

Chapter 2

Thinking Like an Economist

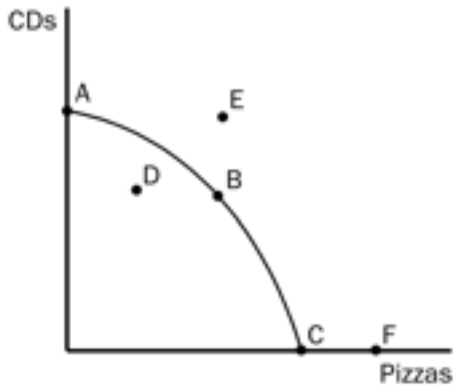
Test A

1. The production possibilities frontier is a
 - a. map which shows the frontier beyond which agriculture is unprofitable.
 - b. map which shows areas of the world in which capitalist production is now possible.
 - c. graph that shows the various combinations of output that the economy can possibly produce given the available resources and technology.
 - d. graph which shows the various combinations of resources that can be used to produce a given level of output.

ANSWER: c. graph that shows the various combinations of output that the economy can possibly produce given the available resources and technology.

2. Which of the following concepts is NOT illustrated by the production possibilities frontier?
 - a. efficiency
 - b. opportunity cost
 - c. equity
 - d. tradeoffs

ANSWER: c. equity



3. On the production possibilities frontier shown, which point or points are possible for this economy to produce?
 - a. A, B, C, D
 - b. A, B, C, F
 - c. A, B, C, D, E, F
 - d. D

ANSWER: a. A, B, C, D

4. On the production possibilities frontier shown, which point or points are inefficient?
 - a. A, B, C
 - b. E, F

- c. B
- d. D

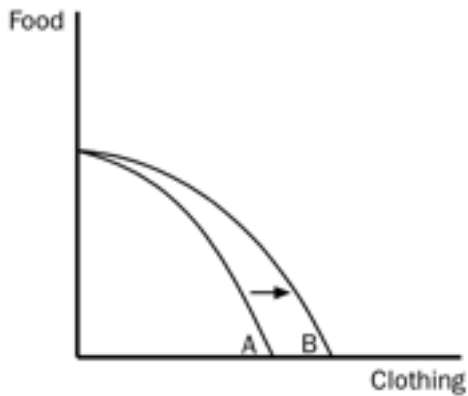
ANSWER: d. D

5. The opportunity cost of obtaining more of one good is shown on the production possibilities frontier as the
- a. amount of the other good which must be given up.
 - b. market price of the additional amount produced.
 - c. amount of resources which must be devoted to its production.
 - d. number of dollars which must be spent to produce it.

ANSWER: a. amount of the other good which must be given up.

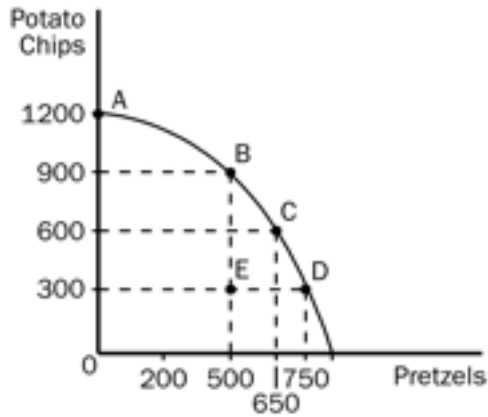
6. A production possibilities frontier will be linear and not bowed out if
- a. no tradeoffs exist.
 - b. the tradeoff between the two goods is always at a constant rate.
 - c. the unemployment rate is zero.
 - d. resources are allocated efficiently.

ANSWER: b. the tradeoff between the two goods is always at a constant rate.



7. In the production possibilities frontier shown, the shift of the frontier from A to B was most likely caused by which of the following?
- a. more capital available in the economy
 - b. more labor available in the economy
 - c. a general technological breakthrough
 - d. technological improvement in the production of clothing

ANSWER: d. technological improvement in the production of clothing



8. In the production possibilities frontier shown, what is the opportunity cost to society of the movement from point D to point B?
- 600 pretzels
 - 800 pretzels
 - 250 pretzels
 - 100 pretzels

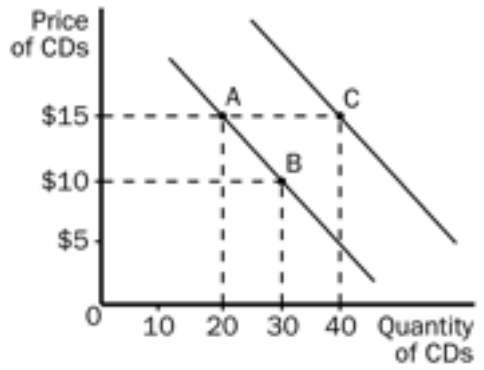
ANSWER: c. 250 pretzels

9. In the production possibilities frontier shown, the movement from point C to point E was most likely caused by
- an increase in society's preference for pretzels.
 - a decrease in society's preference for potato chips.
 - unemployment.
 - a and b

ANSWER: c. unemployment.

10. Which of the following would be considered a topic of study in microeconomics?
- the effect of changes in saving rates on GDP
 - the impact of minimum-wage laws on employment in the fast-food industry
 - the impact of monetary policy on the rate of inflation
 - the effect of tax policy on the rate of economic growth

ANSWER: b. the impact of minimum-wage laws on employment in the fast-food industry



11. In the graph shown, the slope of the curve between points A and B is

- a. - 2
- b. - 1/2
- c. 1/2
- d. 2

ANSWER: b. - 1/2

1 ANSWER: c. graph that shows the various combinations of output that the economy can possibly produce given the available resources and technology.

TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 3 RANDOM: Y

2 ANSWER: c. equity

TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 3 RANDOM: Y

3 ANSWER: a. A, B, C, D

TYPE: M KEY1: G SECTION: 1 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION INSTRUCTION: 2
RANDOM: Y

4 ANSWER: d. D

TYPE: M KEY1: G SECTION: 1 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION INSTRUCTION: 2
RANDOM: Y

5 ANSWER: a. amount of the other good which must be given up.

TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 3 RANDOM: Y

6 ANSWER: b. the tradeoff between the two goods is always at a constant rate.

TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

7 ANSWER: d. technological improvement in the production of clothing

TYPE: M KEY1: G SECTION: 1 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION INSTRUCTION: 4
RANDOM: N

8 ANSWER: c. 250 pretzels

TYPE: M KEY1: G SECTION: 1 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION INSTRUCTION: 6
RANDOM: N

9 ANSWER: c. unemployment.

TYPE: M KEY1: G SECTION: 1 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION INSTRUCTION: 6
RANDOM: N

10 ANSWER: b. the impact of minimum-wage laws on employment in the fast-food industry

TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 4 RANDOM: Y

11 ANSWER: b. $-1/2$

TYPE: M KEY1: G GRAPH FORMAT: M QUESTION INSTRUCTION: 3 RANDOM: N