1) Economists point out that scarcity confronts
A) neither the poor nor the rich. B) the poor but not the rich.
C) the rich but not the poor. D) both the poor and the rich.

2) When firms in an economy start producing more computers and fewer televisions, they are answering the ____ question.
A) "when" B) "who" C) "what" D) "where"

3) Opportunity cost means
A) the accounting cost minus the external cost. B) the highest-valued alternative forgone.
C) the accounting cost minus the indirect cost. D) the monetary costs of an activity.

4) Misty has the option of purchasing one of three products: Brand A, Brand B, or Brand C. Each costs ten dollars. If she decides that Brand A meets her needs best, then the opportunity cost of this decision is
A) Brand B plus Brand C.
B) twenty dollars.
C) Brand A.
D) Brand B or Brand C, depending on which is considered the highest-value alternative forgone.

5) Marginal benefit is the benefit
A) that your activity provides to someone else.
B) of an activity that exceeds its cost.
C) that arises from the secondary effects of an activity.
D) that arises from a small increase in an activity.

6) The analysis of the behavior of individual decision-making units is the definition of
A) microeconomics. B) positive economics.
C) macroeconomics. D) normative economics.

7) The statement "An increase in the price of gasoline will cause a decrease in the amount purchased" is
A) a political statement. B) a positive statement.
C) a normative statement. D) a scientific statement.

8) Normative statements are statements about
A) prices. B) quantities. C) what is. D) what ought to be.

9) As you study for your economics test you are increasing your
A) ownership of wants. B) human capital.
C) entrepreneurship. D) ability to create scarcity.
10) Any output combination outside a production possibility frontier  
   A) is unattainable. B) is associated with unused resources.  
   C) is attainable only if prices fall. D) is attainable only if prices rise.  

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

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

13) When the production possibility frontier is a straight line,  
   A) opportunity cost is increasing. B) opportunity cost is constant. 
   C) opportunity cost is decreasing. D) resources are not scarce.  

<table>
<thead>
<tr>
<th>Point</th>
<th>Production of X</th>
<th>Production of Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>b</td>
<td>4</td>
<td>36</td>
</tr>
<tr>
<td>c</td>
<td>8</td>
<td>28</td>
</tr>
<tr>
<td>d</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>e</td>
<td>16</td>
<td>0</td>
</tr>
</tbody>
</table>

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

15) If the marginal benefit of a good exceeds its marginal cost  
   A) we've achieved efficient resource use. B) we should produce more. 
   C) we should produce less. D) we cannot tell if more or less should be produced.
16) The figure above shows the production possibility frontiers for four nations that have identical production possibility frontiers in the present. The one that will grow most rapidly in the future is most likely to be at point
A) A.  B) B.  C) C.  D) D.

17) In going from point a to point b in the above figure, what is the opportunity cost of producing one more video tape?
A) 1 audio tape.  B) 2 audio tapes.
C) 14 audio tapes.  D) There is no opportunity cost.

18) The law of demand states that, other things remaining the same, the higher the price of a good, the
A) smaller is the demand for the good.  B) larger is the demand for the good.
C) smaller is the quantity of the good demanded.  D) larger is the quantity of the good demanded.

19) The demand for a good increases when the price of a substitute ____ and also increases when the price of a complement ____.
A) rises; rises  B) rises; falls  C) falls; rises  D) falls; falls
20) In 1998 there were 200,000 gas grills demanded at a price of $500. In 1999 there were more than 200,000 gas grills demanded at the same price. This increase could be the result of any of the following EXCEPT
A) an increase in the supply of gas grills.
B) an increase in income if gas grills are a normal good.
C) a fall in the price of natural gas, a complement for a gas grill.
D) an increase in population.

21) Which of the following is NOT held constant while moving along a supply curve?

22) The above figure represents the market for oil. Because of the development of a new deep sea drilling technology the
A) demand curve shifts from $D_1$ to $D_2$ and the supply curve will not shift.
B) demand curve shifts from $D_1$ to $D_2$ and the supply curve shifts from $S_1$ to $S_2$.
C) demand curve will not shift, and the supply curve shifts from $S_2$ to $S_1$.
D) demand curve will not shift, and the supply curve shifts from $S_1$ to $S_2$.

23) When the price is below the equilibrium price, the quantity demanded
A) is less than the equilibrium quantity. So is the quantity supplied.
B) is less than the equilibrium quantity. The quantity supplied exceeds the equilibrium quantity.
C) exceeds the equilibrium quantity. So does the quantity supplied.
D) exceeds the equilibrium quantity. The quantity supplied is less than the equilibrium quantity.
24) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. In a normal year the price of wapanzo beans will be
A) $1 per pound. B) $2 per pound. C) $3 per pound. D) $4 per pound.

25) Goods A and B are complementary goods (in consumption). The cost of a resource used in the production of A decreases. As a result,
A) the equilibrium price of B will fall and the equilibrium price of A will rise.
B) the equilibrium price of B will rise and the equilibrium price of A will fall.
C) the equilibrium prices of both A and B will rise.
D) the equilibrium prices of both A and B will fall.
Answer Key
Testname: 2113_E1_F2001

1) Answer: D
2) Answer: C
3) Answer: B
4) Answer: D
5) Answer: D
6) Answer: A
7) Answer: B
8) Answer: D
9) Answer: B
10) Answer: A
11) Answer: A
12) Answer: D
13) Answer: B
14) Answer: B
15) Answer: B
16) Answer: C
17) Answer: B
18) Answer: C
19) Answer: B
20) Answer: A
21) Answer: C
22) Answer: D
23) Answer: D
24) Answer: C
25) Answer: B