

Name _____

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

- 1) The production possibilities frontier bows outward because 1) _____
 A) resources are easily shifted between the production of both goods.
 B) resources can't be used to produce both goods.
 C) resources are not equally suited to the production of different goods.
 D) none of the above

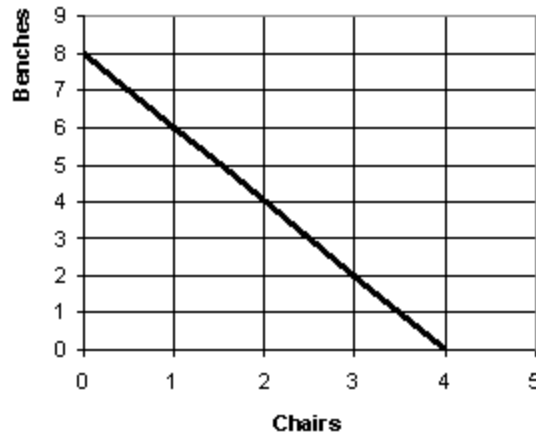


Figure 2.4

- 2) According to Figure 2.4, the opportunity cost of one chair is equal to 2) _____
 A) 1 bench. B) 4 benches. C) 8 benches. D) 2 benches.
- 3) According to Figure 2.4, if this economy is currently producing 4 benches, what is the maximum number of chairs that it can produce? 3) _____
 A) 1 B) 2 C) 3 D) 4

Table 2.1

Combination	Z	Y	W	X	V	U
Televisions	21	20	18	15	11	6
Computers	0	1	2	3	4	5

- 4) Refer to Table 2.1. The marginal opportunity cost of each additional computer in terms of televisions _____ 4) _____
 A) falls as more computers are produced
 B) remains constant
 C) increases as more computers are produced
 D) is meaningless because the cost of computers cannot be expressed in terms of TVs
- 5) Refer to Table 2.1. When the economy moves from point V to U, the marginal opportunity cost of an additional computer, in terms of televisions, is _____ televisions. 5) _____
 A) 2 B) 3 C) 4 D) 5

TABLE 2.1

Berries	Nuts
22	0
21	1
19	2
16	3
10	4
0	5

6) Using Table 2.1 what is the opportunity cost of obtaining one more nut if we already have 10 berries and 4 nuts? 6) _____
A) 10 berries B) 10 nuts C) 4 berries D) 1 nut

7) Using Table 2.1 what is the opportunity cost of the first nut in terms of berries? 7) _____
A) 5 berries B) 21 berries C) 1 berry D) 22 berries

Table 2.1

Combination	Z	Y	W	X	V	U
Televisions	21	20	18	15	11	6
Computers	0	1	2	3	4	5

8) Refer to Table 2.1. When the economy moves from point X to V, the marginal opportunity cost of an additional computer, in terms of televisions, is _____ televisions. 8) _____
A) 2 B) 3 C) 4 D) 5

9) The invisible hand concept assumes that 9) _____
A) everyone will act with the best interests of others in mind, at least in regard to economic decisions.
B) a country will be ruled by a king or queen who will have the best interests of the people in mind.
C) people act in their own self-interests.
D) government is necessary to regulate the marketplace.

10) The opportunity cost of using a resource in a specific way 10) _____
A) is the price paid when the resource was acquired.
B) is relevant only to market economies.
C) depends upon how efficiently the resource is being used.
D) is the value of the resources in their best alternative use.

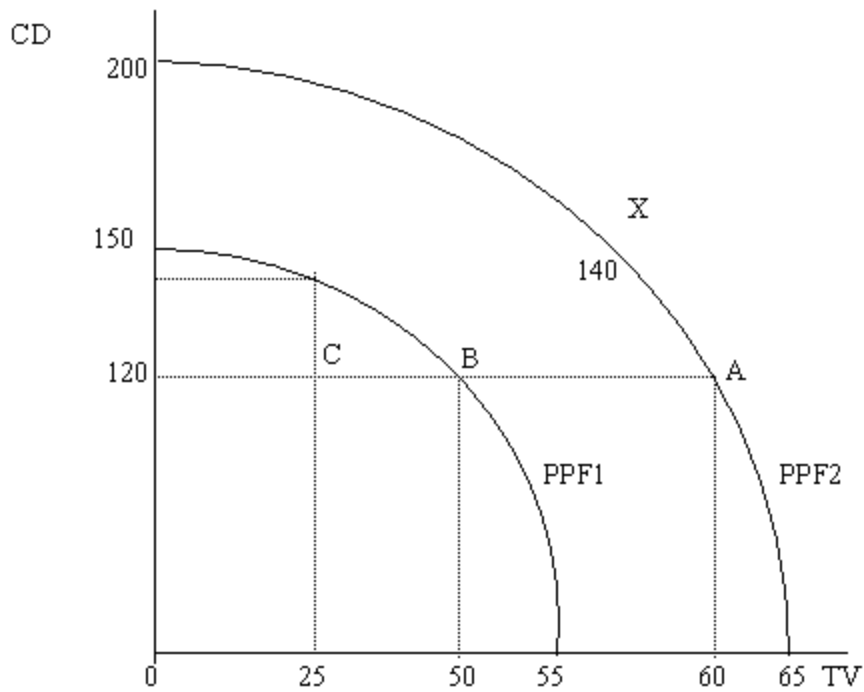


Figure 2.5

- 11) Refer to Figure 2.5. If economy is operating along PPF2 the maximum number of TVs that can be produced is _____ and the maximum number of CDs that can be produced is _____.
 A) 55; 150 B) 35; 140 C) 200; 55 D) 65; 200 11) _____
- 12) Refer to Figure 2.5. If the economy is operating at point C (inside PPF1), the opportunity cost of moving to point B is _____.
 A) 25 TVs B) 30 CDs
 C) 1 CD = 1.25 TVs D) zero 12) _____
- 13) Which of the following are the three basic economic questions?
 A) When? Where? Why? B) Why? Why? Why?
 C) What? How? For whom? D) Who? What? When? 13) _____
- 14) Which country best illustrates a command-and-control economy?
 A) Cuba. B) Mexico. C) Sweden. D) Japan. 14) _____
- 15) The term which describes how resources are used is
 A) resource margins. B) macroeconomics.
 C) resource scarcity. D) resource allocation. 15) _____
- 16) Resources include all of the following except:
 A) labor. B) capital. C) money. D) land. 16) _____
- 17) The concept of opportunity costs applies
 A) whenever choices have to be made. B) only when there is money involved.
 C) only to consumers. D) only to businesses. 17) _____

- 18) The four economic resources are 18) _____
 A) water soil, money, food.
 B) money, taxes, employment, government.
 C) land, labor, capital, entrepreneurship.
 D) cash, checking accounts, savings accounts, CDs.
- 19) Assume an economy that only produces fish and canoes. Which of the following would be true? 19) _____
 A) If the economy keeps adding to the production of fish, it uses resources that are more suited to the production of fish.
 B) If the economy keeps adding to the production of canoes, it uses resources that are more suited to the production of canoes.
 C) If the economy keeps adding to the production of canoes, it uses resources that are less suited to the production of canoes.
 D) If the economy is operating on the production possibilities frontier, it can produce more canoes and fish.
- 20) Which of the following is not an illustration of opportunity costs? 20) _____
 A) If I study for the economics exam, I won't have as much time to study for calculus.
 B) If I go to college now, I will have to give up working in the family business.
 C) If I take the job as a law clerk, I won't be able to study as much.
 D) The more I work at the shop the greater the amount of leisure I will have.
- 21) "If oil prices fall, some countries will default on their debts, which will destabilize the world financial system," proclaimed the sheik. This statement is an example of 21) _____
 A) positive microeconomics. B) normative microeconomics.
 C) normative macroeconomics. D) positive macroeconomics.
- 22) In a mixed economy the "for whom" question is answered by 22) _____
 A) government only. B) the invisible hand.
 C) corporations. D) both government and the market.
- 23) In a laissez-faire free-market economy, the questions of what, how, and for whom are answered by 23) _____
 A) the interaction of government and markets.
 B) government only.
 C) markets only.
 D) neither markets nor government.
- 24) Reliance upon the invisible hand is most strongly identified with which type of economy? 24) _____
 A) A traditional economy. B) A market economy.
 C) A mixed economy. D) A communist economy.
- 25) Economics is the study of 25) _____
 A) money. B) business.
 C) scarcity and choice. D) all aspects of the universe.
- 26) Without _____, there would be no need for economics. 26) _____
 A) money B) government
 C) requirements for graduation D) scarcity

- 27) Which of the following provides the best example of the invisible hand in action? 27) _____
A) The taxes collected from the rich by government in order to aid the poor.
B) Business firms that produce what they wish rather than what the market wishes.
C) Market failures.
D) Business firms that produce goods that are desired by consumers.
- 28) Microeconomics deals with 28) _____
A) aggregates. B) unemployment.
C) inflation. D) the individual parts of the economy.
- 29) A student who attends a college of higher education has obtained 29) _____
A) land. B) capital.
C) labor. D) entrepreneurship.
- 30) When a country finds new resources, such as iron ore or oil, its production possibility frontier will 30) _____
shift
A) inward at the top but outward at the bottom.
B) inward.
C) outward.
D) outward at the top but inward at the bottom.
- 31) Which economic question concerns who will receive the goods and services that are produced? 31) _____
A) The "what" question. B) The "how" question.
C) The "for whom" question. D) The "now versus the future" question.
- 32) The invisible hand of the marketplace is associated with the writings of 32) _____
A) Thomas Robert Malthus. B) John Maynard Keynes.
C) John Rawls. D) Adam Smith.
- 33) Society is forced to make economic choices because 33) _____
A) needs have no limits.
B) there are always shortages of important goods.
C) unlimited wants cannot be satisfied because of scarce resources.
D) the world population is too large.
- 34) Opportunity costs represent 34) _____
A) only the monetary value of the next best alternative.
B) the value of all the other things with which we could spend our time.
C) the sum of all of your alternative choices.
D) the value of the single most highly valued alternative choice that has been forgone.
- 35) The "what" question primarily refers to 35) _____
A) the type of economic system.
B) who gets what.
C) production methods.
D) the goods and services that will be produced.

- 36) Pick the one statement among the following that deals with macroeconomics. 36) _____
- A) Personal computer prices have decreased as computer manufacturers have become more efficient.
 - B) The Jumbo Giant Pretzel Company has announced plans to build a new pretzel-making factory.
 - C) In July, 1996, the U.S. unemployment rate was 5.4 percent.
 - D) Susan buys more frozen pizza when it is on sale than when it is not.
- 37) Mixed economies contain 37) _____
- A) a combination of command and control and free markets.
 - B) both microeconomic and macroeconomic issues.
 - C) many separate sub-units of government, all under the control of one federal government.
 - D) a melting pot of many races.
- 38) A definition of economics is LEAST likely to include which of the following terms? 38) _____
- A) Money.
 - B) Allocation of resources.
 - C) Unlimited wants.
 - D) Scarcity.
- 39) The invisible hand of the marketplace means that 39) _____
- A) government rules the market behind the scenes.
 - B) the marketplace is controlled by large businesses that conspire with one another to set high prices.
 - C) people who act in their own self-interest will more effectively serve the public interest than will government.
 - D) if you are not careful in your shopping, you will lose your money.
- 40) Which of the following would cause an economy's entire production possibility frontier to shift inward? 40) _____
- A) a decrease in the world price of grains
 - B) a decline in the working-age population
 - C) a technological improvement
 - D) an increase in the number of unemployed

Answer Key

Testname: DCE CHAPTER 1 AND 2 TEST

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