Macroeconomics (Canadian) 16th edition McConnell Test Bank

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Macroeconomics 16ce Edition by McConnell Ch01

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Rational individuals may make different choices because their information and circumstances differ.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-05 Marginal Analysis: Comparing Benefits and Costs
Difficulty : Easy

2) Certain inherently desirable products such as education and health care should be produced so long as resources are available.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-07 Microeconomics and Macroeconomics
Difficulty : Medium

3) Marginal analysis means that decision-makers compare the extra benefits with the extra costs of a specific choice.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

4) Choices entail marginal costs because resources are scarce.

- ◎ true
- ◎ false

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

5) If economic theories are solidly based on relevant facts, then there can be no question as to the character of appropriate economic policy.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

6) The fact that economic generalizations are abstract renders them impractical and useless.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

7) Macroeconomics explains the behaviour of individual households and business firms; microeconomics is concerned with the behaviour of aggregates or the economy as a whole.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

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8) Positive statements are expressions of value judgments.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

9) Normative statements are expressions of facts.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

10) Individuals face an economic problem but society does not.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-12 Limited Income
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.

11) The entrepreneur's sole function is to combine other resources (land, labour, and capital) in the production of some good or service.

- ◎ true
- ◎ false

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-18 Income Changes

12) Products and services are scarce because resources are scarce.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-19 Society's Economic Problem

13) The process by which capital goods are accumulated is known as investment.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-18 Income Changes

14) The production possibilities curve shows various combinations of two products which an economy can produce when achieving full employment and productive efficiency.

- ◎ true
- ◎ false

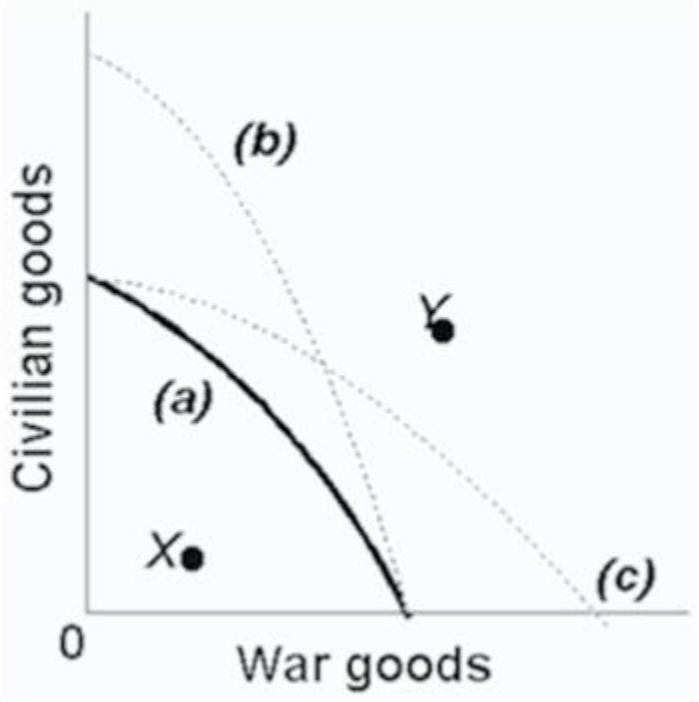
Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

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15) An economy will always operate at some point on its production possibilities curve.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour



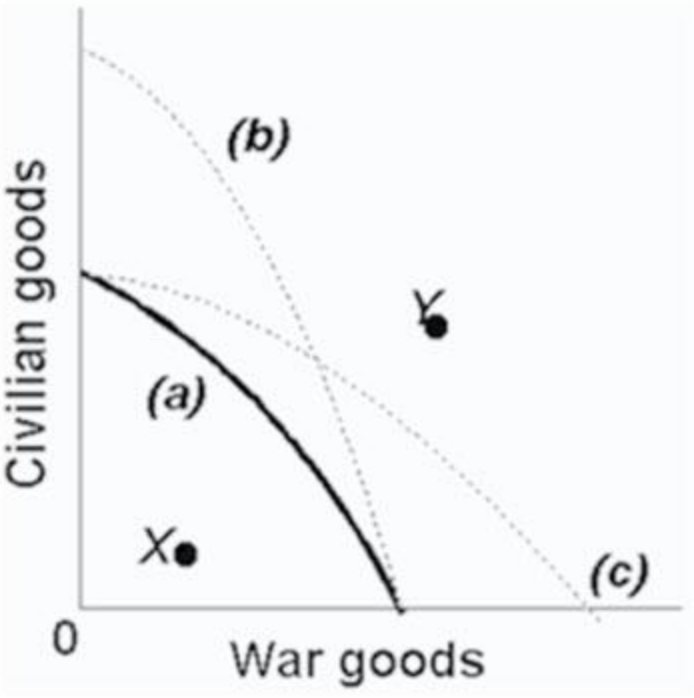
16)

Refer to the above production possibilities curves. Given production possibilities curve (a), point Y indicates that society is failing to use available resources efficiently.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

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17)

Refer to the above production possibilities curves. The movement from curve (a) to curve (b) implies an increase in the quantity and/or quality of society's productive resources.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour
Difficulty : Hard

18) {MISSING IMAGE}

Refer to the above production possibilities curves. Given production possibilities curve (a), the combination of civilian and war goods indicated by point X is unattainable to this economy.

- ◎ true
- ◎ false

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

19) An economy cannot produce at a point outside of its production possibilities curve because human material wants are insatiable.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

20) Although sleeping in on a workday or school day has an opportunity cost, sleeping late on the weekend does not.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour
Difficulty : Hard

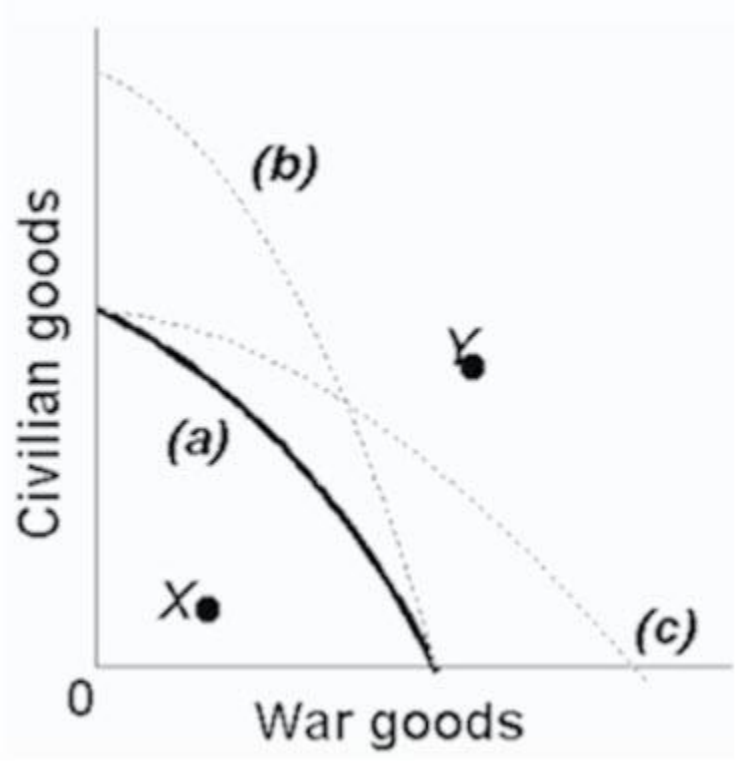
21) Recessions are characterised by points that are not attainable on the production possibilities curve.

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

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22) Refer to the production possibilities curves. The movement from curve (a) to curve (c) indicates an improvement in civilian goods technology but not in war goods technology.



- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

23) The present choice of position on the production possibilities curve will not influence the future location of the curve.

- ◎ true
- ◎ false

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

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

24) The economic concept that serves as the basis for the study of economics is:

A) inflation.
B) unemployment.
C) money.
D) scarcity.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-01 Ten Key Concepts to Retain for a Lifetime

25) As a consequence of the condition of scarcity:

A) there is always enough of everything.
B) production has to be centrally planned.
C) things which are plentiful have relatively high prices.
D) individuals and communities have to make choices among alternatives.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-06 Theories, Principles, and Models

26) In every economic system, choices must be made because resources are:

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A) infinite, but economic wants are finite.
B) finite, but economic wants are insatiable.
C) unlimited, but economic wants are limited.
D) limited, and so are economic wants.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-06 Theories, Principles, and Models

27) Opportunity cost is best defined as:

A) marginal cost minus marginal benefit.
B) the time spent on an economic activity.
C) the value of the best foregone alternative.
D) the money cost of an economic decision.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-02 The Economic Way of Thinking

28) Tammie makes $150 a day as a bank clerk. She takes off two days of work without pay to fly to another city to attend the concert of her favourite music group. The cost of transportation for the trip is $250. The cost of the concert ticket is $50. The opportunity cost of Tammie's trip to the concert is:

A) $300
B) $450
C) $500
D) $600

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-07 Microeconomics and Macroeconomics
Difficulty : Medium

29) When a provincial government chooses to build more roads, the required resources are no longer available for spending on public education. This dilemma illustrates the concept of:

A) marginal analysis.
B) full employment.
C) full production.
D) opportunity cost.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-07 Microeconomics and Macroeconomics

30) Specialization and trade are beneficial to society because:

A) the output of economic goods may be increased with no increase in resources.
B) scarce resources are utilized more efficiently.
C) a division of labour lowers prices for products.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-03 Scarcity and Choice

31) When economists describe "a market," they mean:

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A) a place where stocks and bonds are traded.
B) information networks that allow individuals to keep in touch with each other.
C) a hypothetical place where the production of goods and services takes place.
D) a mechanism which coordinates actions of consumers and producers to establish equilibrium prices and quantities.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-03 Scarcity and Choice

32) The institution that coordinates actions of consumers and producers to establish prices for goods and services is known as:

A) a market.
B) a monopoly.
C) a production possibilities curve.
D) consumer sovereignty.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-03 Scarcity and Choice

33) A major argument for economic growth is that it:

A) creates an equal distribution of income.
B) protects common property resources.
C) leads to a higher standard of living.
D) reduces the amount of taxation.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

34) One of the basic economic defences of economic growth rests on the conclusion that:

A) growth makes workers less obsolete and more secure in employment.
B) growth reduces the cost of "common property" resources to society.
C) growth makes the gap between unlimited wants and scarce resources less acute.
D) a growth-oriented society has a relatively equitable income distribution.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-14 The Budget Line

35) Concern about the general level of prices in an economy is primarily a concern about the economic goal of:

A) economic efficiency.
B) economic security.
C) price-level stability.
D) equity.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

36) Assume that a tradeoff exists in the short run between inflation and unemployment. This relationship means that:

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A) a low rate of unemployment causes a low rate of inflation.
B) the unemployment rate always equals the inflation rate.
C) less unemployment can be achieved with more inflation.
D) less unemployment can be achieved with less inflation.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

37) The study of economics is primarily concerned with:

A) keeping private businesses from losing money.
B) demonstrating that capitalistic economies are superior to socialistic economies.
C) choices which are made in seeking to use scarce resources efficiently.
D) determining the most equitable distribution of society's output.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

38) The assertion that "There is no free lunch" means:

A) there are always tradeoffs between economic goals.
B) all production involves the use of scarce resources and thus the sacrifice of alternative goods.
C) marginal analysis is not used in economic reasoning.
D) choices do not need be made if behaviour is rational.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-06 Theories, Principles, and Models

39) The study of economics exists because:

A) government interferes with the efficient allocation of scarce resources.
B) resources are scarce in relation to human material wants.
C) the market system is an obstacle to the efficient use of plentiful resources to satisfy constrained wants.
D) resources are overly abundant as compared to wants; thus, an allocation problem exists.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-06 Theories, Principles, and Models

40) Economics may best be defined as:

A) the interaction between macro and micro considerations.
B) the study of the behaviour of people and institutions in the production, distribution, and consumption of scarce goods.
C) the empirical testing of value judgments through the use of induction and deduction.
D) the use of policy to refute facts and hypotheses.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-05 Marginal Analysis: Comparing Benefits and Costs
Difficulty : Easy

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41) Purposeful behaviour suggests that:

A) everyone will make identical choices.
B) resource availability exceeds material wants.
C) individuals make decisions with some desired outcome in mind.
D) an individual's economic goals cannot involve tradeoffs.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-07 Microeconomics and Macroeconomics

42) Consumers spend their incomes to get the maximum benefit or satisfaction from the goods and services they purchase. This is a reflection of:

A) resource scarcity and the necessity of choice.
B) purposeful behaviour.
C) marginal costs which exceed marginal benefits.
D) the tradeoff problem which exists between competing goals.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-07 Microeconomics and Macroeconomics
Difficulty : Medium

43) The "economic perspective" refers to:

A) macroeconomic phenomena, but not microeconomic phenomena.
B) microeconomic phenomena, but not macroeconomic phenomena.
C) the making of rational decisions in a context of marginal costs and marginal benefits.
D) unlimited resources in a context of limited material wants.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

44) The "economic perspective" entails:

A) rational behaviour by individuals and institutions.
B) a comparison of marginal benefits and marginal costs in decision making.
C) the altering of behaviour when marginal benefits and marginal costs change.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

45) The economic perspective used in customer decision making at fast-food restaurants is reflected in:

A) customers selecting the shortest line.
B) customers leaving rather than waiting if all lines are long.
C) all customer lines tending to be of equal length.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

46) How is the economic perspective reflected in lines for fast food?

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A) Customers select the shortest line because they have perfect information.
B) Customers select the shortest line because they believe it will reduce their time cost of obtaining food.
C) Lines will typically be of unequal length because of the inefficiencies in counter service.
D) The set of food choices is often too complex for most customers and thus creates long lines.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

47) From an economic perspective, when consumers leave a fast-food restaurant because the lines to be served are too long, they have concluded that the:

A) marginal cost of waiting is less than the marginal benefit of being served.
B) marginal cost of waiting is greater than the marginal benefit of being served.
C) management is exhibiting irrational behaviour by not maximizing profits.
D) management is making an assumption that other things are equal.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

48) Consumers might leave a fast-food restaurant without being served because:

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A) they are misinformed about the marginal cost and marginal benefits of the food being served.

B) they conclude that the marginal cost (monetary plus time costs) exceeds the marginal benefit.

C) the environment is not conducive to a rational choice.

D) the lines waiting for service are not of equal length.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

49) At fast-food restaurants:

A) consumers enjoy complete and accurate information.

B) decisions are usually made by trial and error.

C) decisions entail comparisons of marginal costs and marginal benefits.

D) benefits always exceed costs.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

50) Economics involves "marginal analysis" because:

A) most decisions involve changes in the status quo.

B) marginal benefits always exceed marginal costs.

C) marginal costs always exceed marginal benefits.

D) much economic behaviour is irrational.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

51) You should decide to go to a movie:

A) if the marginal cost of the movie exceeds its marginal benefit.
B) if the marginal benefit of the movie exceeds its marginal cost.
C) if your income will allow you to buy a ticket
D) because movies are inherently good products.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

52) Marginal costs exist because:

A) the decision to produce more of some product means the sacrifice of other products.
B) wants are scarce relative to resources.
C) households and businesses make rational decisions.
D) most decisions do not involve sacrifices or tradeoffs.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

53) Even though local newspapers are very inexpensive, people rarely buy more than one of them each day. This fact:

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A) is an example of irrational behaviour.
B) implies that reading should be taught through phonics rather than the whole language method.
C) contradicts the economic perspective.
D) implies that, for most people, the marginal benefit of reading a second newspaper is less than the marginal cost.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Medium
Topic : 01-08 Microeconomics

54) The process of developing hypotheses, testing them against facts, and using the results to construct theories is called:

A) opportunity cost calculation.
B) the scientific method.
C) marginal analysis.
D) microeconomics.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

55) A "hypothesis" is:

A) a fundamental truth which all economists accept.
B) a tentative, untested principle.
C) the same as a normative statement.
D) always the result of induction.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

56) From the perspective of economists, which term provides the highest degree of confidence for explaining economic behaviour?

A) an economic principle or a law
B) a fact
C) a hypothesis
D) an assumption

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

57) In constructing models, economists:

A) make simplifying assumptions.
B) include all available information.
C) must use mathematical equations.
D) attempt to duplicate the real world.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

58) Economic models:

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A) are of limited use because they cannot be tested empirically.
B) are limited to variables which are directly related to one another.
C) emphasize basic economic relationships by abstracting from the complexities of the real world.
D) are unrealistic and therefore of no practical consequence.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

59) An economic model is:

A) a value judgment.
B) a fact.
C) built using theory.
D) built on correlations.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

60) The term "ceteris paribus" means:

A) that if event A precedes event B, A has caused B.
B) that economics deals with facts, not values.
C) other things equal.
D) prosperity inevitably follows recession.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

61) Suppose an economist says that "Other things equal, the lower the price of bananas, the greater the amount of bananas purchased." This statement indicates that:

A) the quantity of bananas purchased determines the price of bananas.
B) all factors other than the price of bananas (for example, consumer tastes and incomes) are assumed to be constant.
C) economists can conduct controlled laboratory experiments.
D) one cannot generalize about the relationship between the price of bananas and the quantity purchased.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

62) The term "other things equal" means that:

A) the associated statement is normative.
B) many variables affect the variable under consideration.
C) the assumption that factors other than those being considered do not change.
D) when variable X increases so does related variable Y.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

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63) The basic purpose of the "other things equal" assumption is to:

A) allow one to reason about the relationship between variables X and Y without the intrusion of variable Z.
B) allow one to focus upon micro variables by ignoring macro variables.
C) allow one to focus upon macro variables by ignoring micro variables.
D) determine whether X causes Y or vice versa.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

64) Microeconomics is concerned with:

A) the aggregate or total levels of income, employment, and output.
B) a detailed examination of specific economic units which comprise the economic system.
C) the concealing of detailed information about specific segments of the economy.
D) the establishing of an overall view of the operation of the economic system.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-11 The Individual's Economic Problem

65) Microeconomics:

A) is concerned with the aggregate or total levels of income, employment, and output.
B) is not concerned with details, but only with the overall "big picture" of the economy.
C) is concerned with individual economic units and specific markets.
D) describes the aggregate flows of output and income.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-11 The Individual's Economic Problem

66) Which of the following is a microeconomic statement?

A) The real domestic output increased by 2.5 percent last year.
B) Unemployment was 8.3 percent of the labour force last year.
C) The price of personal computers declined last year.
D) The general price level increased by 4 percent last year.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-11 The Individual's Economic Problem

67) Macroeconomics approaches the study of economics from the viewpoint of:

A) the entire economy.
B) governmental units.
C) the operation of specific product and resource markets.
D) individual firms.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

68) Which of the following is associated with macroeconomics?

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A) an examination of the incomes of the University of Toronto Business School graduates

B) an empirical investigation of the general price level and unemployment rates in the 2000s

C) a study of the trend of pecan prices since World War II

D) a case study of pricing and production in the textbook industry

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

69) The problems of aggregate inflation and unemployment are:

A) major topics of macroeconomics.

B) not relevant to the Canadian economy.

C) major topics of microeconomics.

D) peculiar to socialistic economies.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

70) Which of the following statements pertains to macroeconomics?

A) Because the minimum wage was raised, Mrs. Beepath decided to enter the labour force.

B) A decline in the price of soybeans caused farmer Wanek to plant more land in wheat.

C) The national productivity rate grew by 1.4 percent last year.

D) The Pumpkin Center Chartered Bank increased its interest rate on consumer loans by 1 percent.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

71) Macroeconomics can best be described as the:

A) analysis of how a consumer tries to spend income.
B) study of the large aggregates of the economy or the economy as a whole.
C) analysis of how firms attempt to maximize their profits.
D) study of how supply and demand determine prices in individual markets.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

72) Which of the following is a macroeconomic statement?

A) The gross profits of all Canadian businesses were $70 billion last year.
B) The price of beef declined by 3 percent last year.
C) General Motors' profits increased in 2012.
D) The productivity of steelworkers increased by 1 percent in 2012.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

73) A positive statement is one which is:

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A) derived by an abstract generalization.
B) suggestive of what should be done.
C) subjective and is based on a value judgment.
D) objective and is also based on facts.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-10 Positive and Normative Economics

74) Which of the following is a positive statement?

A) The humidity is too high today.
B) It is too hot to jog today.
C) The temperature is 30 degrees today.
D) I enjoy summer evenings when it cools off.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

75) A positive statement is concerned with:

A) some goal which is desirable to society.
B) what should be.
C) what is.
D) the formulation of economic policy.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

76) A normative statement is one which:

A) is based on the law of averages.
B) pertains only to microeconomics.
C) pertains only to macroeconomics.
D) is based upon value judgments.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

77) Which of the following is a normative statement?

A) The temperature is high today.
B) The humidity is high today.
C) It is too hot to play tennis today.
D) It will cool off later this evening.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

78) Normative statements are concerned with:

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A) facts and theories.
B) what ought to be.
C) what is.
D) rational choice involving costs and benefits.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

79) Most of the disagreement among economists involves:

A) facts.
B) theories.
C) positive statements.
D) normative statements.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

80) Economics is concerned with using scarce productive resources efficiently in attempting to satisfy society's material wants. This statement is:

A) positive, but incorrect.
B) positive and correct.
C) normative, but incorrect.
D) normative and correct.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

81) Ben says that "An increase in the tax on beer will raise its price." Holly argues that "Taxes should be increased on beer because college students drink too much." We can conclude that:

A) Ben's statement is normative, but Holly's is positive.
B) Holly's statement is normative, but Ben's is positive.
C) Both statements are normative.
D) Both statements are positive.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

82) The global financial crisis that spread to Canada in late 2008 has been dubbed:

A) The housing bubble crash.
B) The great financial crisis.
C) The great recession.
D) The great depression.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-12 Limited Income

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83) The individuals and society both face an economic problem. This problem arises from the fact that:

A) wants are limited but the resources are not.
B) resources are scarce relative to individual's wants.
C) individuals and institutions behave only in their self-interest.
D) both wants and resources are unlimited.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-14 The Budget Line

84) The individual's limited income problem:

A) persists only because countries have failed to achieve continuous full employment.
B) exists because material wants are limited.
C) has been solved in all industrialized nations.
D) has been eliminated in affluent societies such as Canada and the United States.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-15 Attainable and Unattainable Combinations

85) When an economist says that material wants are insatiable, this means that:

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A) economic resources are valuable only because they can be used to produce consumer goods.

B) economic resources—land, labour, capital, and entrepreneurial ability—are scarce.

C) these wants are virtually unlimited and therefore incapable of complete satisfaction.

D) the structure of consumer demand varies from time to time and from country to country.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-14 The Budget Line

86) As used in economics, the notion of scarce resources means that:

A) mineral deposits are only available in finite amounts.

B) resources are not so plentiful that all individuals' material wants can be fulfilled.

C) some resources are free while others have price tags on them.

D) the quantities available of some resources exceed the demand for them.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-14 The Budget Line

87) The budget line shows:

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A) the amount of product A which a consumer is willing to give up to obtain one more unit of product B.

B) all possible combinations of two goods which can be purchased, given money income and the prices of the goods.

C) all equilibrium points on an indifference map.

D) all possible combinations of two goods which yield the same level of utility to the consumer.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

88) The price ratio of the two products is the:

A) marginal rate of substitution.

B) slope of the budget line.

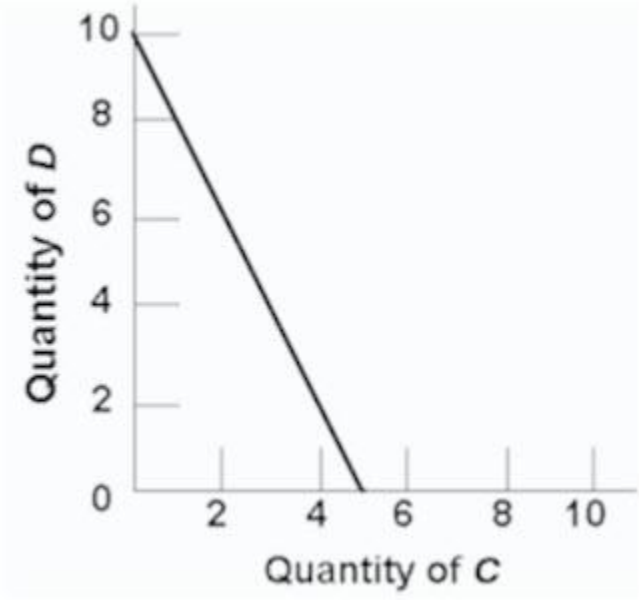
C) point of tangency for equilibrium.

D) elasticity of demand for the two products.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

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89) Refer to the budget line shown in the diagram below. If the consumer's money income is $20, the:

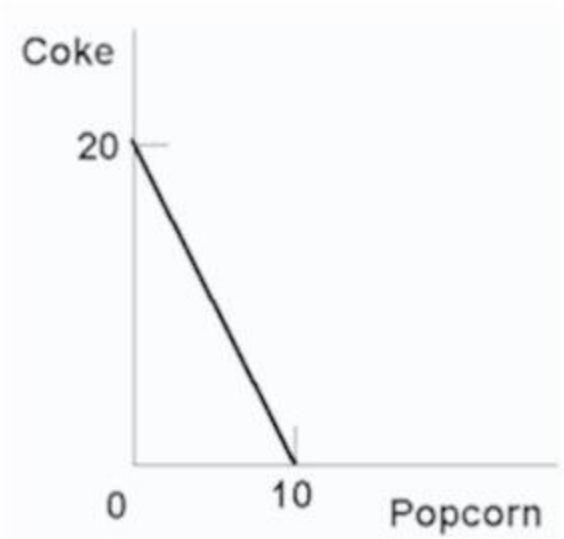


A) prices of C and D cannot be determined.
B) price of C is $2 and the price of D is $4.
C) consumer can obtain a combination of 5 units of both C and D.
D) price of C is $4 and the price of D is $2.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

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90) Refer to the diagram below, suppose you have a money income of $10 all of which you spend on Coke and boxes of popcorn. The prices of Coke and popcorn respectively are:



A) $.50 and $1.00.
B) $1.00 and $.50.
C) $1.00 and $2.00.
D) $.40 and $.50.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

91) In moving along a given budget line:

A) the prices of both products and money income are assumed to be constant.
B) each point on the line will be equally satisfactory to consumers.
C) money income varies, but the prices of the two goods are constant.
D) the prices of both products are assumed to vary, but money income is constant.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

92) In drawing a budget line it is assumed that:

A) consumer preferences are fixed.
B) the prices of the two products are variable.
C) money income is fixed.
D) consumer willingness to substitute between the two products is fixed.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

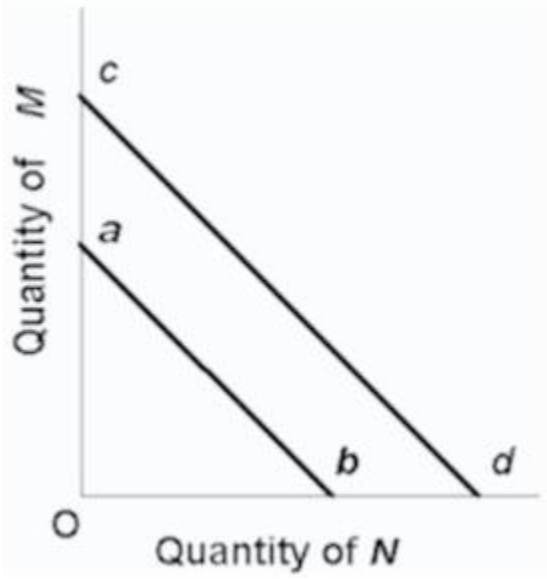
93) Any combination of goods lying outside of the budget line:

A) implies that the consumer is not spending all of his income.
B) yields less utility than any point on the budget line.
C) yields less utility than any point inside the budget line.
D) is unattainable, given the consumer's income.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

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94) The budget line shift from cd to ab in the below figure is consistent with:



A) decreases in the prices of both M and N.
B) an increase in the price of M and a decrease in the price of N.
C) a decrease in money income.
D) an increase in money income.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

95) A leftward shift of a consumer's budget line to a position parallel with the original one could indicate that the:

A) price of one product has decreased in relation to the other.
B) prices of both products have decreased in the same proportion.
C) marginal utilities derived from both products have decreased.
D) consumer's money income has increased but the prices of both products have increased proportionately more.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

96) Which of the following statements is not correct?

A) A reduction in money income will shift the budget line to the right.
B) A reduction in money income accompanied by an increase in product prices will necessarily shift the budget line to the left.
C) An increase in product prices will shift the budget line to the left.
D) An increase in money income will shift the budget line to the right.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

97) The society must also make choices under conditions of scarcity. This problem arises from the fact that:

A) society's wants are limited but the resources are not.
B) resources are scarce relative to society's wants.
C) societies behave only in their self-interest.
D) society's wants and resources are both unlimited.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-19 Society's Economic Problem

98) The fundamental problem of economics is:

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A) to establish a democratic political framework for the provision of social goods and services.

B) the establishment of prices which accurately reflect the relative scarcities of products and resources.

C) the scarcity of productive resources relative to material wants.

D) to achieve a more equitable distribution of money income in order to mitigate poverty.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-19 Society's Economic Problem

99) Economic resources are also called:

A) free gifts of nature.
B) consumption goods.
C) units of money capital.
D) factors of production.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-20 Scarce Resources

100) Money is not considered to be an economic resource because:

A) money, as such, is not productive.
B) idle money balances do not earn interest income.
C) the terms of trade can be determined in non-monetary terms.
D) money is a free gift of nature.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-20 Scarce Resources

101) Which of the following is real capital?

A) a pair of stockings
B) a dump truck
C) a savings account
D) a share of TD Bank stock

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-20 Scarce Resources

102) The main function of the entrepreneur is to:

A) make routine pricing decisions.
B) innovate.
C) purchase capital.
D) create market demand.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-20 Scarce Resources

103) The following production possibilities table represents an economy which is producing two products, tanks and autos. Refer to the table, in moving from possibility C to D, the cost of a tank in terms of autos is:

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Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1000	950	850	650	350	0

A) 50
B) 100
C) 200
D) 300

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

104) (The following economy produces two products.)
Production Possibilities Table

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Refer to the above table. A change from possibility C to B means that:

A) 1 unit of steel is given up to get 75 units of wheat.
B) 2 units of steel are given up to get 75 units of wheat.
C) 1 unit of steel is given up to get 15 more units of wheat.
D) 2 units of steel are given up to get 15 more units of wheat.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

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105) (The following economy produces two products.)
Production Possibilities Table

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Refer to the above table. In moving from possibility C to D, the cost of a unit of steel in terms of a unit of wheat is:

A) 10
B) 20
C) 25
D) 30

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

106) (The following economy produces two products.)
Production Possibilities Table

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Refer to the above table. A change from possibility B to C means that:

A) 10 units of wheat are given up to get one more unit of steel.
B) 15 units of wheat are given up to get one more unit of steel.
C) 15 units of wheat are equal to one unit of steel.
D) 75 units of wheat are equal to one unit of steel.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

107) The production possibilities curve represents which of the following?

A) the amount of goods attainable with variable resources
B) the maximum amount of goods attainable with variable resources
C) maximum combinations of goods attainable with fixed resources
D) the amount of goods attainable if prices decline

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

108) The production possibilities curve represents:

A) the maximum amount of labour and capital available for production.
B) combinations of goods and services among which consumers are indifferent.
C) maximum combinations of products available with fixed resources and technology.
D) the maximum rate of growth of capital and labour in an economy.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

109) The construction of a production possibilities curve assumes:

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A) the quantities of all resources are fixed in the short run.
B) technology is not fixed.
C) there is no unemployment.
D) there is no government.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

110) Assume an economy is operating at some point on its production possibilities curve which shows civilian and military goods. If the output of military goods is increased, the output of civilian goods:

A) will remain unchanged.
B) may be either increased or decreased.
C) must be decreased.
D) must also be increased.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

111) The production possibilities curve shows:

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A) the various combinations of two goods which can be produced when society uses its scarce resources efficiently.

B) the minimum outputs of two goods which will sustain a society.

C) the various combinations of two goods which can be produced when some resources are unemployed.

D) the ideal, but unattainable, combinations of two goods which would maximize consumer satisfactions.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

112) The negative slope of the production possibilities curve is a graphical way of indicating that:

A) any economy "can have its cake and eat it too."

B) to produce more of one product we must accept less of another.

C) the principle of increasing opportunity costs does not apply to the economy as a whole.

D) consumers buy more when prices are low than they do when prices are high.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

113) If an economy is operating on its production possibilities curve for consumer goods and capital goods, this means that:

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A) it is impossible to produce more consumer goods.
B) resources cannot be reallocated between the two goods.
C) it is impossible to produce more capital goods.
D) more consumer goods can only be produced at the cost of fewer capital goods.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

114) In drawing a production possibilities curve we hold constant:

A) the money supply.
B) the consumer price index.
C) both technology and resource supplies
D) resource supplies only.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

115) The production possibilities curve tells us:

A) what specific combinations of two products is most desired by society.
B) that costs do not change as society varies its output.
C) costs are irrelevant in a society which has fixed resources.
D) what combinations of two goods can be produced with society's available resources.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

116) When an economy is operating with maximum efficiency, the production of more of commodity A will mean the production of less of commodity B because:

A) of the law of decreasing opportunity costs.
B) material wants are insatiable.
C) resources are limited.
D) resources are not specialized and are imperfectly substitutable.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

117) The production possibilities curve:

A) shows all of those levels of production which are consistent with a stable price level.
B) indicates that any combination of goods lying outside the curve is economically inefficient.
C) is a frontier between all combinations of two goods which can be produced and those combinations which cannot be produced.
D) shows all of those combinations of two goods which are most preferred by society.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

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118) The production possibilities curve illustrates the basic principle that:

A) the production of more of any one good will in time require smaller and smaller sacrifices of other goods.

B) an economy will automatically seek that level of output at which all of its resources are employed.

C) if all the resources of an economy are in use, more of one good can be produced only if less of another good is produced.

D) an economy's capacity to produce increases in proportion to its population size.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

119) A production possibilities curve illustrates:

A) scarcity.
B) market prices.
C) consumer preferences.
D) the distribution of income.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

120) A production possibilities curve shows:

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A) that resources are unlimited.
B) that people prefer one of the goods more than the other.
C) the maximum amounts of two goods which can be produced assuming the full and efficient use of available resources.
D) combinations of capital and labour necessary to produce specific levels of output.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

121) In drawing the production possibilities curve we assume that:

A) technology is fixed.
B) unemployment exists.
C) economic resources are unlimited.
D) wants are limited.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

122) Which of the following is assumed in constructing a typical production possibilities curve?

A) the economy is using its resources inefficiently.
B) resources are perfectly shiftable among alternative uses.
C) production technology is fixed.
D) the economy is engaging in international trade.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

123) Which of the following is not correct? A typical production possibilities curve:

A) indicates how much of two products a society can produce.
B) reveals how much each additional unit of one product will cost in terms of the other product.
C) specifies how much of each product society should produce.
D) indicates that to produce more of one product society must give up larger and larger amounts of the other product.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

124) Which one of the following statements is correct?

A) Relative scarcity is no longer a central notion in economics because we are in an age of abundance.
B) Most production possibilities curves are convex as viewed from the origin.
C) The production possibilities curve shows society's preferences for consumer goods relative to capital goods.
D) The central concept underlying the production possibilities curve is that of limited resources.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

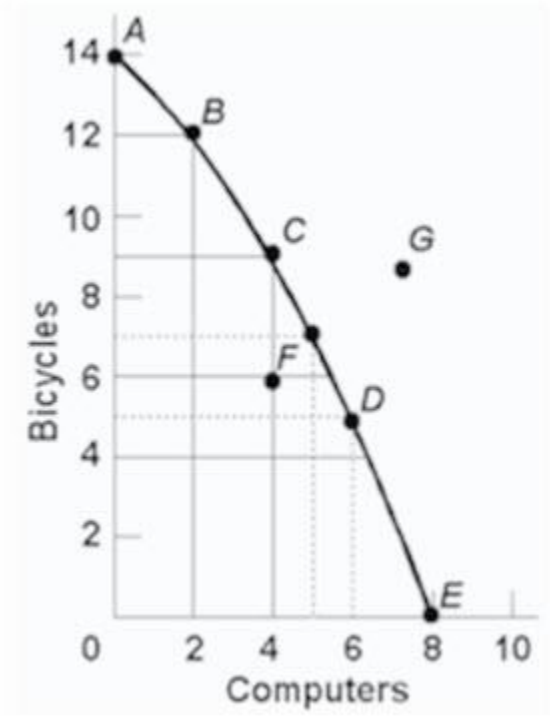
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125) The typical production possibilities curve is:

A) an upward sloping line which is concave to the origin.
B) a downward sloping line which is convex to the origin.
C) a downward sloping line which is concave to the origin.
D) a straight upward sloping line.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

126) Refer to the diagram below. Points A, B, C, D, and E show:

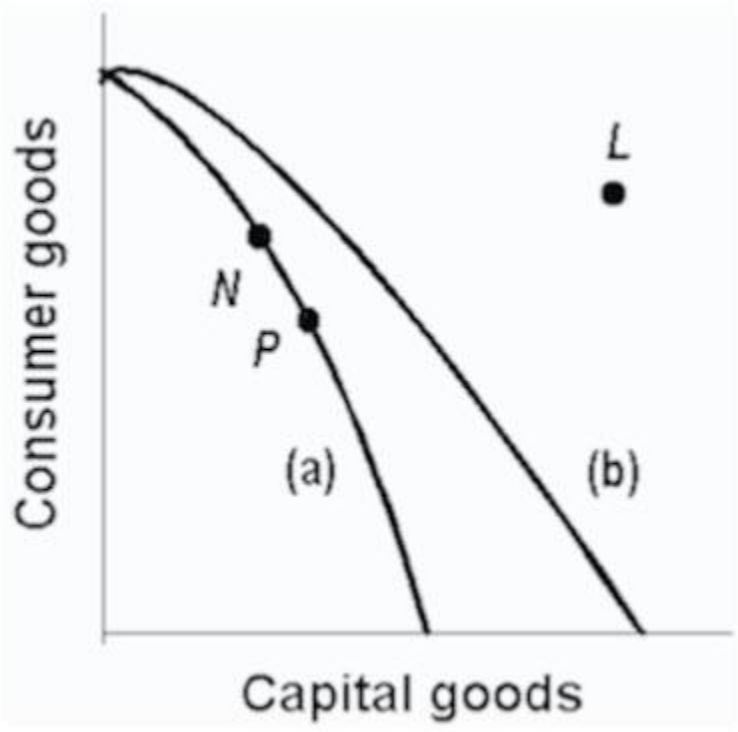


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A) that the opportunity cost of bicycles increases, while that of computers is constant.
B) combinations of bicycles and computers which society can produce by using its resources efficiently.
C) that the opportunity cost of computers increases, while that of bicycles is constant.
D) that society's demand for computers is greater than its demand for bicycles.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

127) Refer to the following production possibilities curves. Curve (a) is the current curve for the economy. Given production possibilities curve (a), the combination of capital and consumer goods indicated by point L:



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A) would entail substantial unemployment.
B) would entail an inefficient use of society's resources.
C) is beyond the productive capacity of this society.
D) suggests the productive capacity of the system is declining.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

128) A point on the frontier of the production possibilities curve is:

A) attainable and the economy is efficient.
B) attainable, but the economy is inefficient.
C) unattainable, but the economy is inefficient.
D) unattainable and the economy is efficient.

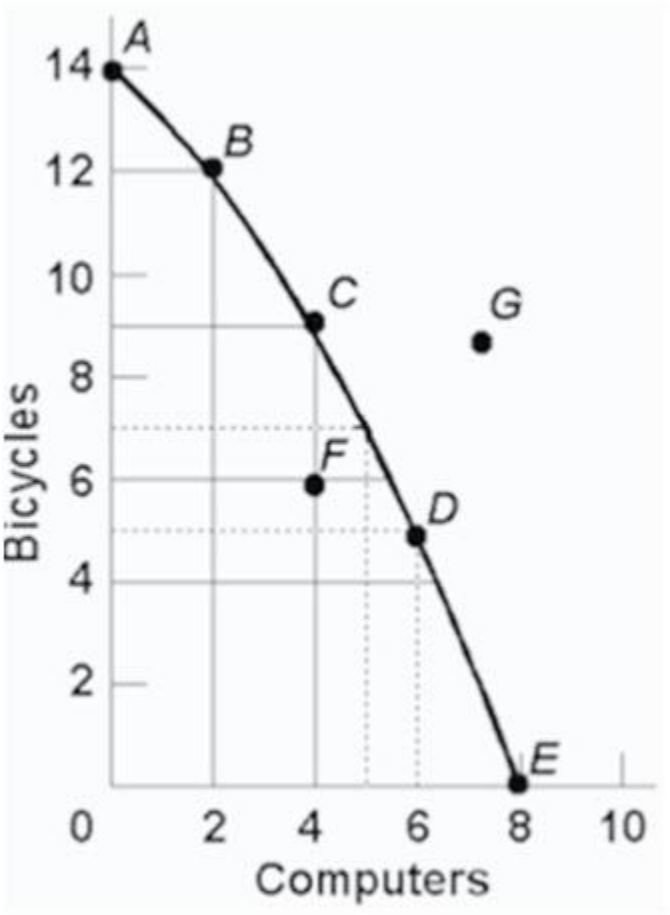
Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

129) A point inside the production possibilities curve is:

A) attainable and the economy is efficient.
B) attainable, but the economy is inefficient.
C) unattainable, but the economy is inefficient.
D) unattainable and the economy is efficient.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

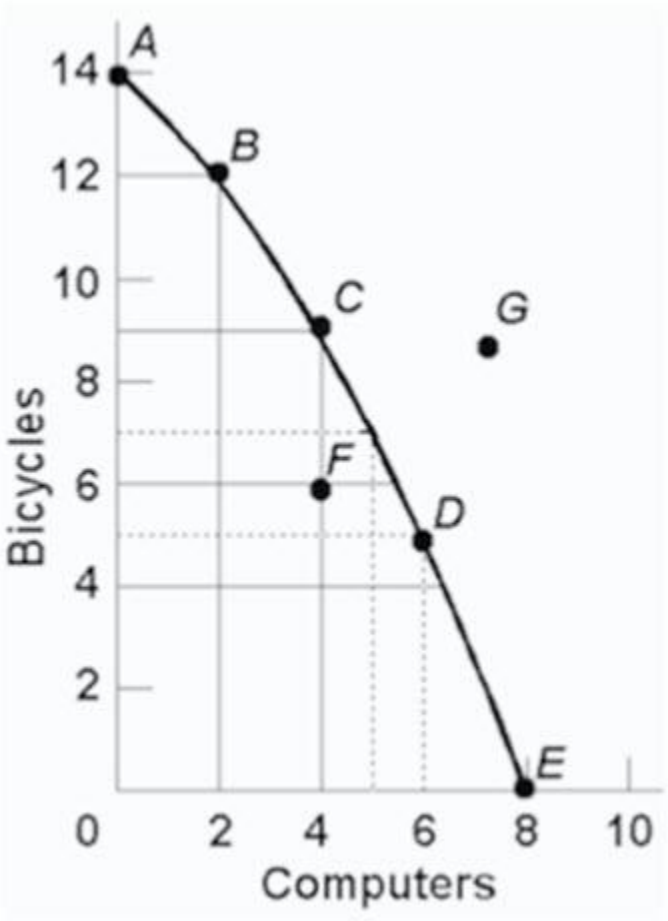


130)
Refer to the above diagram. The combination of computers and bicycles shown by point G is:

A) attainable, but too costly.
B) unattainable, given currently available resources and technology.
C) attainable, but involves unemployment.
D) irrelevant because it is inconsistent with consumer preferences.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital



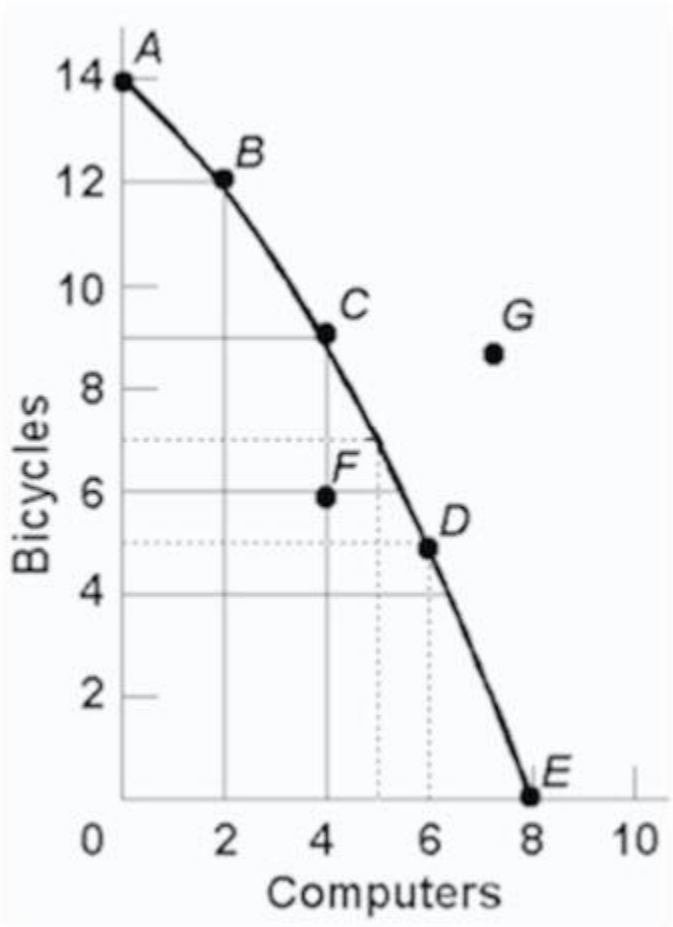
131)

Refer to the above diagram. The combination of computers and bicycles shown by point F:

A) is unattainable, given currently available resources and technology.
B) is attainable, but entails economic inefficiency.
C) is irrelevant because it is inconsistent with consumer preferences.
D) suggests that opportunity costs are constant.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

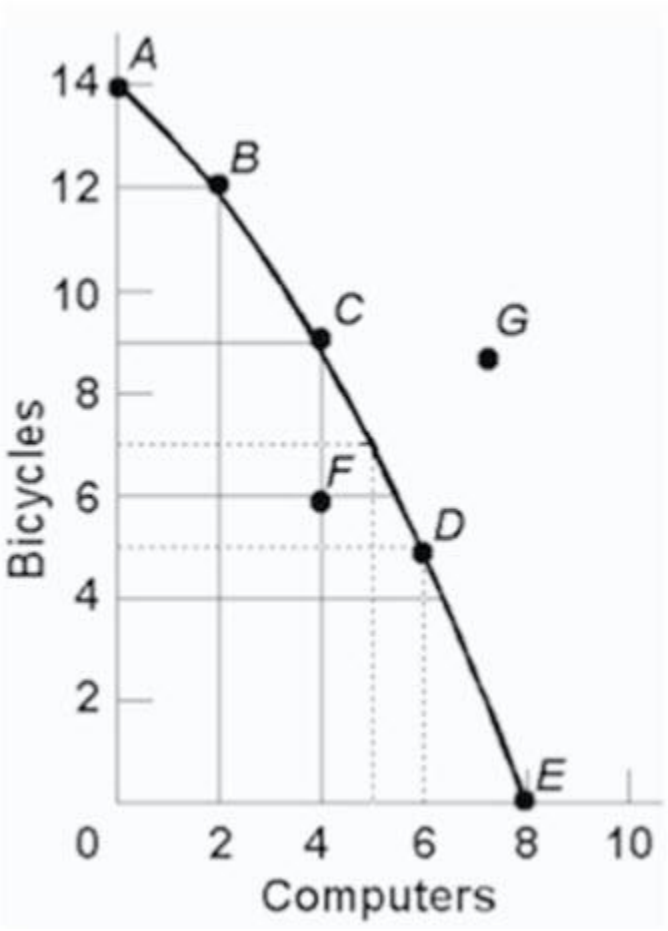


132)
Refer to the above diagram. If society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more units of bicycles:

A) cannot be realized because resources are fully employed.
B) will cost 1 unit of computers.
C) will cost 2 units of computers.
D) will cause some resources to become unemployed.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital



133)
Refer to the above diagram. The movement down the production possibilities curve from point A to point E suggests that the production of:

A) computers, but not bicycles, are subject to increasing opportunity costs.
B) bicycles, but not computers, are subject to increasing opportunity costs.
C) both bicycles and computers are subject to constant opportunity costs.
D) both bicycles and computers are subject to increasing opportunity costs.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

134) The slope of the typical production possibilities curve:

A) is positive.
B) increases as one moves southeast along the curve.
C) is constant as one moves down the curve.
D) decreases as one moves southeast along the curve.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

135) The production possibilities curve has:

A) a positive slope which increases as we move along it from left to right.
B) a negative slope which increases as we move along it from left to right.
C) a negative slope which decreases as we move along it from left to right.
D) a negative slope which is constant as we move along it from left to right.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

136) The law of increasing opportunity costs states that:

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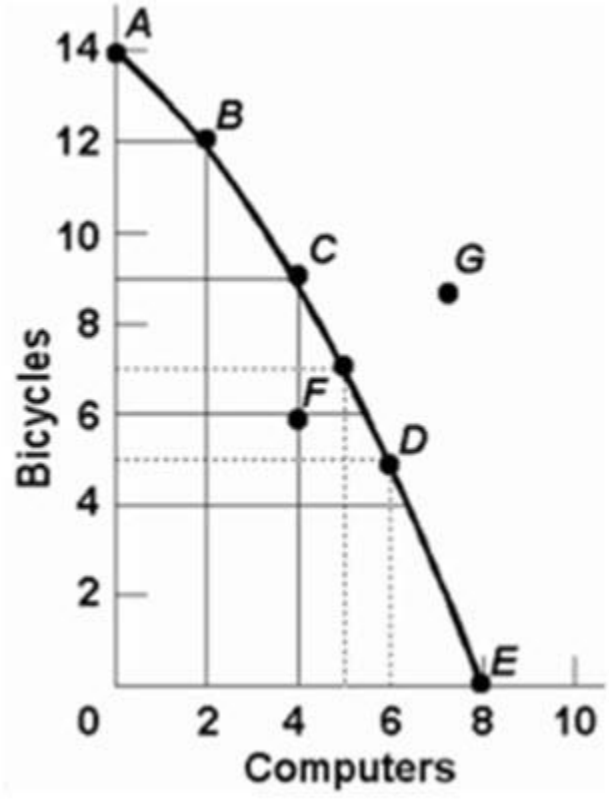
A) if society wants to produce more of a particular good, it must sacrifice larger and larger amounts of other goods to do so.

B) the sum of the costs of producing a particular good cannot rise above the current market price of that good.

C) if the sum of the costs of producing a particular good rises by a specified percent, the price of that good must rise by a greater relative amount.

D) if the prices of all the resources devoted to the production of goods increase, the cost of producing any particular good will increase at the same rate.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital



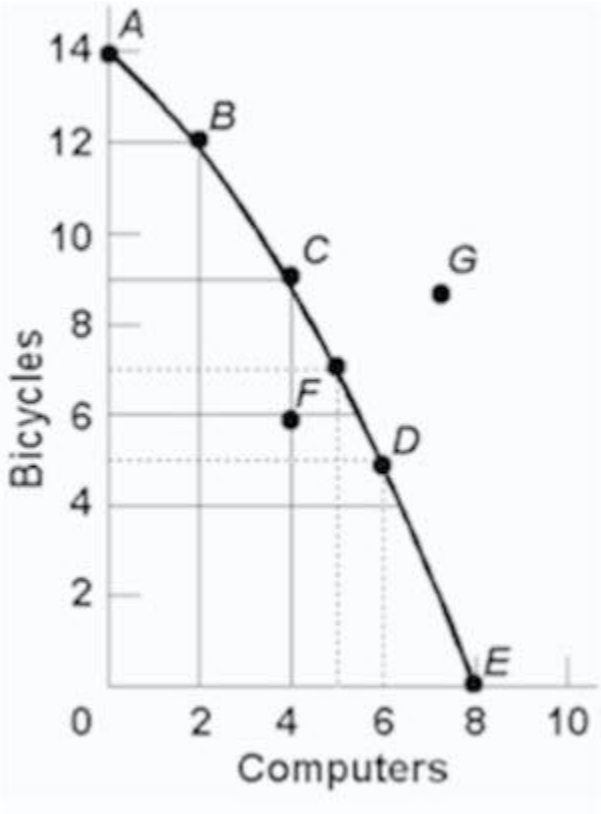
137)

Refer to the above diagram. This production possibilities curve is:

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A) convex to the origin because opportunity costs are constant.
B) linear because opportunity costs are constant.
C) concave to the origin because of increasing opportunity costs.
D) convex to the origin because of increasing opportunity costs.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital



138)

Refer to the above diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 6, the cost:

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A) will be 4 units of bicycles.
B) will be 2 units of bicycles.
C) will be zero because unemployed resources are available.
D) of doing so cannot be determined from the information given.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

139) The concept of opportunity cost:

A) is irrelevant in socialistic economies because of central planning.
B) suggests that the use of resources in any particular line of production means that alternative outputs must be forgone.
C) is irrelevant if the production possibilities curve is shifting to the right.
D) suggests that insatiable wants can be fulfilled.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

140) Which of the following is not an illustration of the idea of opportunity cost?

A) A growing economy can produce more consumer goods and more capital goods at the same time.
B) If I buy a pizza, I will not be able to afford a movie.
C) Resources devoted to consumer goods production are not available for capital goods production.
D) The land a Manitoba farmer plants in wheat is not available for corn production.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

141) Opportunity cost is best defined as:

A) the monetary price of any productive resource.
B) the amount of labour which must be used to produce one unit of any product.
C) the ratio of the prices of imported goods to the prices of exported goods.
D) the amount of one product which must be given up to produce one more unit of another product.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

142) Production possibilities tables for two countries, North Cantina and South Cantina:

North Cantina
Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	10	18	24	28	30

South Cantina
Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	8	15	21	25	27

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Refer to the above tables. If South Cantina is producing at production alternative D, the opportunity cost of the third unit of capital goods is:

A) 3 units of consumer goods.
B) 4 units of consumer goods.
C) 5 units of consumer goods.
D) 6 units of consumer goods.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

143) Production possibilities tables for two countries, North Cantina and South Cantina:

North Cantina
Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	10	18	24	28	30

South Cantina
Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	8	15	21	25	27

Refer to the above tables. If North Cantina is producing at production alternative B, the opportunity cost of the eleventh unit of consumer goods will be:

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A) 10 units of capital goods.
B) 1/4 of a unit of capital goods.
C) 8 units of capital goods.
D) 1/8 of a unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

144) Production possibilities tables for two countries, North Cantina and South Cantina:

North Cantina
Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	10	18	24	28	30

South Cantina
Production possibilities (alternatives)

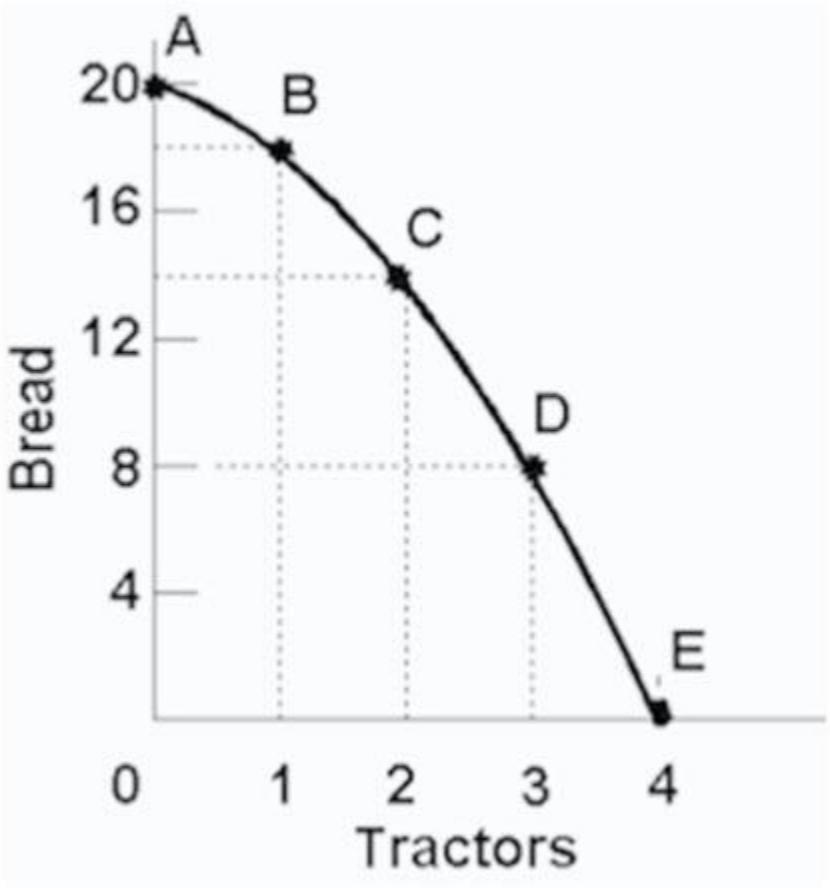
	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	8	15	21	25	27

Refer to the above tables. The opportunity cost of the fifth unit of capital goods:

A) is higher in North Cantina than in South Cantina.
B) is the same in North Cantina and South Cantina.
C) is lower in North Cantina than in South Cantina.
D) cannot be determined from the information provided.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land



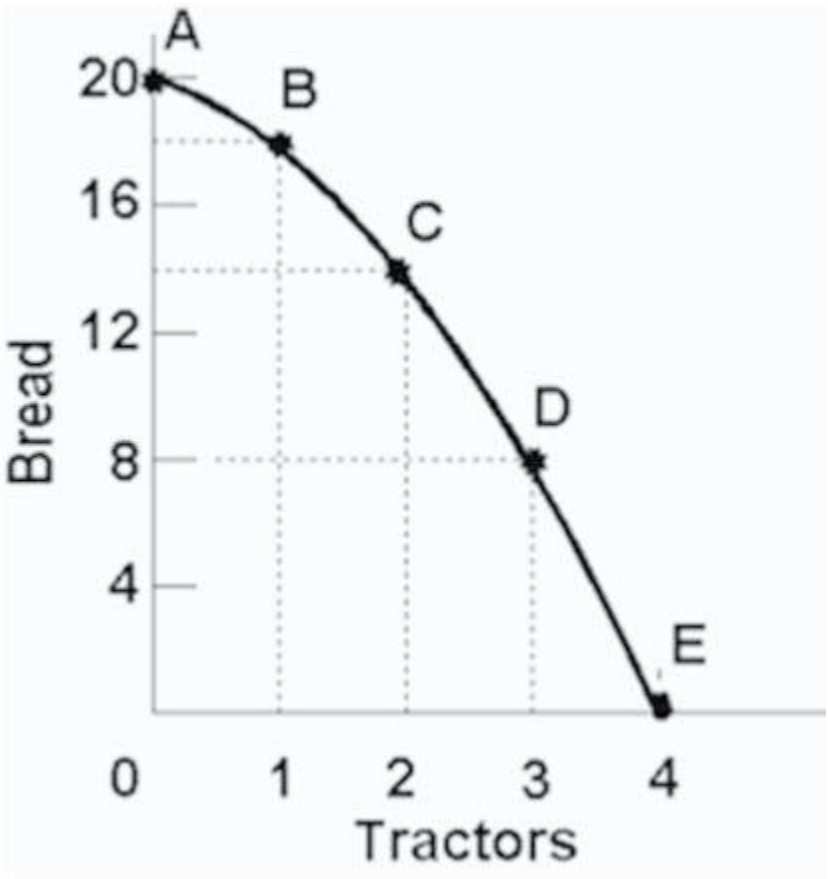
145)

Refer to the above diagram. Starting at point A, the opportunity cost of producing each successive unit of tractors is:

A) a constant 2 units of bread.
B) 2, 4, 6, and 8 units of bread.
C) 8, 6, 4, and 2 units of bread.
D) the reciprocal of the output of tractors.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour



146)

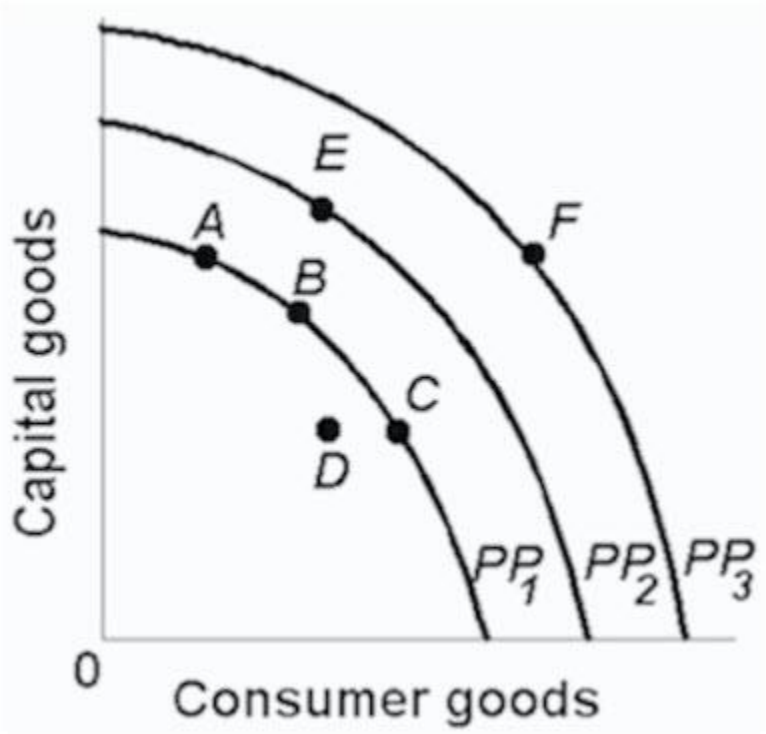
Refer to the above diagram. Starting at point E, the production of successive units of bread will cost:

A) a constant 8 units of tractors.
B) a constant 6 units of tractors.
C) $^1/_8$,$^1/_6$,$^1/_4$, and$^1/_2$units of tractors.
D) $^1/_2$,$^1/_4$,$^1/_6$, and$^1/_8$units of tractors.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour
Difficulty : Hard

147) Refer to the diagram below. The concept of opportunity cost is best represented by the:



A) shift of the production possibilities curve from PP_1 to PP_2.
B) move from B on PP_1 to E on PP_2.
C) move from B on PP_1 to C on PP_1.
D) move from D inside PP_1 to B on PP_1.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

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148) The fact that the slope of the production possibilities curve becomes steeper as we move down along the curve indicates that:

A) the principle of increasing opportunity costs is relevant.
B) society's resources are limited.
C) the opportunity cost of producing each product is constant.
D) resources are perfectly shiftable between alternative uses.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

149) Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	5	9	12	14	15

Refer to the above table. If the economy is producing at production alternative C, the opportunity cost of the tenth unit of consumer goods will be:

A) 4 units of capital goods.
B) 2 units of capital goods.
C) 3 units of capital goods.
D) $^1/_3$ of a unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-21 Resource Categories

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150) Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	5	9	12	14	15

Refer to the above table. For these data the law of increasing opportunity costs is reflected in the fact that:

A) the amount of consumer goods which must be sacrificed to get more capital goods diminishes beyond a point.
B) larger and larger amounts of capital goods must be sacrificed to get additional units of consumer goods.
C) the production possibilities data would graph as a straight downsloping line.
D) the economy's resources are presumed not to be scarce.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

151) Refer to the table below. In moving from possibility A to F, the cost of a unit of steel in terms of a unit of wheat:
(The following economy produces two products.)
Production Possibilities

Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

A) increases.
B) decreases.
C) remains constant.
D) increases from A to B, and decreases from B to F.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

152) A typical concave production possibilities curve implies:

A) that economic resources are scarce.
B) that society must choose among various attainable combinations of goods.
C) increasing opportunity costs.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-21 Resource Categories

153) Refer to the diagram below. This production possibilities curve is constructed such that:

Product	A	B	C	D	E	F
Bread	0	1	2	3	4	5
Tractors	100	90	75	55	30	0

A) resources are presumed to be perfectly shiftable between bread and tractors.
B) the opportunity cost of bread diminishes as more bread is produced.
C) the opportunity cost of tractors diminishes as more bread is produced.
D) the opportunity cost of both bread and tractors in terms of each other increases as more of each is produced.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-23 Labour

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154) The law of increasing opportunity costs exists because:

A) resources are not equally efficient in producing various goods.
B) the value of the dollar has diminished historically because of persistent inflation.
C) wage rates invariably rise as the economy approaches full employment.
D) consumers tend to value any good more highly when they have little of it.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

155) The law of increasing opportunity costs is reflected in a production possibilities curve which is:

A) an upward sloping straight line.
B) a downward sloping straight line.
C) concave to the origin.
D) convex to the origin.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

156) The production possibilities curve below shows the hypothetical relationship between the production of capital goods and consumer goods in an economy.

	Production Alternatives				
Products	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	22	18	13	7	0

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Refer to the above table. What is the opportunity cost of producing the third unit of capital goods?

A) 4 units of consumer goods
B) 5 units of consumer goods
C) 6 units of consumer goods
D) 7 units of consumer goods

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

157) The production possibilities curve below shows the hypothetical relationship between the production of capital goods and consumer goods in an economy.

	Production Alternatives				
Products	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	22	18	13	7	0

Refer to the above table. What is the total opportunity cost of producing two units of capital goods?

A) 4 units of consumer goods
B) 5 units of consumer goods
C) 9 units of consumer goods
D) 13 units of consumer goods

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

158) The production possibilities curve below shows the hypothetical relationship between the production of capital goods and consumer goods in an economy.

	Production Alternatives				
Products	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	22	18	13	7	0

Refer to the above table. What is the opportunity cost of producing the fourth unit of capital goods?

A) 6 units of consumer goods
B) 7 units of consumer goods
C) 15 units of consumer goods
D) 22 units of consumer goods

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

159) The production possibilities curve below shows the hypothetical relationship between the production of capital goods and consumer goods in an economy.

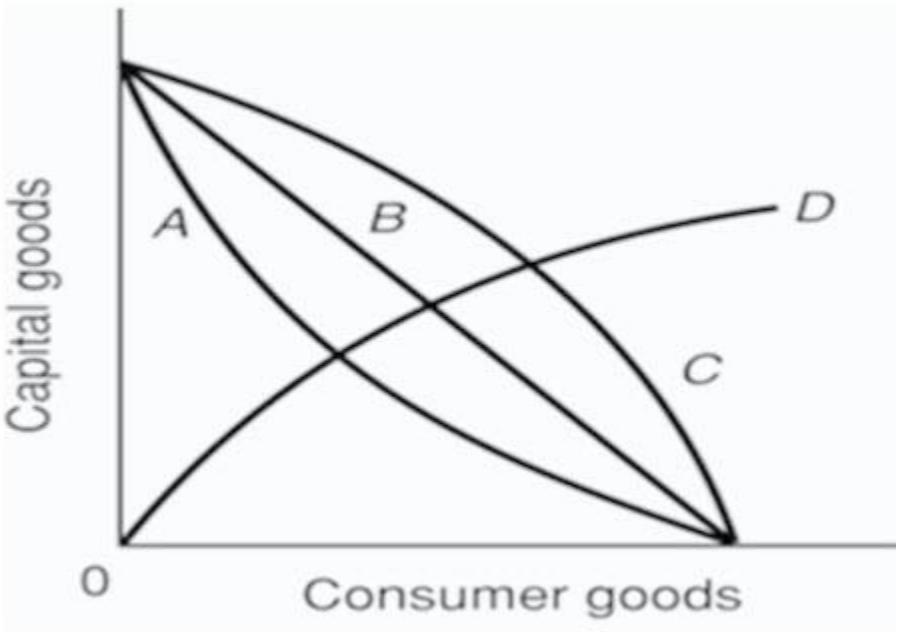
	Production Alternatives				
Products	A	B	C	D	E
Capital goods	0	1	2	3	4
Consumer goods	22	18	13	7	0

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Refer to the above table. What is the total opportunity cost of producing three units of capital goods?

A) 6 units of consumer goods
B) 7 units of consumer goods
C) 15 units of consumer goods
D) 22 units of consumer goods

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital



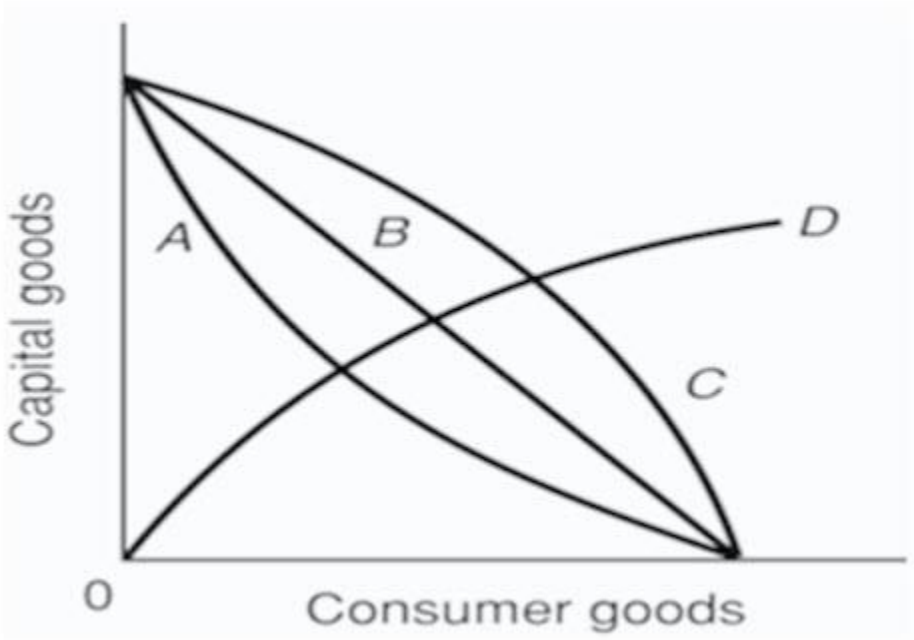
160)

Refer to the above diagram. As it relates to production possibilities analysis, the law of increasing opportunity cost is reflected in curve:

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A) A.
B) B.
C) C.
D) D.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital



161)

Refer to the above diagram. Curve B is a:

A) production possibilities curve indicating constant opportunity costs.
B) production possibilities curve indicating increasing opportunity costs.
C) demand curve indicating that the quantity of consumer goods demanded increases as the price of capital falls.
D) technology frontier curve.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

162) If the production possibilities curve is a straight line:

A) the two products will sell at the same market prices.
B) economic resources are perfectly shiftable between the production of the two products.
C) the two products are equally important to consumers.
D) equal quantities of the two products will be produced at each possible point on the curve.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

163) A nation's production possibilities curve is "bowed out" from the origin because:

A) resources are not equally efficient in producing every good.
B) the originator of the idea drew it this way and modern economists follow this convention.
C) resources are scarce.
D) wants are virtually unlimited.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

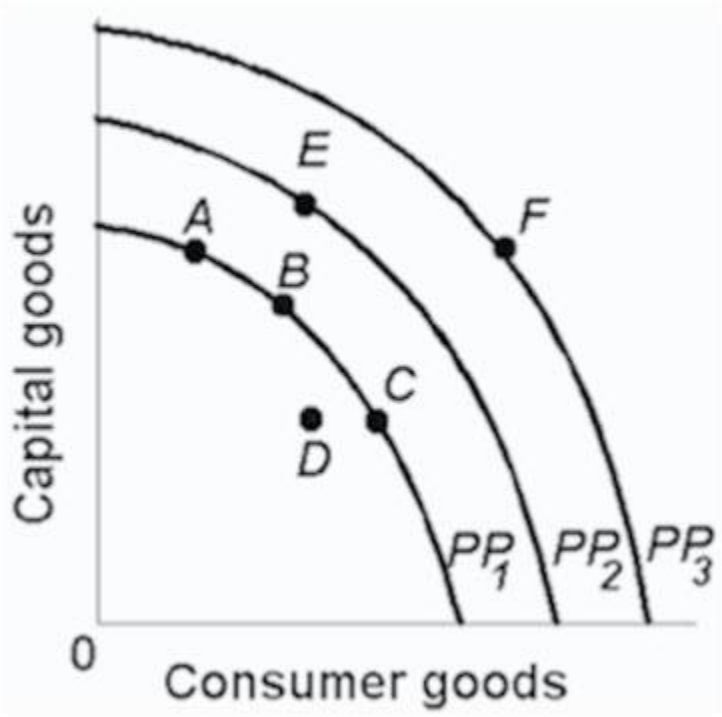
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164) If the production possibilities curve were a straight downsloping line, this would suggest that:

A) resources are perfectly substitutable between the production of these two goods.
B) it is possible to produce more of both products.
C) both products are equally capable of satisfying consumer wants.
D) the two products have identical prices.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

165) Refer to the diagram below. The concave shape of each production possibilities curve indicates that:



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A) resources are perfectly substitutable.
B) wants are virtually unlimited.
C) prices are constant.
D) resources are not equally suited for alternative uses.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

166) The marginal benefit curve is:

A) upward sloping because of increasing marginal opportunity costs.
B) upward sloping because successive units of a specific product yield less and less extra utility.
C) downward sloping because of increasing marginal opportunity costs.
D) downward sloping because successive units of a specific product yield less and less extra utility.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-25 Entrepreneurial Ability

167) The marginal cost curve is:

A) upsloping because of increasing marginal opportunity costs.
B) upsloping because successive units of a specific product yield less and less extra utility.
C) downsloping because of increasing marginal opportunity costs.
D) downsloping because successive units of a specific product yield less and less extra utility.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-25 Entrepreneurial Ability

168) The output of LED TVs should be:

A) reduced if marginal benefits exceed marginal costs.
B) reduced if marginal costs exceed marginal benefits.
C) increased if marginal costs exceed marginal benefits.
D) reduced to zero if their unit costs exceed the unit costs of alternative products.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-25 Entrepreneurial Ability

169) If the output of product X is such that marginal benefit equals marginal cost:

A) the correct amount of resources is being allocated to X's production.
B) the value of producing X and the value of producing alternative products with available resources is the same.
C) there can be no net gain to society by allocating either more or less resources to producing X.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-25 Entrepreneurial Ability

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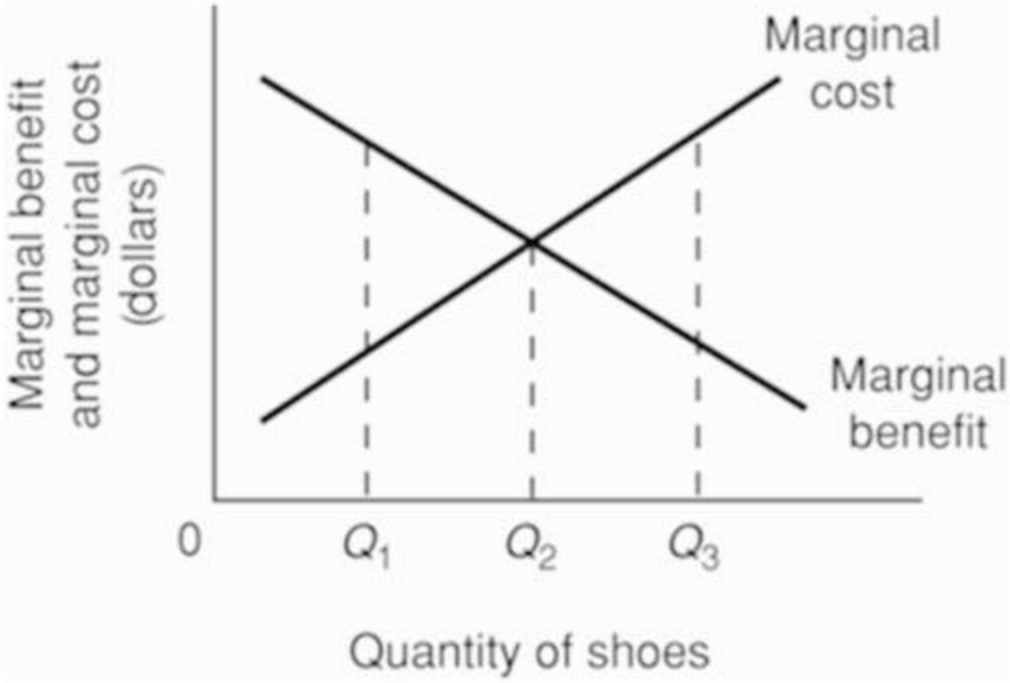
170)

Refer to the above diagram for athletic shoes. The optimal output of shoes:

A) is Q_1.
B) is Q_2.
C) is Q_3.
D) is greater than Q_3.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-25 Entrepreneurial Ability

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171)

Refer to the above diagram for athletic shoes. If the current output of shoes is Q_1, then:

A) society would consider additional units of shoes to be more valuable than alternative products.

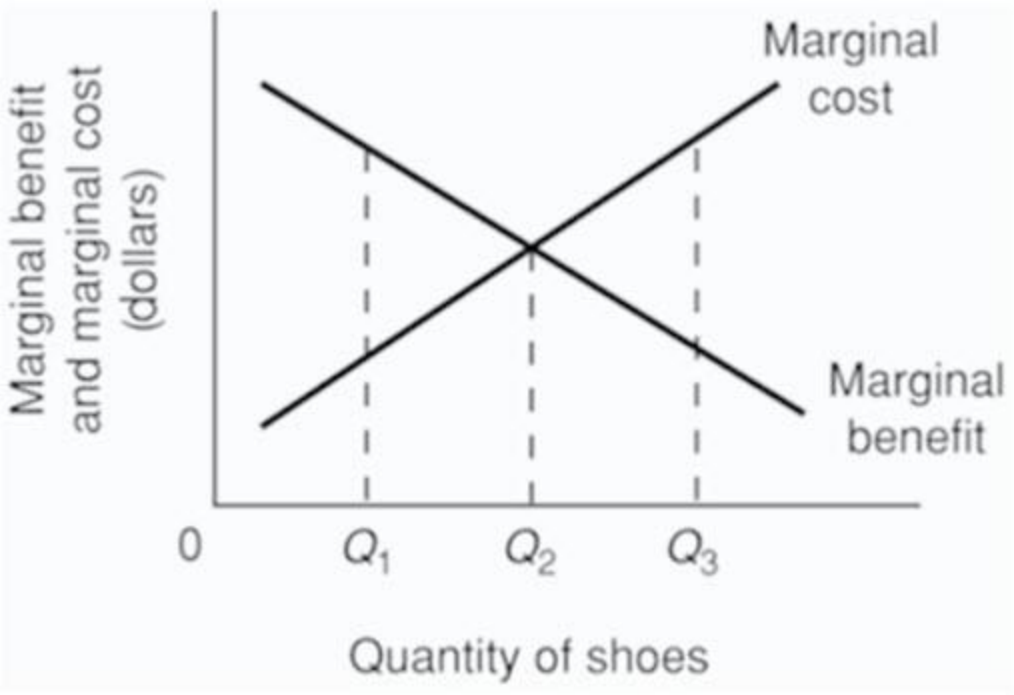
B) society would consider additional units of shoes to be less valuable than alternative products.

C) society would experience a net loss by producing more shoes.

D) resources are being allocated efficiently to the production of shoes.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-25 Entrepreneurial Ability

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172)

Refer to the above diagram for athletic shoes. If the current output of shoes is Q_3, then:

A) resources are being allocated efficiently to the production of shoes.

B) society would consider additional units of shoes to be more valuable than alternative products.

C) society would consider additional units of shoes to be less valuable than alternative products.

D) society would experience a net gain by producing more shoes.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-25 Entrepreneurial Ability

173) Recessions are typically characterised by points:

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A) inside the production possibilities curve.
B) outside the production possibilities curve.
C) on the production possibilities curve.
D) that are not attainable on the production possibilities curve.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-26 Production Possibilities Model

174) Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	5	9	12	14	15

Refer to the above table. As compared to production alternative D, the choice of alternative C would:

A) tend to generate a more rapid growth rate.
B) be unattainable.
C) entail unemployment.
D) tend to generate a slower growth rate.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

175) Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0

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Consumer goods	0	5	9	12	14	15

Refer to the above table. A total output of 3 units of capital goods and 4 units of consumer goods:

A) is irrelevant because the economy is capable of producing a larger total output.
B) will result in the maximum rate of growth available to this economy.
C) would involve an inefficient use of the economy's scarce resources.
D) is unobtainable in this economy.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

176) Production possibilities (alternatives)

	A	**B**	**C**	**D**	**E**	**F**
Capital goods	5	4	3	2	1	0
Consumer goods	0	5	9	12	14	15

Refer to the above table. For this economy to produce a total output of 3 units of capital goods and 13 units of consumer goods it must:

A) achieve economic growth.
B) use its resources more efficiently than the data in the table now indicate.
C) allocate its available resources most efficiently among alternative uses.
D) achieve the full employment of available resources.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

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177) Production possibilities tables for two countries, North Cantina and South Cantina:

North Cantina Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	10	18	24	28	30

South Cantina Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	8	15	21	25	27

Refer to the above tables. Suppose that North Cantina is producing 2 units of capital goods and 17 units of consumer goods while South Cantina is producing 2 units of capital goods and 21 units of consumer goods. We can conclude that:

A) North Cantina is fully and efficiently using its resources, but South Cantina is not.
B) South Cantina is fully and efficiently using its resources, but North Cantina is not.
C) neither South Cantina nor North Cantina are fully and efficiently using their resources.
D) both South Cantina and North Cantina are fully and efficiently using their resources.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

178) Production possibilities tables for two countries, North Cantina and South Cantina:

North Cantina Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	10	18	24	28	30

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South Cantina Production possibilities (alternatives)

	A	B	C	D	E	F
Capital goods	5	4	3	2	1	0
Consumer goods	0	8	15	21	25	27

Refer to the above tables. Suppose that resources in North Cantina and South Cantina are identical in quantity and quality. We can conclude that:

A) South Cantina has better technology than North Cantina in producing both capital and consumer goods.

B) North Cantina has better technology than South Cantina in producing both capital and consumer goods.

C) North Cantina is growing more rapidly than South Cantina.

D) North Cantina has better technology than South Cantina in producing consumer goods.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

179) Refer to the table below. According to the production possibilities schedule for the economy which produces two products, a combination of four tanks and 650 autos is: Production Possibilities

Production Possibilities						
Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1000	950	850	650	350	0

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A) attainable, but involves an efficient use of society's resources.
B) attainable, but would not be in the best interests of a strong national defence.
C) not attainable because it is not listed in the schedule.
D) not attainable because society does not have sufficient resources to produce this combination.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

180) Assume that a change in government policy results in the increased production of both consumer goods and investment goods. It can be concluded that:

A) the economy was suffering from unemployment and/or the inefficient use of resources before the policy change.
B) the economy's production possibilities curve has been shifted to the left as a result of the policy decision.
C) this economy's production possibilities curve is convex (bowed inward) as viewed from the origin.
D) the law of increasing opportunity costs does not apply in this society.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

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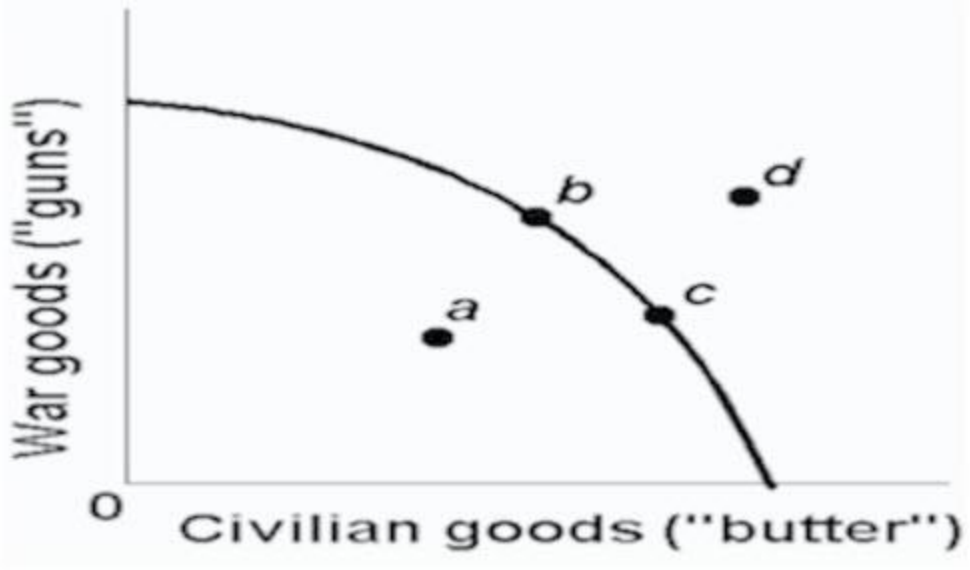
181) Refer to the diagram. This economy will experience unemployment if it produces at point:



A) A.
B) B.
C) C.
D) D.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

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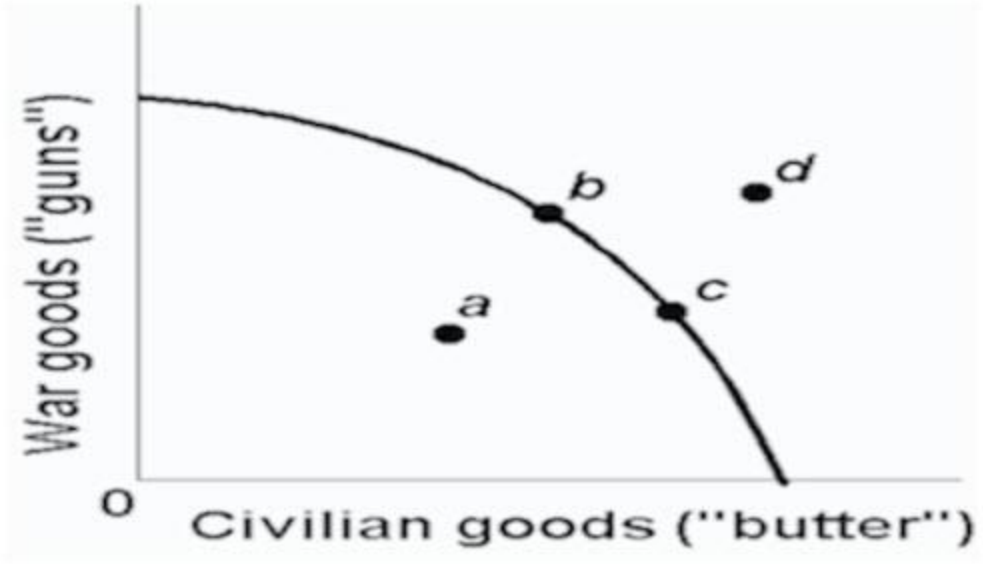
182)

Refer to the above production possibilities curve. At the onset of World War II Canada had large amounts of idle human and property resources. Its economic adjustment from peacetime to wartime can best be described by the movement from point:

A) c to point b.
B) b to point c.
C) a to point b.
D) c to point d.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

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183)

Refer to the above production possibilities curve. At the onset of World War II the Soviet Union's economy was already at full employment. Its economic adjustment from peacetime to wartime can best be described by the movement from point:

A) c to point b.
B) b to point c.
C) a to point b.
D) c to point d.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

184) Any point inside the production possibilities curve indicates:

A) the realization of allocative efficiency.
B) that resources are imperfectly shiftable among alternative uses.
C) the presence of inflationary pressures.
D) that more output could be produced with available resources.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

185) Unemployment and/or productive inefficiencies:

A) cause the production possibilities curve to shift outward.
B) can exist at any point on a production possibilities curve.
C) can both be illustrated by a point outside the production possibilities curve.
D) can both be illustrated by a point inside the production possibilities curve.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

186) A point inside a production possibilities curve may indicate:

A) unemployment.
B) the inefficient use of resources.
C) failure to use the best available technology.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

187) Assume an economy is incurring unemployment and failing to realize least-cost production. The immediate effect of resolving these problems will be to:

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A) move the level of actual output closer to the economy's production possibilities curve.
B) create a less equal distribution of income.
C) shift its production possibilities curve to the left.
D) shift its production possibilities curve to the right.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

188) If an economy is operating inside its production possibilities curve for consumer goods and capital goods, this means that it:

A) can only produce more consumer goods by producing fewer capital goods.
B) can only produce more capital goods by producing fewer consumer goods.
C) can produce more of both consumer goods and capital goods by using its resources more efficiently.
D) must improve its technology to produce more output.

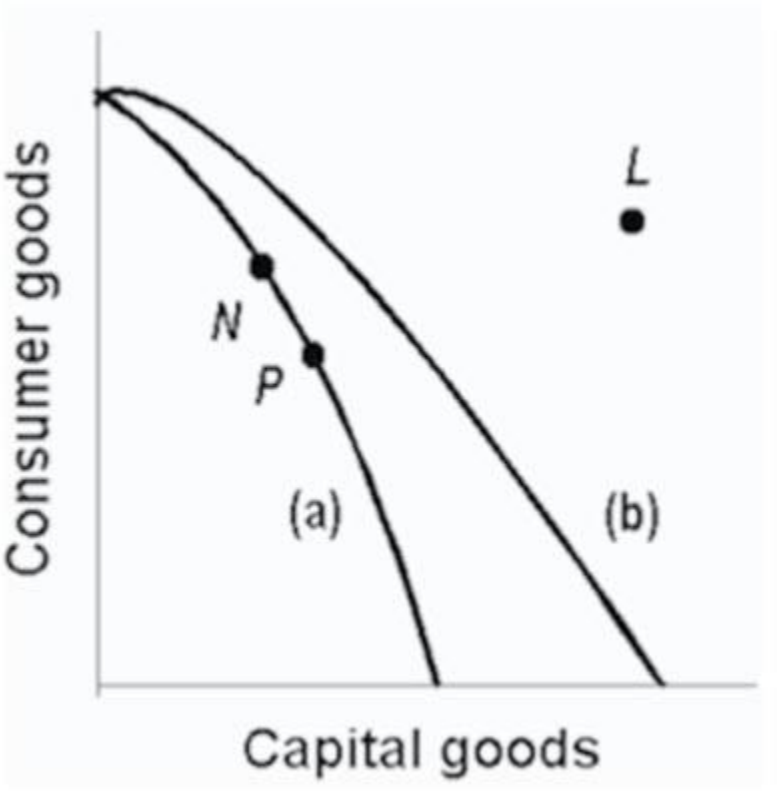
Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

189) Which of the following will not require an outward shift of the production possibilities curve?

A) an upgrading of the quality of a nation's human resources
B) the reduction of unemployment
C) an increase in the quantity of a society's labour force
D) the improvement of a society's technological knowledge

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table



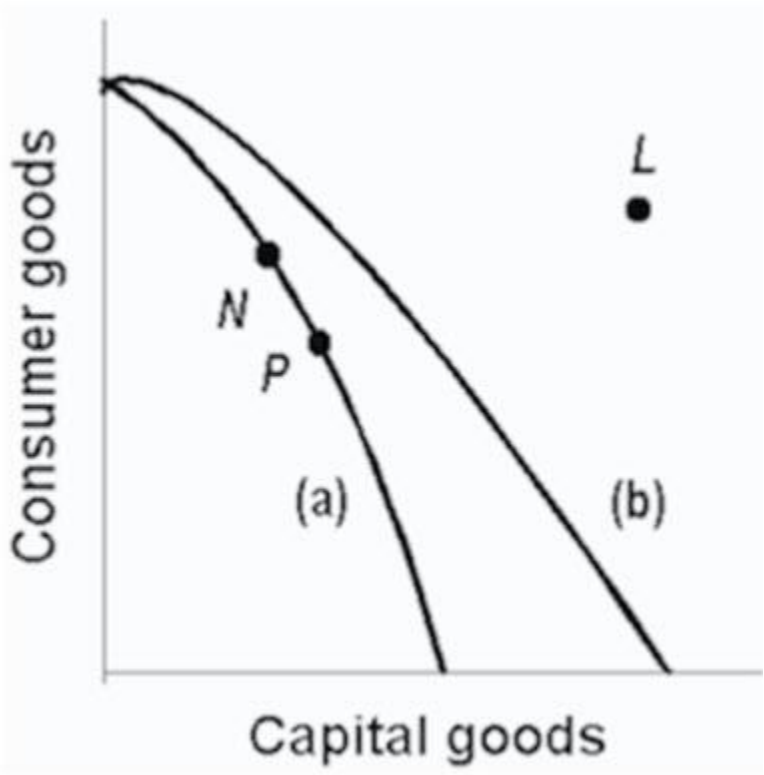
190)

Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. The movement from curve (a) to curve (b) suggests:

A) a movement from unemployment to full employment.
B) an improvement in capital goods technology but not in consumer goods technology.
C) an improvement in consumer goods technology but not in capital goods technology.
D) a decline in the total output of this society.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table



191)

Refer to the above production possibilities curves. Curve (a) is the current curve for the economy. Other things being equal, society's current choice of point P on curve (a) will:

A) allow it to achieve more rapid economic growth than would the choice of point N.
B) entail a slower rate of economic growth than would the choice of point N.
C) entail the same rate of growth as would the choice of point N.
D) be unobtainable because it exceeds the productive capacity of the economy.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

192) The basic difference between consumer goods and capital goods is that:

A) consumer goods are produced in the private sector and capital goods are produced in the public sector.
B) an economy that commits a relatively large proportion of its resources to capital goods must accept a lower growth rate.
C) the production of capital goods is not subject to the law of increasing opportunity costs.
D) consumer goods satisfy wants directly while capital goods satisfy wants indirectly.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

193) Which of the following would be most likely to shift the production possibilities curve to the right?

A) a sudden and substantial expansion of consumer wants
B) an improvement in the literacy level and general level of education
C) a decline in the size of the population and labour force
D) shifting resources from butter to gun production

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

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194) Which of the following will not shift a nation's production possibilities curve?

A) the acquisition of more education and training by its labour force
B) the widespread application of irrigation to its agricultural land
C) an increase in the rate of unemployment
D) the discovery of new super-conductivity materials which makes manufacturing more efficient

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

195) Which of the following will shift the production possibilities curve to the right?

A) an increase in the unemployment rate from 6 to 8 percent
B) a decline in the efficiency with which the present labour force is allocated
C) a decrease in the unemployment rate from 8 to 6 percent
D) a technological advance which allows farmers to produce more output from given inputs

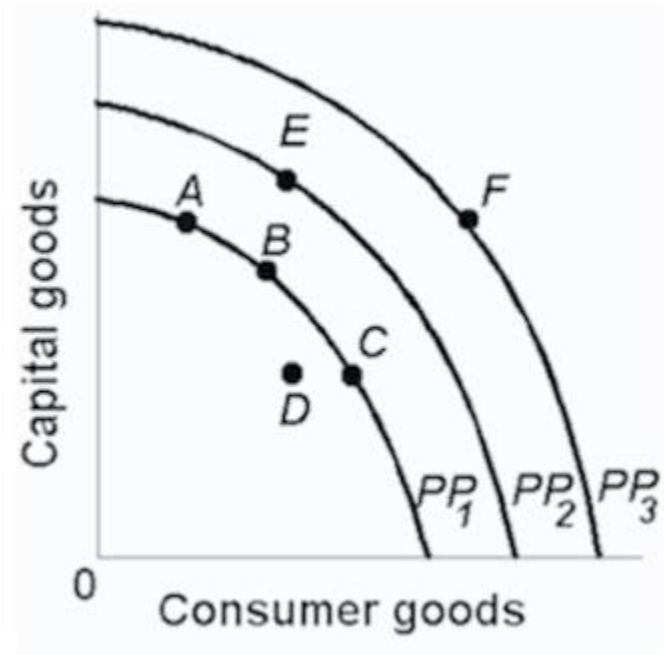
Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

196) Other things equal, which of the following would shift an economy's production possibilities curve to the left?

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A) the discovery of a low-cost means of generating and storing solar energy
B) the entrance of more women into the labour force
C) a law requiring mandatory retirement from the labour force at age 55
D) an increase in the proportion of total output which consists of capital or investment goods

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table



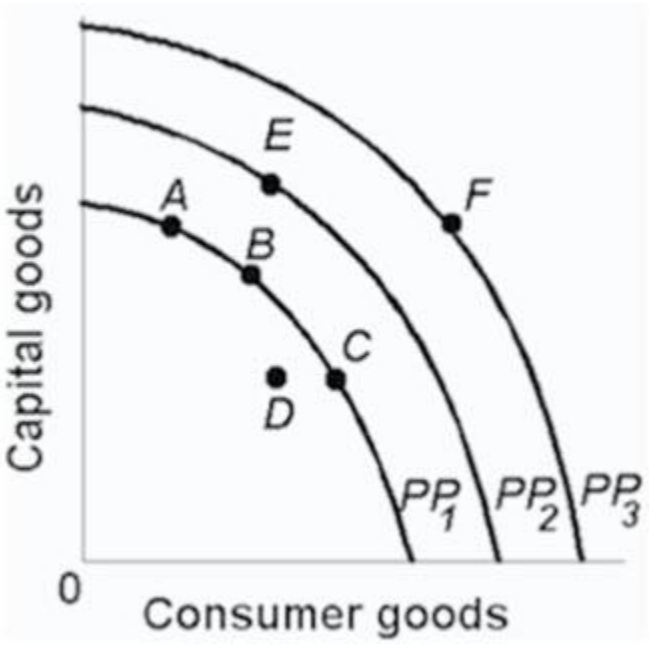
197)

Refer to the above diagram. An improvement in technology will:

A) shift the production possibilities curve from PP_1 to PP_2.
B) shift the production possibilities curve from PP_2 to PP_1.
C) move the economy from A to C along PP_1.
D) move the economy from A, B, or C on PP_1 to D.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table



198)

Refer to the above diagram. Which one of the following would shift the production possibilities curve from PP_1 to PP_2

A) immigration of skilled workers into the economy
B) worsening of the AIDS epidemic
C) an increase in consumer prices
D) a reduction in the age of retirement.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

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199) Which situation would most likely shift the production possibilities curve for a nation in an outward direction?

A) a decrease in the quality of products
B) an increase in the supply of resources
C) a decrease in the state of technology
D) an increase in the amount of discrimination

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

200) Which situation would most likely cause a nation's production possibilities curve to shift inward?

A) the construction of more capital goods
B) a decrease in discrimination based on race
C) an increase in the number of skilled immigrant workers
D) the destruction from bombing and warfare in a losing military conflict

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

201) All of the following could immediately or eventually lead to an inward shift of a nation's production possibilities curve, except:

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A) an increase in the amount of discrimination.
B) a decline in the birth rate.
C) an increase in the average skill level of all occupational groups.
D) depletion and reduced availability of major energy resources.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

202) Some agricultural sub-Saharan nations of Africa have over-farmed and overgrazed their land to the extent that significant portions of it have turned into desert. This suggests that:

A) the concavity of the production possibilities curves of such nations has increased.
B) the production possibilities curves of such nations have shifted inward.
C) the production possibilities curves of such nations have shifted outward.
D) these nations are operating at some point outside of their production possibilities curves.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

203) Which of the following statements, if any, is correct for a nation which is producing only consumption and capital goods?

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A) Other things equal, the more consumer goods a nation produces, the greater will be its future growth rate.

B) Other things equal, the more capital goods a nation produces, the greater will be its future growth rate.

C) There is no general relationship between the current division of output between consumer and capital goods and the future growth rate.

D) It will be producing at point within its Production Possibility Curve.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-28 Production Possibilities Curve

204) If country A has been investing a larger proportion of its domestic output than Canada has, then, we would expect:

A) a higher rate of growth of domestic output in country A than in Canada.

B) greater rightward shifts in country A's production possibilities curve as compared to Canada.

C) that in the long run living standards would rise more rapidly in country A than in Canada.

D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-28 Production Possibilities Curve

205) Deltonia produces both consumer and capital goods. If it reduces the percentage of its output devoted to capital goods, then:

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A) its rate of growth will tend to decline.
B) its production possibilities curve will necessarily shift to the left.
C) it must also reduce the percentage of its output devoted to consumer goods.
D) its rate of growth will tend to increase.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-28 Production Possibilities Curve

206) Refer to the diagram below. Other things equal, this economy will achieve the most rapid rate of growth if:



A) the ratio of capital to consumer goods is minimized.
B) it chooses point C.
C) it chooses point B.
D) it chooses point A.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-28 Production Possibilities Curve

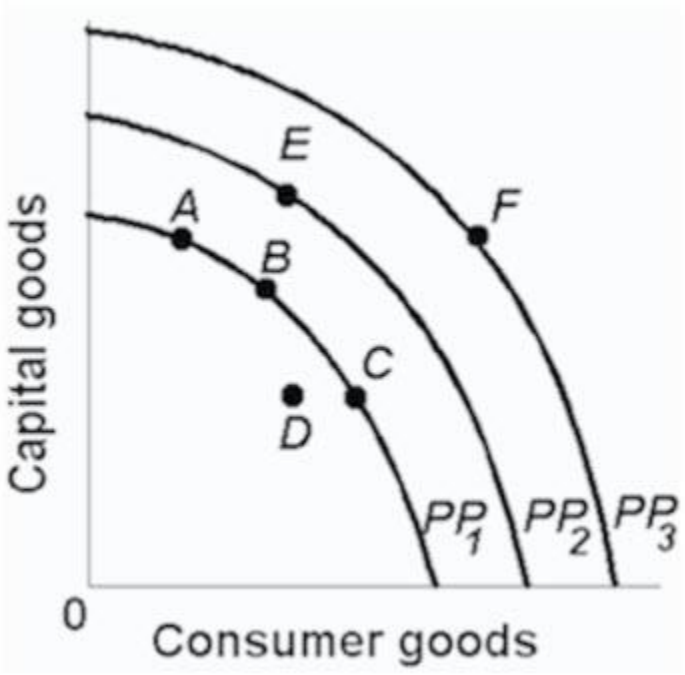
207) The future location of the economy's production possibilities curve will be affected by:

A) the current division of domestic output between consumption and capital goods.
B) the rate of technological progress.
C) the growth of the economy's supplies of resources.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-28 Production Possibilities Curve

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208) Refer to the diagram below. Which of the following positions relative to PP_1 would be the most likely to result in a future production possibilities curve of PP_3, rather than PP_2?



A) A.
B) B.
C) C.
D) D.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-28 Production Possibilities Curve

209) Through specialization and international trade a nation:

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A) can achieve some combination of goods lying outside its production possibilities curve.

B) can move from a high consumption-low investment to a high investment-low consumption point on its production possibilities curve.

C) will achieve some combination of goods lying within its production possibilities curve.

D) will cause its production possibilities curve to shift leftward.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-29 Law of Increasing Opportunity Costs

210) A country can achieve some combination of goods outside its production possibilities curve by:

A) idling some of its resources.
B) specializing and engaging in international trade.
C) buying the debt (bonds and stocks) of foreign nations.
D) producing more consumption goods and fewer capital goods.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-29 Law of Increasing Opportunity Costs

211) International specialization and trade:

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A) allow a nation to get more of a desired good at less sacrifice of some other good.
B) can allow an economy to circumvent the output limits imposed by its domestic production possibilities curve.
C) Has the same effect as having more and better resources.
D) all of these are correct.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-29 Law of Increasing Opportunity Costs

212) Economists:

A) always put the independent variable on the horizontal axis and the dependent variable on the vertical axis.
B) always put the dependent variable on the horizontal axis and the independent variable on the vertical axis.
C) are somewhat arbitrary in assigning independent and dependent variables to the horizontal and vertical axes.
D) measure the slope of a line differently than do mathematicians.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-31 Economic Rationale

213) If we say that two variables are directly related, this means that:

A) the relationship between the two is purely random.
B) an increase in one variable is associated with a decrease in the other variable.
C) an increase in one variable is associated with an increase in the other variable.
D) the graph has a down sloping line.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

214) If we say that two variables are inversely related, this means that:

A) the two graph as an upsloping line.
B) an increase in one variable is associated with a decrease in the other.
C) an increase in one variable is associated with an increase in the other.
D) the resulting relationship can be portrayed by a straight line parallel to the horizontal axis.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

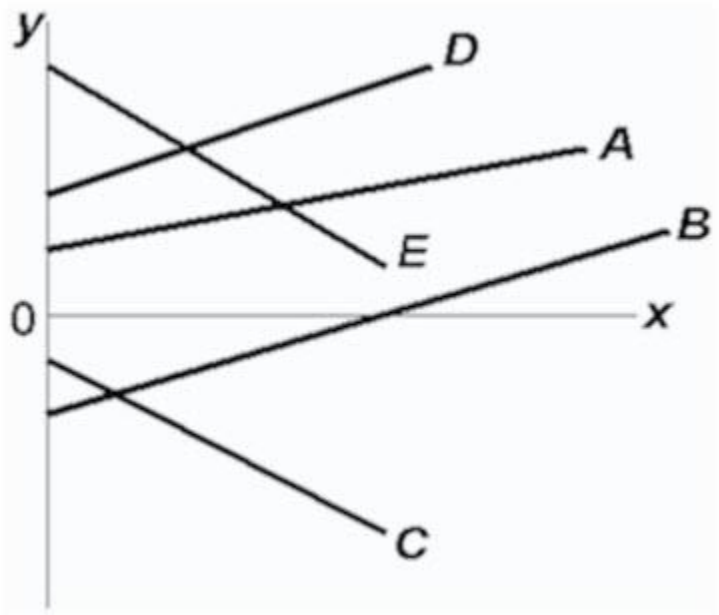
215) Which of the following statements is correct?

A) The value of the independent variable is determined by the value of the dependent variable.
B) The value of the dependent variable is determined by the value of the independent variable.
C) The dependent variable designates the "cause" and the independent variable the "effect."
D) Dependent variables graph as upsloping lines; independent variables graph as downward sloping lines.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-33 Unemployment, Growth, and the Future

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216) Refer to the below diagram. Which line(s) show(s) a positive relationship between x and y?

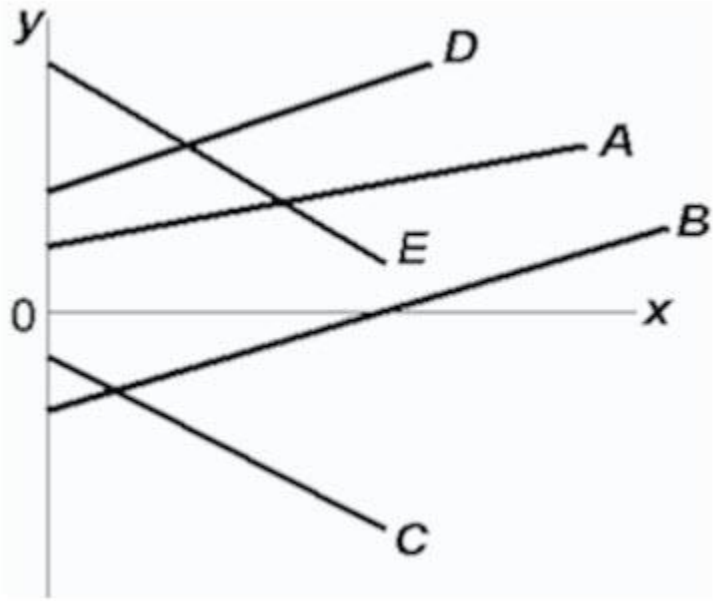


A) A only
B) both A and D
C) A, B, and D
D) both C and E

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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217) Refer to the below diagram. Which line(s) show(s) a negative relationship between x and y?

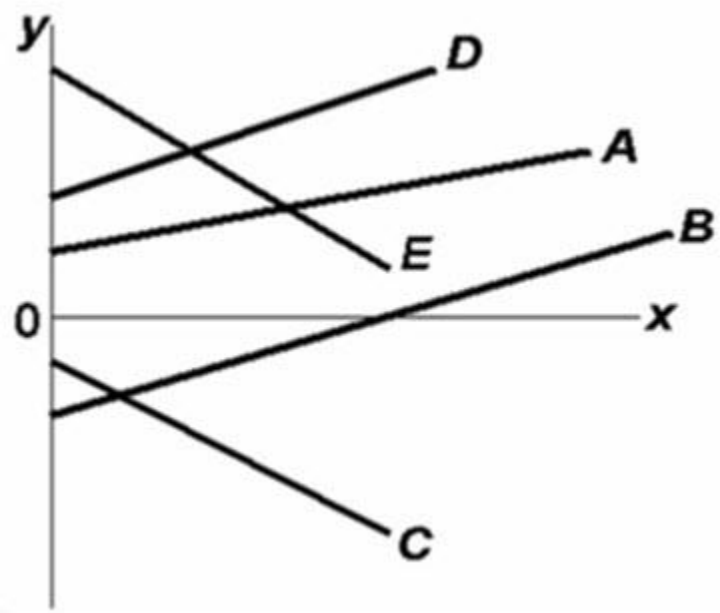


A) A only
B) both A and D
C) A, B, and D
D) both C and E

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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218) Refer to the below diagram. Which line(s) show(s) a positive vertical intercept?

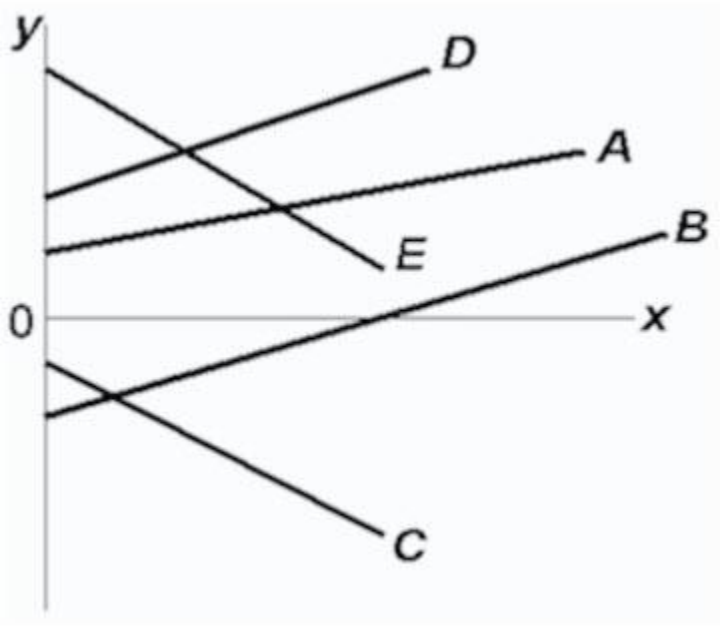


A) A and D only
B) B and C only
C) A, D, and E
D) A, D, and B

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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219) Refer to the below diagram. Which line(s) show(s) a negative vertical intercept?



A) C only
B) both C and E
C) B, C, and E
D) both B and C

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

220) If two variables are inversely related, then as the value of one variable:

A) increases, the value of the other may either increase or decrease.
B) decreases, the value of the other decreases.
C) increases, the value of the other decreases.
D) increases, the value of the other increases.

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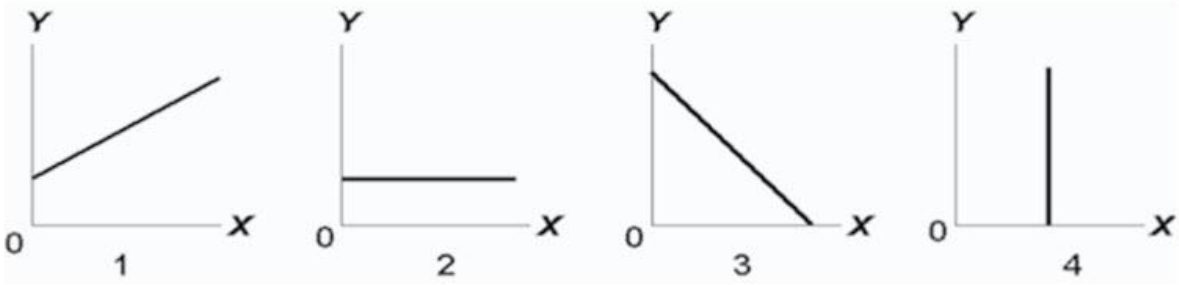
Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

221) If a positive relationship exists between x and y:

A) an increase in x will cause y to decrease.
B) a decrease in x will cause y to increase.
C) the relationship will graph as an upsloping line.
D) the vertical intercept must be positive.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

222) Answer on the basis of the relationships shown in the below four figures. The amount of Y is directly related to the amount of X in:

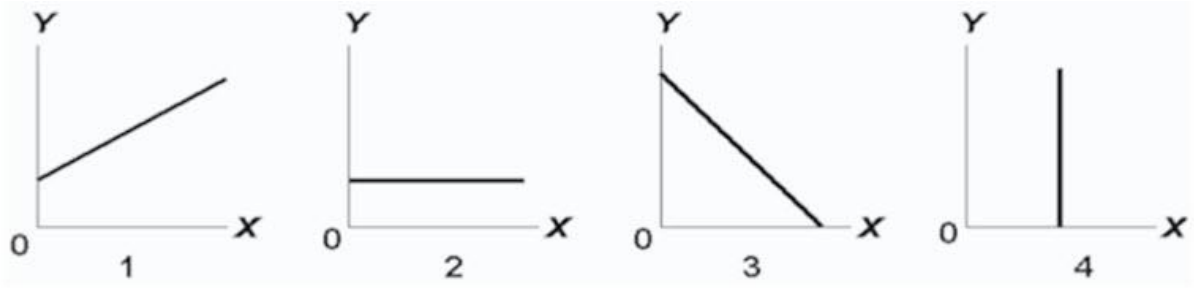


A) both 1 and 3.
B) both 1 and 2.
C) 2 only.
D) l only.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

223) Answer on the basis of the relationships shown in the below four figures. The amount of Y is inversely related to the amount of X in:

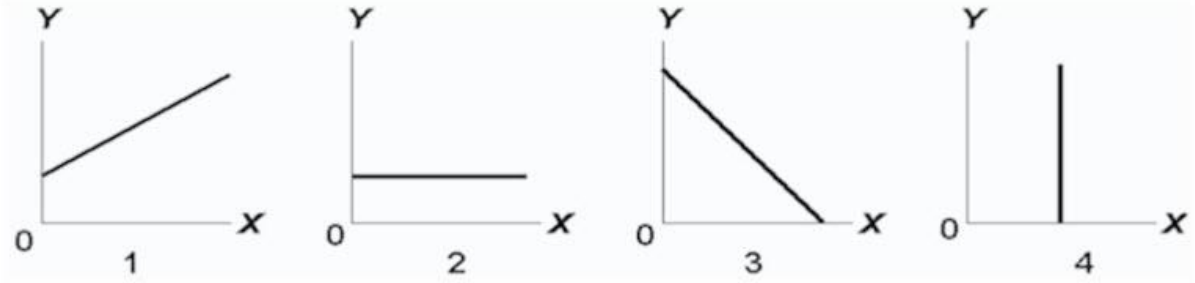


A) 2 only.
B) both 1 and 3.
C) 3 only.
D) 1 only.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

Macroeconomics (Canadian) 16th edition McConnell Test Bank

224) Answer on the basis of the relationships shown in the below four figures. The amount of Y is unrelated to the amount of X in:



A) both 2 and 4.
B) 3 only.
C) 2 only.
D) 1

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

225) If price (P) and quantity (Q) are directly related, this means that:

A) a change in Q will alter P, but a change in P will not alter Q.
B) if P increases, Q will decrease.
C) if P increases, Q will also increase.
D) an increase in P will cause Q to change, but the direction in which Q changes cannot be predicted.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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226) Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment so that investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate.
Refer to the above information. Which of the following is an accurate verbal statement of the described relationship?

A) There is no regular or dependable relationship between business investment and the interest rate.
B) The amount of business investment is unaffected by changes in the interest rate.
C) Investment spending by businesses varies inversely with the interest rate.
D) Investment spending by businesses varies directly with the interest rate.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

227) Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment so that investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 Percentage-point decline in the interest rate.
Refer to the above information. Using i and I to indicate the interest rate and investment (in billions of dollars) respectively, which of the following is the correct tabular presentation of the described relationship?

(A)	**(B)**	**(C)**	**(D)**				
i	I	I	I	i	I	i	I
20	$50	24	$10	20	$0	20	$10
16	40	20	20	16	10	16	20
12	30	16	30	12	20	12	30
8	20	12	40	8	30	8	40
4	10	8	50	4	40	4	50

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0	0	4	60	0	50	0	60

A) column (A)
B) column (B)
C) column (C)
D) column (D)

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

228) Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment so that investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate.
Refer to the above information. Which of the following correctly expresses the indicated relationship as an equation?

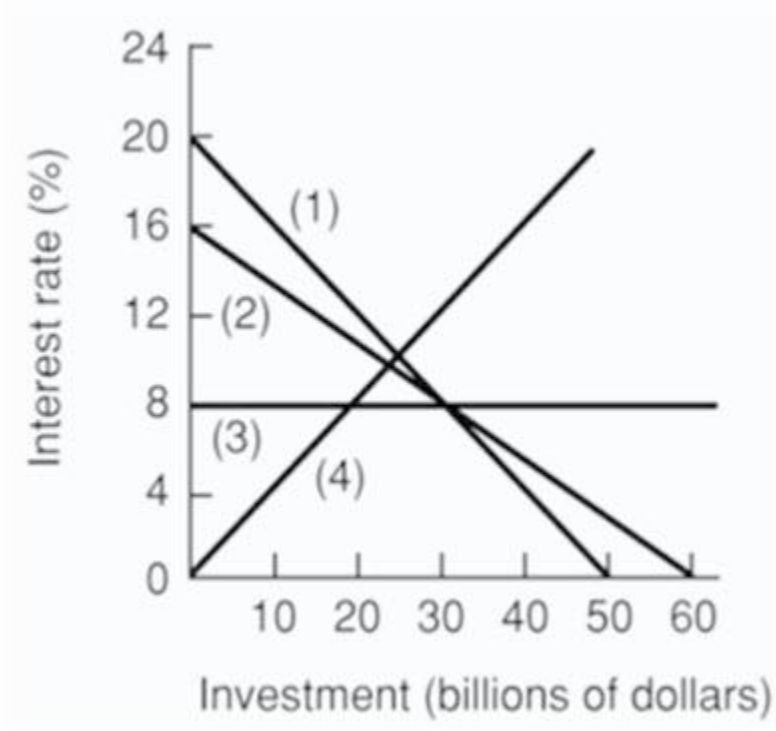
A) i = 20 - 4I.
B) i = 20 -.4I.
C) i = 24 -.4I.
D) i = 20 - 10I.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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229) Assume that if the interest rate that businesses must pay to borrow funds were 20 percent, it would be unprofitable for businesses to invest in new machinery and equipment so that investment would be zero. But if the interest rate were 16 percent, businesses would find it profitable to invest $10 billion. If the interest rate were 12 percent, $20 billion would be invested. Assume that total investment continues to increase by $10 billion for each successive 4 percentage point decline in the interest rate.

Refer to the above information. Which of the following is the correct graphical presentation of the indicated relationship?



A) line 4
B) line 3
C) line 2
D) line 1

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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230)

After-tax income	Consumption
$1000	$900
2000	1800
3000	2700
4000	3600
5000	4500

The above data suggest that:

A) consumption varies inversely with after-tax income.
B) consumption varies directly with after-tax income.
C) consumption and after-tax income are unrelated.
D) a tax increase will increase consumption.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

231)

After-tax income	Consumption
$1000	$900
2000	1800
3000	2700
4000	3600
5000	4500

The above data indicates that:

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A) consumers spend 80 percent of their after-tax incomes.
B) consumers spend 90 percent of their after-tax incomes.
C) a tax reduction will reduce consumption.
D) the relationship between consumption and after-tax income is random.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

232)

After-tax income	Consumption
$1000	$900
2000	1800
3000	2700
4000	3600
5000	4500

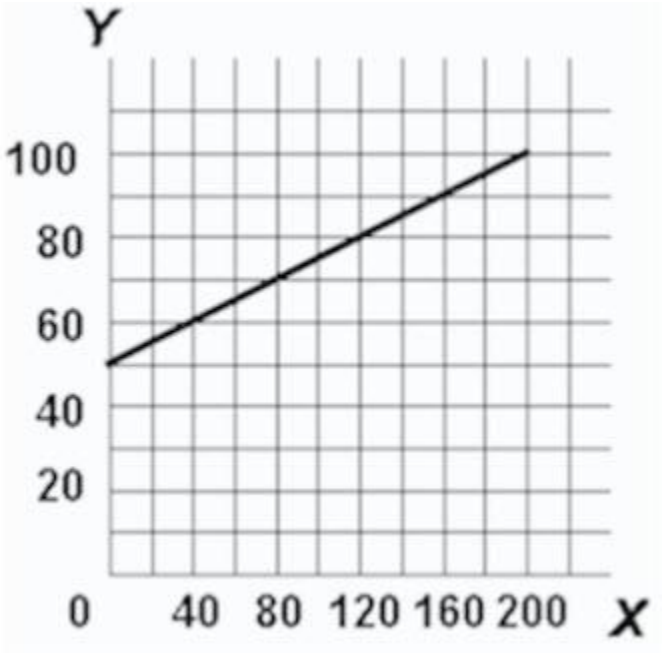
The above data suggest that:

A) a policy of tax reduction will increase consumption.
B) a policy of tax increases will increase consumption.
C) tax changes will have no impact on consumption.
D) after-tax income should be lowered to increase consumption.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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233) Refer to the below diagram. The variables X and Y are:

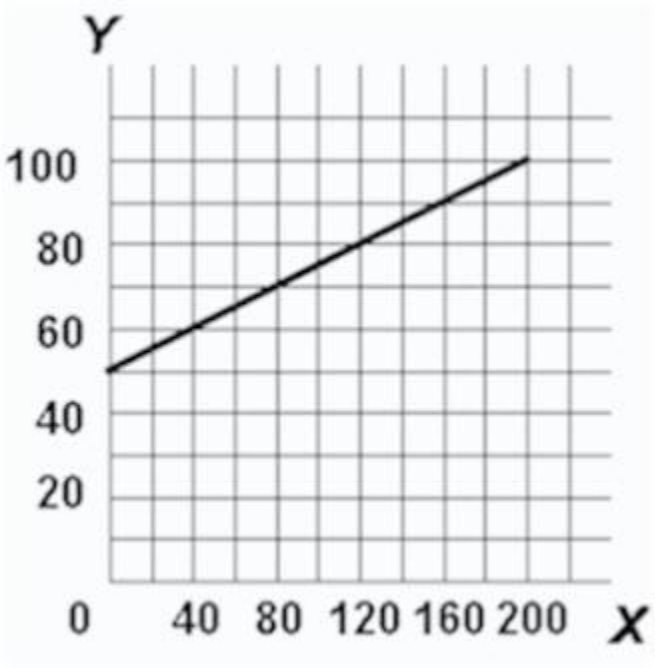


A) inversely related.
B) directly related.
C) unrelated.
D) negatively related.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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234) Refer to the below diagram. The vertical intercept:

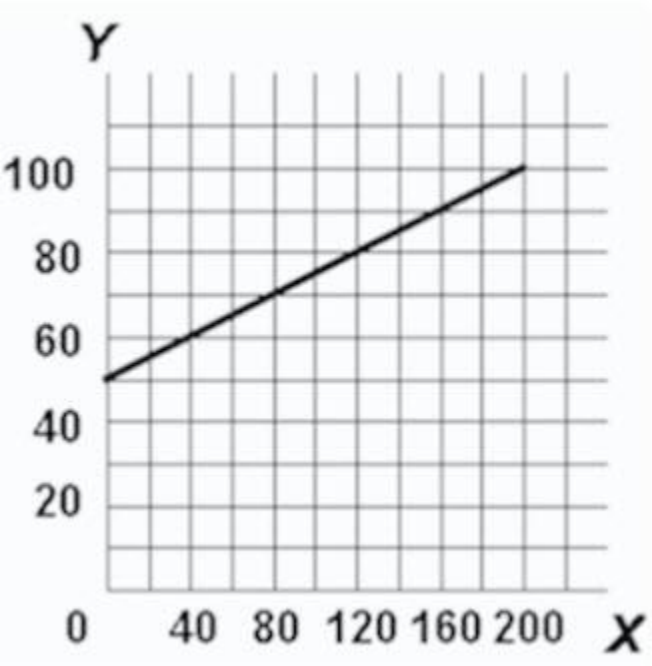


A) is 40.
B) is 50.
C) is 60.
D) cannot be determined from the information given.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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235) Refer to the below diagram. The slope of the line:

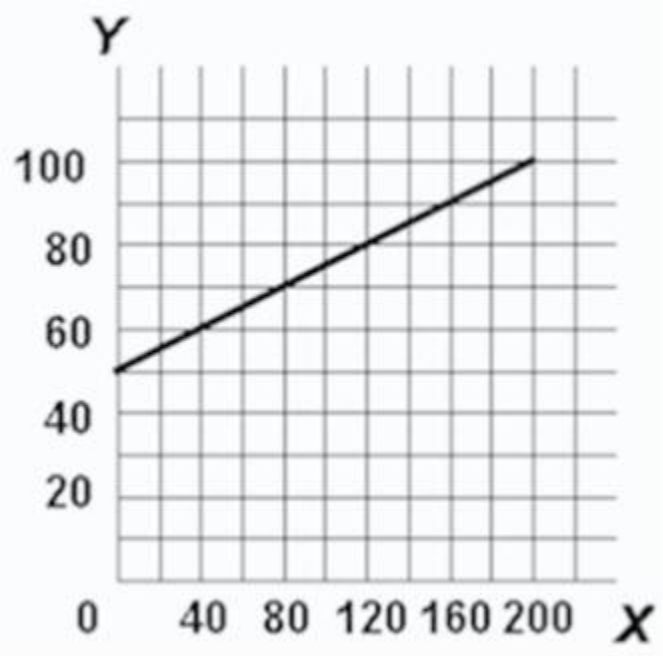


A) is $-1/4$.
B) is $+1/4$.
C) is.40.
D) cannot be determined from the information given.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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236) Refer to the below diagram. The equation which shows the relationship between Y and X is:

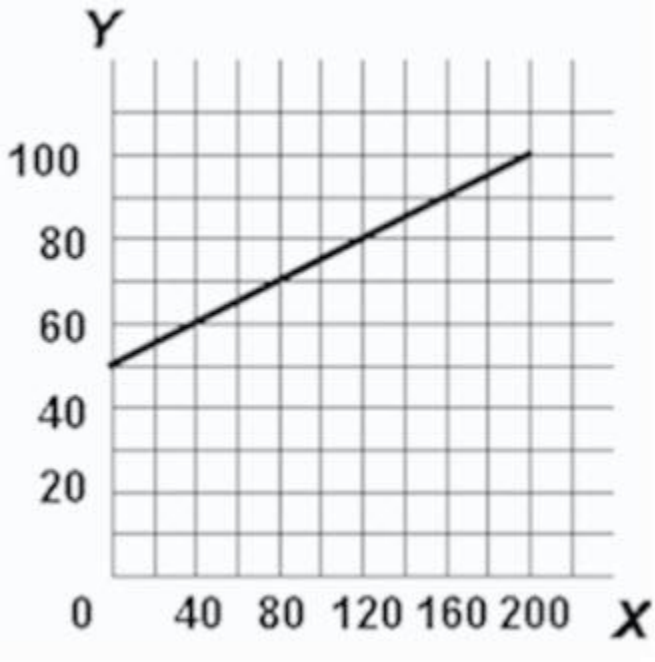


A) Y = 50 + $^1/_4$X.
B) X = $^1/_4$Y.
C) Y = .4X.
D) Y = $^1/_4$X - 50.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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237) The slope of a straight line can be determined by:



A) comparing the absolute horizontal change to the absolute vertical change between two points on the line.

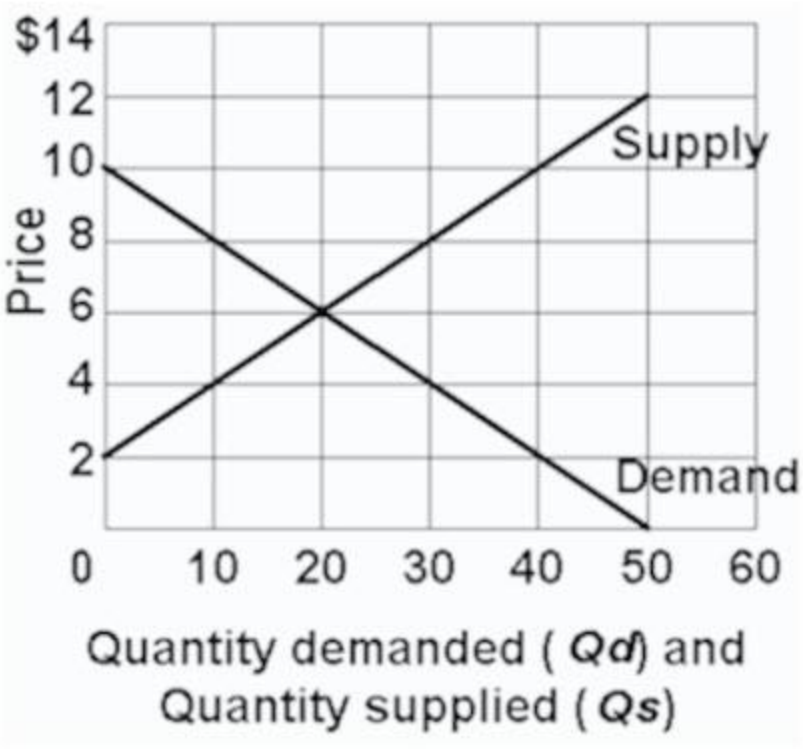
B) comparing the absolute vertical change to the absolute horizontal change between two points on the line.

C) taking the reciprocal of the vertical intercept.

D) comparing the percentage vertical change to the percentage horizontal change between two points on the line.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-35 Increases in Factor Supplies

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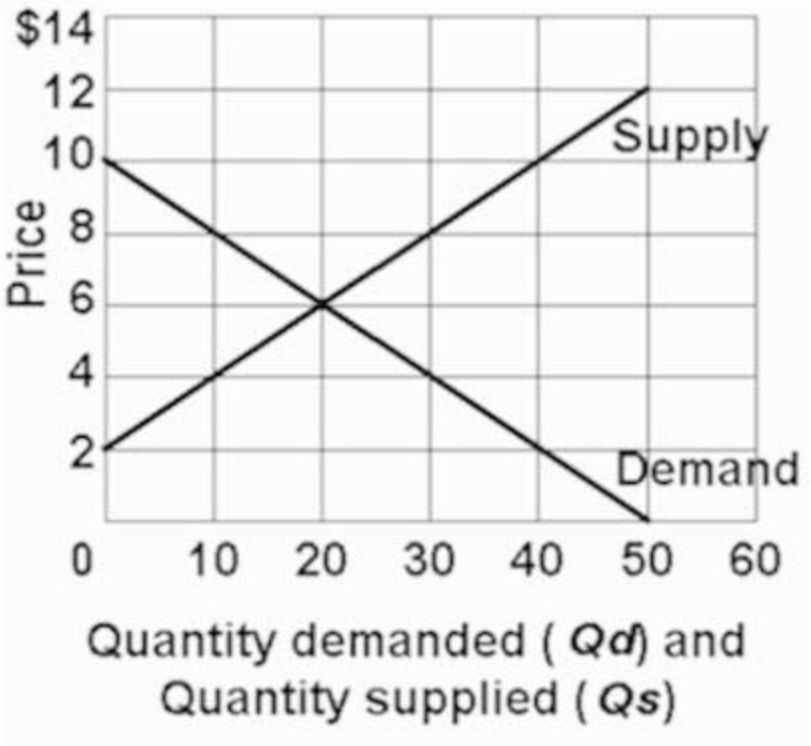
238)

Refer to the above graph. Which of the following statements is correct?

A) Quantity demanded and quantity supplied are independent of price.
B) Price and quantity demanded are directly related.
C) Price and quantity supplied are directly related.
D) Price and quantity supplied are inversely related.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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239)

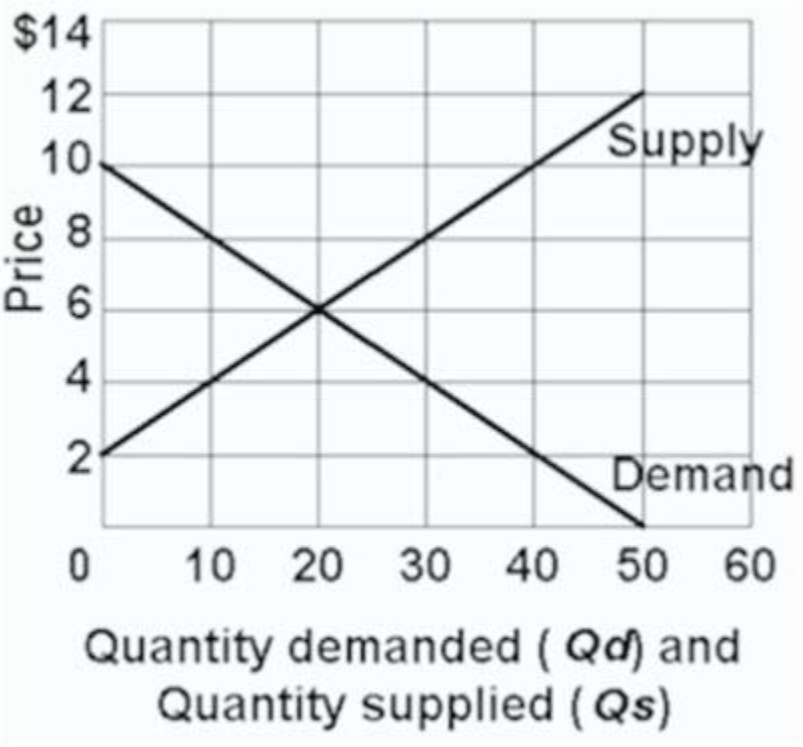
Refer to the above graph. Which of the following schedules correctly reflects "demand"?

(A)	**(B)**	**(C)**	**(D)**				
P	Qd	P	Qd	P	Qd	P	Qd
$12	0	$14	0	$14	60	$12	0
10	0	12	0	12	50	10	10
8	10	10	20	10	40	8	20
6	20	8	40	8	30	6	30
4	30	6	60	6	20	4	40
2	40	4	80	4	10	2	50

A) schedule (A)
B) schedule (B)
C) schedule (C)
D) schedule (D)

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-31 Economic Rationale



240)

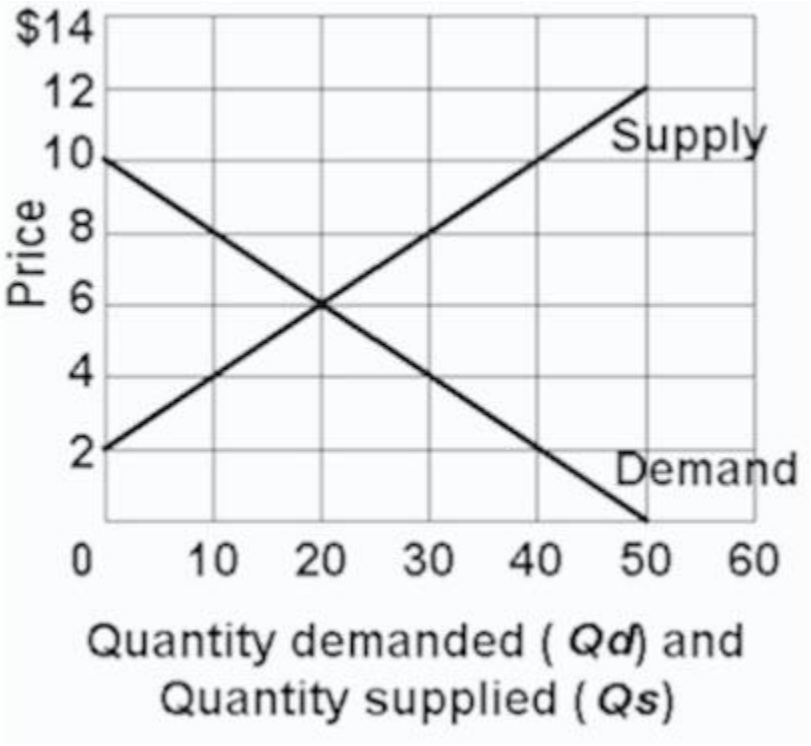
Refer to the above graph. Which of the following schedules correctly reflects "supply"?

(A)	(B)	(C)	(D)				
P	Qd	P	Qd	P	Qd	P	Qd
$12	0	$14	0	$14	60	$12	0
10	0	12	0	12	50	10	10
8	10	10	20	10	40	8	20
6	20	8	40	8	30	6	30
4	30	6	60	6	20	4	40
2	40	4	80	4	10	2	50

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A) schedule (A)
B) schedule (B)
C) schedule (C)
D) schedule (D)

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-31 Economic Rationale



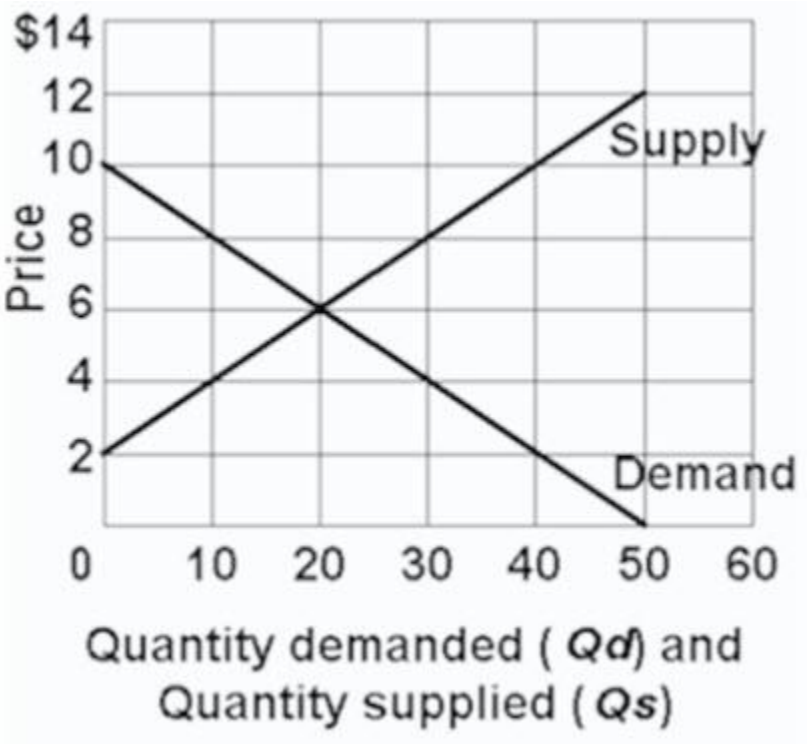
241)

Refer to the above graph. Using Q_d for quantity demanded and P for price, which of the following equations correctly states the demand for this product?

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A) P = Q_d/10.
B) P = 50 - P/2.
C) P = 10 -.2Q_d.
D) P = 10 - 2Q_d.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-30 Shape of the Curve



242)

Refer to the above graph. Using Q_s for quantity supplied and P for price, which of the following equations correctly states the supply of this product?

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A) $P = 4 + .2Q_s$.
B) $P = 60/Q_s$.
C) $P = 10Q_s - 2P$.
D) $P = 2 + .2Q_s$.

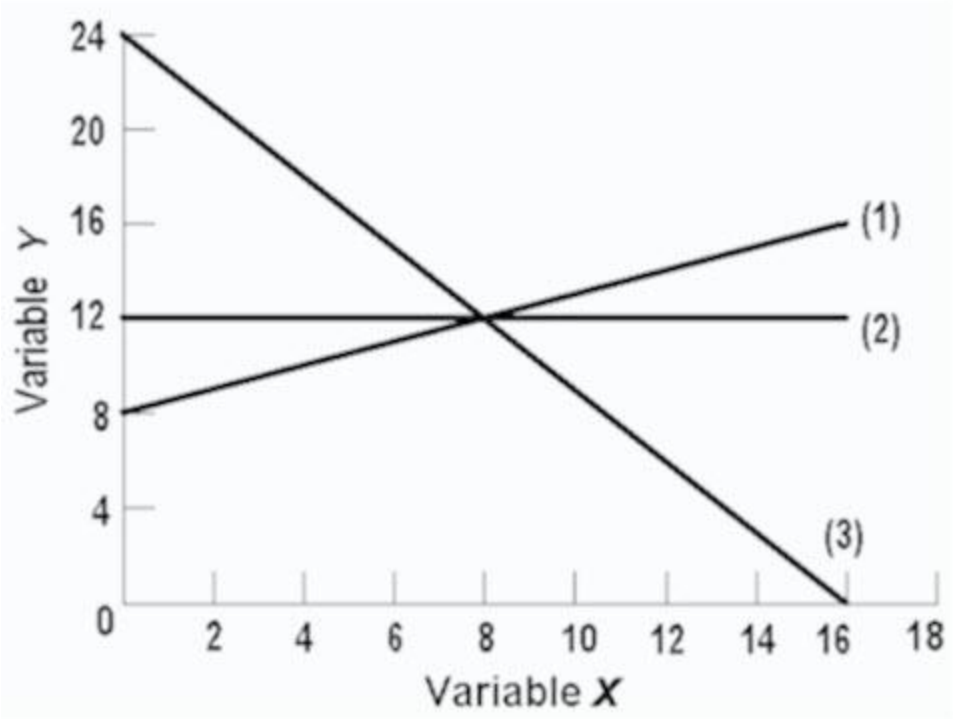
Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-30 Shape of the Curve

243) Assume a household would consume $100 worth of goods and services per week if its weekly income were zero and would spend an additional $80 per week for each $100 of additional income. Letting C represent consumption and Y represent income, the equation which summarizes this relationship is:

A) $C = 80 + 100Y$.
B) $C = 100 + .8Y$.
C) $C = 100 + 80Y$.
D) $C = 80 + .1Y$.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-30 Shape of the Curve

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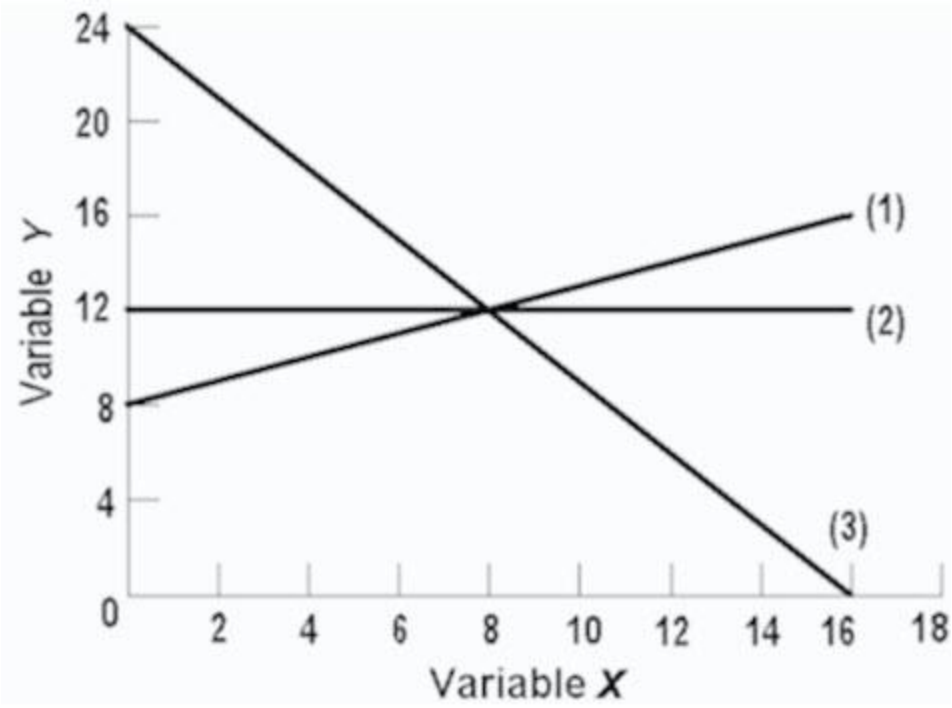
244)

In line (1) on the above graph, the variables x and y are:

A) nonlinearly related.
B) positively related.
C) negatively related.
D) inversely related.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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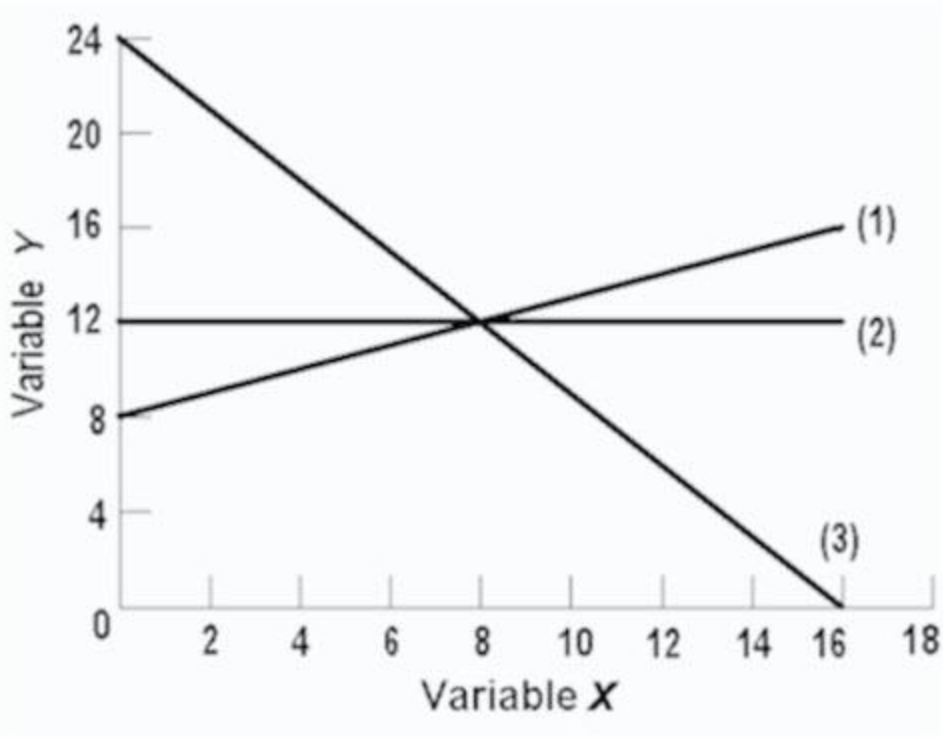
245)

In line (3) on the above graph, variables x and y are:

A) directly related.
B) negatively related.
C) positively related.
D) nonlinearly related.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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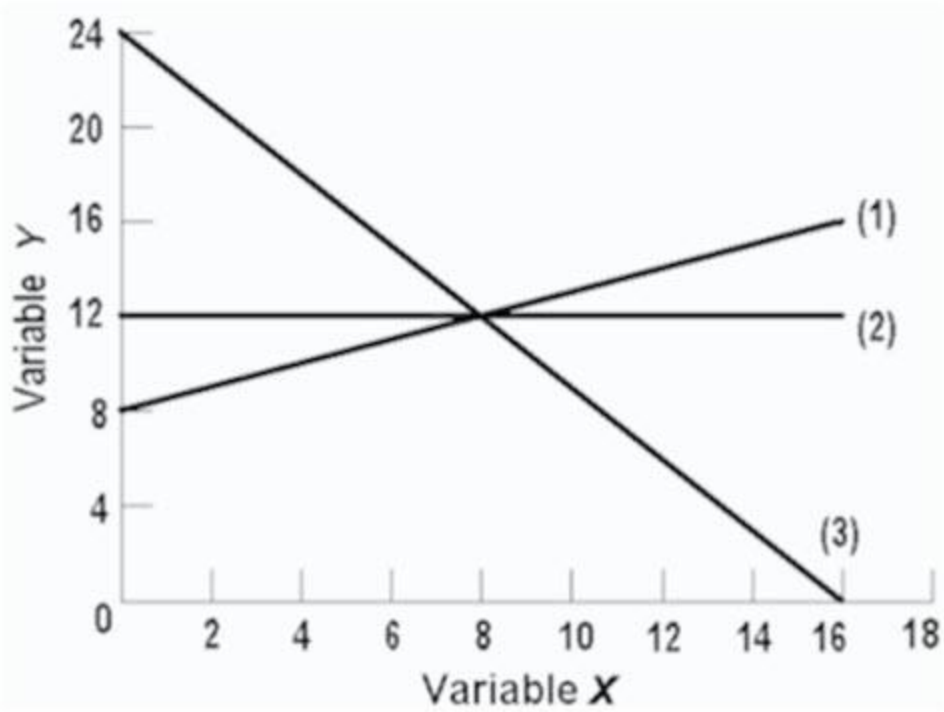
246)

The linear equation for line (1) on the above graph is:

A) y = 8 + 2x.
B) y = 8 +.5x.
C) x = 8 +.5y.
D) y = 8 - 2x.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

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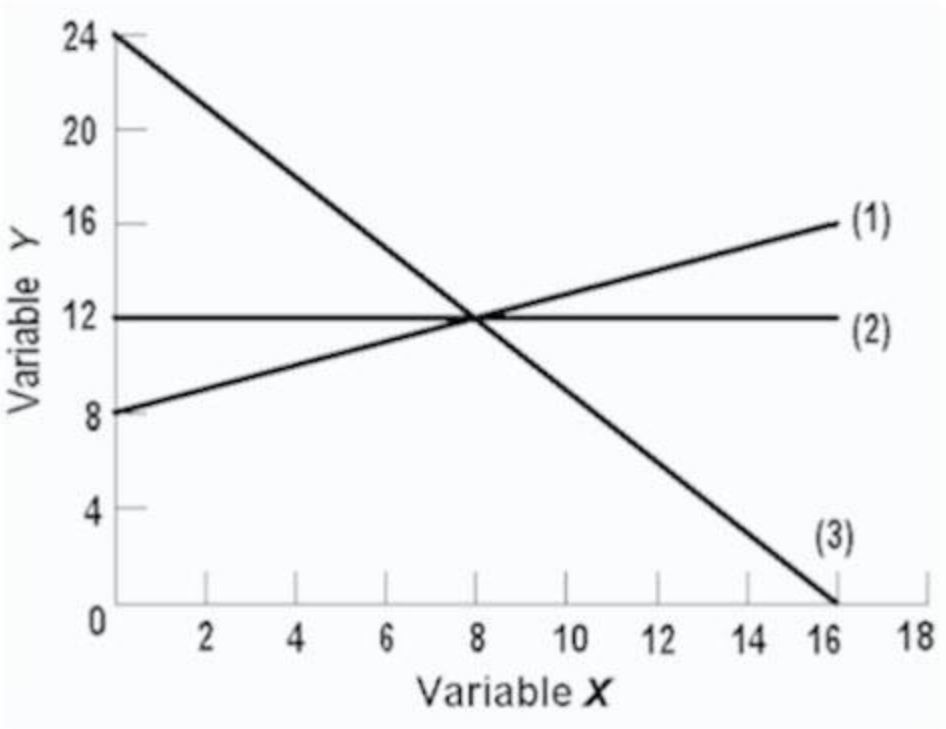
247)

The slope of line (2) on the above graph is:

A) 0
B) B..66.
C) C..75.
D) 1.50.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-35 Increases in Factor Supplies

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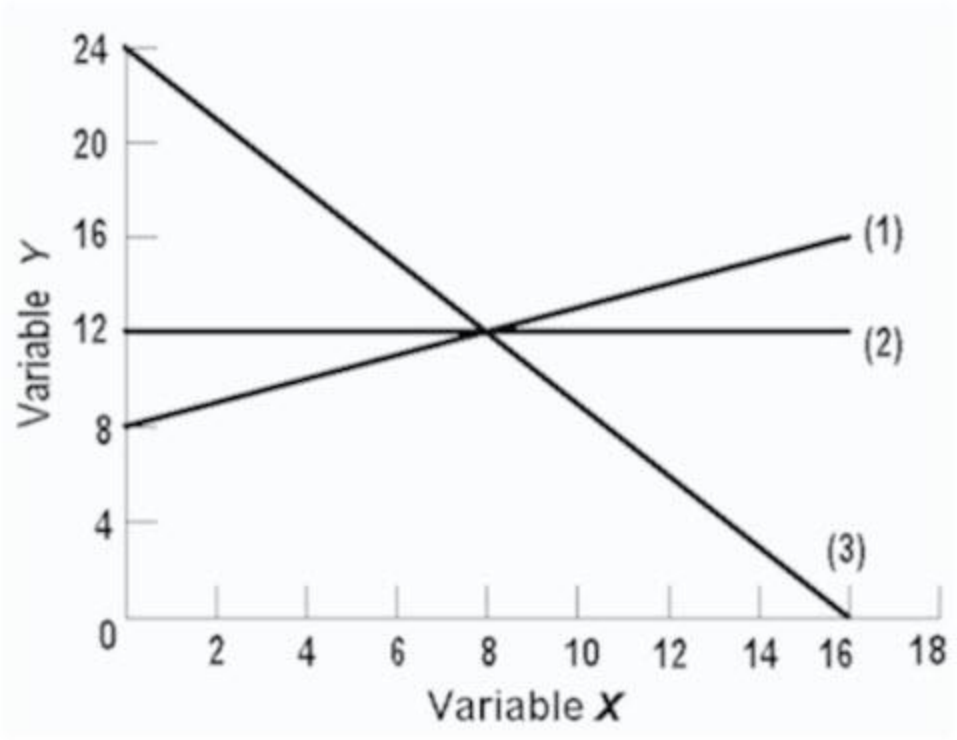
248)

The linear equation for line (3) on the above graph is:

A) y = 24 - 1.5x.
B) y = 16 -.5x.
C) y = 24 -.66x.
D) y = 24 -.75x.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

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249)

The vertical intercept of line (2) on the above graph is:

A) 8
B) 12
C) 16
D) 24

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-36 Advances in Technology

250) If the equation y = 5 + 6x was graphed, the:

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A) slope would be -5.
B) slope would be +5.
C) slope would be +6.
D) vertical intercept would be +.6.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

251) If the equation y = 15 - 4x was plotted, the:

A) vertical intercept would be -4.
B) vertical intercept would be +4.
C) vertical intercept would be +9.
D) slope would be -4.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

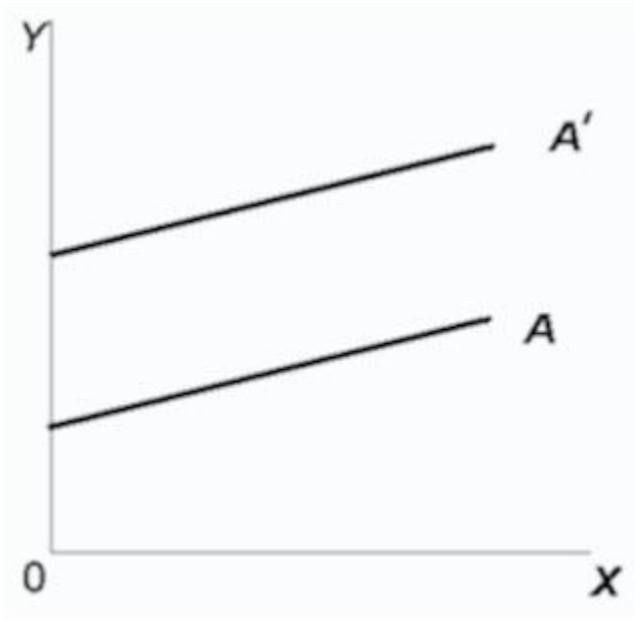
252) If the equation y = -10 + 2.5x was plotted

A) the vertical intercept would be -10.
B) the slope would be + 2.5.
C) it would graph as an upsloping line.
D) all of these are correct.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

253) Refer to the graph. The movement from line A to line A' represents a change in:



A) the slope only.
B) the intercept only.
C) both the slope and the intercept.
D) neither the slope nor the intercept.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-36 Advances in Technology

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254) In the below diagram variables x and y are:

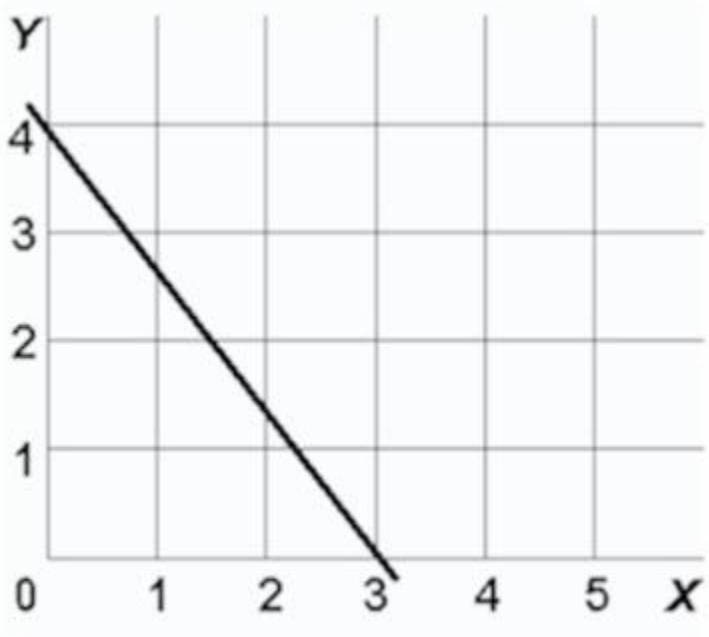


A) both dependent variables.
B) directly related.
C) inversely related.
D) unrelated.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

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255) In the below diagram the vertical intercept and slope are:



A) 4 and $-1^{1}/_{3}$respectively.
B) 3 and $-1^{1}/_{3}$respectively.
C) 3 and $+^{3}/_{4}$respectively.
D) 4 and $+^{3}/_{4}$respectively.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-35 Increases in Factor Supplies

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256) In the below diagram the equation for this line is:



A) $y = 4 - 1^{1}/_{3}x$.
B) $y = 3 + {}^{3}/_{4}x$.
C) $y = 4 - {}^{3}/_{4}x$.
D) $y = 4 + 1^{1}/_{3}x$.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

257) If we are considering the relationship between two variables and release the "other things equal" assumption, we would expect:

A) the relationship to change from direct to inverse.
B) the line representing that relationship on a graph to change locations.
C) the data points representing the relationship to become more randomly scattered.
D) the relationship to change from inverse to direct.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-34 A Growing Economy

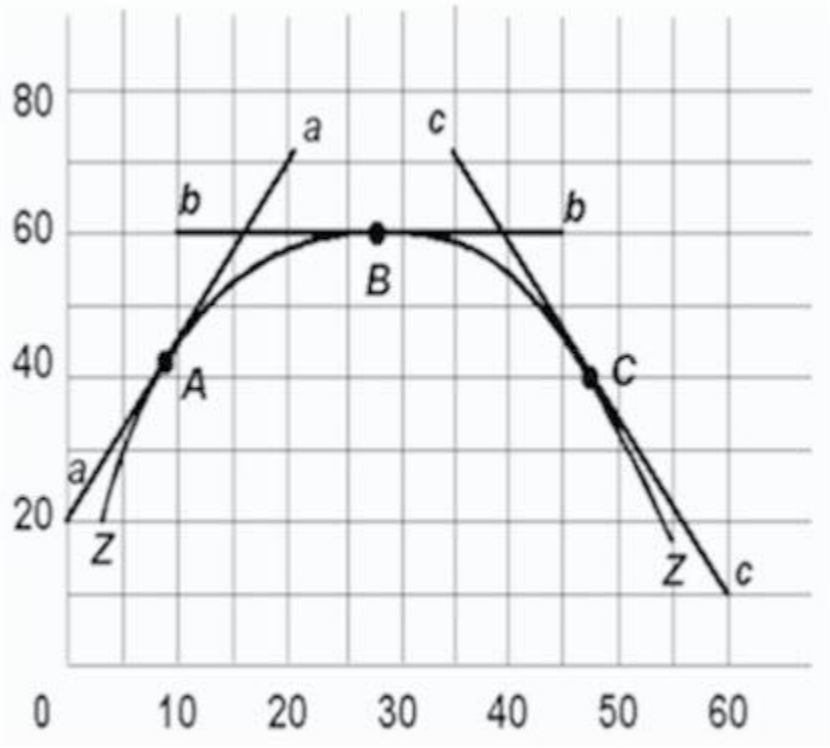
258) The amount of pizzas that consumers want to buy per week is reflected in the equation P = 15 -.02Q_d, where Q_d is the amount of pizzas purchased per week and P is the price of pizzas. On the basis of this information we can say that:

A) if pizzas were free, people would consume 800 per week.
B) more pizzas will be purchased at a high price than at a low price.
C) if the price of pizzas is $6, then 150 will be purchased.
D) 50 fewer pizzas will be purchased per week for every $1 increase in price.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-34 A Growing Economy

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259) Refer to the below diagram. The slope of curve ZZ at point B is:



A) infinity.
B) zero.
C) one.
D) none of the these are true.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-38 A Qualification: International Trade

260) The slope of a line parallel to the vertical axis is:

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A) zero.
B) one.
C) infinite.
D) one-half.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-38 A Qualification: International Trade

261) The slope of a line parallel to the horizontal axis is:

A) zero.
B) one.
C) infinite.
D) one-half.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-38 A Qualification: International Trade

262) The measured slope of a line:

A) is independent of how the two variables are denominated.
B) will be affected by how the two variables are denominated.
C) necessarily diminishes as one moves rightward on the line.
D) necessarily increases as one moves rightward on the line.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-38 A Qualification: International Trade

263) Slope of lines are especially important in economics because:

A) they measure marginal changes.
B) they always tell us something about profits.
C) positive slopes are always preferred to negative slopes.
D) they always relate to resource and output scarcity.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-38 A Qualification: International Trade

264) In a linear equation relating income and consumption, you know that the intercept is $1,000 and the slope of the line is.4. If income is $20,000, then consumption is:

A) $8,000
B) $9,000
C) $10,000
D) $11,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

265) Scarcity in relation to wants means you face trade-offs; therefore, having to make choices is which of the ten key concepts to retain for a lifetime?

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A) Facing trade-offs
B) Opportunity cost
C) Choosing a little more or a little less
D) The influence of incentives

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-01 Ten Key Concepts to Retain for a Lifetime

266) The cost of the choice you make is what you give up for it, is which of the ten key concepts to retain for a lifetime?

A) Facing trade-offs
B) Opportunity cost
C) Choosing a little more or a little less
D) The influence of incentives

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-01 Ten Key Concepts to Retain for a Lifetime

267) Choices are usually made at the margin, is which of the ten key concepts to retain for a lifetime?

A) Facing trade-offs
B) Interest Expense
C) Marginal analysis
D) The influence of incentives

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-01 Ten Key Concepts to Retain for a Lifetime

268) Markets usually do a good job of coordinating trade among individuals, groups, and nations. Is which of the ten key concepts to retain for a lifetime?

A) Facing trade-offs
B) Opportunity cost
C) The effectiveness of markets
D) The influence of incentives

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-01 Ten Key Concepts to Retain for a Lifetime

269) The economic perspective focuses largely on:

A) marginal analysis.
B) rational task analysis.
C) total revenues.
D) total costs.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-05 Marginal Analysis: Comparing Benefits and Costs
Difficulty : Easy

270) Like other branches of social science, economics relies on the:

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A) trial and error method.
B) sub-optimization model.
C) heuristic method.
D) scientific method.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-06 Theories, Principles, and Models

271) Which of the following countries had the highest average income in 2015?

A) Norway
B) Switzerland
C) United States
D) Canada

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-12 Limited Income
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor

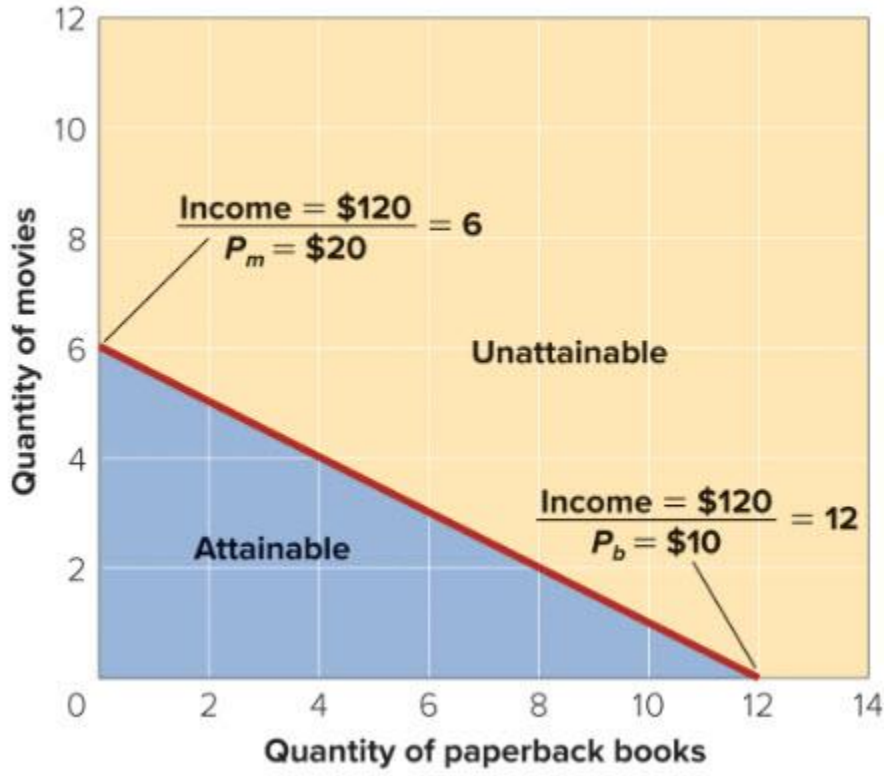
272) Which of the following positions did Canada occupy with regard to average income in 2015?

A) First
B) Fourth
C) Ninth
D) Twelfth

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-12 Limited Income
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor

273) Refer to the figure below. The attainable area for the budget line includes:



A) the area below the line but not the budget line itself.
B) the area below the budget line and the budget line.
C) the area above the budget line but no the budget line itself.
D) the area above the budget line and the budget line.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-15 Attainable and Unattainable Combinations

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274) The production possibilities curve is bowed out from the origin because:

A) marginal benefits are equal.
B) marginal benefits decrease.
C) marginal benefits are unpredictable.
D) marginal benefits decrease and then increase in value.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-30 Shape of the Curve

275) (Consider This) Free products offered by firms

A) may or may not be free to society but are never free to individuals.
B) may or may not be free to individuals but are never free to society.
C) are produced and distributed at no cost to society.
D) are usually items nobody wants.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-04 Purposeful Behaviour
Bloom's : Remember

276) (Consider This) The assertion by economists that "there is no free lunch"

A) is contradicted by the presence of free goods offered by firms.
B) applies to goods that have prices, not to goods given away free by firms.
C) remains true even for goods given away free by firms.
D) applies to agricultural goods but not to manufactured goods.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-04 Purposeful Behaviour
Bloom's : Remember

277) A direct cost of going to college is

A) tuition, while an indirect cost (opportunity cost) is books and other supplies.
B) forgone income while in college, while an indirect cost (opportunity cost) is tuition.
C) tuition, while an indirect cost (opportunity cost) is forgone income while in college.
D) books and supplies, while an indirect cost (opportunity cost) is food and housing.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Bloom's : Remember
Topic : 01-16 Trade-offs and Opportunity Costs

278) An exception to the advice "go to college, stay in college, and earn a degree" occurs when

A) tuition expenses are high and rising.
B) the opportunity cost of attending college is extraordinarily high.
C) the price of textbooks is high and rising.
D) the economy is growing rapidly and jobs are plentiful.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Bloom's : Remember
Topic : 01-16 Trade-offs and Opportunity Costs

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279) (Consider This) COVID-19 moved the Canadian economy:

A) Inside its PPF
B) Outside its PPF
C) Onto its PPF
D) None of these answers

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-36 Advances in Technology

280) (Consider This) Which of the following statements is correct for the Canadian economy, given the impact of COVID-19

A) There are fewer goods for the present, but also for the future.
B) There are more goods in the present, and also in the future.
C) There are fewer goods in the present, but more in the future.
D) There are more goods in the present, but fewer in the future.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-36 Advances in Technology

281) At what point should you stop studying for an exam?

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A) At the point where the marginal cost of studying = the marginal benefit of studying.
B) You should always study the maximum of hours for an exam!
C) You should study until the marginal cost of studying is equal to 0.
D) You should study until the marginal benefit of studying is equal to 0.

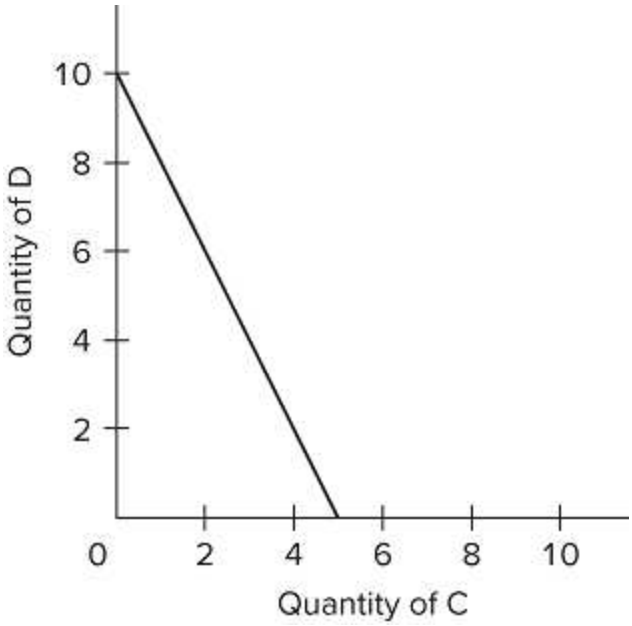
Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-05 Marginal Analysis: Comparing Benefits and Costs
Difficulty : Medium

282) (The Last Word) How many Starbucks branches should the company open in Montreal?

A) MB should be equal MC for the very last store that it builds in a Montreal.
B) MB should be greater than MC for the very last store that it builds in a Montreal.
C) MB should be smaller than MC for the very last store that it builds in a Montreal.
D) MC should be equal to zero for the very last store that it builds in a Montreal.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Topic : 01-05 Marginal Analysis: Comparing Benefits and Costs
Difficulty : Medium

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283)

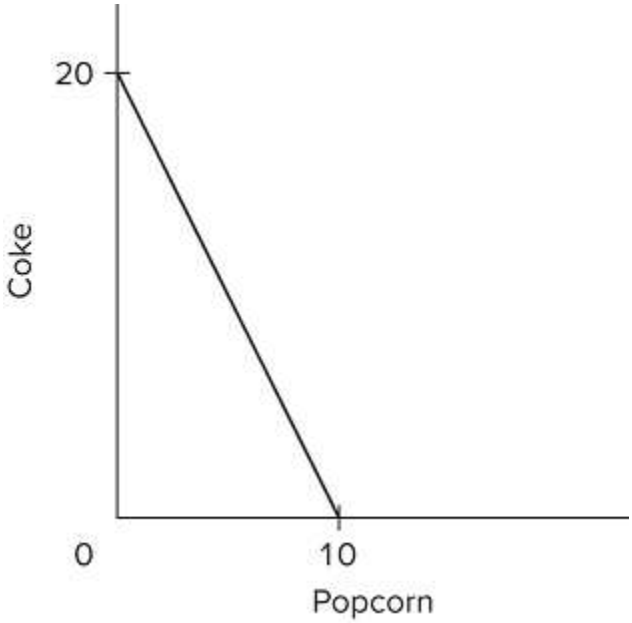
Refer to the budget line shown in the diagram. If the consumer's money income is $200, the

A) prices of C and D cannot be determined.
B) price of C is $5 and the price of D is $10.
C) consumer can obtain a combination of 5 units of both C and D.
D) price of C is $40 and the price of D is $20.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Topic : 01-14 The Budget Line

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284)



Suppose you have a money income of $10, all of which you spend on Coke and popcorn. In the diagram, the prices of Coke and popcorn, respectively, are

A) $0.50 and $1.00.
B) $1.00 and $0.50.
C) $1.00 and $2.00.
D) $0.40 and $0.50.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Topic : 01-14 The Budget Line

285) Assume the price of product Y (the quantity of which is on the vertical axis) is $15 and the price of product X (the quantity of which is on the horizontal axis) is $3. Also assume that money income is $60. The absolute value of the slope of the resulting budget line is

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A) 5.
B) 1/5.
C) 4.
D) 20.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 02 Medium
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Bloom's : Analyze
Topic : 01-14 The Budget Line

286) Suppose that Julia receives a $24 gift card for the local coffee shop, where she only buys lattes and muffins. If the price of a latte is $3 and the price of a muffin is $2, then we can conclude that Julia

A) should only buy muffins.
B) should only buy lattes.
C) can buy 8 lattes or 12 muffins if she chooses to buy only one of the two goods.
D) can buy 8 lattes and 12 muffins with her $24 gift card.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Topic : 01-14 The Budget Line

287) Camille is at the candy store with Grandma Mary, who offers to buy her $6 worth of candy. If lollipops are $1 each and candy bars are $2 each, what combination of candy can Camille's Grandma Mary buy her?

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A) six lollipops and three candy bars
B) two lollipops and two candy bars
C) three lollipops and two candy bars
D) one lollipop and three candy bars

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Topic : 01-14 The Budget Line

288) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $2.00 and the price of a banana is $1.00. If the consumer spent all of her budget on just apples or just bananas, how many apples or bananas maximum would she be able to buy?

A) 5 apples or 10 bananas
B) 12 apples or 6 bananas
C) 4 apples or 8 bananas
D) 6 apples or 12 bananas

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Bloom's : Analyze
Test Bank : II
Difficulty : 03 Hard
Topic : 01-14 The Budget Line

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289) Assume that a consumer has a given budget or income of $24 and that she can buy only two goods, apples or bananas. The price of an apple is $3.00 and the price of a banana is $2.00. What is the slope of the budget line if the quantity of apples were measured on the horizontal axis and bananas on the vertical axis?

A) −0.67
B) −0.2
C) −8
D) −1.5

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Bloom's : Analyze
Test Bank : II
Difficulty : 03 Hard
Topic : 01-14 The Budget Line

290) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $2.00 and the price of a banana is $1.00. If the consumer decides to buy 3 apples, how many bananas can she also buy with the remainder of her budget, assuming she exhausts her income?

A) 6 bananas
B) 12 bananas
C) 8 bananas
D) 10 bananas

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 02 Medium
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Test Bank : II
Bloom's : Remember
Topic : 01-14 The Budget Line

291) Assume that a consumer has a given budget or income of $10 and that she can buy only two goods, apples or bananas. The price of an apple is $1.00 and the price of a banana is $0.50. For this consumer, the opportunity cost of buying one more apple is

A) 0.5 of a banana.
B) 0.1 of a banana.
C) 1 banana.
D) 2 bananas.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Test Bank : II
Bloom's : Remember
Difficulty : 01 Easy
Topic : 01-16 Trade-offs and Opportunity Costs

292) Assume that a consumer has a given budget or income of $12 and that she can buy only two goods, apples or bananas. The price of an apple is $1.50 and the price of a banana is $0.75. This means that, in order to buy two bananas, this consumer must forgo

A) 1 apple.
B) 1.5 apples.
C) 0.5 apples.
D) 0.75 apples.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Learning Objective : 01-05 Explain the individuals economic problem and illustrate trade-offs, opport
Test Bank : II
Bloom's : Remember
Difficulty : 01 Easy
Topic : 01-16 Trade-offs and Opportunity Costs

293) Answer the question on the basis of the data given in the following production possibilities table.

	Production Possibilities (Alternatives)					
	A	**B**	**C**	**D**	**E**	**F**
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

Refer to the table. If the economy is producing at production alternative D, the opportunity cost of the thirteenth unit of consumer goods will be approximately

A) 2 units of capital goods.
B) 1 unit of capital goods.
C) 1/3 of a unit of capital goods.
D) 1/2 of a unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

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294) Answer the question on the basis of the following production possibilities table for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30

	South Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

Refer to the table. If South Cantina is producing at production alternative E, the opportunity cost of the second unit of capital goods will be

A) 1/4 of a unit of consumer goods.
B) 1 unit of consumer goods.
C) 6 units of consumer goods.
D) 4 units of consumer goods.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

295) Answer the question on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina.

	North Cantina Production Possibilities					
	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	10	18	24	28	30
	South Cantina Production Possibilities					

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	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	8	15	21	25	27

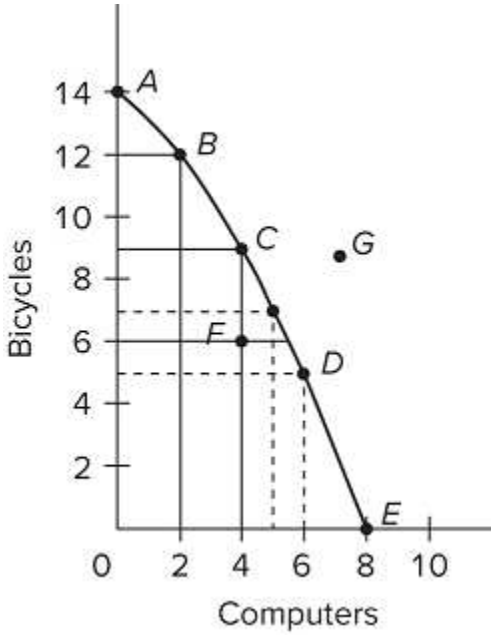
Refer to the tables. If North Cantina is producing at production alternative E, the opportunity cost of the twenty-ninth unit of consumer goods will be

A) 1/4 of a unit of capital goods.
B) 1 unit of capital goods.
C) 2 units of capital goods.
D) 1/2 of a unit of capital goods.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

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296)

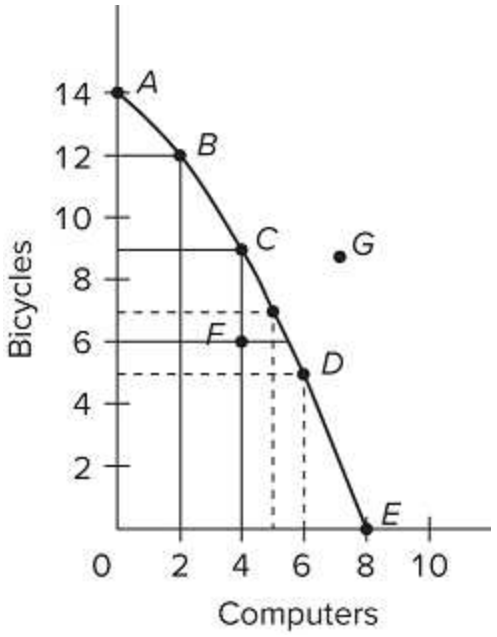


Refer to the diagram. If society is currently producing 9 units of bicycles and 4 units of computers and it now decides to increase computer output to 5, the cost

A) will be 2 units of bicycles.
B) will be 1 unit of bicycles.
C) will be zero because unemployed resources are available.
D) of doing so cannot be determined from the information given.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-28 Production Possibilities Curve

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297)

Refer to the diagram. If society is currently producing the combination of bicycles and computers shown by point B, the production of 2 more units of bicycles

A) cannot be achieved because resources are fully employed.
B) will cost 2 units of computers.
C) will cost 1/2 of a unit of computers.
D) will cause some resources to become unemployed.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-28 Production Possibilities Curve

298) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**

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Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The *marginal* opportunity cost of the fourth unit of steel is

A) 7.5 units of wheat.
B) 30 units of wheat.
C) 25 units of wheat.
D) 70 units of wheat.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

299) A nation can produce two products: steel and wheat. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

The opportunity cost of producing the 91st unit of wheat is approximately

A) 10 units of steel.
B) 0 units of steel.
C) 1 unit of steel.
D) 1/10 of a unit of steel.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

300) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	**A**	**B**	**C**	**D**	**E**	**F**
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

In moving from combination B to A, the opportunity cost of producing 50 more autos is

A) 1 units of tanks.
B) 1 unit of tanks.
C) 950 units of autos.
D) 1,950 units of autos.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 02 Medium
Test Bank : II
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

301) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities

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Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

The *total* opportunity cost of two unit(s) of tanks is

A) 100 units of autos.
B) 150 units of autos.
C) 200 units of autos.
D) 850 units of autos.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 02 Medium
Test Bank : II
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

302) A nation can produce two products: tanks and autos. The table below is the nation's production possibilities schedule.

Production Possibilities						
Product	A	B	C	D	E	F
Tanks	0	1	2	3	4	5
Autos	1,000	950	850	650	350	0

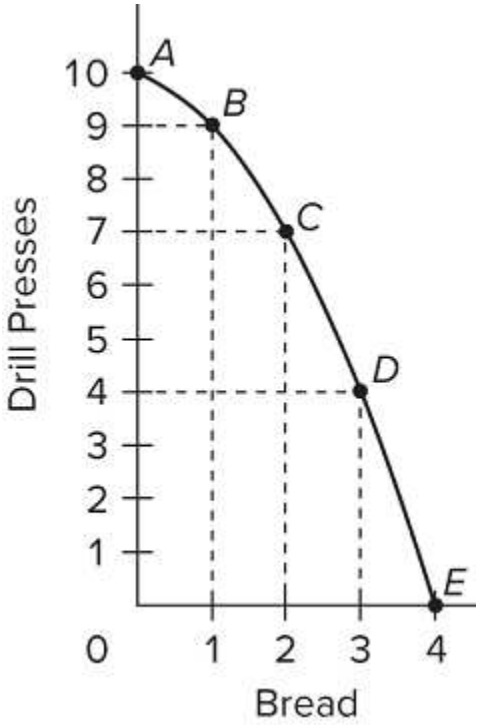
The *marginal* opportunity cost of the fourth unit of tanks is

A) 3 units of tanks.
B) 300 units of autos.
C) 350 units of autos.
D) 650 units of autos.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 02 Medium
Test Bank : II
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-27 Production Possibilities Table

303) The following graph is the production possibilities curve of a nation.



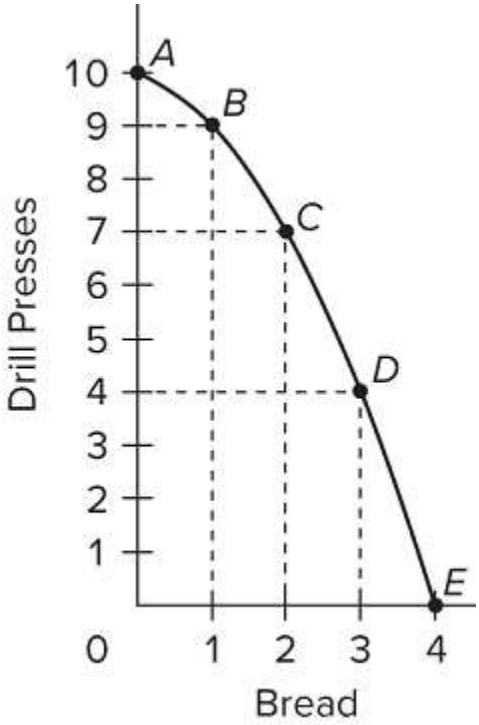
Which of the following combinations would be unattainable?

A) 4 drill presses and 2 bread
B) 7 drill presses and 2 bread
C) 4 drill presses and 4 bread
D) 6 drill presses and 2 bread

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 02 Medium
Bloom's : Analyze
Test Bank : II
Learning Objective : 01-07 Apply production possibilities analysis.
AACSB : Analytical Thinking
Topic : 01-28 Production Possibilities Curve

304) The following graph is the production possibilities curve of a nation.



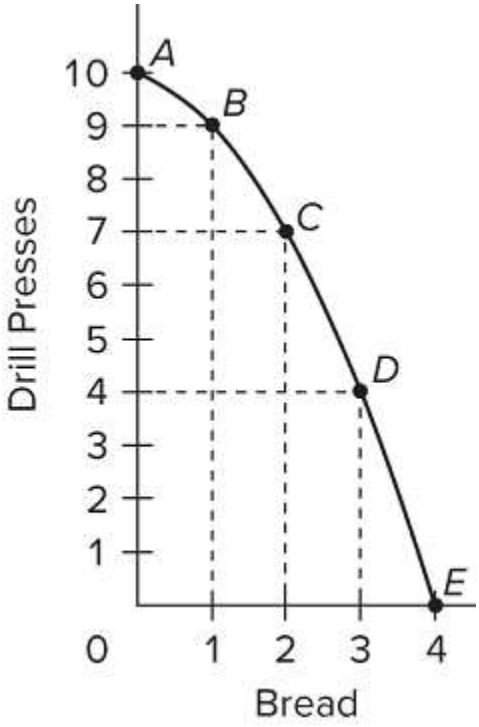
The *total* opportunity cost of 4 drill presses is

A) 1/4 of a unit of bread.
B) 6 units of drill presses.
C) 1 unit of bread.
D) 4 units of drill presses.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-28 Production Possibilities Curve

305) The following graph is the production possibilities curve of a nation.



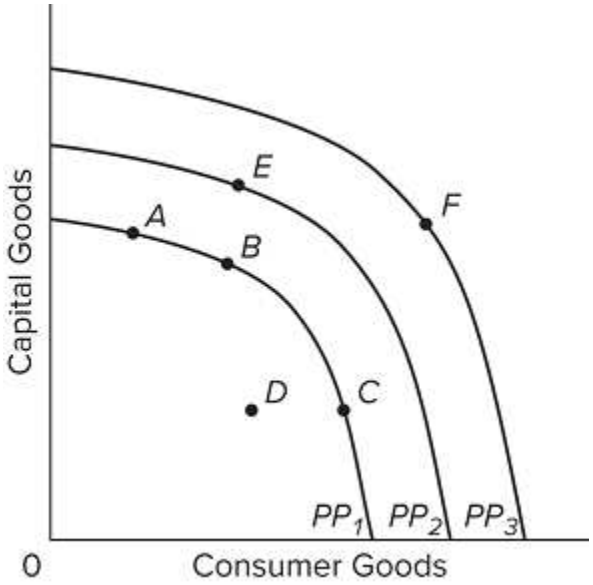
The *marginal* opportunity cost of the second unit of bread is

A) 3 units of drill presses.
B) 1 unit of drill presses.
C) 7 units of drill presses.
D) 2 units of drill presses.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : II
Difficulty : 03 Hard
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-28 Production Possibilities Curve

306)



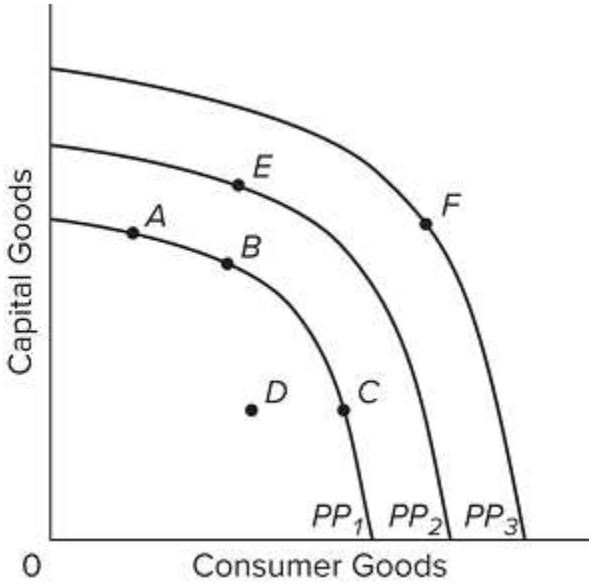
Refer to the diagram. The concept of opportunity cost is best represented by the

A) shift of the production possibilities curve from PP1 to PP2.
B) move from C on PP1 to E on PP2.
C) move from A on PP1 to C on PP1.
D) move from D inside PP1 to C on PP1.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-28 Production Possibilities Curve

307)



Refer to the diagram. An improvement in technology will

A) shift the production possibilities curve from PP2 to PP3.
B) shift the production possibilities curve from PP3 to PP2.
C) move the economy from B to A along PP1.
D) move the economy from A, B, or C on PP1 to D.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Test Bank : I
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-28 Production Possibilities Curve

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

308) What is a brief definition of economics? What are the conditions that give rise to this definition?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-01 Ten Key Concepts to Retain for a Lifetime

309) What are the key economic concepts that pertain to the individual?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-01 Ten Key Concepts to Retain for a Lifetime

310) What are the key economic concepts that pertain to interactions among individuals?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-03 Scarcity and Choice

311) What are the key economic concepts that pertain to the economy as a whole?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-01 List the ten key concepts to retain for a lifetime.
Topic : 01-04 Purposeful Behaviour

312) What do economists mean when they say that "there is no free lunch"? Give another example to which this statement applies.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-06 Theories, Principles, and Models

313) What are the three interrelated features of the economic perspective?

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Medium
Topic : 01-08 Microeconomics

314) What is utility and what is its relevance to rational behaviour?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Easy
Topic : 01-08 Microeconomics

315) Use marginal analysis to explain why it is possible to "have too much of a good thing". Use education as an example.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Define economics and the features of the economic way of thinking.
Difficulty : Medium
Topic : 01-08 Microeconomics

316) What does it mean to say that theories, principles, and models are "purposeful simplifications"?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

317) The distinguished economist Kenneth Boulding stated: "Theories without facts may be barren, but facts without theories are meaningless". Explain what he meant.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

318) Explain the importance of the ceteris paribus or "other-things-equal" assumption.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

319) "Bad theories are abstract and therefore unrealistic; good theories are fully realistic and fit all the facts". Evaluate.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

320) "Economic models are somewhat like different types of maps". Evaluate.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Describe the role of economic theory in economics.
Topic : 01-09 Macroeconomics

321) Distinguish between microeconomics and macroeconomics.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-10 Positive and Normative Economics

322) Below are six statements. Indicate whether each one pertains to microeconomics (MIC) or macroeconomics (MAC).

(a) "The inflation rate in Canada hit its lowest level in the last twenty years".
(b) "The profits of BCE rose 20 percent during the past quarter".
(c) "A drought has occurred in the Prairies. The prices for barley are expected to rise sharply".
(d) "The nation's economy grew at an annual rate of 3.7 percent in the final quarter of the year".
(e) "The trade surplus in Canada was $4 billion last month".
(f) "General Motors plans to spend $800 million on a new automobile plant".

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-10 Positive and Normative Economics

323) Why have the last few years been an exciting time to study macroeconomics?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-10 Positive and Normative Economics

324) Give one example of a positive economic statement and one example of a normative economic statement.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

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325) Below are six statements. Identify whether each is a positive or normative statement.

(a) The minimum wage should be increased so low-income workers can earn a living wage.
(b) The unemployment rate is too high and should be reduced through government actions.
(c) The rate of inflation was about 2 percent last year, an all time low for the past decade.
(d) The government should take action to break up the monopoly power of Air Canada.
(e) Interest rates should be lower in Canada so that people can afford to build a home.
(f) The Federal government achieved a budget surplus for the first time in thirty years.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

326) Identify whether each of the following is a positive or normative statement.

(a) Should tuition fees increase, fewer students would obtain a post-secondary education.
(b) The Prime Minister announced that Canada is the best place in the world to live.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

327) "Economists are scientists and therefore should not become involved in making value judgments which policy formulation necessarily entails". Do you agree?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

328) "Economics cannot be scientific because it is based upon the value judgment that 'more (output) is better'". Do you agree?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Distinguish microeconomics from macroeconomics and positive economics from
Topic : 01-13 Unlimited Wants

329) What were the approximate average incomes of Canadians and Indians in 2019?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-15 Attainable and Unattainable Combinations

330) What is meant by the "the individual's economic problem"?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-16 Trade-offs and Opportunity Costs

331) Over the years, certain countries have faced what is called a *debt crisis.* This is a situation in which a country is unable to pay back its government debt. Recently Greece suffered a debt crisis. Describe the Greek Debt Crisis, and explain its relation to the Economic Problem?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

332) What variables are used to determine the individual's budget line?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-05 Explain the individual's economic problem and illustrate trade-offs, oppor
Topic : 01-17 Choice

333) How do income changes affect the position of the budget line?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-20 Scarce Resources

334) What do economists mean when they say that economic resources or factors of production are scarce or limited in supply?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-18 Income Changes

335) What is meant by "society's economic problem"?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-20 Scarce Resources

336) List the four resource categories and give a brief description of each.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-20 Scarce Resources

337) What four basic functions does the entrepreneur perform for the economy?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-19 Society's Economic Problem

338) Explain and evaluate: "If resources were infinitely abundant in relation to the demand for them, the economic problem would dissolve in a sea of affluence".

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-19 Society's Economic Problem

339) "The relative scarcity of resources makes the operation of any economy a matter of choosing between alternatives". Explain.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-18 Income Changes

340) "The two cornerstones of economics are the scarcity of resources and the multiplicity of wants. True economy consists of deriving maximum want satisfaction from available resources". Explain.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-18 Income Changes

341) Explain the relationship between full employment of resources and full production.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-06 List the categories of scarce resources and explain the economic problem.
Topic : 01-21 Resource Categories

342) The production possibilities table below shows the hypothetical relationship between the production of food and clothing in an economy.

Combination	Food	Clothing
A	0	4
B	7	3
C	13	2
D	18	1
E	22	0

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(a) What is the marginal opportunity cost of producing the second unit of clothing?
(b) What is the total opportunity cost of producing two units of clothing?
(c) What is the marginal opportunity cost of producing the third unit of clothing?
(d) What is the total opportunity cost of producing three units of clothing?

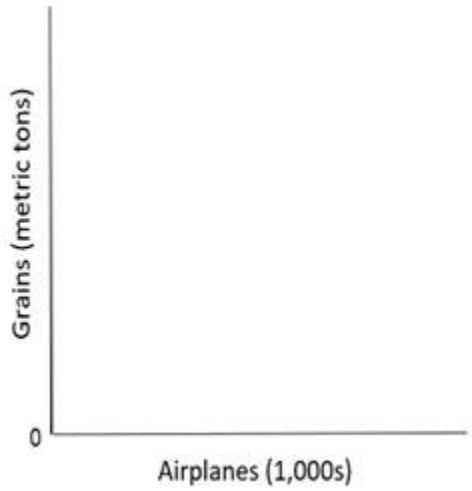
Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

343) A production possibilities table for two products, grain and airplanes, is found below. Usual assumptions regarding production possibilities are implied. Grain is measured in tons and airplanes are measured in units of 1,000.

Combination	Grain (tons)	Airplanes (1,000s)
A	0	7
B	14	6
C	26	5
D	36	4
E	44	3
F	50	2
G	54	1
H	56	0

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(a) Using the below graph construct a production possibilities curve from this information placing grain on the vertical axis and airplanes on the horizontal axis.



(b) What is the opportunity cost of producing the first unit of airplanes? The marginal opportunity cost of producing the fourth unit of airplanes?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

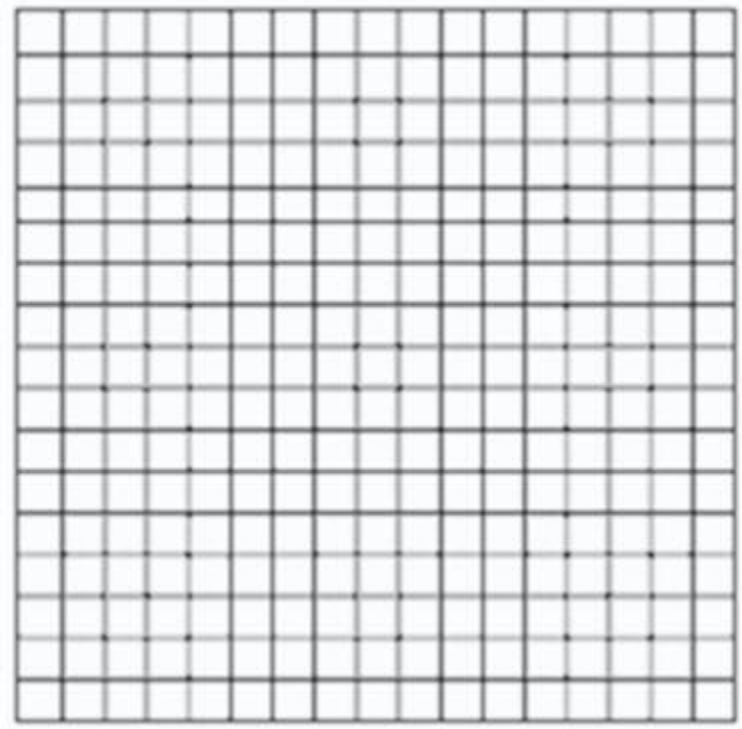
344) A production possibilities table for two products, corn and paper, is found below. Usual assumptions regarding production possibilities are implied. Corn is measured in tons, and paper is measured per unit.

Combination	Corn	Paper
A	0	6
B	18	5
C	33	4
D	45	3
E	54	2

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F	60	1
G	63	0

(a) Using the following graph construct a production possibilities curve from this information placing corn on the vertical axis and paper on the horizontal axis.



(b) What is the marginal opportunity cost of producing the first unit of paper? The marginal opportunity cost of producing the fourth unit of paper?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-22 Land

345) What is the economic rationale for the law of increasing costs?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

346) Explain how increasing opportunity costs are reflected graphically in the production possibilities curve. How would the curve appear if opportunity costs were constant?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-24 Capital

347) An economy consists of five workers, who can produce either fish or fruit. The following table shows the daily output of each worker.

Worker	Fish	Fruit
A	10	20
B	6	10
C	8	6
D	8	4
E	10	10

(a) Suppose one worker catches fish and four workers pick fruit. For the economy to achieve productive efficiency, which of the five workers must fish?
(b) Does the economy achieve full employment and productive efficiency by producing 26 fish and 20 fruit?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-21 Resource Categories

348) An economy consists of five workers, who can produce either fish or fruit. The following table shows the daily output of each worker.

Worker	Fish	Fruit
A	4	4
B	6	2
C	2	1
D	8	6
E	4	1

(a) Suppose one worker catches fish and four workers pick fruit. For the economy to achieve productive efficiency, which of the five workers must fish?
(b) Does the economy achieve full employment and productive efficiency by producing 12 fish and 4 fruit?

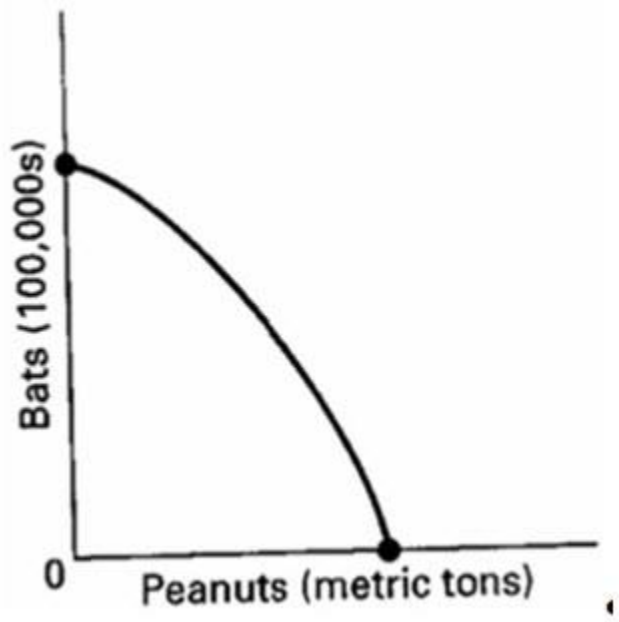
Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-07 Apply production possibilities analysis.
Topic : 01-21 Resource Categories

349) What changes must occur for the potential total output of the economy to grow?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

350) Look at the following production possibilities curve illustrating the possibilities in Sluggerville for producing bats and/or peanuts with the existing level of resources and technology.



(a) Show a point U that would indicate unemployed resources in Sluggerville.
(b) Draw a new curve B that illustrates the results of improved technology in the production of bats, but no change in the production efficiency of peanuts.
(c) Show a point G that would indicate a point that is currently unattainable in the production of peanuts and bats in Sluggerville.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

351) Explain how each event affects production possibilities.

(a) The population becomes more educated over time as the number of high school dropouts falls and the number of college graduates rises.
(b) The unemployment rate declines from 8 to 6 percent of the labour force.
(c) Businesses and government are unable to solve a major computer problem, thus reducing economic efficiency and national output.
(d) Advances in telecommunications and new technology significantly contribute to economic growth over time.
(e) The Federal government decides to allocate more resources to national defence.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

352) Describe the adjustments in the production possibilities curves in each of the following situations for the Canadian economy.

(a) the economy moves from full employment into a deep recession
(b) the economy makes great strides in eliminating discrimination
(c) the end of the Cold War leads to cuts in military spending
(d) the government significantly increases spending for health and education

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

353) Evaluate. Since the production possibilities curve can shift outward over time, it is possible for an economy to get more of a product without incurring an opportunity cost.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

354) One application of the production possibilities concept has been to explain the difference in growth patterns of a nation with a high level of investment (Alta) and an equivalent nation with a low level of investment (Zorn). Use the concept to explain why Alta's economic growth would be greater than that of Zorn over time.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-27 Production Possibilities Table

355) The production possibilities curve suggests that a nation cannot live beyond its means or production potential. Explain why international trade would cause this statement to be modified.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-29 Law of Increasing Opportunity Costs

356) Why do economists use graphs in their work?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-30 Shape of the Curve

357) In a two-dimensional graph showing the relationship between income and consumption in the economy, what is shown on the vertical axis and what is shown on the horizontal axis?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-31 Economic Rationale

358) Define what is meant by a positive or direct relationship between two variables and describe the line graph depicting such a relationship.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

359) Define what is meant by an inverse relationship between two variables and describe the line graph depicting such a relationship.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-32 Optimal Allocation

360) Differentiate between the independent and dependent variables in an economic relationship.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-33 Unemployment, Growth, and the Future

361) Describe the slope of a direct and an inverse relationship.

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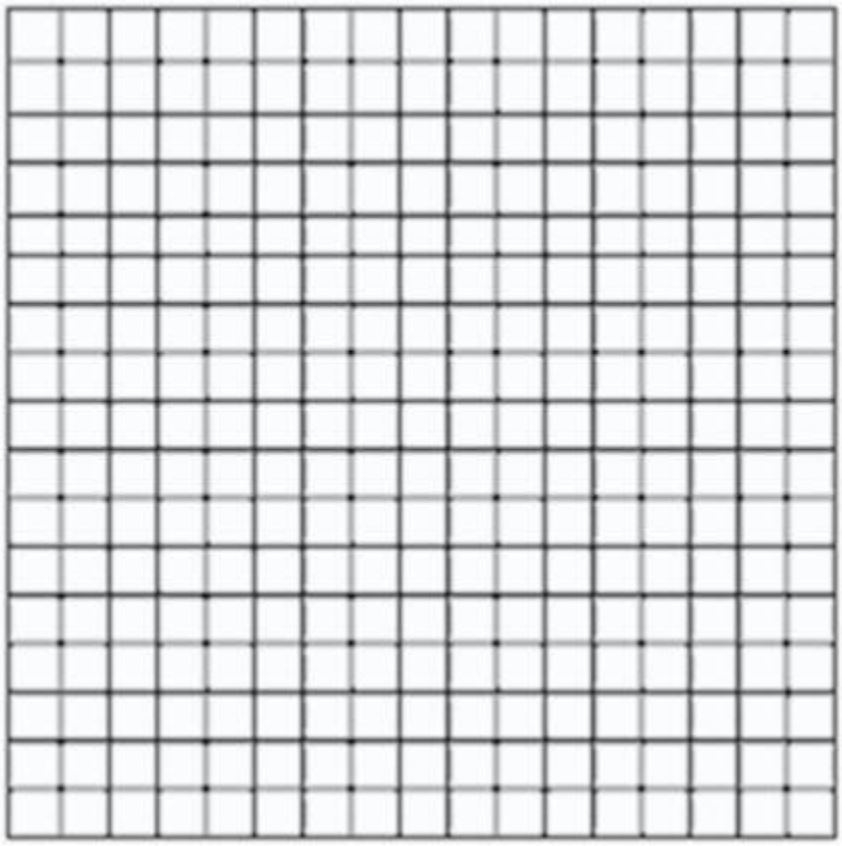
Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-35 Increases in Factor Supplies

362) Show graphically the relationships that you would expect to find between (a) student IQs and grade point averages (GPAs); (b) the price of a product and the amount consumers will purchase; (c) the temperature and the number of people at the swimming pool. Which of these are direct relationships and which are inverse? What considerations might change the expected relationships?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-31 Economic Rationale

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363) Show graphically on the below graph the expected relationship between investment spending and interest rates. Put investment expenditures on the horizontal axis and the rate of interest on the vertical axis; connect the points and label the curve "Investment demand". Describe this relationship between the rate of interest and investment expenditures. Describe the slope of the investment curve.



Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-31 Economic Rationale

364) There are two sets of x, y points on a straight line in a two-variable graph with y on the vertical axis and x on the horizontal axis. What would be the linear equation for the line if one set of points was (0, 12) and the other set was (12, 36)?

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

365) The value of the vertical intercept is $100 and the slope is 0.8 in a linear equation for consumption (measured on the vertical axis) and disposable income (measured on the horizontal axis). If disposable income is $1000, what is consumption? State the linear equation and show how you found the answer.

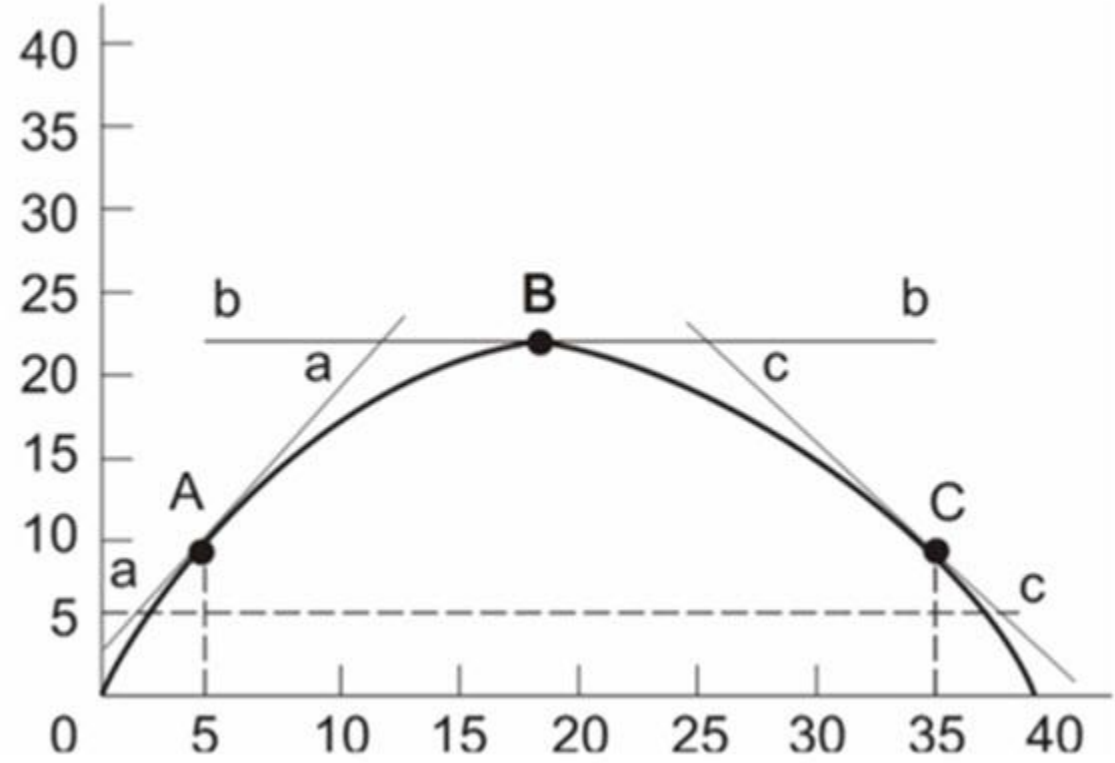
Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-37 Present Choices and Future Possibilities

366) How do you determine the slope of a nonlinear curve? Will the slope be the same along the curve? Explain.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-38 A Qualification: International Trade

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367) Using the below graph give the slopes of the lines tangent to the curve at points A, B, and C.



Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-08 Explain how economic growth and international trade increase consumption p
Topic : 01-38 A Qualification: International Trade

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Macroeconomics 16ce Edition by McConnell Ch01

Answer Key

Test name: Ch01

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

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27) C
28) D
29) D
30) D
31) D
32) A
33) C
34) C
35) C
36) C
37) C
38) B
39) B
40) B
41) C
42) B
43) C
44) D
45) D
46) B
47) B
48) B
49) C
50) A
51) B
52) A
53) D
54) B
55) B
56) A

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57) A
58) C
59) C
60) C
61) B
62) C
63) A
64) B
65) C
66) C
67) A
68) B
69) A
70) C
71) B
72) A
73) D
74) C
75) C
76) D
77) C
78) B
79) D
80) B
81) B
82) C
83) B
84) B
85) C
86) B

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87) B
88) B
89) D
90) A
91) A
92) C
93) D
94) C
95) D
96) A
97) B
98) C
99) D
100) A
101) B
102) B
103) C
104) C
105) B
106) B
107) C
108) C
109) A
110) C
111) A
112) B
113) D
114) C
115) D
116) C

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117) C
118) C
119) A
120) C
121) A
122) C
123) C
124) D
125) C
126) B
127) C
128) A
129) B
130) B
131) B
132) B
133) D
134) B
135) B
136) A
137) C
138) A
139) B
140) A
141) D
142) D
143) D
144) A
145) B
146) C

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147) C
148) A
149) D
150) B
151) A
152) D
153) D
154) A
155) C
156) C
157) C
158) B
159) C
160) C
161) A
162) B
163) A
164) A
165) D
166) D
167) A
168) B
169) D
170) B
171) A
172) C
173) A
174) A
175) C
176) A

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177) B
178) D
179) D
180) A
181) D
182) C
183) A
184) D
185) D
186) D
187) A
188) C
189) B
190) B
191) A
192) D
193) B
194) C
195) D
196) C
197) A
198) A
199) B
200) D
201) C
202) B
203) B
204) D
205) A
206) D

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207) D
208) A
209) A
210) B
211) D
212) C
213) C
214) B
215) B
216) C
217) D
218) C
219) D
220) C
221) C
222) D
223) C
224) A
225) C
226) C
227) C
228) B
229) D
230) B
231) B
232) A
233) B
234) B
235) B
236) A

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237) B
238) C
239) A
240) C
241) C
242) D
243) B
244) B
245) B
246) B
247) A
248) A
249) B
250) C
251) D
252) D
253) B
254) C
255) A
256) A
257) B
258) D
259) B
260) C
261) A
262) B
263) A
264) B
265) A
266) B

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267) C
268) C
269) A
270) D
271) A
272) B
273) B
274) B
275) B
276) C
277) C
278) B
279) A
280) A
281) A
282) A
283) D
The price of each good is found by dividing the given money income by the maximum quantity of the good that can be purchased. For example, with an income of $200 and a maximum quantity of C of 5 units, the price of C is $40 (= $200/5).

284) A
$0.50 = 10/20; $1.00 = 10/10; alternatively, price = money income divided by the quantity of the good at the intercept. The price for each good is found by taking the money income and dividing by the quantity of that good at the intercept.

285) B
The slope of the budget line is found by dividing the price of the good shown on the horizontal axis ($3) by the price of the good shown on the vertical axis ($15).

286) C

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The value of the gift card represents Julia's income. The quantities of lattes and muffins shown assume that the amount of the gift card is spent entirely on one good or the other. There is not enough income for Julia to purchase the maximum quantities of both goods.

287) B
The amount of Grandma Mary offers to spend represents Camille's income. The combination that is attainable is one where the combined expenditure is less than or equal to the income. The total expenditure (E) for each combination of lollipops (L) and candy bars (C) is found using the following formula: $E = P_L L + P_C C$, where P_L and P_C are the prices of lollipops and candy bars, respectively.

288) D
If a consumer spends all of their income on the two goods, apples and bananas, then their total spending must equal their income (or budget). The total expenditure (E) for each combination of apples (A) and bananas (B) is found using the following formula: $E = P_A A + P_B B$, where P_A and P_B are the prices of apples and bananas, respectively. In this example, since the consumer spends on just apples or just bananas, the maximum amounts are found where $E = P_A A$, and $E = P_B B$.

289) D
The slope of the budget line is found by taking the price of the good measured on the horizontal axis and dividing it by the price of the good on the vertical axis. Reflecting the tradeoff the consumer must make between the two goods, the slope is negative. In this case the slope = −\$3.00/\$2.00.

290) A

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The total expenditure (E) for each combination of apples (A) and bananas (B) is found using the following formula: $E = P_A A + P_B B$, where P_A and P_B are the prices of apples and bananas, respectively. In this example, since whatever income remains ($E - P_A A$) must be spent on bananas, the total quantity of bananas purchased will be calculated as $B = (E - P_A A)/P_B$.

291) D
The opportunity cost measures how many bananas must be sacrificed to obtain one more apple. This is found by taking the ratio of the price of apples ($1.00) to the price of bananas ($0.50).

292) A
The opportunity cost measures how many bananas must be sacrificed to obtain one more apple. This is found by taking the ratio of the total price of bananas ($1.50) to the price of apples ($1.50).

293) D
To find the opportunity cost of the "nth" unit (e.g. the thirteenth unit) of consumer goods, divide one (the change in capital goods between the two alternatives) by the difference between the two alternatives for consumer goods either side of this unit. For the thirteenth unit, the alternatives on either side are 12 and 14 units of consumer goods; their difference is 2 (= 14 − 12). So for the thirteenth unit of consumer goods, the opportunity cost = 1/2 of a unit of capital goods.

294) D

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To find the opportunity cost of the "nth" unit (e.g. the second unit) of capital, find the difference between the two alternatives for consumer goods on either side of this unit. For the second unit, the alternatives on either side are 21 and 25 units of consumer goods; their difference is 4 units (= 25 − 21). So for the third unit of capital goods, the opportunity cost = 4 units units of consumer goods.

295) D
To find the opportunity cost of the "nth" unit (e.g. the twenty-ninth unit) of consumer goods, divide one (the change in capital goods between the two alternatives) by the difference between the two alternatives for consumer goods either side of this unit. For the twenty-ninth unit, the alternatives on either side are 28 and 30 units of consumer goods; their difference is 2 (= 30 − 28). So for the twenty-ninth unit of consumer goods, the opportunity cost = 1/(30 − 28) = 1/2 of a unit of capital goods.

296) A
To find the (opportunity) cost of the additional units of computers, take the difference between the starting and ending values for bicycles. For example, if society is currently producing 9 units of bicycles and 4 units of computers, in order to produce 5 units of computers, bicycle output will have to fall to 7 units. That makes the cost of the computer increase of 1 unit equal to 2 (= 9 − 7).

297) B
To find the (opportunity) cost of the additional units of bicycles, take the difference between the starting and ending values for computers. For example, if society is currently producing 12 units of bicycles and 2 units of computers, in order to produce 2 more units of bicycles, computer output will have to fall to 0 units. That makes the cost of the 2 units of bicycles equal to 2 units (= 2 − 0).

298) C

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To find the opportunity cost of the "nth" unit (e.g. the fourth unit) of steel, find the change in wheat that corresponds with producing the "nth" unit (e.g. moving from 2 units of steel to 3 units). The opportunity cost is the difference between the two quantities for wheat. To produce the fourth unit of steel, wheat production must fall from 55 to 30; their difference is 25 (= 30 − 55). So for the third unit of steel, the opportunity cost is 25 units of wheat.

299) D
To find the opportunity cost of the "nth" unit (e.g. the 91st unit) of wheat in terms of steel, divide one (the change in steel from one alternative to the next by the difference between the two alternatives for wheat on either side of this unit. For the 91st unit, the alternatives on either side are 90 and 100 units of wheat; their difference is 10 units (= 100 − 90). So for the 91st unit of wheat, the opportunity cost = 1/(100 − 90) = 1/10 of a unit of steel.

300) B
To find the opportunity cost of producing "X" number of additional autos (e.g. 50 between combinations B to A), find the change in the output of tanks over same range (e.g. from B to A, the change in the number of tanks is 1 (= 1 − 0).

301) B
To find the total opportunity cost of producing "X" number of tanks (e.g. two units), subtract the number of autos corresponding with the production alternative for the number of tanks produced (e.g. at production alternative of two tanks, 850 autos are produced) from the maximum number of autos that can be produced (1,000). For 150 tanks produced, the total opportunity cost is 150 (= 1,000 − 850).

302) B

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To find the total opportunity cost of producing "nth" unit of tanks (e.g. fourth), subtract the number of autos corresponding with the production alternative for the number of tanks produced from the number of autos produced at the previous alternative. The marginal opportunity cost is 300 (= 650 − 350).

303) C

Any point that would lie on or inside the production possibilities curve is attainable. Anything that would lie outside (e.g. 4 drill presses and 4 bread) is unattainable.

304) C

To find the total opportunity cost of a number of units (e.g. 4) of drill presses, calculate how many units of the other good (bread) would have to be sacrificed to move from 0 to 4 on the drill press axis. In this example, to move from 0 to 4 in drill press production, society would have to move from 4 to 1 in bread production. The change of 1 unit (= 4 − 3) represents the opportunity cost of producing 4 drill presses.

305) D

To find the marginal opportunity cost of a unit of a good (e.g. the second unit of bread), calculate how many units of the other good (drill presses) would have to be sacrificed to move from 1 to 2 units of bread. In this example, society would have to move from 9 units of drill presses to 7 units, so the opportunity cost of the second unit of bread is 2 units of drill presses (= 9 − 7).

306) C

The concept of opportunity cost refers to the trade-off of one good that must be made in order to obtain more of another, assuming fixed resources and technology. Visually this is represented by movement along a stable production possibilities curve. Changes involving moving to another curve would mean that available resources and technology had changed, potentially meaning that more of a particular good could be obtained without facing the tradeoff of sacrificing another.

307) A

Improvements in technology shift out the production possibilities curve, usually allowing a society to produce more of both goods. Visually this is represented by moving from one curve to a curve further to the right (e.g. from PP_2 to PP_3).

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308) It is the social science concerned with the efficient use of scarce resources to achieve the maximum satisfaction of economic wants. Economic wants are many and diverse. People seek many goods and services to satisfy their wants. Society uses productive resources to produce goods and services that meet these wants. Unfortunately, the economic wants of society exceeds the productive capacity of the economy to produce the goods and services to satisfy those wants.

309) The four key economic concepts that pertain to the individual are: (1) when individuals face scarce resources relative to their wants, they must incur tradeoffs; (2) the cost of a choice is what someone gives up for it or the opportunity cost; (3) decisions are usually made at the margin where a little more or a little less of something is chosen; and (4) choices are influenced by incentives.

310) The three key economic concepts that pertain to interactions among individuals are: (1) individuals can make themselves better off through specialization and trade; (2) markets usually do a good job of coordinating decisions among individuals, groups, and nations; and (3) government can sometimes improve the coordinating function of markets.

311) The three key economic concepts are: (1) the standard of living in a country depends on its production of goods and services; (2) printing of money in excess of the growth of output of goods and services will eventually lead to inflation; (3) society faces a short-run tradeoff between inflation and unemployment.

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312) Anything of any value that is offered for "free" still has a cost. Economists refer to this sacrifice as an opportunity cost. In this case, the resources that were used to provide the free lunch could have been put to an alternative use. The opportunity cost is the next best alternative use for those resources. As another example, consider the case of a bank that offers you a "free" sports bag to open an account at the bank. The bag may be free to you as a new bank customer, but there is still a cost paid by the bank in the form of resources that could have been put to alternative uses.

313) First, economics recognizes that there is a general condition of scarcity that forces individuals and society to make choices. Human and property resources are scarce, so choices must be made about how best to use those limited resources. Second, economics assumes that private or public decision-making is based on "rational self-interest". People make rational decisions to achieve the maximum satisfaction of a goal. Consumers try to get the best value for their expenditures. Workers try to get the best job given their skills and abilities. Businesses try to maximize their profits. Elected representatives try to enact policies that best promote the national interest. Third, economics focuses on marginal analysis when making an economic decision. The marginal or "additional" costs from an economic choice are weighed against the additional benefit. If the marginal benefit outweighs the marginal costs, then a decision will be made to take the beneficial action. If the marginal cost is greater than the marginal benefit, then the action will not be taken.

314) Utility is the satisfaction that individuals derive from consuming goods and services. The economic approach assumes that humans engage in rational behaviour, that individuals make decisions to maximize their utility.

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315) This explanation is based on an evaluation of the marginal costs and marginal benefit of providing a good or service. We may want more education for our society, but at some point the marginal cost of providing additional education is greater than the marginal benefit of the additional education. We would have to give up too many other things to obtain the additional education. For example, would it make sense to provide additional education resources for everyone so that they can earn a Ph.D. degree? The answer is no. In this case, the marginal cost of these additional educational resources (for example, lost labour time or inefficient use of people's abilities) would not be worth the marginal benefit to society of having everyone earn a Ph.D. degree.

316) Theories, principles, and models are "purposeful simplifications" means that when we study economies we find far too much complexity to make any significant gain in understanding. By assuming away unnecessary details we make it possible to gain a clearer understanding of basic economic relationships.

317) Economic theories are generalizations about the economic behaviour of individuals and institutions. As generalizations or principles, they are abstractions and may not offer specific information about a particular issue that can be obtained from facts. Economic theories are barren in the sense that they offer a framework for thinking about the economic issue without a lot of the details about it. Having a lot of facts about an economic issue, however, is not very meaningful. Facts need to be arranged and organized if they are to have meaning and give insight into the issue. Economic theory offers that framework for organizing the factual information.

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318) The real-world is "messy" so economists try to analyze changes in the variables of interest by finding ways to hold "other things constant or equal". The ceteris paribus assumption is made to indicate that these other variables are not changing or affecting the variables of interest. For example, the theory of consumer demand states that price and quantity demanded are inversely related; people will buy less at higher prices than they will at lower prices. But this theory assumes that other variables like tastes and income that might affect quantity demanded are not changing. Increasingly, experimental economists are attempting to test theories in laboratory environments in which ceteris paribus assumptions hold.

319) While some abstract theories are bad, that certainly does not have to be true. Most good theories are generalizations or predictions about human economic behaviour and will not be true in every situation, and thus will not fit all the facts all of the time. A good theory is based on observable behaviour and will generally explain or predict correctly.

320) Economic models are necessarily a simplification of the real world. The validity of a particular economic model should be based upon a comparison of the model's predictions to observable fact. A world atlas is not the best map to use to find out how to get to Vancouver from Charlottetown, but it will tell you where South Africa is in relation to Luxembourg. If you wanted to get to Vancouver from Charlottetown, you'd need a road map of Canada. But a road map would not sufficiently describe the elevations if you were riding your bike and would not likely tell you how to find Main Street in Golden, B.C. The map you use should be judged based not on its complete accuracy and detail, but on its ability to get you where you are going.

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321) Microeconomics deals with individual economic units such as industries, firms, households, and with individual markets, particular prices, and specific goods and services. Macroeconomics, on the other hand, deals with the economy as a whole, including such major aggregates as the household, business, and governmental sectors and with totals for the economy.

322) (a), (d), and (e) are macro; (b), (c), and (f) are micro.

323) Since macroeconomics deals with the economy as a whole, the 2020 pandemic resulted in a deep recession, which has impacted major aggregates including households, businesses, and governmental sectors for the Canadian economy.

324) A positive economic statement is any factual statement such as: "Last month there were 1.2 million workers unemployed". A normative economic statement is one which contains an opinion such as: "Many people today are too lazy to look for work and that is why the unemployment figures are so high".

325) (a), (b), (d) and (e) are normative; and (c) and (f) are positive.

326) Both statements are positive. Although statement (a) contains the word, "should", it is simply a cause and effect statement. Another way of expressing the same idea is "If tuition fees are increased, fewer students would obtain a post-secondary education". Statement (b) is also positive because it is concerned with facts. Although the statement is made up of a normative phrase ("best place in the world"), at its core is a factual statement regarding an announcement by the Prime Minister.

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327) It is important to distinguish between positive and normative economics. When conducting positive economic analysis, economists use objective, scientific methods to collect data and test hypotheses to arrive at economic theories and principles. However, there is a need to apply economic theories to real-world problems and this necessarily requires some value judgments or the use of normative economics. Even scientists who can experiment in laboratories have to make value judgments when they arrive at the point of applying their theories. For example, geneticists must make value judgments about the uses of genetic science.
Economists know their own theories best so they should be involved in the decisions about how to apply those theories. Of course, in a democratic society those judgments are often advisory and must be approved by elected representatives before they are enacted.

328) This statement can be subjected to positive economic analysis. If you can show that this assumption is valid, i.e., that it is correct that most people believe that "more is better", then this is not a value judgment but a testable principle of economics. Where this assumption is questioned, it is a rather simple matter to test the hypothesis about whether "more is regarded as better". In other words, if people behave as if more is better, then this assumption is not a result of value judgments by economists, but rather the result of observing that this is the way humans act.

329) $46194 and $2104 ($US at market exchange rates).

330) An individual's income is limited whereas their wants are unlimited. This forces them to make choices to optimize their well-being.

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331) In late 2009, it became known that the Greek government had gone on a spending spree and had an accumulated debt that was about 120 percent of the country's income (or GDP). Moreover, in 2010 Greece's annual budget shortfall was more than 10 percent of GDP, one of the highest in the world and unsustainable given its poor prospects for economic growth, and so the Greek economy was in a crisis. The Greek government was forced to institute strict austerity measures that led to the contraction of the economy in both 2010 and 2011. Greece was able to consume beyond its means by borrowing, but inevitably in a world of scarcity of resources this practice cannot be sustained indefinitely. Just like an individual's income is limited whereas their wants are unlimited, similarly on an aggregate level the entire nation of Greece is forced them to make choices to optimize their well-being.

332) Income and the prices of the two goods will determine the position of the budget line. Income divided by the price of a good will determine the point where the budget line intersects an axis.

333) Increases in income causes a parallel shift outward of the budget line (without changing its slope) while decreases in income cause the budget line to shift inward.

334) They mean that resources are not so abundant that they may be used freely for everything everyone wants. There are not enough resources available to meet all of society's unlimited economic wants.

335) The economic problem stems from two related facts. Economic wants are unlimited because they cannot be completely satisfied with the existing limited supply of resources available for production. Resources are said to be scarce relative to these unlimited economic wants. For this reason, people must make choices and economize on resource use.

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336) (a) Land: natural resources including land, forests, water and minerals.
(b) Capital: investment goods or those manufactured items used in production of other goods. Factories, tools, machinery, transportation facilities, and equipment are examples. Money is not a capital good.
(c) Labour: a broad term used to describe the physical and mental talents of men and women available to be used in producing goods and services.
(d) Entrepreneurial ability: a type of human resource, but unique from productive labour in that it refers to the person who is the driving force behind production decisions, innovation, and the one who is willing to take the risk of time, effort, reputation, and/or funds.

337) First, the entrepreneur takes the initiative in combining resources to produce a product. In this way the entrepreneur is a catalyst for production in the economy. Second, the entrepreneur makes basic business policy decisions that set the course for the business enterprise. Third, the entrepreneur will introduce new or improved products to the marketplace or develop new forms of business organization. In this role, the entrepreneur serves as an innovator for the economy. Fourth, the entrepreneur bears the risk in terms of time, effort, and invested funds. Innovation is risky, as nearly all new products and ideas are subject

338) The economic problem refers to the need to make choices because economic wants are virtually unlimited but the means (income, time, resources) for satisfying those wants are limited. If resources were infinitely abundant in relation to the demand for them, people would not have to make choices and there would be no need for economic systems to distribute the goods and services produced. In a world of abundance, people could simply help themselves to whatever they wanted.

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339) The fact that people cannot have as much as they want of everything requires them to make choices. There has to be some system for making these choices. For example, it may be "first come, first serve", or a system based on power with the strongest controlling the resources, or it may be a market-based system where the primary motivation is the profit incentive.

340) The first statement refers to the basic economic problem: that society's wants are unlimited relative to the limited supply of productive resources. The second part of the statement refers to the concept of efficiency, both allocative and productive. Since resources are scarce, it is desirable to achieve the most output from those available. Otherwise we waste resources and will not satisfy as many wants as we could from the resources that we have available, which would mean not achieving productive efficiency. Allocative efficiency means the maximum satisfaction of wants with these resources.

341) Full employment of resources means that none of the available resources are idle. Full production goes one step further. It means that not only are resources fully employed, they are employed efficiently in the sense that they are making their most valued contributions to the national output. If the economy fails to realize full production, then economists say our resources are underemployed.

342) (a) 5 units of food (18 - 13 = 5); (b) 9 units of food (22 - 13 = 9); (c) 6 units of food (13 - 7 = 6); (d) 15 units of food (22 - 7 = 15).

343) (b) Two units of grain (56-54) are sacrificed if one unit of planes is produced. When the fourth unit of planes is produced the marginal opportunity cost is eight units of grain (44-36).

344) (b) Three units of corn (63-60) are sacrificed if 1 unit of paper is produced. When the fourth unit of paper is produced the opportunity cost is 12 units of corn (45-33).

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345) Economic resources are not completely adaptable to alternative uses. In a two-product (A and B) economy, an increase in the production of product A will cause a reduction in the quantity of product B that can be produced because resources are being reallocated from the production of B to A. That reallocation of resources is not constant and becomes increasingly costly in terms of the lost production of B. As more resources shift from the production of B to A, these resources are less and less adaptable or suitable for the production of A. The production of more and more of A entails an increasing opportunity cost in the form of less and less production of B.

346) The production possibilities curve illustrates the concept of increasing opportunity cost with its changing slope. This causes the curve to be concave toward the origin. It occurs because when society produces more and more of one product, it must give up increasing amounts of alternative products due to the fact that resources are specialized. If resources could be used equally efficiently to produce all things, opportunity costs would be constant and the production possibilities curve would be a straight line graph showing alternative production possibilities.

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347) (a) Productive efficiency requires that resources be used in the least costly way. To achieve productive efficiency, worker D must catch fish since this worker incurs the lowest opportunity cost. For each fish that worker D catches,.5 units of fruit are lost. The other workers face a higher opportunity cost for each fish caught. As the economy produces more fish, it must shift the workers from fruit. Initially, the opportunity cost of doing so is relatively low. However, the opportunity cost increases. This is why the production possibilities curve is concave to the origin. Although workers A and E can produce more fish than worker D, they also incur greater opportunity costs.
(b) Although the economy may be achieving full employment, it does not achieve productive efficiency. The economy can produce 26 fish and 20 fruit when fully employing workers A, C, and D in fishing and workers B and E in picking fruit. However, this allocation of resources does not achieve full production. Resources are underemployed. It is possible to produce more fish without losing any fruit by reallocating the five workers. If workers B, C, D, and E catch fish and worker A picks fruit, the economy's output is 32 fish and 20 fruit. Worker A incurs the lowest opportunity cost of all workers when picking fruit. Therefore, productive efficiency requires that worker A is allocated to picking fruit before any other worker.

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348) (a) Productive efficiency requires that resources be used in the least costly way. To achieve productive efficiency, worker E must catch fish since this worker incurs the lowest opportunity cost. For each fish that worker E catches,.25 units of fruit are lost. The other workers face a higher opportunity cost for each fish caught. As the economy produces more fish, it must shift the workers from fruit. Initially, the opportunity cost of doing so is relatively low. However, the opportunity cost increases. This is why the production possibilities curve is concave to the origin. Although workers B and D can produce more fish than worker E can, they also incur greater opportunity costs.
(b) Although the economy may be achieving full employment, it does not achieve productive efficiency. The economy can produce 12 fish and 4 fruit when fully employing workers A and D in fishing and workers B, C, and E in picking fruit. However, this allocation of resources does not achieve full production. Resources are underemployed. It is possible to produce more fish without losing any fruit by reallocating the five workers. If workers B, C, D, and E catch fish and workers A picks fruit, the economy's output is 20 fish and 4 fruit. Worker A incurs the lowest opportunity cost of all workers when picking fruit. Therefore, productive efficiency requires that worker A is allocated to picking fruit before any other worker.

349) Economic growth is the result of (1) increases in supplies of factors of production or resources, (2) improvements in factor or resource quality, and (3) technological advances so that more can be produced with the existing level and quality of resources.

350)(a) Any point below the PPC demonstrates unemployed resources.
(b) The maximum number of bats has increased, thus the intercept for bats moves further from the origin. There is no change to the intercept for peanuts.
(c) Any point above the PPC is an unattainable point.

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351) (a) Improvements in the basic education of the labour force typically contribute to an increase in productivity. The production possibilities curve should move outward.
(b) Unemployment means that there is inefficient use of existing resources. Production moves from a point inside the production possibilities curve toward the frontier.
(c) The most likely answer is that the production possibilities curve shifts inward. It would also be possible that there is movement from the frontier of the production possibilities curve to an interior point. Both answers indicate that there is less economic inefficiency in the economy.
(d) Advances in telecommunications and new technology significantly contribute to economic growth over time.
(e) There will be movement along the existing production possibilities curve toward more defence goods at one axis from all other goods at the other axis.

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352) (a) The economy begins at a point on the curve but with recession there is unemployment and the economy now operates at a point in the area inside the curve, indicating that production is less than that which is possible because some resources are not being used.
(b) Eliminating discrimination would move the economy from a point inside its production possibilities curve toward a point on the curve.
(c) If the curve is illustrating the tradeoff between private spending and government spending (or between military and consumer goods), then this should mean a movement along the curve in the direction of more private or consumer production and less military production. Government spending in general could decrease, but if that were not the case, then the government might simply shift some funds from the military to other types of government spending and the point would not necessarily move at all on a curve depicting the tradeoff between government and private spending.
(d) Movement depends on where the money is coming from. If the money comes from increased taxes or borrowing, then there is a movement along the curve away from private spending and toward public spending. If the money comes from other government programs and the curve is illustrating government versus private spending, the amount of total government production would not necessarily change, so the point could remain at the same spot on the curve.

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353) Outward shifts of the production possibilities curve occur if factor supplies increase or if technology advances. Both these changes, however, are not without cost. Increases or improvements in factor supplies involve tradeoffs. For example, a nation can increase its stock of capital by forgoing some goods for the present. Likewise, an increase in natural resources requires the use of resources for exploration and development that could have been used to produce goods for the present. Similarly, technological advancement is the result of employing resources with alternative uses in research and development.

354) The application suggests the tradeoff illustrated by a production possibilities curve with consumption spending on one axis and investment spending on the other axis. In Alta the combination of consumption and investment spending is heavily weighted toward investment. In Zorn investment spending is a smaller percentage of domestic output. If investment were measured on the vertical axis and consumption on the horizontal axis, Alta's optimal selection would be much higher on its production possibilities curve than would be the selection in Zorn. As a result of this larger proportion of income spent on investment goods, Alta's capital resource base and its economy grow more rapidly, which means its production possibilities curve shifts outward at a more rapid pace over time.

355) International trade allows for greater specialization and production. This activity has the effect of increasing the quantity and quality of resources, using resources more efficiently or improving output through the use of new production techniques. Thus, the gains from international specialization and trade are the equivalent of economic growth.

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356) Economists use graphs to illustrate the relationship between economic variables in a visual format which often is more efficient than explaining the relationship in words. By seeing the relationship in graphical format, the reader (viewer) is able to readily describe the relationship.

357) In the typical two-dimensional graph, the vertical axis measures the dependent variable, which in this case would be consumption. The horizontal axis measures the independent variable, which in this case would be income.

358) A positive or direct relationship between two variables describes a situation where the two variables change in the same direction. If the first variable increases, the second variable increases; if the first decreases, the second decreases. An example would be individual income and spending. Generally, high spending is associated with high incomes and lower spending is associated with lower incomes. The line graph of a direct, positive relationship is upward sloping from left to right.

359) An inverse relationship describes a situation where the two variables change in opposite directions. When the first variable increases, the second variable decreases and vice versa. An example would be product price and quantity demanded of the product. Other things being equal, the higher the product price, the less will be purchased. The line graph of an inverse relationship has a negative slope; that is, it is downward sloping from left to right.

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360) The dependent variable changes as a consequence of the change in the independent variable. By specifying one variable as the dependent variable, a causal relationship is implied with changes in the independent variable causing changes in the dependent variable. The dependent variable is the "effect" or outcome.

361) The ratio of the vertical change (the rise or fall) to the horizontal change (the run) in moving between two points on the line is called the slope of the line. The slope of an upward sloping line is positive, reflecting a direct relationship between two variables; the slope of a downward sloping line is negative, reflecting an inverse relationship.

362) The direct relationships expected are (a) IQs and grade point averages, and (c) the temperature and the number of people at the pool. These relationships could change if external conditions were changed to affect these relationships. For example, in (a) if high IQ students were forced to take the most difficult classes, the direct relationship might disappear; in (b) if high-priced products became very fashionable and were of far superior quality, people might actually buy more when prices rose; in (c) if the number of people in the pool was limited to a low number or if air pollution alerts accompanied high temperatures, the direct relationship between temperature and pool attendance might change.

363) The relationship between the interest rate and investment expenditures is inverse. The slope of the investment curve is downsloping or negative.

364) The linear equation is y = 12 + 2x.

365) The linear equation is consumption = $100 + 0.8(disposable income). When disposable income is $1000, consumption is $900 = 100 + 0.8($1000).

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366) The slope of a curve at any point is determined by calculating the slope of a straight line tangent to the curve at that point. The slope will change as you move along the curve. The curve has a different slope at each point.

367) To find the slope, choose two points on the tangent line and divide the vertical distance between the two points by the horizontal distance. The tangent line aa passes through (5, 10) and (0, 3). Therefore, the slope at point A is 7/5 or 1.4. The slope at point B is zero. The tangent line cc passes through (35, 10) and (31, 15). Therefore, the slope at point C is -5/4 or -1.25.

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