EXAM 1  
Form 1  
Monday, October 3rd

Name:_______________________________    SIN: R____________________________

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

1) In every economic system, choices must be made because resources are ______ and our wants are ______.
   A) limited; limited  B) unlimited; limited  C) unlimited; unlimited  D) limited; unlimited

2) Scarcity requires that people must
   A) cooperate.  B) make choices.  C) trade.  D) compete.

3) Which of the following is correct? Factors of production are
   A) the inputs used to produce goods and services.  B) only land and labor.
   C) land, labor, the price system, and capital.  D) the fundamental source of abundance.

4) The term used to emphasize that making choices in the face of scarcity involves a cost is
   A) utility cost.  B) opportunity cost.  C) accounting cost.  D) substitution cost.

5) The opportunity cost of something you decide to get is
   A) the value of the item minus the cost you paid for it.
   B) the highest valued alternative you give up to get it.
   C) all the possible alternatives that you give up to get it.
   D) the amount of money you pay to get it.

6) During the summer you have made the decision to attend summer school, which prevents you from working at your usual summer job in which you normally earn $6,000 for the summer. Your tuition cost is $3,000 and books and supplies cost $1,300. In terms of dollars, the opportunity cost of attending summer school is
   A) $3,300.  B) $10,300.  C) $4,300.  D) $6,000.

7) "As part of the financial crisis bailout plan in 2008, the Federal Reserve should not bail out banks that made risky loans." This is an example of
   A) a positive statement.  B) the Federal Reserve taking actions that are not at the margin.
   C) a normative statement.  D) opportunity costs.

8) When producing at a production efficient point, ______.
   A) the opportunity cost of another good is zero
   B) we can satisfy our all wants
   C) we face a tradeoff and incur an opportunity cost
   D) our choice of the goods can be either on or within the production possibilities frontier
9) A president of the United States promises to produce more defense goods without any decreases in the production of other goods. This promise can be valid
A) if the United States is producing at a point inside its production possibilities frontier.
B) if the United States is producing at a point on its production possibilities frontier.
C) if the United States is producing at a point beyond its production possibilities frontier.
D) only if the production possibilities frontier shifts rightward.

10) Increasing opportunity cost occurs along a production possibilities frontier because
A) increasing wants need to be satisfied.
B) resources are not equally productive in all activities.
C) production takes time.
D) in order to produce more of one good decreasing amounts of another good must be sacrificed.

11) After Hurricane Katrina devastated parts of Mississippi and New Orleans in 2005, we can be sure that the production possibilities frontier for that area temporarily
A) became steeper.
B) became flatter.
C) shifted inward, toward the origin.
D) shifted outward, away from the origin.

12) An increase in the production of capital goods
A) must decrease the future production of consumer goods.
B) shifts the production possibilities frontier outward in the future.
C) must increase the current production of consumer goods.
D) shifts the production possibilities frontier inward in the future.

13) The opportunity cost of economic growth is
A) future consumption that a nation gets if it gives up some present consumption.
B) present consumption that a nation gives up to accumulate capital
C) future consumption that a nation gives up to consume more today
D) present investment that a nation gives up to increase its economic growth.

14) A country possesses a comparative advantage in the production of a good if
A) it possesses an absolute advantage in the production of this good.
B) the opportunity cost in terms of forgone output of alternative goods is lower for this country than it is for its trading partners.
C) it is able to produce more of this good per hour than can any other country.
D) all of the above

<table>
<thead>
<tr>
<th></th>
<th>U.S. production possibilities</th>
<th>France's production possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>100</td>
<td>25</td>
</tr>
<tr>
<td>Concrete</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
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15) The above table shows the tons of steel and concrete that can be produced by the United States and France in an hour. From the data in the table,
A) the United States has a comparative advantage in the production of concrete.
B) the United States has a comparative advantage in the production of both goods.
C) France has an absolute advantage in the production of concrete.
D) France has a comparative advantage in the production of concrete.
According to the principle of comparative advantage, if a rich country trades with a poor country, then
A) the rich country will benefit and the poor country will lose.
B) the rich country will lose and the poor country will benefit.
C) both countries will benefit.
D) neither of the countries will benefit.

The idea of comparative advantage implies that people or countries
A) should specialize in the production of goods.
B) can consume at a point outside their production possibilities frontier.
C) can gain from trading.
D) all of the above

The quantity demanded of a good or service is the amount that
A) firms are willing to sell during a given time period at a given price.
B) a consumer would like to buy but might not be able to afford.
C) is actually bought during a given time period at a given price.
D) consumers plan to buy during a given time period at a given price.

The observation that the demand curve for grape jelly shifts rightward every time the price of peanut butter falls means that grape jelly and peanut butter are
A) complements.  B) normal goods.  C) substitutes.  D) inferior goods.

A recession occurs and people's incomes decrease. Knowing that an iPad is a normal good, you predict that the demand for an iPad
A) might increase or decrease.  B) remains unchanged.
C) decreases.  D) increases.

The equilibrium price is the price at which the quantity
A) supplied equals the quantity bought.  B) sold equals the quantity bought.
C) demanded equals the quantity supplied.  D) demanded equals the quantity sold.

Ticket scalpers at the NCAA basketball tournament last year charged prices high above the printed ticket price. This observation is evidence of
A) a surplus at printed ticket prices.
B) the tournament not being televised.
C) a shortage at printed ticket prices.
D) the tournament getting too much television exposure.

Which of the following statements is correct?
A) When demand decreases, the price rises and the quantity decreases.
B) When supply decreases, both the price and the quantity decrease.
C) When supply increases, the quantity decreases and the price rises.
D) When demand increases, both the price and the quantity increase.

If more people buy hybrid cars that have high gas mileage, the equilibrium price of gasoline will _______ and the equilibrium quantity will _______.
A) rise; decrease  B) rise; increase  C) fall; decrease  D) fall; increase
25) "The recent hurricanes in Florida are bringing financial gain to California citrus growers. Due to extensive damage to the Florida citrus crop, California citrus products are commanding their highest prices ever." Which of the following statements best explains the economics of this quotation?

A) The supply of Florida oranges decreased, causing the supply of California oranges to increase and the price of California oranges to rise.
B) The supply of Florida oranges decreased, causing their price to increase, which then increased the demand for substitute California oranges.
C) The demand for Florida oranges decreased because of the hurricanes, causing a greater demand for California oranges and an increase in the price of California oranges.
D) The demand for Florida oranges decreased, causing their prices to rise, therefore increasing the demand for California oranges.

26) If good growing conditions increase the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought ______.

A) doesn't change and the price rises
B) increases and the price might rise, fall or not change
C) doesn't change and the price falls
D) increases and the price rises

27) A ticket to see the Radio City Rockettes costs $90. You buy a ticket for $30 to see the New York Jets play football. The money price for

A) a Jets ticket is $30 and the relative price is 3 Rockettes tickets per Jets ticket.
B) the Rockettes ticket is 3 Jets tickets per Rockette ticket and the relative price is $90.
C) a Jets ticket is $30 and $3 for a Rockettes ticket.
D) the Rockettes ticket is $90 and the relative price is 3 Jets tickets per Rockette ticket.

28) Producers of tablet computers will be able to lower the wage rate that they pay to their workers. You are asked to predict the effects on the supply of tablet computers, and the price of a tablet computer. You predict that the supply curve shifts

A) rightward, and the price falls.  
B) leftward, and the price rises.
C) leftward, and the price is constant.  
D) rightward, and the price is constant.
29) The above figures show the market for gasoline. Which figure(s) shows the effect of a decision by the OPEC countries in the Middle East to export less oil to the rest of the world?
A) Figure B  
B) Figure C  
C) Figure D  
D) Figures B and C

30) The above figures show the market for gasoline. Which figure(s) shows the effect of a freezing cold winter which drives up the price of home heating oil (a substitute in production for gasoline because each is made from crude oil)?
A) Figure B  
B) Figure C  
C) Figure D  
D) Figures B and C
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1 | D  |
| 2 | B  |
| 3 | A  |
| 4 | B  |
| 5 | B  |
| 6 | B  |
| 7 | C  |
| 8 | C  |
| 9 | A  |
| 10| B  |
| 11| C  |
| 12| B  |
| 13| B  |
| 14| B  |
| 15| D  |
| 16| C  |
| 17| D  |
| 18| D  |
| 19| A  |
| 20| C  |
| 21| C  |
| 22| C  |
| 23| D  |
| 24| C  |
| 25| B  |
| 26| B  |
| 27| D  |
| 28| A  |
| 29| B  |
| 30| B  |