
U	7	_____	2	_____
V	4	_____	3	_____

Table 1.1

Production possibilities for bombers

Schiller - Chapter 01

142. (p. 8) On the basis of your calculations in Table 1.1, you may infer that the law of increasing opportunity costs applies to:

- A. Stealth bombers but not to B-1 bombers.
- B. B-1 bombers but not to Stealth bombers.
- C. Both B-1 bombers and Stealth bombers.
- D. Neither B-1 bombers nor Stealth bombers.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #142

Topic: WHAT ECONOMICS IS ALL ABOUT

143. (p. 8) On the basis of your calculations in Table 1.1, what is the opportunity cost of producing at point S rather than point T?

- A. 1 Stealth bomber.
- B. 1 B-1 bomber.
- C. 10 Stealth bombers.
- D. 0.9 Stealth bombers.

AACSB: Reflective

BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #143
Topic: WHAT ECONOMICS IS ALL ABOUT

144. (p. 8) On the basis of your calculations in Table 1.1, what is gained by producing at point S rather than point T?

- A. 1 Stealth bomber.
- B. 1 B-1 bomber.
- C. 10 Stealth bombers.
- D. 0.9 Stealth bombers.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #144
Topic: WHAT ECONOMICS IS ALL ABOUT

145. (p. 8) On the basis of your calculations in Table 1.1, what is the opportunity cost of producing at point V rather than point U?

- A. 3 B-1 bombers.
- B. 1 B-1 bomber.
- C. 4 Stealth bombers.
- D. 3 Stealth bombers.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #145
Topic: WHAT ECONOMICS IS ALL ABOUT

146. (p. 8) On the basis of your calculations in Table 1.1, what is gained by producing at point V rather than point U?

- A. 3 B-1 bombers.
- B. 1 B-1 bomber.
- C. 4 Stealth bombers.
- D. 3 Stealth bombers.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #146
Topic: WHAT ECONOMICS IS ALL ABOUT

147. (p. 8) In Table 1.1, the opportunity cost of increasing the production of B-1s from 1 to 2 in terms of Stealth bombers is:

- A. 1.
- B. 2.
- C. 0.33.
- D. 2.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #147
Topic: WHAT ECONOMICS IS ALL ABOUT

148. (p. 8) Refer to Table 1.1. In the production range of 7 to 9 Stealths, the opportunity cost of producing 1 more Stealth bomber in terms of B-1s is:

- A. 0.
- B. 3.
- C. 0.5.**
- D. 2.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #148
Topic: WHAT ECONOMICS IS ALL ABOUT

149. (p. 8) The highest opportunity cost anywhere in Table 1.1 for Stealth bombers in terms of B-1 bombers is:

- A. 1 B-1 per Stealth bomber.**
- B. 3 B-1s per Stealth bomber.
- C. 2 B-1s per Stealth bomber.
- D. 0.5 B-1 per Stealth bomber.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #149
Topic: WHAT ECONOMICS IS ALL ABOUT

150. (p. 8) The lowest opportunity cost anywhere in Table 1.1 for Stealth bombers in terms of B-1 bombers is:

- A. 0.1 B-1 per Stealth bomber.
- B. 0.5 B-1 per Stealth bomber.
- C. 2 B-1s per Stealth bomber.
- D. 0.33 B-1 per Stealth bomber.**

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #150
Topic: WHAT ECONOMICS IS ALL ABOUT

151. (p. 8) The highest opportunity cost anywhere in Table 1.1 for B-1 bombers in terms of Stealth bombers is:

- A. 1 Stealth per B-1 bomber.
- B. 3 Stealths per B-1 bomber.**
- C. 2 Stealths per B-1 bomber.
- D. 0.5 Stealth per B-1 bomber.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #151
Topic: WHAT ECONOMICS IS ALL ABOUT

152. (p. 8) The lowest opportunity cost anywhere in Table 1.1 for B-1 bombers in terms of Stealth bombers is:

- A. 0 Stealth per B-1 bomber.
- B. 2 Stealths per B-1 bomber.
- C. 1 Stealths per B-1 bomber.
- D. 0.5 Stealth per B-1 bomber.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #152
Topic: WHAT ECONOMICS IS ALL ABOUT

153. (p. 8) What is the relationship between the opportunity cost of Stealth bombers and the opportunity cost of B-1 bombers in Table 1.1?

- A. They are reciprocals of each other.
- B. As one increases the other increases.
- C. Neither conform to the law of increasing opportunity cost.
- D. They are reciprocals of each other and neither conforms to the law of increasing opportunity cost.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #153
Topic: WHAT ECONOMICS IS ALL ABOUT

Table 1.2 shows the hypothetical tradeoff between different combinations of Stealth bombers and B-1 bombers that might be produced in a year with the limited U.S. capacity, ceteris paribus. Complete the table by calculating the required opportunity costs for both the B-1 and Stealth bombers. Then answer the indicated questions.

Combination	Number of Stealth Bombers	Opportunity cost of Stealth bombers in terms of B-1 bombers	Number of B-1 bombers	Opportunity cost of B-1 bombers in terms of Stealth bombers
A	195	_____	20	_____
B	180	_____	35	_____
C	150	_____	45	_____
D	100	_____	50	_____

Table 1.2
Production possibilities for bombers

Schiller - Chapter 01

154. (p. 8) On the basis of your calculations in Table 1.2, the law of increasing opportunity costs applies to:

- A. Both B-1 and Stealth bombers.
- B. B-1 bombers but not to Stealth bombers.
- C. Stealth bombers but not to B-1 bombers.
- D. Neither bomber.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #154

155. (p. 8) On the basis of your calculations in Table 1.2, what is the opportunity cost of producing at point B rather than point C?

- A. 45 B-1 bombers.
- B. 35 Stealth bombers.
- C. 180 Stealth bombers.
- D. 10 B-1 bombers.**

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #155

Topic: WHAT ECONOMICS IS ALL ABOUT

156. (p. 8) On the basis of your calculations in Table 1.2, what is gained by producing at point B rather than point C?

- A. 45 B-1 bombers.
- B. 30 Stealth bombers.**
- C. 180 Stealth bombers.
- D. 10 B-1 bombers.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #156

Topic: WHAT ECONOMICS IS ALL ABOUT

157. (p. 8) On the basis of your calculations in Table 1.2, what is the opportunity cost of producing at point B rather than point A?

- A. 15 Stealth bombers.**
- B. 15 B-1 bombers.
- C. 195 Stealth bombers.
- D. 20 B-1 bombers.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #157

Topic: WHAT ECONOMICS IS ALL ABOUT

158. (p. 8) On the basis of your calculations in Table 1.2, what is gained by producing at point B rather than point A?

- A. 35 B-1 bombers.
- B. 195 Stealth bombers.
- C. 15 B-1 bombers.**
- D. 15 Stealth bombers.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #158

Topic: WHAT ECONOMICS IS ALL ABOUT

159. (p. 8) Refer to Table 1.2. In the production range of 20 to 35 B-1s, the opportunity cost of producing

1 more B-1 bomber in terms of Stealth bombers is:

- A. 195/20.
- B. 35/20.
- C. 15.
- D.** 1.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #159

Topic: WHAT ECONOMICS IS ALL ABOUT

160. (p. 8) Refer to Table 1.2. In the production range of 180 to 195 Stealth bombers, the opportunity cost of producing 1 more Stealth bomber in terms of B-1 bombers is:

- A. 15.
- B.** 1.
- C. 195/20.
- D. 195/180.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #160

Topic: WHAT ECONOMICS IS ALL ABOUT

161. (p. 8) The highest opportunity cost anywhere in Table 1.2 for B-1 bombers in terms of Stealth bombers is:

- A.** 10 Stealths per B-1 bomber.
- B. .33 B-1 per Stealth bomber.
- C. .10 B-1 bomber per Stealth bomber.
- D. .10 Stealth per B-1 bomber.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #161

Topic: WHAT ECONOMICS IS ALL ABOUT

162. (p. 8) The lowest opportunity cost anywhere in Table 1.2 for Stealth bombers in terms of B-1 bombers is:

- A. 3 B-1s per Stealth bomber.
- B. .33 B-1 per Stealth bomber.
- C. 10 B-1s per Stealth bomber.
- D.** .10 B-1 per Stealth bomber.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #162

Topic: WHAT ECONOMICS IS ALL ABOUT

163. (p. 8) In Table 1.2, what is the relationship between the opportunity cost of Stealth bombers and the opportunity cost of B-1 bombers?

- A. They are reciprocals of each other.
- B. As one increases the other increases.
- C. Neither conforms to the law of increasing opportunity cost.
- D. They are multiples of each other.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #163
Topic: WHAT ECONOMICS IS ALL ABOUT

Table 1.3 shows the hypothetical tradeoff between different combinations of brushes and combs that might be produced in a year with the limited capacity for Country X, ceteris paribus. Complete the table by calculating the required opportunity costs for brushes and combs. Then answer the indicated questions.

Combination	Number of combs	Opportunity cost of combs in terms of brushes	Number of brushes	Opportunity cost of brushes in terms of combs
J	0		4	
K	10		3	
L	17		2	
M	21		1	
N	23		0	

Table 1.3
Production possibilities for brushes and combs

Schiller - Chapter 01

164. (p. 8) On the basis of your calculations in Table 1.3, what is the opportunity cost of producing at point M rather than point N?
- A. 23 combs.
 - B. 21 combs.
 - C. 1 brush.
 - D. 2 combs.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #164
Topic: WHAT ECONOMICS IS ALL ABOUT

165. (p. 8) On the basis of your calculations in Table 1.3, what is gained by producing at point M rather than point N?
- A. 23 combs.
 - B. 21 combs.
 - C. 1 brush.
 - D. 2 combs.

166. (p. 8) On the basis of your calculations in Table 1.3, what is the opportunity cost of producing at point L rather than point K?

- A. 17 combs.
- B. 2 brushes.
- C. 1 brush.**
- D. 7 combs.

167. (p. 8) On the basis of your calculations in Table 1.3, what is gained from producing at point L rather than point K?

- A. 17 combs.
- B. 10 combs.
- C. 1 brush.
- D. 7 combs.**

168. (p. 8) On the basis of your calculations in Table 1.3, the law of increasing opportunity costs applies to:

- A. Both brushes and combs.**
- B. Combs but not brushes.
- C. Brushes but not combs.
- D. Neither brushes nor combs.

169. (p. 8) On the basis of your calculations in Table 1.3, in the production range of 2 to 3 brushes the opportunity cost of producing 1 more brush in terms of combs is:

- A. 3.33.
- B. 7.0.**
- C. 0.67.
- D. 0.14.

170. (p. 8) On the basis of your calculations in Table 1.3, in the production range of 21 to 23 combs the opportunity cost of producing more comb in terms of brushes is:

- A. 1/21.
- B. 21/23.
- C. 1/2.**
- D. 4.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #170

Topic: WHAT ECONOMICS IS ALL ABOUT

171. (p. 8) On the basis of your calculations in Table 1.3, in the production range of 1 to 2 brushes the opportunity cost of producing 1 more brush in terms of combs is:

- A. 4.**
- B. 1/2.
- C. 2/17.
- D. 1/7.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #171

Topic: WHAT ECONOMICS IS ALL ABOUT

172. (p. 8) On the basis of your calculations in Table 1.3, the highest opportunity cost for combs in terms of brushes is:

- A. 0.10 combs per brush.
- B. 23 combs per brush.
- C. 0.50 combs per brush.**
- D. 0.29 combs per brush.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #172

Topic: WHAT ECONOMICS IS ALL ABOUT

173. (p. 8) On the basis of your calculations in Table 1.3, the lowest opportunity cost for brushes in terms of combs is:

- A. 10 brushes per comb.
- B. 2 brushes per comb.**
- C. 0.33 brushes per comb.
- D. 8.5 brushes per comb.

AACSB: Reflective

BT: Application

Learning Objective: 1-1

Schiller - Chapter 01 #173

Topic: WHAT ECONOMICS IS ALL ABOUT

174. (p. 9) One World View article is titled "Food Shortages Plague N. Korea." On a production-

possibilities curve between private and public goods, a decrease in military spending in an effort to increase food production could be represented as:

- A. A movement along the production-possibilities curve toward public goods.
- B.** A movement along the production-possibilities curve toward private goods.
- C. A shift outward of the production-possibilities curve.
- D. A shift inward of the production-possibilities curve.

*AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #174*

175. (p. 9) One World View article is titled "Food Shortages Plague N. Korea." If North Korea reduces the size of its military and produces more food, this is most consistent with:

- A.** A movement along the economy's production-possibilities curve.
- B. Privatization.
- C. A laissez faire policy.
- D. The law of increasing opportunity costs.

*AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #175*

176. (p. 17) One World View article states that China's leaders favor private ownership of property versus government ownership. This illustrates the success of:

- A. Incentives from a centrally planned economy.
- B. The theme of Das Kapital.
- C.** Laissez faire policy.
- D. All of the above.

*AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #176*

177. (p. 2) One World View article states that NASA plans to spend \$100 billion to establish a manned station on the moon, then continue on to Mars. This is an example of an activity that:

- A. Will move the U.S.'s production possibilities curve inward.
- B. Has no opportunity cost.
- C.** Will move the U.S. from one point on its production possibilities curve to another point.
- D. Has a negative opportunity cost.

*AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #177*

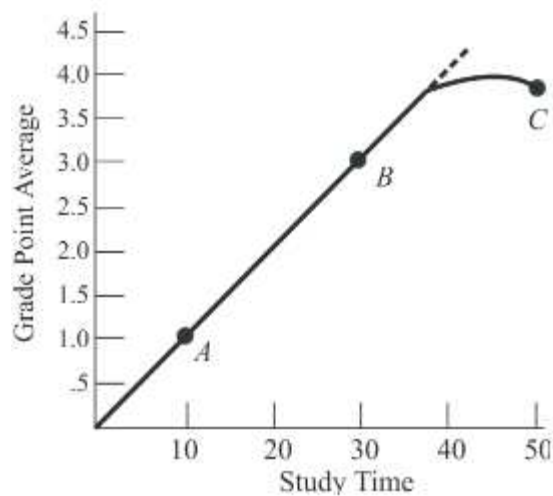


Figure 1.8
Relating grades and hours studied

Schiller - Chapter 01

178. (p. 22) In Figure 1.8, a grade-point average of 3.0 is associated with how many hours of study time per week?

- A. 5.
- B. 10.
- C. 15.
- D. 20.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #178
Topic: APPENDIX

179. (p. 22) The slope of the line between grade-point averages of 1.0 and 3.0 in Figure 1.8 is:

- A. -2.0.
- B. 1/10.
- C. 1/5.
- D. 5.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #179
Topic: APPENDIX

180. (p. 22) Figure 1.8 suggests that the relationship between the variables is:

- A. Negative after 30 hours of study.
- B. Everywhere linear.
- C. Linear at places and nonlinear at places.
- D. Linear at places and nonlinear at places but always negatively sloped.

AACSB: Reflective

181. (p. 22) Figure 1.8 suggests that:

- A. The law of increasing opportunity cost does not apply.
- B. Resources can be perfectly adapted between study time and grade-point average.
- C.** The relationship between study time and grade-point average is first linear, then nonlinear.
- D. The relationship between study time and grade-point average is constant.

182. (p. 22) Figure 1.8 suggests that if a student wants to achieve a grade-point average of 2.0, he or she should study:

- A. An average of 5 hours per week.
- B.** An average of 10 hours per week.
- C. An average of 15 hours per week.
- D. More than 15 hours per week because he or she is a C student.

183. (p. 22) In Figure 1.8, as you move from Point B closer to point C the slope:

- A. Becomes negative.
- B. Remains constant.
- C.** Decreases.
- D. Increases.

184. (p. 23) Refer to Figure 1.8. If the university decides to lower grading standards, then:

- A. This curve will shift rightward.
- B.** This curve will shift leftward.
- C. The curve will begin to bend downward at an earlier point.
- D. We will slide up the curve from point B to point C.

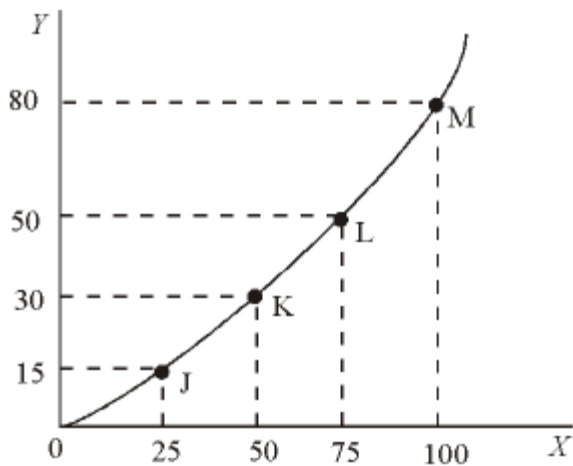


Figure 1.9

Schiller - Chapter 01

185. (p. 22) In Figure 1.9, as you move up the curve from Point J toward Point M, the slope:

- A.** Increases.
- B. Remains constant.
- C. Decreases.
- D. Becomes negative.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #185
Topic: APPENDIX

186. (p. 23) In Figure 1.9, the slope of the line between Points L and M is:

- A.** 1.20.
- B. 0.80.
- C. 0.75.
- D. 0.67.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #186
Topic: APPENDIX

187. (p. 23) In Figure 1.9, the slope of the line between Points K and L is:

- A. 1.25.
- B.** 0.80.
- C. 0.75.
- D. 0.60.

AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #187
Topic: APPENDIX

188. (p. 23) In Figure 1.9 the slope of the line is:

- A. Greater at Point K than Point L.
- B. Equal to zero at all points.
- C. The same at Points J and K.
- D.** Greater at Point M than Point L.

*AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #188
Topic: APPENDIX*

189. (p. 23) In Figure 1.9 the slope of the line is:

- A. Between zero and 1 at all points and decreasing as you move from Point J toward Point M.
- B. Negative and increasing as you move from Point J toward Point M.
- C. Positive and decreasing as you move from Point J toward Point M.
- D.** Positive and increasing as you move from Point J toward Point M.

*AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #189
Topic: APPENDIX*

190. (p. 23) The slope of a curve at any point is given by the formula, the:

- A.** Change in y coordinates between two points divided by the change in their x coordinates.
- B. Change in x coordinates between two points divided by the change in their y coordinates.
- C. Percentage change in y coordinates between two points divided by the percentage change in their x coordinates.
- D. Percentage change in x coordinates between two points divided by the percentage change in their y coordinates.

*AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #190*

191. (p. 23) A linear curve that slopes downward from left to right has a:

- A.** Negative slope.
- B. Positive slope.
- C. Slope that changes as you move along the curve.
- D. Slope of zero.

*AACSB: Reflective
BT: Application
Learning Objective: 1-1
Schiller - Chapter 01 #191*

192. (p. 24) A linear curve can be distinguished by:

- A. The continuous change in its slope.
- B.** The same slope throughout the curve.
- C. The changing relationship between the two variables.
- D. A shift in the curve.

193. (p. 24) A linear curve with a positive slope:

- A. Is drawn downward from left to right.
- B. Implies that there is a negative relationship between the two variables.
- C. Implies that there is a positive relationship between the two variables.
- D. Is drawn as a horizontal line.

194. (p. 24) When the relationship between two variables changes:

- A. There is movement from one point on the curve to another point on the curve.
- B. The curve becomes linear.
- C. The entire curve shifts.
- D. All of the above.

195. (p. 4) Goods are not scarce in the United States since people drive nice cars and have plenty to eat.

FALSE

196. (p. 4) Scarcity results when available resources cannot satisfy all desired uses of those resources.

TRUE

197. (p. 5) Critics of government regulation argue that government interference in the marketplace stifles the animal spirits of entrepreneurship.

TRUE

198. (p. 5) Opportunity cost is a theoretical concept with no practical application.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #198
Topic: SCARCITY: THE CORE PROBLEM*

199. (p. 5) The economic choices we make today about the use of scarce resources will impact the economy in the future.

TRUE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #199
Topic: SCARCITY: THE CORE PROBLEM*

200. (p. 5) Every time we use scarce resources in one way, we give up the opportunity to use them in other ways.

TRUE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #200
Topic: SCARCITY: THE CORE PROBLEM*

201. (p. 5) Opportunity costs only occur if the choices we make damage the environment.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #201
Topic: SCARCITY: THE CORE PROBLEM*

202. (p. 10) All output combinations that lie outside a production-possibilities curve are attainable with available resources and technology.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #202
Topic: PRODUCTION POSSIBILITIES*

203. (p. 10) Output combinations that lie inside the production-possibilities curve are characterized by efficient use of resources.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #203
Topic: PRODUCTION POSSIBILITIES*

204. (p. 10) Efficiency in production means getting the most output possible from the available resources.

TRUE

*AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #204
Topic: PRODUCTION POSSIBILITIES*

205. (p. 10) All of the choices on the production possibilities curve are equally desirable.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #205
Topic: PRODUCTION POSSIBILITIES*

206. (p. 11) If the economy is inside the production-possibilities curve, then more output can be produced using existing resources.

TRUE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #206
Topic: PRODUCTION POSSIBILITIES*

207. (p. 11) Technological advance shifts the production-possibilities curve inward.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #207
Topic: PRODUCTION POSSIBILITIES*

208. (p. 12) For a market economy, the decision about what to produce is made by the government.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #208
Topic: BASIC DECISIONS*

209. (p. 11) All economies must make decisions concerning what to produce, how to produce it, and for whom to produce.

TRUE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #209
Topic: BASIC DECISIONS*

210. (p. 13) Adam Smith observed how government directives can lead to the best allocation of resources.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #210
Topic: THE MECHANISMS OF CHOICE*

211. (p. 13) Price signals direct the answers to the WHAT, HOW, and FOR WHOM questions in a laissez-faire economy.

TRUE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #211
Topic: THE MECHANISMS OF CHOICE*

212. (p. 12) The essential feature of the market mechanism is the price signal.

TRUE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #212
Topic: THE MECHANISMS OF CHOICE*

213. (p. 15) In the U.S. market system, the government gives the signals for deciding how to use the majority of the resources.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #213
Topic: THE MECHANISMS OF CHOICE*

214. (p. 16) In a market economy, if a factory pollutes the air, the situation is referred to as government failure.

FALSE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #214
Topic: THE MECHANISMS OF CHOICE*

215. (p. 16) Government failure occurs when government intervention fails to improve economic outcomes.

TRUE

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3*

216. (p. 16) Economists formulate an economy's objectives.

FALSE

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #216
Topic: WHAT ECONOMICS IS ALL ABOUT

217. (p. 17) Macroeconomics addresses the economy as a whole.

TRUE

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #217
Topic: WHAT ECONOMICS IS ALL ABOUT

218. (p. 17) Microeconomics is concerned with individual performance as well as the economy as a whole.

FALSE

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-3
Schiller - Chapter 01 #218
Topic: WHAT ECONOMICS IS ALL ABOUT

219. (p. 18) The Latin phrase ceteris paribus refers to holding other variables constant.

TRUE

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-3
Schiller - Chapter 01 #219
Topic: WHAT ECONOMICS IS ALL ABOUT

220. (p. 23) To calculate the slope of a line, find the vertical distance between two points and divide it by the horizontal distance between the same two points.

TRUE

AACSB: Analytic
BT: Knowledge
Learning Objective: 1-1
Schiller - Chapter 01 #220
Topic: APPENDIX

221. (p. 23) The slope of a production-possibilities curve is positive.

FALSE

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1

222. (p. 23) When a curve shifts, the underlying relationship between the two variables shown on the graph has changed.

TRUE

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #222
Topic: APPENDIX

223. (p. 5) Explain why an economist would say "There is no such thing as a free lunch."

All resources are scarce. Any time a scarce resource is used in one way, the opportunity to use the resource in other ways is given up. The resources used to produce a "free lunch" could have been used to produce other goods and/or services so an opportunity cost is incurred.

AACSB: Reflective
BT: Analysis
Learning Objective: 1-1
Schiller - Chapter 01 #223

224. (p. 7) Describe the shape of the typical production-possibilities curve and explain why it has this shape.

The typical production-possibilities curve bends or bows outward. It has this shape because opportunity costs increase as society produces more of a good. In order to get more of a particular good, increasing quantities of other goods must be given up. This is known as the law of increasing opportunity costs.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #224

225. (p. 8) Why do opportunity costs increase as society produces more of a good?

As society produces more of a good, ever-increasing quantities of other goods and services must be sacrificed or given up. This occurs mostly because there is difficulty experienced in moving resources from one industry to another. The mix of factor inputs also has an impact and may restrict output capabilities.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #225

226. (p. 11) Explain the concept of inefficiency in terms of a production possibilities curve.

A production-possibilities curve shows potential output using all available resources and technology. If an economy does not use all the resources or technology available to it, then it will produce inside the production-possibilities curve. This incomplete use of resources and/or technology is referred to as inefficiency.

AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #226

227. (p. 17) Explain the difference between macroeconomics and microeconomics. Give examples of each.

Macroeconomics focuses on aggregate economic behavior. Full employment, price stability and economic growth are macroeconomic issues. Microeconomics is concerned with the smaller components that actually contribute to the macroeconomy such as individuals, particular business firms and industries, and government agencies.

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #227*

228. (p. 13) How does the market mechanism answer the WHAT, HOW, and FOR WHOM questions?

The market mechanism answers the WHAT question through the indirect interactions of producers and consumers. Market prices and sales signal the desired output. Producers desire to maximize profits and look for the least-cost method of production. This answers the HOW question. The market distributes output to the highest bidder and in doing so answers the FOR WHOM question.

*AACSB: Reflective
BT: Comprehension
Learning Objective: 1-1
Schiller - Chapter 01 #228*

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