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

1) Among the fundamental concepts in economics are
   A) efficient markets.  B) opportunity cost.  C) marginalism.  D) all of the above

2) Opportunity cost is
   A) that which we forgo, or give up, when we make a choice or a decision.
   B) the additional cost of producing an additional unit of output.
   C) a cost that cannot be avoided, regardless of what is done in the future.
   D) the additional cost of buying an additional unit of a product.

3) The reason that opportunity costs arise is that
   A) an economy relies on money to facilitate exchange of goods and services.
   B) there are no alternative decisions that could be made.
   C) people have limited wants.
   D) resources are scarce.

4) If your tuition is $5,000 this semester, your books cost $600, you can only work 20 rather than 40
   hours per week during the 15 weeks you are taking classes and you make $15 per hour, and your
   room and board is $3000 this semester (same as if not attending college), then your opportunity
   cost of attending college this semester is
   A) $5,600.  B) $5,900.  C) $10,100.  D) $11,600.

Refer to the information provided in Table 2.1 below to answer the following questions.

Table 2.1

<table>
<thead>
<tr>
<th></th>
<th>Krystal</th>
<th>Mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Writing Poems</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Writing TV Commercials</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

5) Refer to Table 2.1. For Krystal, the opportunity cost of writing one TV commercial is
   A) 1/4 of a poem.  B) 2 poems.  C) 4 poems.  D) 6 poems.

6) Refer to Table 2.1. For Mark, the opportunity cost of writing one TV commercial is
   A) 1/3 of a poem.  B) 2 poems.  C) 3 poems.  D) 8 poems.

7) Refer to Table 2.1. Which of the following statements is true?
   A) Mark has a comparative advantage in both writing TV commercials and writing poems.
   B) Krystal has a comparative advantage in both writing TV commercials and writing poems.
   C) Krystal has a comparative advantage in writing TV commercials, and Mark has a
      comparative advantage in writing poems.
   D) Mark has a comparative advantage in writing TV commercials, and Krystal has a
      comparative advantage in writing poems.
Refer to Table 2.1. To maximize total production,

A) Krystal should write poems and write TV commercials, but Mark should only write poems.
B) Krystal should specialize in writing TV commercials, and Mark should specialize in writing poems.
C) Mark should specialize in writing TV commercials, and Krystal should specialize in writing poems.
D) Krystal and Mark should both split their time between writing poems and writing TV commercials.

Refer to Table 2.1. For Mark, the opportunity cost of writing six TV commercials is ________ poems made.

A) 2
B) 18
C) 24
D) an indeterminate number of

Refer to Table 2.1. For Krystal, the opportunity cost of writing four TV commercials is ________ poems.

A) 2
B) 8
C) 16
D) 32

When two people trade,

A) they are trying to help out each other.
B) they know one of them will get the better of the other.
C) they both expect to be made better off by the exchange.
D) both of them expect to be made worse off by the exchange.

Someone has a comparative advantage in producing a good if they can produce that good

A) using more labor and less capital.
B) in greater quantities.
C) using more capital and less labor.
D) at a lower opportunity cost.

If someone has a comparative advantage in growing pineapples,

A) they also have an absolute advantage in growing pineapples.
B) pineapples are the only product they can grow.
C) they can grow pineapples at a lower opportunity cost than other pineapple growers.
D) they can grow more pineapples using the same resources than other pineapple growers.

An example of an investment is

A) the purchase of a Hewlett Packard laser printer for use by a business.
B) the purchase of a share of Google stock.
C) the purchase of an Exxon Mobil bond.
D) all of the above.

If the unemployment rate increases from 10% to 14%, the economy will

A) remain on the ppf.
B) move away from the ppf toward the origin.
C) move closer to a point on the ppf.
D) remain on the origin.

Periods of less than full employment correspond to

A) points outside the ppf.
B) points underneath the ppf.
C) either points inside or outside the ppf.
D) points on the ppf.
Refer to the information provided in Figure 2.1 below to answer the questions that follow.

**Figure 2.1**

17) Refer to Figure 2.1. Macroland is currently operating at Point A. The best explanation for this is that
   A) the economy’s resources are being used inefficiently.
   B) the economy operates as an efficient market.
   C) the economy has very few resources.
   D) the economy has very poor technology.

18) Refer to Figure 2.1. The shape of Macroland’s production possibility frontier shows
   A) constant opportunity costs.
   B) random opportunity costs.
   C) increasing opportunity costs.
   D) decreasing opportunity costs.

19) The production possibility frontier is used to illustrate the concept of
   A) opportunity costs.
   B) the laissez-faire economy.
   C) aggregate demand.
   D) equilibrium.

Refer to the information provided in Figure 2.2 below to answer the questions that follow.

**Figure 2.2**

20) Refer to Figure 2.2. Point B represents a situation of
   A) full employment but production inefficiency.
   B) less than full employment and production inefficiency.
   C) both full resource employment and production efficiency.
   D) less than full employment but production efficiency.
21) If an economy begins to use its resources more efficiently, it will move
A) closer to its ppf.
B) from a point along its ppf to a point outside its ppf.
C) from one point to another point along its ppf.
D) farther away from its ppf.

Refer to the information provided in Figure 2.3 below to answer the questions that follow.

![Figure 2.3](image_url)

22) Refer to Figure 2.3. Assume that in this society the marginal rate of transformation of sailboats for surfboards is constant and equal to -10. A graph of this society’s production possibility frontier will be represented by
A) A.  
B) B.  
C) C.  
D) D.

23) Refer to Figure 2.3. Assume that in this society the opportunity cost of sailboats in terms of surfboards is increasing. A graph of this society’s production possibility frontier will be represented by
A) A.  
B) B.  
C) C.  
D) D.
Refer to the information provided in Figure 2.5 below to answer the questions that follow.

Figure 2.5

24) Refer to Figure 2.5. The economy is currently at Point A. The opportunity cost of moving from Point A to Point B is the
   A) 120 LCD televisions that must be forgone to produce 40 additional plasma televisions.
   B) 90 LCD televisions that must be forgone to produce 20 additional plasma televisions.
   C) 30 LCD televisions that must be forgone to produce 20 additional plasma televisions.
   D) 30 LCD televisions that must be forgone to produce 60 additional plasma televisions.
1) D
2) A
3) D
4) C
5) C
6) C
7) D
8) C
9) B
10) C
11) C
12) D
13) C
14) A
15) B
16) B
17) A
18) C
19) A
20) C
21) A
22) C
23) A
24) C