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Student: _____

1. An economy as a whole faces scarcity because of limited national income.

True False

2. The three fundamental questions in economics are what, how, and how many.

True False

3. Opportunity cost is the value of the next-best alternative that is given up as a result of making a particular choice.

True False

4. There are only three Cs that humankind has used to coordinate its economies: cooperation, custom, and competition.

True False

5. Wages, interest, rent, and profits are the four factors of production.

True False

6. A production possibility curve is a graphical representation of the various combinations of output that are wanted.

True False

7. Macroeconomics focuses on the outcomes of decisions by people and firms, whereas microeconomics is a study of how the major components of an economy interact.

True False

8. Technological improvement can be illustrated graphically by a rightward shift in the production possibilities curve.

True False

9. Tax policy, tariff policy, budget policy, monetary policy, and exchange rate policy are all examples of economic policies.

True False

10. Canada's highest unemployment rates were recorded in the 1930s.

True False

11. What do economists mean when they say that the economy faces scarcity?

- A. There are fewer resources available than there were in the 1960s.
- B. It is quite evident that the world is running out of resources.
- C. The economy is producing far below its capacity to produce.
- D. The resources available are not sufficient to produce all that everyone wants.

12. What do economists assume is true about human wants?

- A. They are easily defined.
- B. That we are on the verge of being able to satisfy them.
- C. They are unlimited.
- D. They haven't changed much over the centuries.

13. Which of the following terms describes the next best alternative that must be sacrificed as a result of making a particular choice?

- A. Microeconomics.
- B. Opportunity cost.
- C. Macroeconomics.
- D. The law of increasing costs.
- E. Scarcity.

14. What is the opportunity cost of a particular product?

- A. The price paid for that product.
- B. The value put on that product by the person who bought it.
- C. The value of the next-best alternative that is given up as a result of buying that particular product.
- D. The combined value of all the other alternatives that are given up as a result of buying that particular product.

15. Gwen had only \$10 yesterday. She was uncertain whether to go out for lunch or to buy beer. In the end she bought beer. Which of the following statements is correct?

- A. The choice of the beer and not lunch is an example of constant costs.
- B. The cost of buying beer is less than lunch.
- C. The opportunity cost of beer is lunch.

D. The opportunity cost of beer is \$10.

16. Which of the following is correct?

- A. Scarcity forces choice which involves opportunity costs.
- B. Choice causes scarcity which involves increasing costs.
- C. Choice causes scarcity which involves opportunity costs.
- D. Scarcity forces choice which involves increasing costs.

17. What can we say is true as a result of people engaging in voluntary trade?

- A. One person gains and the other loses.
- B. One person gains while there is a neutral effect on the other person.
- C. Both people gain.
- D. Neither person gains.

The maximum production possible in Rome and in Cathay are as follows:

Rome	40 bread	or	20 figs
Cathay	20 bread	or	40 figs

18. If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what will be the output in each country?

- A. 40 bread and 20 figs in Rome and 20 bread and 40 figs in Cathay.
- B. 40 bread and 0 figs in Rome and 20 bread and 0 figs in Cathay.
- C. 0 bread and 20 figs in Rome and 0 bread and 40 figs in Cathay.
- D. 20 bread and 10 figs in Rome and 10 bread and 20 figs in Cathay.

19. If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what is the combined output in the two countries?

- A. 60 bread and 60 figs.
- B. 60 bread and 0 figs.
- C. 0 bread and 60 figs.
- D. 30 bread and 30 figs.

20. If each country specializes in the production of what it does best and trades with the other, what is the combined output?

- A. 20 bread and 20 figs.
- B. 30 bread and 30 figs.
- C. 40 bread and 40 figs.
- D. 60 bread and 60 figs.

21. If each country specializes in the production of what it does best, what are the gains from trade?

- A. There are no gains.
- B. 20 bread.
- C. 20 figs.
- D. 10 bread and 10 figs.

22. What is implied by the following statement: Should scarce resources be devoted to persuading people to quit smoking or to developing a less harmful form of tobacco?

- A. What to produce?
- B. How to produce?
- C. For whom?
- D. How much competition?
- E. How much command?

23. What is implied by the following statement: The appropriate technology in one country can be quite different from the appropriate technology in another country.

- A. What to produce?
- B. How to produce?
- C. For whom?
- D. How much competition?
- E. How much command?

24. What is implied by the following statement: Social policies are needed to ensure that no individual lives in poverty.

- A. What to produce?
- B. How to produce?
- C. For whom?
- D. How much competition?
- E. How much command?

25. All of the following except one are considered to be among the three fundamental questions in economics? Which one is the exception?

- A. What to produce?
- B. How much competition?
- C. How to produce?
- D. For whom?

26. Which of the following was argued by John Stuart Mill?
- It is ideas, not vested interests, which are dangerous for good and evil.
 - The distribution of money is dictated by the pattern of resource use.
 - As technology changes, what is produced also necessarily changes.
 - Society can intervene in any fashion that it may wish to redistribute income.
27. All of the following except one are factors of production. Which is the exception?
- Land.
 - Labour.
 - Capital.
 - Money.
 - Enterprise.
28. Which of the following is an alternative for the term *factors of production*?
- Methods of organizing an economy.
 - Ways of coordinating an economy.
 - Productive resources or inputs.
 - Goods and services.
29. All of the following except one are included in the four Cs used, throughout history, by humankind to coordinate its economies. Which is the exception?
- Cooperation.
 - Communism.
 - Custom.
 - Competition.
 - Command.
30. When did market economies first emerge?
- Approximately 250 years ago.
 - Over 500 years ago.
 - Soon after the fall of the Roman Empire.
 - It is uncertain, but at least 2,500 years ago.
31. Which pair of the four Cs would play the dominant role in a simple hunter/gatherer society such as that of the San people of the Kalahari Desert?
- Commercialization and competition.
 - Cooperation and custom.
 - Competition and cooperation.
 - Command and competition.
32. Which pair of the four Cs plays the dominant role in Canada today?
- Custom and competition.
 - Cooperation and competition.
 - Command and competition.
 - Command and cooperation.
33. The fact that the typical movie theatre charges people for popcorn but does not charge them to use the restrooms is an example of which of the four Cs?
- Competition.
 - Command.
 - Custom.
 - Cooperation.
34. Which of the following statements concerning capitalism and socialism is false?
- Sweden is more of a socialist economy than is Hong Kong.
 - Government plays a larger role in a capitalist economy.
 - There is more economic planning in a socialist economy.
 - The Canadian economy is more socialist than is the US economy.
35. Which of the following would best describe a policy of *laissez-faire*?
- More production of capital goods than consumer goods.
 - More production of consumer goods than capital goods.
 - An emphasis on the role of the market.
 - An emphasis on the role of government.
 - A reliance on custom.
36. What do economists always do when they are constructing theories or models?
- They make simplifying assumptions.
 - They attempt to duplicate the real world.
 - They ensure that the theory can be expressed mathematically.
 - They try to include as much information as possible.

37. What is true about an economic model?

- A. It is built on a series of assumptions.
- B. It establishes cause and effect between variables.
- C. It can make predictions that can be tested with empirical data.
- D. It could also be called an economic theory.
- E. It is built on a series of assumptions, it establishes cause and effect between variables, it can make predictions that can be tested with empirical data, and it could also be called an economic theory.

38. All of the following except one are true of economic theories or models. Which one is the exception?

- A. They attempt to establish cause and effect between economic variables.
- B. They always reflect reality.
- C. They are built with assumptions and then tested with facts.
- D. They are generalizations used to give context to our observations.

39. All of the following except one are positive statements. Which is the exception?

- A. The government needs to reduce its budget deficit.
- B. A decrease in price will lead to a larger quantity bought.
- C. Production is subject to the law of increasing costs.
- D. The degree of competition in our economy has been increasing in the last ten years.

40. All of the following statements, except one, are positive statements. Which is the exception?

- A. Economics is a social science.
- B. Economics is sometimes referred as the science of choice.
- C. A majority of economists argue that economics is a very relevant discipline.
- D. Economics should be a mandatory course in all Canadian colleges and universities.
- E. Economics is a possible undergraduate major for students who want to go to law school.

41. All of the following statements, except one, are normative statements. Which is the exception?

- A. The taxes on gasoline should be lower.
- B. Lowering the taxes on gasoline would decrease the price at the pump.
- C. It is wrong for the government to tax gasoline.
- D. The government is trying to mislead people about the tax on gasoline.

42. According to the text, which of the following do Germans value more than efficiency?

- A. Equality
- B. Liberty
- C. Loyalty
- D. Happiness

43. According to the text, which of the following do Americans value more than efficiency?

- A. Equality
- B. Liberty
- C. Loyalty
- D. Happiness

44. According to the text, which of the following do the Japanese value more than efficiency?

- A. Equality
- B. Liberty
- C. Loyalty
- D. Happiness

45. What term is used to describe getting the most for the least?

- A. Enterprise.
- B. Effectiveness.
- C. Efficiency.
- D. Economics.

46. What does the term technology mean to an economist?

- A. The way various factors of production are combined to obtain output.
- B. The most recent methods of production.
- C. High-tech methods of production as found, for example, in the computer industry.
- D. The way in which products are allocated.

47. What term is used to describe the way that the various factors of production are combined to obtain output?

- A. Opportunity costs.
- B. Types of economies.
- C. Ways of coordinating an economy.
- D. Technology.

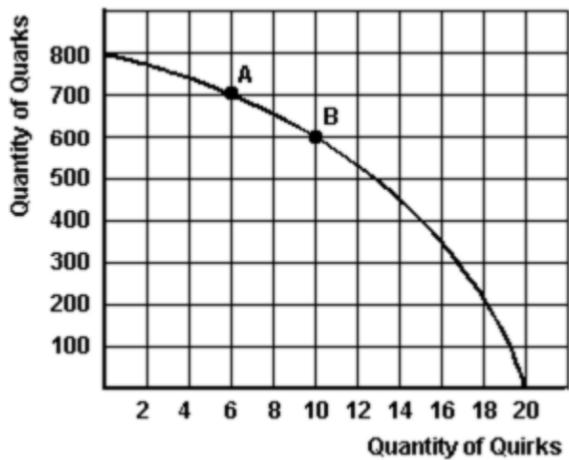
48. Which of the following is a capital good?

- A. An oven in a bakery.
- B. A home computer.
- C. The first application of CD ROM technology to an economics textbook.
- D. An investment in IBM stock.

49. Which of the following statements describes the law of increasing costs?

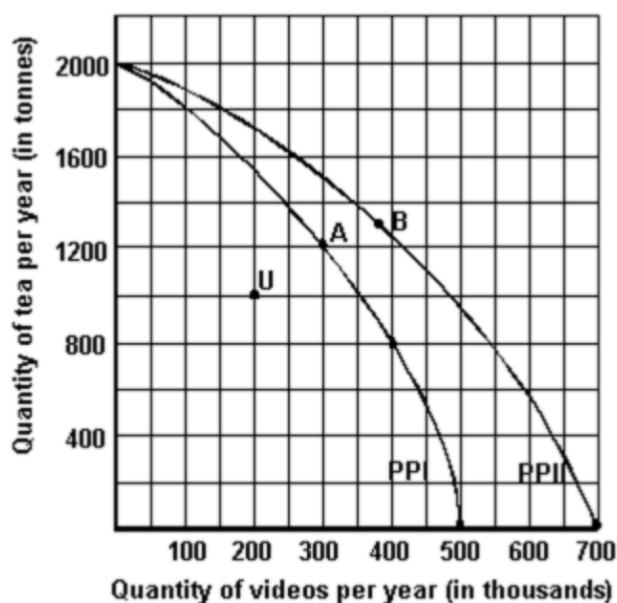
- A. As the economy's production level of any particular item decreases, its opportunity cost rises.
- B. As the economy's production level of any particular item increases, its opportunity cost rises.
- C. The prices of consumer goods always rise and never fall.
- D. If someone waits to make a purchase, she will pay a higher price.
- E. The total cost of production rises as output goes up.

The graph below is Mendork's production possibility curve for the only two goods that it produces—quirks and quarks.



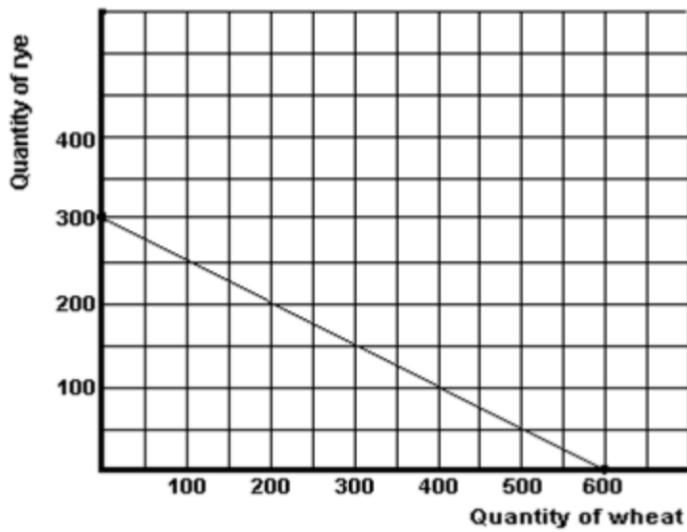
50. Refer to the graph above to answer this question. If this society chooses to produce 10 quirks, what is the maximum quantity of quarks it can produce?
- A. 500 quarks.
 - B. 800 quarks.
 - C. No quarks.
 - D. 600 quarks.
51. Refer to the graph above to answer this question. What is the opportunity cost of producing the first 700 quarks?
- A. It is 6 quirks.
 - B. It is 10 quirks.
 - C. It is 14 quirks.
 - D. The answer cannot be determined from the information given.
52. Refer to the graph above to answer this question. If Mendork's current production is at point A, what is the (approximate) cost of producing one more quirk?
- A. 100 quarks.
 - B. 50 quarks.
 - C. 25 quarks.
 - D. 200 quarks.
 - E. One more quark.
53. Refer to the graph above to answer this question. If Mendork's current production is at point B, what is the opportunity cost of one more quark as output changes from point B to A?
- A. 0.04 quirks.
 - B. 4 quirks.
 - C. 400 quirks.
 - D. 1 quirk.
 - E. 0.4 quirks.
54. Refer to the graph above to answer this question. If new technology increased the output of quirks by 50%, how many quirks could be produced if 600 quarks were produced?
- A. 18 quirks.
 - B. 20 quirks.
 - C. 15 quirks.
 - D. 10 quirks.
 - E. No quirks.
55. Refer to the graph above to answer this question. Which of the following statements is correct if Mendork is currently producing 500 quarks and 8 quirks?
- A. This society is using competition to coordinate its economic activities.
 - B. This society is experiencing either unemployment or inefficiency.
 - C. This economy is experiencing full employment.
 - D. This society is not adequately answering the question: "What to produce".
 - E. This economy is growing quickly.

Below is a production possibilities curve involving tea and videos.



56. Refer to the graph above to answer this question. Which of the following illustrates the law of increasing costs?
- Any point outside the production possibilities curve.
 - A "bowed-out" production possibilities curve.
 - A straight-line production possibilities curve.
 - Any point inside the production possibilities curve.
57. Refer to the graph above to answer this question. Assume that the economy is facing PPI and that the economy is currently producing the combination of tea and videos represented by point A. What is the opportunity cost of increasing the output of videos to 400,000?
- 400 tons of tea.
 - 800 tons of tea.
 - 100,000 videos.
 - 300,000 videos.
58. Refer to the graph above to answer this question. Assume that the economy is facing PPI and that 2,000 tons of tea are produced, how many videos could be produced?
- 600,000.
 - 500,000.
 - 2,000.
 - 0.
59. Refer to the graph above to answer this question. What might point U indicate?
- Not all resources available to the economy are being used.
 - The resources being used are not being used efficiently.
 - The technology being used is not the most appropriate one.
 - All resources available to the economy are being used.
60. Refer to the graph above to answer this question. What is indicated by the shape of both the PPI and the PPII curves?
- Constant costs.
 - Alternative costs.
 - Increasing costs.
 - Decreasing costs.
61. Refer to the graph above to answer this question. What could have caused the shift from PPI to PPII?
- A decrease in the price of videos.
 - Capital accumulation in the tea industry.
 - A decrease in the opportunity cost of tea.
 - Technological change in the video industry.
62. Refer to the graph above to answer this question. Assume that the economy is producing on PPI at point A. After the shift from PPI to PPII, what does point B represent?
- An increase in the production of videos but not of tea.
 - An increase in the production of tea but not of videos.
 - An decrease in the production of tea but not of videos.
 - An increase in the production of both goods.
63. Refer to the graph above to answer this question. What is indicated by the shift from PPI to PPII?
- Unemployment.
 - Inflation.
 - Inefficiency.
 - Economic growth.

Below is a production possibilities curve for a large tract of prairie farm land.



64. Refer to the graph above to answer this question. What is the total cost of producing 300 units of rye
- 0 units of rye.
 - 0.5 units of rye.
 - 2 units of rye.
 - 600 units of rye.
65. Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of wheat?
- 0.5 units of rye.
 - 2 units of rye.
 - 5 units of rye.
 - \$2.
66. Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of rye?
- 0.5 units of wheat.
 - 2 units of wheat.
 - 5 units of wheat.
 - \$400.
67. Refer to the graph above to answer this question. Given the shape of the PP curve, which of the following statements is correct?
- The law of increasing costs doesn't apply.
 - The resources being used to produce rye and wheat are very similar.
 - The two goods being produced are very similar.
 - Opportunity costs are constant.
 - It is better for the economy to product rye.
68. Refer to the graph above to answer this question. If 300 units of rye are being produced, how many units of wheat are possible?
- 200 units of wheat.
 - 300 units of wheat.
 - 600 units of wheat.
 - 0 units of wheat.
69. Refer to the graph above to answer this question. Which of the following statements would be correct if the land was producing 200 units of rye and 100 units of wheat?
- Some of the land might be idle.
 - The most appropriate technology may not be in use.
 - There may inefficiencies in production.
 - Some of the land might be idle, the most appropriate technology may not be in use, and there may inefficiencies in production.
70. Refer to the graph above to answer this question. If 150 units of rye are currently being produced, what is the cost of producing 50 more units of rye?
- 25 units of wheat.
 - 50 units of wheat.
 - 100 units of wheat.
 - 400 units of wheat.
 - Cannot be determined.

Below are some production possibilities data for the mystical land of Lhanor.

	A	B	C	D	E
Kaldors	0	4	8	12	16
Bouldings	60	54	42	24	0

71. Refer to the information above to answer this question. Approximately how many units of Kaldors can be produced if 48 units of Bouldings are being produced?
- 0 Kaldors.
 - 4 Kaldors.
 - 6 Kaldors.
 - 8 Kaldors.
 - 16 Kaldors.

72. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the opportunity cost of 1 more Kaldor?
- Approximately 1 Boulding.
 - Approximately 3 Bouldings.
 - 4 Bouldings.
 - 42 Bouldings.
 - 54 Bouldings
73. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination D. What is the opportunity cost of producing 4 more Kaldors?
- Zero.
 - 6 Bouldings.
 - 12 Bouldings.
 - 18 Bouldings.
 - 24 Bouldings.
74. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination A. What is the opportunity cost of producing 12 Kaldors?
- 3 Bouldings.
 - 12 Bouldings.
 - 24 Bouldings
 - 36 Bouldings.
 - 60 Bouldings.
75. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the consequence of the production of Kaldors decreasing to 2?
- The output of Bouldings will decrease.
 - The output of Bouldings will increase by 6.
 - The output of Bouldings will increase by approximately 3.
 - The opportunity cost of Bouldings will rise.
 - The output of Bouldings will decrease by approximately 3.
76. Refer to the information above to answer this question. Which of the following statements is correct if Lhanor is currently producing 10 Kaldors and 24 Bouldings?
- All resources must be fully employed.
 - 18 more units of Bouldings could be produced.
 - This combinations of goods is not possible.
 - Graphically, Lhanor is operating inside its PP curve.

Below are some production possibilities data for the mystical land of Ghandor.

	A	B	C	D	E
Arrows	0	1	2	3	4
Viners	20	18	14	8	0

77. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination B. How many Viners could be produced if the production of Arrows increased by 2?
- 3 units of Viners.
 - 4 units of Viners.
 - 8 units of Viners.
 - 14 units of Viners.
78. Refer to the information above to answer this question. What is the opportunity cost of producing the third unit of Arrows?
- 1 unit of Viners.
 - 6 units of Viners.
 - 8 units of Viners.
 - 14 units of Viners.
79. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination A. What is the opportunity cost of producing 4 units of Arrows.
- Zero.
 - 4 units of Viners.
 - 5 units of Viners.
 - 20 units of Viners.
80. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination D. What is the opportunity cost of producing an additional 10 units of Viners?
- 1 unit of Arrows.
 - 2 units of Arrows.
 - 10 units of Arrows.
 - 18 units of Arrows.
81. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination E. What is the opportunity cost of producing 20 units of Viners?

- A. 0 unit of Arrows.
- B. 1 units of Arrows.
- C. 2 units of Arrows.
- D. 3 units of Arrows.
- E. 4 units of Arrows.

82. What is economics sometimes called?

- A. The science of choice.
- B. The enlightened discipline.
- C. The most scientific of all sciences.
- D. Practical subject.

83. All of the following except one would be included in a definition of economics. Which is the exception?

- A. Choice.
- B. Resources.
- C. Unlimited wants.
- D. Scarcity.
- E. Paradigm.

1. unemployment in Nova Scotia
2. interest rates
3. wages for farm workers
4. inflation rates
5. government's farm price supports
6. monopoly practices in Canada

84. Refer to the above information to answer this question. Which of the above are macroeconomic concepts?

- A. 2, 4 and 6.
- B. 1, 2 and 4.
- C. 2, 3 and 6.
- D. 2, 3 and 5.
- E. 1, 3 and 4.

85. Refer to the above information to answer this question. Which of the above are microeconomic concepts?

- A. 1, 3 and 5.
- B. 1, 5 and 6.
- C. 2, 5 and 6.
- D. 3, 5 and 6.

86. All of the following except one are microeconomic statements. Which is the exception?

- A. The price of wheat declined by 5% in Canada last year.
- B. GDP increased by 1.8% in Canada last year.
- C. The cost of production in the mining industry has recently declined.
- D. The profits of The Canadian Corporation last year was \$25 million.
- E. The demand for Turbinado sugar is increasing.

87. Which of the following is a microeconomic topic?

- A. Inflation rates.
- B. Unemployment.
- C. Interest rate determination.
- D. Tax policies.
- E. Supply and demand analysis of a factor market.

88. All of the following except one are macroeconomic topics. Which is the exception?

- A. The effect of a tax change on total consumption.
- B. The effect of an interest rate change on the cost of your monthly loan payment.
- C. The effect of an exchange rate change on total exports.
- D. The effect of the election of a new government on investment in Canada

89. What do most of the disagreements among economists involve?

- A. The appropriate goals and policies for the economy.
- B. Generalizing about facts.
- C. Gathering data.
- D. The use of statistics.
- E. The use of mathematics.

90. Why is there often disagreement amongst economists?

- A. Some who claim to be economists are so poorly trained.
- B. There is disagreement over what is and what is not a legitimate goal for society to try to achieve.
- C. The nature of the discipline is so complex that no one person could be expected to cover the whole range of possible knowledge.
- D. Economists tend to be very academic, and academics often disagree and argue.
- E. Some economists are "right wing" and some are "left wing", and the two groups will seldom agree on anything.

91. Why do economists feel that their discipline is relevant?

- A. It is able to predict the future very well.
 B. It is a value-free study.
 C. Its methodology is so different from other social sciences.
 D. The scope and range of subjects that it addresses is very wide.
92. Who said: "The ideas of economists, both when they are right and when they are wrong, are more powerful than is commonly understood"?
- A. Sayre and Morris.
 B. Adam Smith.
 C. Pierre Trudeau.
 D. John Maynard Keynes.
93. By how much has Canada's real income per person increased since the 1930s?
- A. From approximately \$1000 to over \$20 000.
 B. From approximately \$1000 to over \$40 000.
 C. From approximately \$6000 to over \$37 000.
 D. From approximately \$4000 to over \$40 000.
94. Which of the following is true about inflation in Canada?
- A. It has not occurred since 1993.
 B. It was high in the years following the end of World War II and the Korean War.
 C. It occurred in the early part of the Great Depression.
 D. It peaked in the 1960s.
 E. It is related to high levels of unemployment.
95. Which of the following is true of the period of the 1950s and 1960s?
- A. It was a period of low unemployment and generally low inflation.
 B. It was a period of low unemployment but high inflation.
 C. It was a period of high unemployment and high inflation.
 D. It was a period in which unemployment and inflation did not seem to be related.
96. What happened in the period between the mid-1960s and the mid-1980s?
- A. Both unemployment and inflation fell.
 B. Both unemployment and inflation rose.
 C. Unemployment fell but inflation rose.
 D. Unemployment rose but inflation fell.
97. What has been Canada's average annual economic growth rate over the last 75 years?
- A. 1.5%.
 B. 2.25%.
 C. 3.25%.
 D. 4.7%.
98. Economic growth often comes with all, except one, of the following problems. Which is the exception?
- A. High levels of pollution.
 B. High unemployment rates.
 C. Resource depletion.
 D. More traffic congestion.
99. What happened to unemployment and inflation rates in Canada in the 1990s?
- A. Inflation rates fell but unemployment rates rose.
 B. Inflation rates rose but unemployment rates fell.
 C. Both inflation and unemployment rates rose.
 D. Both inflation and unemployment rates fell.
100. What has happened to Canada's unemployment rate in the last 30 years?
- A. It has never dropped below 8%.
 B. It has been relatively stable.
 C. It has steadily increased.
 D. It has ranged between 5% and 12%.
101. What economic goal is involved in guaranteeing every Canadian citizen a certain minimum level of income?
- A. Achieving stronger economic growth.
 B. Controlling inflation.
 C. Achieving a more equitable distribution of incomes.
 D. Achieving full employment.
102. How has Canada performed recently compared with the G8 countries in terms of economic growth and inflation?
- A. It has had the third highest growth rate and fourth-lowest inflation rate.
 B. It has had the lowest growth rate and second-lowest inflation rate.
 C. It has had the highest growth rate and second-highest inflation rate.

D. It has had the second-lowest growth rate and second-highest inflation rate.

103. Approximately what percentage of Canada's national income have exports represented in the last few years?

- A. 5%.
- B. 12%.
- C. 23%.
- D. 30%.
- E. 40%.

104. Approximately, what percentage of Canada's national income goes to the poorest 20% of the population?

- A. 3%.
- B. 5%.
- C. 10%.
- D. 15%.

105. Approximately, what percentage of Canada's national income goes to the richest 20% of the population?

- A. 9%.
- B. 16%.
- C. 25%.
- D. 35%
- E. 44%

106. Compared to the G8 countries, how does Canada rank in terms of the percentage of its income which it exports?

- A. It exports the most.
- B. It is the second biggest exporter.
- C. It is the sixth biggest exporter.
- D. It exports the least.

107. How has Canada performed in terms of the government's budget since 1990?

- A. It produced budget deficits every year.
- B. It had deficits every year but the size of the deficits declined.
- C. It had big deficits for most of the 1990s but has had surpluses in recent years.
- D. It had budget surpluses in the early 1990s but has had deficits in recent years.

108. Which two economic goals are the most difficult to achieve simultaneously?

- A. Economic growth and full employment.
- B. Full employment and an equitable distribution of incomes.
- C. Full employment and stable prices.
- D. Economic growth and a high standard of living.

109. Which of the following is most likely to result from a policy of cutting taxes for corporations and high-income groups?

- A. It will help cure inflation but will cause unemployment.
- B. It will help cure inflation but will cause lower economic growth.
- C. It will help economic growth but will cause unemployment.
- D. It will help economic growth but will cause a more unequal distribution of incomes.

110. All of the following are tools used by government to help achieve economic goals. Which is the exception?

- A. Fiduciary policy.
- B. Direct controls.
- C. Monetary policy.
- D. Fiscal policy.

111. What does fiscal policy relate to?

- A. The government's control over the money supply.
- B. The Bank of Canada's control over the money supply.
- C. The government's taxation and spending policies.
- D. The government's interest rate and money supply policies.

112. What does monetary policy relate to?

- A. The government's control over the money supply.
- B. The Bank of Canada's interest rate and money supply policies.
- C. The government's taxation and spending policies.
- D. The government's interest rate and money supply policies.

113. What are direct controls?

- A. Legislation introduced to address specific macroeconomic goals.
- B. The Bank of Canada's control over the money supply.
- C. The government's taxation and spending policies.
- D. The government's interest rate and money supply policies.

114. All of the following statements, except one, are valid examples of the way economists use the term "scarcity." Which is the exception?

- A. Households face a scarcity of income.
- B. Individuals face a scarcity of time.
- C. Economies face a scarcity of resources.
- D. The world faces a scarcity of ideas.

115. What is the definition of opportunity cost?

- A. The amount of money spent on a good.
- B. The value of the next best alternative that is given up as a result of making a particular decision.
- C. The value of all the alternatives given up as a result of making a particular decision.
- D. The cost incurred in producing a good.

116. Meredith had only \$16 to spend this last weekend. She was, at first, uncertain about whether to go to two movies she had been wishing to see or to buy a new CD she had recently heard. In the end she went to the movies. Which of the following statements is correct?

- A. The choice of the two movies and not the CD is an example of increasing costs.
- B. The opportunity cost of the two movies is one CD.
- C. The opportunity cost of the two movies is \$16.
- D. The choice of two movies rather than one CD was a bad one.

117. In reference to voluntary trade, what was Adam Smith the first to recognize?

- A. It does not happen very often.
- B. It may or may not benefit one or both of the parties to the trade.
- C. It benefits one party to the trade but only at the expense of the other.
- D. It benefits both parties to the trade.

118. What are the three fundamental questions in economics?

- A. What to produce, how to produce it, and for whom is it produced.
- B. Is it necessary, is it right, and is it valuable?
- C. Who should produce, what is the right way to produce, and how should we decide?
- D. What to produce, how to produce it, and who should produce it.

119. What are the four basic ways that society can use to organize its economic affairs?

- A. With consumer goods, capital goods, models and positive statements.
- B. Using cooperation, command, custom or competition.
- C. Using plentiful resources, opportunity costs, technology and specialization.
- D. Using capitalism, communism, fantasy and technology.

120. "Factors of production" is a term that can be used interchangeably with:

- A. Models.
- B. Consumer goods.
- C. Either resources or inputs.
- D. Technologies.

121. What are the factors of production?

- A. Land, labour, money, and enterprise.
- B. Land, labour, money, and capital.
- C. Land, labour, capital, and enterprise.
- D. Competition, command, custom, and cooperation.

122. What are the names of the factor payments?

- A. Consumption spending and investment spending.
- B. Wages and profits.
- C. Wages, interest, and profits.
- D. Wages, interest, rent, and profits.

123. What is an example of an economic model?

- A. Opportunity costs.
- B. Scarcity of resources.
- C. Positive statements.
- D. Production possibilities curve.

124. All of the following, except one, are capital goods. Which is the exception?

- A. An office building.
- B. A boiler in a pulp mill.
- C. A garden shed.
- D. An airport runway.

125. Which of the following is not a macroeconomic goal?

- A. Improvements in the standard of living.
- B. Ensuring that the true needs of all people are met.
- C. Full employment.
- D. Stable prices.

126. All of the following, except one, are tools of macroeconomic policy. Which is the exception?

- A. Direct controls.
- B. Fiscal policy.
- C. Destabilization policy.
- D. Monetary policy.

127. Which of the following refers to the concept of specialization?

- A. Different individuals value goods differently.
- B. Some individuals are richer than others.
- C. Different nations have different opportunity costs of producing goods.
- D. Some nations are richer than others.

128. Economics is relevant because

- A. economist has all the right answers.
- B. many issues has an economic dimension.
- C. it teaches us how to make money.
- D. None of these.

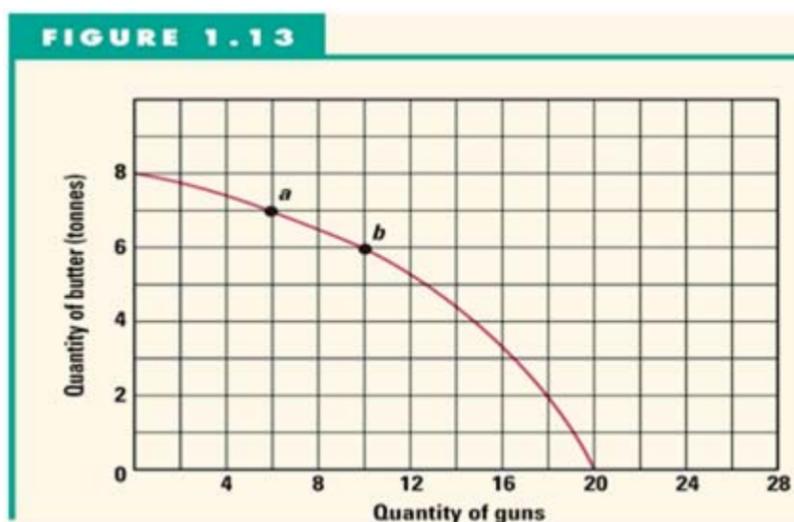
129. Which of the following is most valid with respect to macroeconomic goals?

- A. They tend to complement each other.
- B. They are always in conflict with each other.
- C. Some are complementary and some are in conflict.
- D. They are accepted as valid by everyone in society.

130. What is the distinction between a positive and a normative statement?

- A. Positive statements are assertions that can be tested with data, whereas normative statements are based on a value system of beliefs.
- B. Normative statements are assertions that can be tested with data, whereas positive statements are based on a value system of beliefs.
- C. The distinction depends on the context in which each statement is used.
- D. Positive statements are correct statements of fact, whereas normative statements are incorrect.

Figure 1.13 shows Mendork's production possibility curve for the only two goods that it produces—guns and butter.



131. Refer to Figure 1.13 to answer this question. If Mendork's production is currently that indicated by point a, what is the cost of producing four more guns?

- A. 1 tonne of butter.
- B. 2 tonnes of butter.
- C. 6 tonnes of butter.
- D. 10 tonnes of butter.

132. Refer to Figure 1.13 to answer this question. What is the opportunity cost of one more tonne of butter as output changes from point b to a?

- A. 2 guns.
- B. 4 guns.
- C. 10 guns.
- D. 6 guns.

133. Refer to Figure 1.13 to answer this question. Which of the following statements is correct if Mendork is currently producing 5 tonnes of butter and 8 guns?

- A. This society is using competition to coordinate its economic activities.
- B. This society is experiencing either unemployment or inefficiency.
- C. This economy is experiencing full employment.
- D. This society is not adequately answering the "for whom" question.
- E. This economy is growing quickly.

134. Refer to Figure 1.13 to answer this question. What is the opportunity cost of producing 2 tonnes of butter?

- A. 2 guns.
- B. 18 guns.
- C. 20 guns.

D. The answer cannot be determined from the information given.

135. Refer to Figure 1.13 to answer this question. If new technology increased the output of guns by 50 percent, how many guns could be produced if 6 tonnes of butter were produced?

- A. 18 guns.
- B. 20 guns.
- C. 15 guns.
- D. 10 guns.
- E. 0 guns.

136. What is the controversy with economic growth?

- A. Economic growth leads to higher income.
- B. Economic growth leads to greater leisure time.
- C. Economic growth leads to increase pollution.
- D. Economic growth leads to greater job satisfaction.

137. Which of the following statements describes the law of increasing costs?

- A. As the quantity produced of any particular item decreases, its per unit cost of production rises.
- B. As the quantity produced of any particular item increases, its per unit cost of production rises.
- C. The prices of consumer goods and services always rise and never fall.
- D. If you wait to make a purchase, you will pay a higher price.
- E. The total cost of production rises as output goes up.

138. All of the following, except one, are correct for a society that emphasizes the production of capital goods over that of consumer goods. Which is the exception?

- A. The society could enjoy the same quantity of capital goods and a larger quantity of consumer goods in the future.
- B. The society will have to save more now than a society that did not emphasize the production of capital goods.
- C. The society could enjoy the same quantity of consumer goods and a larger quantity of capital goods in the future.
- D. The society will grow faster than a society that emphasizes the production of consumer goods.
- E. The society will have to save less now than a society that did not emphasize the production of capital goods.

139. All of the following statements, except one, are positive statements. Which is the exception?

- A. Increasing cigarette taxes will result in higher prices.
- B. The government must increase the tax on cigarettes.
- C. Higher price for cigarettes will decrease the quantity demanded.
- D. The price of cigarettes is higher in Canada than in Russia.

140. All of the following statements, except one, are normative statements. Which is the exception?

- A. The government should decrease spending.
- B. Government spending is a topic in macroeconomics.
- C. Cuts to government spending in Canada have had enormous social costs.
- D. Increasing taxes is better than cutting government spending.

141. Resource depletion and high rates of pollution are possible results of which of the following?

- A. Economic growth.
- B. A more equitable distribution of income.
- C. A higher standard of living.
- D. Unemployment.
- E. All of these.

142. Which of the following forces choice in macroeconomics?

- A. Opportunity costs.
- B. Limited wants and needs.
- C. Voluntary trade.
- D. Scarcity.
- E. All of these.

143. In general, how to produce depends most on which of the following?

- A. Demand for goods and services.
- B. Distribution of income.
- C. Opportunity costs and productivity of factors.
- D. The scientific method.

144. Which type of economy would involve a central governing body making all of the fundamental economic decisions?

- A. Cooperation.
- B. Command.
- C. Custom.
- D. Competition.
- E. Consumer.

145. Which of the following is the factor payment received for the ability to give practical applications to ideas?

- A. Rent.
- B. Interest.
- C. Wages.
- D. Profit.
- E. Capital.

146. Which of the following is true about economics?

- A. It is a pure science.
- B. It deals in generalities.
- C. It is more complex than reality.
- D. It ignores reality in developing models.

147. Which of the following best describe the economies of a capitalist society?

- A. Competition.
- B. Command.
- C. Mix of competition and command.
- D. Mix of competition and custom.

148. All of the following, except one, are factors of production. Which is the exception?

- A. Labour.
- B. Capital.
- C. Land.
- D. Enterprise.
- E. Competition.

149. Which of the following is a consumer good or service?

- A. An office computer.
- B. A farm tractor.
- C. A haircut.
- D. A menu in a restaurant.
- E. A government bond.

150. All of the following, except one, are typically macroeconomic topics. Which is the exception?

- A. Unemployment.
- B. Interest rates.
- C. Taxation policies.
- D. Marginal utility.
- E. National income.

151. Which of the following will always result in an equitable distribution of income?

- A. Economic growth.
- B. Low unemployment.
- C. Low inflation.
- D. A viable balance of international trade.
- E. Trade surplus.

152. Identify and explain the three fundamental questions in economics.

153. Identify and explain the four factors of production and the names given to payments received by each.

154. Define and give an example of the law of increasing costs.

155. Identify and briefly explain the four Cs used to organize an economy. Which one is the most recent, and when did it emerge.

156. What are some of the problems of economic growth?

157. The cost of getting a degree (tuition and textbooks) from a private school is \$20,000 a year. Evaluate this statement.

158. How does microeconomics differ from macroeconomics?

159. Explain how microeconomics differs from macroeconomics and then categorize the following questions as either microeconomic or macroeconomic questions:

- How will interest rates change when the Federal Reserve Bank increases the money supply?
- How will Nike's share of the market change when Reebok increases their marketing expenditures?
- How does a tariff on imported steel affect the U.S. steel industry?
- Should Wal-Mart renovate its stores nationwide?
- Should the government lower income taxes to stimulate consumption?

160. Consider a farmer's production possibilities curve, with corn measured on the vertical axis, and soybeans on the horizontal. Describe the impact of each of the following on the curve:

- The farmer buys or rents more land.
- A higher yielding variety of corn seed is developed.
- The farmer hires 50 percent more farm workers.
- The price of soybeans increases.

161. Below is the production possibilities table for the country of Lavaland.

% resources devoted to production of tanks	Number of tanks	% resources devoted to production of pizza	Number of pizzas	Row
0	0	100	15	A
20	4	80	14	B
40	7	60	12	C
60	9	40	9	D
80	11	20	5	E
100	12	0	0	F

- Use the information in the Table to draw the production possibilities curve (PP1) for Lavaland. Put tanks on the horizontal axis.
- What is the cost to Lavaland of moving from point A to point B on its PP1?
- What is the cost to Lavaland of moving from point E to point F?
- What general economic principle is being illustrated by your answers to part (b) and (c) above? Explain.

162. Below is a list of resources. Indicate whether each is labour (L), capital (K), land (N), or enterprise (E).
a) A shopping mall.

- b) A shoal of salmon on the high seas.
- c) Lumber in a lumber yard.
- d) The work of a brain surgeon.
- e) The work done by Todd Bertuzzi, hockey player.

163. Tigris produces only two products: tennis balls and tennis racquets. Each worker comes with a fixed quantity of materials and capital, and the economy's labour force is fixed at 100 workers. The following table indicates the amounts of balls and racquets that can be produced daily with various quantities of labour:

Number of Workers	Daily Production of Tennis Balls	Number of Workers	Daily Production of Racquets
0	0	0	0
20	80	20	30
40	150	40	50
60	200	60	65
80	230	80	75
100	250	100	80

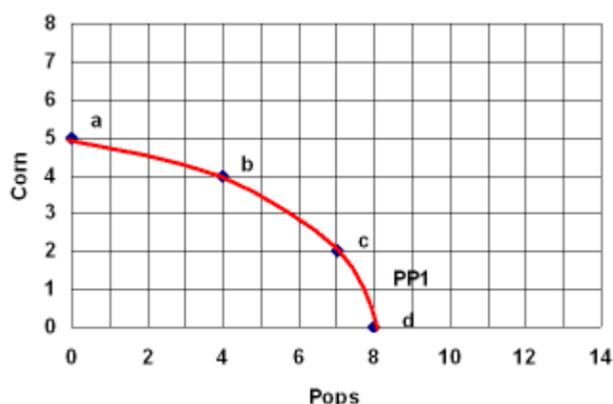
- a) Can Tigris produce 200 balls and 60 racquets?
- b) What is the total cost of producing 150 balls?
- c) What is the total cost of producing 75 racquets?
- d) If Tigris is currently producing 230 balls, what is the cost of an additional 20 balls?
- e) If Tigris is currently producing 30 racquets, what is the cost of an additional 20 racquets?

164. The data below show the total production (in millions) of the only two goods produced in the countries of Carleton and Cumbria.

Carleton	10 binoculars	or	15 cameras
Cumbria	12 binoculars	or	9 cameras

- a) What is the opportunity cost of a binocular in Carleton?
- b) What is the opportunity cost of a camera in Cumbria?
- c) If, before trade, each country was devoting half its resources to producing each product, what is the total amount they were both producing?
- d) If the two countries were to specialize in producing the product they do best, what would be the total amount they could produce?
- e) What are the total gains as a result of specialization?

165. The following graph shows the production possibilities for the economy of Esher:



- a) What is the total cost of producing 7 pops?
 - b) What is the total cost of producing 4 corns?
 - c) What is the cost of moving from point b to point c?
- Suppose that Esher experiences a 50% increase in the productivity of producing Pops.
- d) Draw in the new production possibilities curve labelled PP2.
 - e) If Esher wants to have 6 pops, how many corn can it now have?

166. Identify the following statements as either positive (P) or normative (N) and also whether they are microeconomic (MI) or macroeconomic (MA) in nature:

- a) The government should impose a maximum on the price of oil.
- b) The price of oil in Canada is determined by the market.
- c) Economic growth is too low in Canada.
- d) The lowest earning 20 percent of the Canadian population earn only 5 percent of the total income.
- e) Unemployment is a far more serious problem than inflation.

167. Why is economics relevant?

168. Discuss the pros and cons of economic growth.

169. Discuss the pros and cons of taking from the rich and giving to the poor.

170. Define economics.

171. List seven macroeconomic goals.

172. What is the difference between a positive and a normative statement?

173. Define normative statement. Give an example.

174. What is the difference between a factor of production and factor price? Give an example of each.

175. Explain why voluntary trade is mutual beneficial.

176. Scarcity implies choice. Explain

177. Choice implies opportunity cost. Explain.

178. Distinguish between a capital good and a consumer good.

179. Suppose two identical economies with the same production possibility curve. If country A produces more capital goods relative to country B, which country will grow faster? Explain.

180. Given the following production possibility curve. How will the curve change if there is a change in technology of both goods? How will the curve change if there is only a change in the technology of food production?

181. Given the following production possibility curve.

	A	B	C	D	E
Good X	20	18	15	9	0
Good Y	0	5	8	11	12

- What is the opportunity cost from point A to point B?
- What is the opportunity cost from point B to point C?
- What is the opportunity cost from point C to point D?
- What is the opportunity cost from point D to point E?

182. Is it more cost effective to remove snow from city highways with labour or capital? Explain.

183. List the tools policy makers use to achieve economic goals

184. Given the following production possibility curve.

	A	B	C	D	E
Peanut Butter	30	27	22	15	0
Jelly	0	8	11	14	15

- What is the total cost of producing 27 units of peanut butter?
- What is the total cost of producing 8 units of jelly?
- What is the opportunity cost from point B to point D?
- What is the per unit cost of going from point B to point A?

185. Using the following information,

Method	Labour	Capital	Output
A	3 units	1 unit	5 units
B	4 units	1 unit	5 units
C	2 units	2 units	5 units

- a) which method is more efficient, Method A or Method B?
 b) which method is more efficient, Method A or Method C?

186. Suppose both Alpha and Beta has 10 units of economic resource.
 One unit of economic resource can produce

	Cups	or	Saucer
Alpha	3 units	or	1 unit
Beta	2 units	or	4 units

- a) What is the opportunity cost of 1 cup for Alpha?
 The opportunity cost of 1 cup in Alpha is $\frac{1}{3}$ saucer.
 b) What is the opportunity cost of 1 saucer for Beta?
 The opportunity cost of 1 saucer in Beta is $\frac{1}{2}$ cup.
 c) If Alpha and Beta are allow to trade, would Alpha specialize in the production of cups or saucer? Explain
 Alpha would specialize in the production of cups because it has a lower opportunity cost in cup production. The opportunity cost of 1 cup for Alpha is $\frac{1}{3}$ saucer and 2 cups for Beta.

1 KEY

1. An economy as a whole faces scarcity because of limited national income.

FALSE

*Difficulty: Easy
Sayre - Macroeconomics --... #1
Source: StudyGuide
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension*

2. The three fundamental questions in economics are what, how, and how many.

FALSE

*Difficulty: Easy
Sayre - Macroeconomics --... #2
Source: StudyGuide
Topic: Mac1.6 The Three Fundamental Questions
Type: Definition*

3. Opportunity cost is the value of the next-best alternative that is given up as a result of making a particular choice.

TRUE

*Difficulty: Easy
Sayre - Macroeconomics --... #3
Source: StudyGuide
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Definition*

4. There are only three Cs that humankind has used to coordinate its economies: cooperation, custom, and competition.

FALSE

*Difficulty: Easy
Sayre - Macroeconomics --... #4
Source: StudyGuide
Topic: Mac1.7 Four Types of Economies
Type: Definition*

5. Wages, interest, rent, and profits are the four factors of production.

FALSE

*Difficulty: Easy
Sayre - Macroeconomics --... #5
Source: StudyGuide
Topic: Mac1.7 Four Types of Economies
Type: Definition*

6. A production possibility curve is a graphical representation of the various combinations of output that are wanted.

FALSE

*Difficulty: Easy
Sayre - Macroeconomics --... #6
Source: StudyGuide
Topic: Mac1.8 Production Possibilities
Type: Definition*

7. Macroeconomics focuses on the outcomes of decisions by people and firms, whereas microeconomics is a study of how the major components of an economy interact.

FALSE

*Difficulty: Easy
Sayre - Macroeconomics --... #7
Source: StudyGuide
Topic: Mac1.2 What is Economics?
Type: Definition*

8. Technological improvement can be illustrated graphically by a rightward shift in the production possibilities curve.

TRUE

*Difficulty: Easy
Sayre - Macroeconomics --... #8
Source: StudyGuide
Topic: Mac1.8 Production Possibilities
Type: Comprehension*

9. Tax policy, tariff policy, budget policy, monetary policy, and exchange rate policy are all examples of economic policies.

TRUE

*Difficulty: Easy
Sayre - Macroeconomics --... #9
Source: StudyGuide
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension*

10. Canada's highest unemployment rates were recorded in the 1930s.

TRUE

*Difficulty: Easy
Sayre - Macroeconomics --... #10
Source: StudyGuide
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension*

11. What do economists mean when they say that the economy faces scarcity?

- A. There are fewer resources available than there were in the 1960s.
- B. It is quite evident that the world is running out of resources.
- C. The economy is producing far below its capacity to produce.
- D.** The resources available are not sufficient to produce all that everyone wants.

Difficulty: Easy
Sayre - Macroeconomics --... #11
Source: Text
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

12. What do economists assume is true about human wants?

- A. They are easily defined.
- B. That we are on the verge of being able to satisfy them.
- C.** They are unlimited.
- D. They haven't changed much over the centuries.

Difficulty: Easy
Sayre - Macroeconomics --... #12
Source: Text
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

13. Which of the following terms describes the next best alternative that must be sacrificed as a result of making a particular choice?

- A. Microeconomics.
- B.** Opportunity cost.
- C. Macroeconomics.
- D. The law of increasing costs.
- E. Scarcity.

Difficulty: Easy
Sayre - Macroeconomics --... #13
Source: Text
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Definition

14. What is the opportunity cost of a particular product?

- A. The price paid for that product.
- B. The value put on that product by the person who bought it.
- C.** The value of the next-best alternative that is given up as a result of buying that particular product.
- D. The combined value of all the other alternatives that are given up as a result of buying that particular product.

Difficulty: Easy
Sayre - Macroeconomics --... #14
Source: Text
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Definition

15. Gwen had only \$10 yesterday. She was uncertain whether to go out for lunch or to buy beer. In the end she bought beer. Which of the following statements is correct?

- A. The choice of the beer and not lunch is an example of constant costs.
- B. The cost of buying beer is less than lunch.
- C.** The opportunity cost of beer is lunch.
- D. The opportunity cost of beer is \$10.

Difficulty: Easy
Sayre - Macroeconomics --... #15
Source: Text
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

16. Which of the following is correct?

- A.** Scarcity forces choice which involves opportunity costs.
- B. Choice causes scarcity which involves increasing costs.
- C. Choice causes scarcity which involves opportunity costs.
- D. Scarcity forces choice which involves increasing costs.

Difficulty: Easy
Sayre - Macroeconomics --... #16
Source: Text
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

17. What can we say is true as a result of people engaging in voluntary trade?

- A. One person gains and the other loses.
- B. One person gains while there is a neutral effect on the other person.
- C.** Both people gain.
- D. Neither person gains.

Difficulty: Easy
Sayre - Macroeconomics --... #17
Source: Text
Topic: Mac1.5 The Power of Trade
Type: Comprehension

The maximum production possible in Rome and in Cathay are as follows:

Rome	40 bread	or	20 figs
Cathay	20 bread	or	40 figs

18. If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what will be the output in each country?
- A. 40 bread and 20 figs in Rome and 20 bread and 40 figs in Cathay.
 - B. 40 bread and 0 figs in Rome and 20 bread and 0 figs in Cathay.
 - C. 0 bread and 20 figs in Rome and 0 bread and 40 figs in Cathay.
 - D.** 20 bread and 10 figs in Rome and 10 bread and 20 figs in Cathay.

Difficulty: Easy
 Sayre - Macroeconomics ... #18
 Source: Text
 Topic: Mac1.5 The Power of Trade
 Type: Computation

19. If each country is self-sufficient (no trade) and each allocates one half of its resources to producing each of the two products, what is the combined output in the two countries?
- A. 60 bread and 60 figs.
 - B. 60 bread and 0 figs.
 - C. 0 bread and 60 figs.
 - D.** 30 bread and 30 figs.

Difficulty: Easy
 Sayre - Macroeconomics ... #19
 Source: Text
 Topic: Mac1.5 The Power of Trade
 Type: Computation

20. If each country specializes in the production of what it does best and trades with the other, what is the combined output?
- A. 20 bread and 20 figs.
 - B. 30 bread and 30 figs.
 - C.** 40 bread and 40 figs.
 - D. 60 bread and 60 figs.

Difficulty: Difficult
 Sayre - Macroeconomics ... #20
 Source: Text
 Topic: Mac1.5 The Power of Trade
 Type: Computation

21. If each country specializes in the production of what it does best, what are the gains from trade?
- A. There are no gains.
 - B. 20 bread.
 - C. 20 figs.
 - D.** 10 bread and 10 figs.

Difficulty: Difficult
 Sayre - Macroeconomics ... #21
 Source: Text
 Topic: Mac1.5 The Power of Trade
 Type: Computation

22. What is implied by the following statement: Should scarce resources be devoted to persuading people to quit smoking or to developing a less harmful form of tobacco?
- A.** What to produce?
 - B. How to produce?
 - C. For whom?
 - D. How much competition?
 - E. How much command?

Difficulty: Easy
 Sayre - Macroeconomics ... #22
 Source: Text
 Topic: Mac1.6 The Three Fundamental Questions
 Type: Comprehension

23. What is implied by the following statement: The appropriate technology in one country can be quite different from the appropriate technology in another country.
- A. What to produce?
 - B.** How to produce?
 - C. For whom?
 - D. How much competition?
 - E. How much command?

Difficulty: Easy
 Sayre - Macroeconomics ... #23
 Source: Text
 Topic: Mac1.6 The Three Fundamental Questions
 Type: Comprehension

24. What is implied by the following statement: Social policies are needed to ensure that no individual lives in poverty.
- A. What to produce?
 - B. How to produce?
 - C.** For whom?
 - D. How much competition?
 - E. How much command?

Difficulty: Easy
 Sayre - Macroeconomics ... #24

Source: Text
 Topic: Mac1.6 The Three Fundamental Questions
 Type: Comprehension

25. All of the following except one are considered to be among the three fundamental questions in economics? Which one is the exception?

- A. What to produce?
- B.** How much competition?
- C. How to produce?
- D. For whom?

Difficulty: Easy
 Sayre - Macroeconomics --... #25
 Source: Text
 Topic: Mac1.6 The Three Fundamental Questions
 Type: Definition

26. Which of the following was argued by John Stuart Mill?

- A. It is ideas, not vested interests, which are dangerous for good and evil.
- B. The distribution of money is dictated by the pattern of resource use.
- C. As technology changes, what is produced also necessarily changes.
- D.** Society can intervene in any fashion that it may wish to redistribute income.

Difficulty: Easy
 Sayre - Macroeconomics --... #26
 Source: Text
 Topic: Mac1.6 The Three Fundamental Questions
 Type: Comprehension

27. All of the following except one are factors of production. Which is the exception?

- A. Land.
- B. Labour.
- C. Capital.
- D.** Money.
- E. Enterprise.

Difficulty: Easy
 Sayre - Macroeconomics --... #27
 Source: Text
 Topic: Mac1.7 Four Types of Economics
 Type: Definition

28. Which of the following is an alternative for the term *factors of production*?

- A. Methods of organizing an economy.
- B. Ways of coordinating an economy.
- C.** Productive resources or inputs.
- D. Goods and services.

Difficulty: Easy
 Sayre - Macroeconomics --... #28
 Source: Text
 Topic: Mac1.7 Four Types of Economics
 Type: Definition

29. All of the following except one are included in the four Cs used, throughout history, by humankind to coordinate its economies. Which is the exception?

- A. Cooperation.
- B.** Communism.
- C. Custom.
- D. Competition.
- E. Command.

Difficulty: Easy
 Sayre - Macroeconomics --... #29
 Source: Text
 Topic: Mac1.7 Four Types of Economics
 Type: Definition

30. When did market economies first emerge?

- A.** Approximately 250 years ago.
- B. Over 500 years ago.
- C. Soon after the fall of the Roman Empire.
- D. It is uncertain, but at least 2,500 years ago.

Difficulty: Easy
 Sayre - Macroeconomics --... #30
 Source: Text
 Topic: Mac1.7 Four Types of Economics
 Type: Comprehension

31. Which pair of the four Cs would play the dominant role in a simple hunter/gatherer society such as that of the San people of the Kalahari Desert?

- A. Commercialization and competition.
- B.** Cooperation and custom.
- C. Competition and cooperation.
- D. Command and competition.

Difficulty: Easy
 Sayre - Macroeconomics --... #31
 Source: Text
 Topic: Mac1.7 Four Types of Economics
 Type: Comprehension

32. Which pair of the four Cs plays the dominant role in Canada today?

- A. Custom and competition.
- B. Cooperation and competition.
- C. Command and competition.**
- D. Command and cooperation.

Difficulty: Easy
Sayre - Macroeconomics –... #32
Source: Text
Topic: Mac1.7 Four Types of Economics
Type: Comprehension

33. The fact that the typical movie theatre charges people for popcorn but does not charge them to use the restrooms is an example of which of the four Cs?

- A. Competition.
- B. Command.
- C. Custom.**
- D. Cooperation.

Difficulty: Easy
Sayre - Macroeconomics –... #33
Source: Text
Topic: Mac1.7 Four Types of Economics
Type: Comprehension

34. Which of the following statements concerning capitalism and socialism is false?

- A. Sweden is more of a socialist economy than is Hong Kong.
- B. Government plays a larger role in a capitalist economy.**
- C. There is more economic planning in a socialist economy.
- D. The Canadian economy is more socialist than is the US economy.

Difficulty: Easy
Sayre - Macroeconomics –... #34
Source: Text
Topic: Mac1.7 Four Types of Economics
Type: Comprehension

35. Which of the following would best describe a policy of *laissez-faire*?

- A. More production of capital goods than consumer goods.
- B. More production of consumer goods than capital goods.
- C. An emphasis on the role of the market.**
- D. An emphasis on the role of government.
- E. A reliance on custom.

Difficulty: Easy
Sayre - Macroeconomics –... #35
Source: Text
Topic: Mac1.7 Four Types of Economics
Type: Definition

36. What do economists always do when they are constructing theories or models?

- A. They make simplifying assumptions.**
- B. They attempt to duplicate the real world.
- C. They ensure that the theory can be expressed mathematically.
- D. They try to include as much information as possible.

Difficulty: Easy
Sayre - Macroeconomics –... #36
Source: Text
Topic: Mac1.2 What is Economics?
Type: Comprehension

37. What is true about an economic model?

- A. It is built on a series of assumptions.
- B. It establishes cause and effect between variables.
- C. It can make predictions that can be tested with empirical data.
- D. It could also be called an economic theory.
- E. It is built on a series of assumptions, it establishes cause and effect between variables, it can make predictions that can be tested with empirical data, and it could also be called an economic theory.**

Difficulty: Easy
Sayre - Macroeconomics –... #37
Source: Text
Topic: Mac1.2 What is Economics?
Type: Comprehension

38. All of the following except one are true of economic theories or models. Which one is the exception?

- A. They attempt to establish cause and effect between economic variables.
- B. They always reflect reality.**
- C. They are built with assumptions and then tested with facts.
- D. They are generalizations used to give context to our observations.

Difficulty: Easy
Sayre - Macroeconomics –... #38
Source: Text
Topic: Mac1.2 What is Economics?
Type: Comprehension

39. All of the following except one are positive statements. Which is the exception?

- A.** The government needs to reduce its budget deficit.
- B. A decrease in price will lead to a larger quantity bought.
- C. Production is subject to the law of increasing costs.
- D. The degree of competition in our economy has been increasing in the last ten years.

Difficulty: Easy
 Sayre - Macroeconomics –... #39
 Source: Text
 Topic: Mac1.2 What is Economics?
 Type: Comprehension

40. All of the following statements, except one, are positive statements. Which is the exception?

- A. Economics is a social science.
- B. Economics is sometimes referred as the science of choice.
- C. A majority of economists argue that economics is a very relevant discipline.
- D.** Economics should be a mandatory course in all Canadian colleges and universities.
- E. Economics is a possible undergraduate major for students who want to go to law school.

Difficulty: Easy
 Sayre - Macroeconomics –... #40
 Source: Text
 Topic: Mac1.2 What is Economics?
 Type: Comprehension

41. All of the following statements, except one, are normative statements. Which is the exception?

- A. The taxes on gasoline should be lower.
- B.** Lowering the taxes on gasoline would decrease the price at the pump.
- C. It is wrong for the government to tax gasoline.
- D. The government is trying to mislead people about the tax on gasoline.

Difficulty: Easy
 Sayre - Macroeconomics –... #41
 Source: Text
 Topic: Mac1.2 What is Economics?
 Type: Comprehension

42. According to the text, which of the following do Germans value more than efficiency?

- A.** Equality
- B. Liberty
- C. Loyalty
- D. Happiness

Difficulty: Easy
 Sayre - Macroeconomics –... #42
 Source: Text
 Topic: Mac1.3 Underlying Values
 Type: Comprehension

43. According to the text, which of the following do Americans value more than efficiency?

- A. Equality
- B.** Liberty
- C. Loyalty
- D. Happiness

Difficulty: Easy
 Sayre - Macroeconomics –... #43
 Source: Text
 Topic: Mac1.3 Underlying Values
 Type: Comprehension

44. According to the text, which of the following do the Japanese value more than efficiency?

- A. Equality
- B. Liberty
- C.** Loyalty
- D. Happiness

Difficulty: Easy
 Sayre - Macroeconomics –... #44
 Source: Text
 Topic: Mac1.3 Underlying Values
 Type: Comprehension

45. What term is used to describe getting the most for the least?

- A. Enterprise.
- B. Effectiveness.
- C.** Efficiency.
- D. Economics.

Difficulty: Easy
 Sayre - Macroeconomics –... #45
 Source: Text
 Topic: Mac1.3 Underlying Values
 Type: Comprehension

46. What does the term technology mean to an economist?

- A.** The way various factors of production are combined to obtain output.
- B. The most recent methods of production.
- C. High-tech methods of production as found, for example, in the computer industry.
- D. The way in which products are allocated.

Difficulty: Easy
 Sayre - Macroeconomics --... #46
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Definition

47. What term is used to describe the way that the various factors of production are combined to obtain output?
- A. Opportunity costs.
 - B. Types of economies.
 - C. Ways of coordinating an economy.
 - D. Technology.**

Difficulty: Easy
 Sayre - Macroeconomics --... #47
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Definition

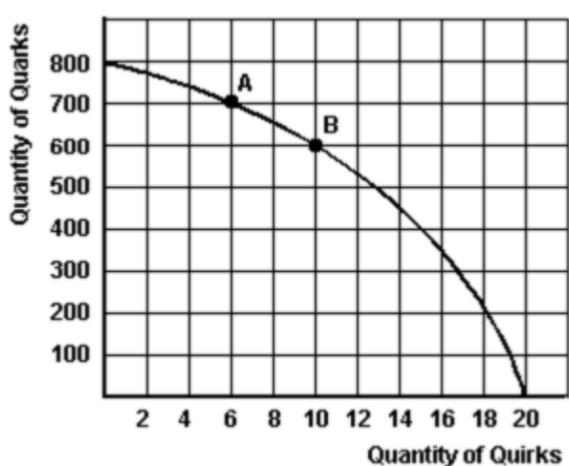
48. Which of the following is a capital good?
- A. An oven in a bakery.**
 - B. A home computer.
 - C. The first application of CD ROM technology to an economics textbook.
 - D. An investment in IBM stock.

Difficulty: Easy
 Sayre - Macroeconomics --... #48
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Comprehension

49. Which of the following statements describes the law of increasing costs?
- A. As the economy's production level of any particular item decreases, its opportunity cost rises.
 - B. As the economy's production level of any particular item increases, its opportunity cost rises.**
 - C. The prices of consumer goods always rise and never fall.
 - D. If someone waits to make a purchase, she will pay a higher price.
 - E. The total cost of production rises as output goes up.

Difficulty: Easy
 Sayre - Macroeconomics --... #49
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Definition

The graph below is Mendork's production possibility curve for the only two goods that it produces—quirks and quarks.



Sayre - Macroeconomics --...

50. Refer to the graph above to answer this question. If this society chooses to produce 10 quirks, what is the maximum quantity of quarks it can produce?
- A. 500 quarks.
 - B. 800 quarks.
 - C. No quarks.
 - D. 600 quarks.**

Difficulty: Easy
 Sayre - Macroeconomics --... #50
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

51. Refer to the graph above to answer this question. What is the opportunity cost of producing the first 700 quarks?
- A. It is 6 quirks.
 - B. It is 10 quirks.
 - C. It is 14 quirks.**
 - D. The answer cannot be determined from the information given.

Difficulty: Difficult
 Sayre - Macroeconomics --... #51
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

52. Refer to the graph above to answer this question. If Mendork's current production is at point A, what is the (approximate) cost of producing one more quirk?
- A. 100 quarks.
 - B. 50 quarks.

- C. 25 quarks.
- D. 200 quarks.
- E. One more quark.

Difficulty: Difficult
 Sayre - Macroeconomics --... #52
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

53. Refer to the graph above to answer this question. If Mendork's current production is at point B, what is the opportunity cost of one more quark as output changes from point B to A?

- A. 0.04 quirks.
- B. 4 quirks.
- C. 400 quirks.
- D. 1 quirk.
- E. 0.4 quirks.

Difficulty: Difficult
 Sayre - Macroeconomics --... #53
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

54. Refer to the graph above to answer this question. If new technology increased the output of quirks by 50%, how many quirks could be produced if 600 quarks were produced?

- A. 18 quirks.
- B. 20 quirks.
- C. 15 quirks.
- D. 10 quirks.
- E. No quirks.

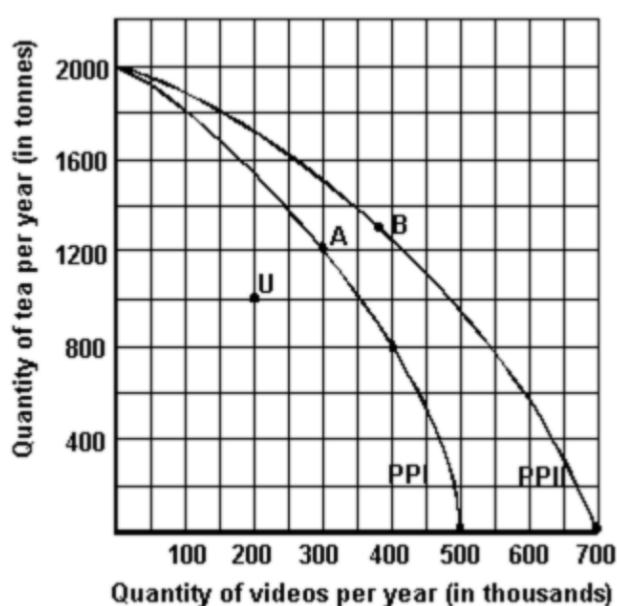
Difficulty: Difficult
 Sayre - Macroeconomics --... #54
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

55. Refer to the graph above to answer this question. Which of the following statements is correct if Mendork is currently producing 500 quarks and 8 quirks?

- A. This society is using competition to coordinate its economic activities.
- B. This society is experiencing either unemployment or inefficiency.
- C. This economy is experiencing full employment.
- D. This society is not adequately answering the question: "What to produce".
- E. This economy is growing quickly.

Difficulty: Easy
 Sayre - Macroeconomics --... #55
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Comprehension

Below is a production possibilities curve involving tea and videos.



Sayre - Macroeconomics --...

56. Refer to the graph above to answer this question. Which of the following illustrates the law of increasing costs?

- A. Any point outside the production possibilities curve.
- B. A "bowed-out" production possibilities curve.
- C. A straight-line production possibilities curve.
- D. Any point inside the production possibilities curve.

Difficulty: Easy
 Sayre - Macroeconomics --... #56
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Comprehension

57. Refer to the graph above to answer this question. Assume that the economy is facing PPI and that the economy is currently producing the combination of tea and videos represented by point A. What is the opportunity cost of increasing the output of videos to 400,000?

- A. 400 tons of tea.

- B. 800 tons of tea.
- C. 100,000 videos.
- D. 300,000 videos.

Difficulty: Difficult
Sayre - Macroeconomics –... #57
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

58. Refer to the graph above to answer this question. Assume that the economy is facing PPI and that 2,000 tons of tea are produced, how many videos could be produced?

- A. 600,000.
- B. 500,000.
- C. 2,000.
- D. 0.**

Difficulty: Easy
Sayre - Macroeconomics –... #58
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

59. Refer to the graph above to answer this question. What might point U indicate?

- A. Not all resources available to the economy are being used.
- B. The resources being used are not being used efficiently.
- C. The technology being used is not the most appropriate one.
- D. All resources available to the economy are being used.**

Difficulty: Easy
Sayre - Macroeconomics –... #59
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

60. Refer to the graph above to answer this question. What is indicated by the shape of both the PPI and the PPII curves?

- A. Constant costs.
- B. Alternative costs.
- C. Increasing costs.**
- D. Decreasing costs.

Difficulty: Easy
Sayre - Macroeconomics –... #60
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

61. Refer to the graph above to answer this question. What could have caused the shift from PPI to PPII?

- A. A decrease in the price of videos.
- B. Capital accumulation in the tea industry.
- C. A decrease in the opportunity cost of tea.
- D. Technological change in the video industry.**

Difficulty: Difficult
Sayre - Macroeconomics –... #61
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

62. Refer to the graph above to answer this question. Assume that the economy is producing on PPI at point A. After the shift from PPI to PPII, what does point B represent?

- A. An increase in the production of videos but not of tea.
- B. An increase in the production of tea but not of videos.
- C. An decrease in the production of tea but not of videos.
- D. An increase in the production of both goods.**

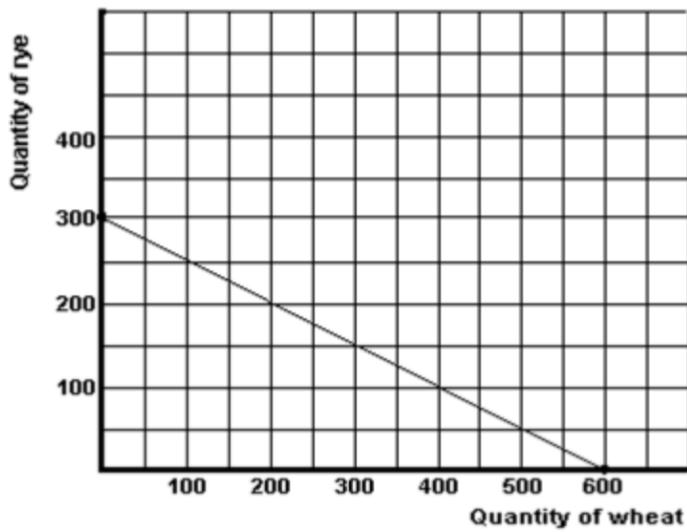
Difficulty: Difficult
Sayre - Macroeconomics –... #62
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

63. Refer to the graph above to answer this question. What is indicated by the shift from PPI to PPII?

- A. Unemployment.
- B. Inflation.
- C. Inefficiency.
- D. Economic growth.**

Difficulty: Easy
Sayre - Macroeconomics –... #63
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

Below is a production possibilities curve for a large tract of prairie farm land.



Sayre - Macroeconomics -...

64. Refer to the graph above to answer this question. What is the total cost of producing 300 units of rye

- A. 0 units of rye.
- B. 0.5 units of rye.
- C. 2 units of rye.
- D.** 600 units of rye.

Difficulty: Easy

Sayre - Macroeconomics -... #64

Source: Text

Topic: Mac1.8 Production Possibilities

Type: Graphic

65. Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of wheat?

- A.** 0.5 units of rye.
- B. 2 units of rye.
- C. 5 units of rye.
- D. \$2.

Difficulty: Difficult

Sayre - Macroeconomics -... #65

Source: Text

Topic: Mac1.8 Production Possibilities

Type: Graphic

66. Refer to the graph above to answer this question. What is the opportunity cost of 1 unit of rye?

- A. 0.5 units of wheat.
- B.** 2 units of wheat.
- C. 5 units of wheat.
- D. \$400.

Difficulty: Difficult

Sayre - Macroeconomics -... #66

Source: Text

Topic: Mac1.8 Production Possibilities

Type: Graphic

67. Refer to the graph above to answer this question. Given the shape of the PP curve, which of the following statements is correct?

- A. The law of increasing costs doesn't apply.
- B. The resources being used to produce rye and wheat are very similar.
- C. The two goods being produced are very similar.
- D. Opportunity costs are constant.
- E.** It is better for the economy to produce rye.

Difficulty: Difficult

Sayre - Macroeconomics -... #67

Source: Text

Topic: Mac1.8 Production Possibilities

Type: Graphic

68. Refer to the graph above to answer this question. If 300 units of rye are being produced, how many units of wheat are possible?

- A. 200 units of wheat.
- B. 300 units of wheat.
- C. 600 units of wheat.
- D.** 0 units of wheat.

Difficulty: Easy

Sayre - Macroeconomics -... #68

Source: Text

Topic: Mac1.8 Production Possibilities

Type: Graphic

69. Refer to the graph above to answer this question. Which of the following statements would be correct if the land was producing 200 units of rye and 100 units of wheat?

- A. Some of the land might be idle.
- B. The most appropriate technology may not be in use.
- C. There may inefficiencies in production.
- D.** Some of the land might be idle, the most appropriate technology may not be in use, and there may inefficiencies in production.

Difficulty: Easy

Sayre - Macroeconomics -... #69

Source: Text

Topic: Mac1.8 Production Possibilities
Type: Graphic

70. Refer to the graph above to answer this question. If 150 units of rye are currently being produced, what is the cost of producing 50 more units of rye?
- A. 25 units of wheat.
 - B. 50 units of wheat.
 - C.** 100 units of wheat.
 - D. 400 units of wheat.
 - E. Cannot be determined.

Difficulty: Difficult
Sayre - Macroeconomics --... #70
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Graphic

Below are some production possibilities data for the mystical land of Lhanor.

	A	B	C	D	E
Kaldors	0	4	8	12	16
Bouldings	60	54	42	24	0

Sayre - Macroeconomics --...

71. Refer to the information above to answer this question. Approximately how many units of Kaldors can be produced if 48 units of Bouldings are being produced?
- A. 0 Kaldors.
 - B. 4 Kaldors.
 - C.** 6 Kaldors.
 - D. 8 Kaldors.
 - E. 16 Kaldors.

Difficulty: Difficult
Sayre - Macroeconomics --... #71
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Computation

72. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the opportunity cost of 1 more Kaldor?
- A. Approximately 1 Boulding.
 - B.** Approximately 3 Bouldings.
 - C. 4 Bouldings.
 - D. 42 Bouldings.
 - E. 54 Bouldings

Difficulty: Difficult
Sayre - Macroeconomics --... #72
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Computation

73. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination D. What is the opportunity cost of producing 4 more Kaldors?
- A. Zero.
 - B. 6 Bouldings.
 - C. 12 Bouldings.
 - D. 18 Bouldings.
 - E.** 24 Bouldings.

Difficulty: Easy
Sayre - Macroeconomics --... #73
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Computation

74. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination A. What is the opportunity cost of producing 12 Kaldors?
- A. 3 Bouldings.
 - B. 12 Bouldings.
 - C. 24 Bouldings
 - D.** 36 Bouldings.
 - E. 60 Bouldings.

Difficulty: Difficult
Sayre - Macroeconomics --... #74
Source: Text
Topic: Mac1.8 Production Possibilities
Type: Computation

75. Refer to the information above to answer this question. Suppose that Lhanor is currently producing combination B. What is the consequence of the production of Kaldors decreasing to 2?
- A. The output of Bouldings will decrease.
 - B. The output of Bouldings will increase by 6.
 - C.** The output of Bouldings will increase by approximately 3.
 - D. The opportunity cost of Bouldings will rise.
 - E. The output of Bouldings will decrease by approximately 3.

Difficulty: Difficult

Sayre - Macroeconomics –... #75
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Computation

76. Refer to the information above to answer this question. Which of the following statements is correct if Lhanor is currently producing 10 Kaldors and 24 Bouldings?

- A. All resources must be fully employed.
- B. 18 more units of Bouldings could be produced.
- C. This combinations of goods is not possible.
- D.** Graphically, Lhanor is operating inside its PP curve.

Difficulty: Difficult
 Sayre - Macroeconomics –... #76
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Computation

Below are some production possibilities data for the mystical land of Ghandor.

	A	B	C	D	E
Arrows	0	1	2	3	4
Viners	20	18	14	8	0

Sayre - Macroeconomics –...

77. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination B. How many Viners could be produced if the production of Arrows increased by 2?

- A. 3 units of Viners.
- B. 4 units of Viners.
- C.** 8 units of Viners.
- D. 14 units of Viners.

Difficulty: Easy
 Sayre - Macroeconomics –... #77
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Computation

78. Refer to the information above to answer this question. What is the opportunity cost of producing the third unit of Arrows?

- A. 1 unit of Viners.
- B.** 6 units of Viners.
- C. 8 units of Viners.
- D. 14 units of Viners.

Difficulty: Difficult
 Sayre - Macroeconomics –... #78
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Computation

79. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination A. What is the opportunity cost of producing 4 units of Arrows.

- A. Zero.
- B. 4 units of Viners.
- C. 5 units of Viners.
- D.** 20 units of Viners.

Difficulty: Difficult
 Sayre - Macroeconomics –... #79
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Computation

80. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination D. What is the opportunity cost of producing an additional 10 units of Viners?

- A. 1 unit of Arrows.
- B.** 2 units of Arrows.
- C. 10 units of Arrows.
- D. 18 units of Arrows.

Difficulty: Difficult
 Sayre - Macroeconomics –... #80
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Computation

81. Refer to the information above to answer this question. Suppose that Ghandor is currently producing combination E. What is the opportunity cost of producing 20 units of Viners?

- A. 0 unit of Arrows.
- B. 1 units of Arrows.
- C. 2 units of Arrows.
- D. 3 units of Arrows.
- E.** 4 units of Arrows.

Difficulty: Difficult
 Sayre - Macroeconomics –... #81
 Source: Text
 Topic: Mac1.8 Production Possibilities
 Type: Computation

82. What is economics sometimes called?

- A.** The science of choice.
- B. The enlightened discipline.
- C. The most scientific of all sciences.
- D. Practical subject.

Difficulty: Easy
Sayre - Macroeconomics –... #82
Source: Text
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

83. All of the following except one would be included in a definition of economics. Which is the exception?

- A. Choice.
- B. Resources.
- C. Unlimited wants.
- D. Scarcity.
- E.** Paradigm.

Difficulty: Easy
Sayre - Macroeconomics –... #83
Source: Text
Topic: Mac1.2 What is Economics?
Type: Definition

1. unemployment in Nova Scotia
2. interest rates
3. wages for farm workers
4. inflation rates
5. government's farm price supports
6. monopoly practices in Canada

Sayre - Macroeconomics –...

84. Refer to the above information to answer this question. Which of the above are macroeconomic concepts?

- A. 2, 4 and 6.
- B.** 1, 2 and 4.
- C. 2, 3 and 6.
- D. 2, 3 and 5.
- E. 1, 3 and 4.

Difficulty: Easy
Sayre - Macroeconomics –... #84
Source: Text
Topic: Mac1.2 What is Economics?
Type: Comprehension

85. Refer to the above information to answer this question. Which of the above are microeconomic concepts?

- A. 1, 3 and 5.
- B. 1, 5 and 6.
- C. 2, 5 and 6.
- D.** 3, 5 and 6.

Difficulty: Easy
Sayre - Macroeconomics –... #85
Source: Text
Topic: Mac1.2 What is Economics?
Type: Comprehension

86. All of the following except one are microeconomic statements. Which is the exception?

- A. The price of wheat declined by 5% in Canada last year.
- B.** GDP increased by 1.8% in Canada last year.
- C. The cost of production in the mining industry has recently declined.
- D. The profits of The Canadian Corporation last year was \$25 million.
- E. The demand for Turbinado sugar is increasing.

Difficulty: Easy
Sayre - Macroeconomics –... #86
Source: Text
Topic: Mac1.2 What is Economics?
Type: Comprehension

87. Which of the following is a microeconomic topic?

- A. Inflation rates.
- B. Unemployment.
- C. Interest rate determination.
- D. Tax policies.
- E.** Supply and demand analysis of a factor market.

Difficulty: Easy
Sayre - Macroeconomics –... #87
Source: Text
Topic: Mac1.2 What is Economics?
Type: Comprehension

88. All of the following except one are macroeconomic topics. Which is the exception?

- A. The effect of a tax change on total consumption.
- B.** The effect of an interest rate change on the cost of your monthly loan payment.
- C. The effect of an exchange rate change on total exports.
- D. The effect of the election of a new government on investment in Canada

Difficulty: Easy

Sayre - Macroeconomics --... #88
 Source: Text
 Topic: Mac1.2 What is Economics?
 Type: Comprehension

89. What do most of the disagreements among economists involve?

- A.** The appropriate goals and policies for the economy.
- B. Generalizing about facts.
- C. Gathering data.
- D. The use of statistics.
- E. The use of mathematics.

Difficulty: Easy
 Sayre - Macroeconomics --... #89
 Source: Text
 Topic: Mac1.2 What is Economics?
 Type: Comprehension

90. Why is there often disagreement amongst economists?

- A. Some who claim to be economists are so poorly trained.
- B.** There is disagreement over what is and what is not a legitimate goal for society to try to achieve.
- C. The nature of the discipline is so complex that no one person could be expected to cover the whole range of possible knowledge.
- D. Economists tend to be very academic, and academics often disagree and argue.
- E. Some economists are "right wing" and some are "left wing", and the two groups will seldom agree on anything.

Difficulty: Easy
 Sayre - Macroeconomics --... #90
 Source: Text
 Topic: Mac1.2 What is Economics?
 Type: Comprehension

91. Why do economists feel that their discipline is relevant?

- A. It is able to predict the future very well.
- B. It is a value-free study.
- C. Its methodology is so different from other social sciences.
- D.** The scope and range of subjects that it addresses is very wide.

Difficulty: Easy
 Sayre - Macroeconomics --... #91
 Source: Text
 Topic: Mac1.1 The Relevance of Economics
 Type: Comprehension

92. Who said: "The ideas of economists, both when they are right and when they are wrong, are more powerful than is commonly understood"?

- A. Sayre and Morris.
- B. Adam Smith.
- C. Pierre Trudeau.
- D.** John Maynard Keynes.

Difficulty: Easy
 Sayre - Macroeconomics --... #92
 Source: Text
 Topic: Mac1.2 What is Economics?
 Type: Comprehension

93. By how much has Canada's real income per person increased since the 1930s?

- A. From approximately \$1000 to over \$20 000.
- B. From approximately \$1000 to over \$40 000.
- C.** From approximately \$6000 to over \$37 000.
- D. From approximately \$4000 to over \$40 000.

Difficulty: Easy
 Sayre - Macroeconomics --... #93
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

94. Which of the following is true about inflation in Canada?

- A. It has not occurred since 1993.
- B.** It was high in the years following the end of World War II and the Korean War.
- C. It occurred in the early part of the Great Depression.
- D. It peaked in the 1960s.
- E. It is related to high levels of unemployment.

Difficulty: Easy
 Sayre - Macroeconomics --... #94
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

95. Which of the following is true of the period of the 1950s and 1960s?

- A.** It was a period of low unemployment and generally low inflation.
- B. It was a period of low unemployment but high inflation.
- C. It was a period of high unemployment and high inflation.
- D. It was a period in which unemployment and inflation did not seem to be related.

Difficulty: Easy
 Sayre - Macroeconomics --... #95
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals

Type: Comprehension

96. What happened in the period between the mid-1960s and the mid-1980s?

- A. Both unemployment and inflation fell.
- B.** Both unemployment and inflation rose.
- C. Unemployment fell but inflation rose.
- D. Unemployment rose but inflation fell.

Difficulty: Easy
Sayre - Macroeconomics --... #96
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

97. What has been Canada's average annual economic growth rate over the last 75 years?

- A. 1.5%.
- B.** 2.25%.
- C. 3.25%.
- D. 4.7%.

Difficulty: Easy
Sayre - Macroeconomics --... #97
Source: Text
Topic: Mac1.9 Macroeconomic Goals

98. Economic growth often comes with all, except one, of the following problems. Which is the exception?

- A. High levels of pollution.
- B.** High unemployment rates.
- C. Resource depletion.
- D. More traffic congestion.

Difficulty: Easy
Sayre - Macroeconomics --... #98
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

99. What happened to unemployment and inflation rates in Canada in the 1990s?

- A. Inflation rates fell but unemployment rates rose.
- B. Inflation rates rose but unemployment rates fell.
- C. Both inflation and unemployment rates rose.
- D.** Both inflation and unemployment rates fell.

Difficulty: Easy
Sayre - Macroeconomics --... #99
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

100. What has happened to Canada's unemployment rate in the last 30 years?

- A. It has never dropped below 8%.
- B. It has been relatively stable.
- C. It has steadily increased.
- D.** It has ranged between 5% and 12%.

Difficulty: Easy
Sayre - Macroeconomics --... #100
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

101. What economic goal is involved in guaranteeing every Canadian citizen a certain minimum level of income?

- A. Achieving stronger economic growth.
- B. Controlling inflation.
- C.** Achieving a more equitable distribution of incomes.
- D. Achieving full employment.

Difficulty: Easy
Sayre - Macroeconomics --... #101
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

102. How has Canada performed recently compared with the G8 countries in terms of economic growth and inflation?

- A.** It has had the third highest growth rate and fourth-lowest inflation rate.
- B. It has had the lowest growth rate and second-lowest inflation rate.
- C. It has had the highest growth rate and second-highest inflation rate.
- D. It has had the second-lowest growth rate and second-highest inflation rate.

Difficulty: Easy
Sayre - Macroeconomics --... #102
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

103. Approximately what percentage of Canada's national income have exports represented in the last few years?

- A. 5%.
- B. 12%.
- C. 23%.

- D. 30%.
E. 40%.

Difficulty: Easy
 Sayre - Macroeconomics –... #103
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

104. Approximately, what percentage of Canada's national income goes to the poorest 20% of the population?

- A. 3%.
B. 5%.
 C. 10%.
 D. 15%.

Difficulty: Easy
 Sayre - Macroeconomics –... #104
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

105. Approximately, what percentage of Canada's national income goes to the richest 20% of the population?

- A. 9%.
 B. 16%.
 C. 25%.
 D. 35%.
E. 44%

Difficulty: Easy
 Sayre - Macroeconomics –... #105
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

106. Compared to the G8 countries, how does Canada rank in terms of the percentage of its income which it exports?

- A. It exports the most.
B. It is the second biggest exporter.
 C. It is the sixth biggest exporter.
 D. It exports the least.

Difficulty: Easy
 Sayre - Macroeconomics –... #106
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

107. How has Canada performed in terms of the government's budget since 1990?

- A. It produced budget deficits every year.
 B. It had deficits every year but the size of the deficits declined.
C. It had big deficits for most of the 1990s but has had surpluses in recent years.
 D. It had budget surpluses in the early 1990s but has had deficits in recent years.

Difficulty: Easy
 Sayre - Macroeconomics –... #107
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

108. Which two economic goals are the most difficult to achieve simultaneously?

- A. Economic growth and full employment.
 B. Full employment and an equitable distribution of incomes.
C. Full employment and stable prices.
 D. Economic growth and a high standard of living.

Difficulty: Easy
 Sayre - Macroeconomics –... #108
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

109. Which of the following is most likely to result from a policy of cutting taxes for corporations and high-income groups?

- A. It will help cure inflation but will cause unemployment.
 B. It will help cure inflation but will cause lower economic growth.
 C. It will help economic growth but will cause unemployment.
D. It will help economic growth but will cause a more unequal distribution of incomes.

Difficulty: Easy
 Sayre - Macroeconomics –... #109
 Source: Text
 Topic: Mac1.9 Macroeconomic Goals
 Type: Comprehension

110. All of the following are tools used by government to help achieve economic goals. Which is the exception?

- A.** Fiduciary policy.
 B. Direct controls.
 C. Monetary policy.
 D. Fiscal policy.

Difficulty: Easy
 Sayre - Macroeconomics –... #110
 Source: Text

Topic: Mac1.9 Macroeconomic Goals
Type: Definition

111. What does fiscal policy relate to?

- A. The government's control over the money supply.
- B. The Bank of Canada's control over the money supply.
- C.** The government's taxation and spending policies.
- D. The government's interest rate and money supply policies.

Difficulty: Easy
Sayre - Macroeconomics --... #111
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Definition

112. What does monetary policy relate to?

- A. The government's control over the money supply.
- B.** The Bank of Canada's interest rate and money supply policies.
- C. The government's taxation and spending policies.
- D. The government's interest rate and money supply policies.

Difficulty: Easy
Sayre - Macroeconomics --... #112
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Definition

113. What are direct controls?

- A.** Legislation introduced to address specific macroeconomic goals.
- B. The Bank of Canada's control over the money supply.
- C. The government's taxation and spending policies.
- D. The government's interest rate and money supply policies.

Difficulty: Easy
Sayre - Macroeconomics --... #113
Source: Text
Topic: Mac1.9 Macroeconomic Goals
Type: Definition

114. All of the following statements, except one, are valid examples of the way economists use the term "scarcity." Which is the exception?

- A. Households face a scarcity of income.
- B. Individuals face a scarcity of time.
- C. Economies face a scarcity of resources.
- D.** The world faces a scarcity of ideas.

Difficulty: Easy
Sayre - Macroeconomics --... #114
Source: StudyGuide
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

115. What is the definition of opportunity cost?

- A. The amount of money spent on a good.
- B.** The value of the next best alternative that is given up as a result of making a particular decision.
- C. The value of all the alternatives given up as a result of making a particular decision.
- D. The cost incurred in producing a good.

Difficulty: Easy
Sayre - Macroeconomics --... #115
Source: StudyGuide
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

116. Meredith had only \$16 to spend this last weekend. She was, at first, uncertain about whether to go to two movies she had been wishing to see or to buy a new CD she had recently heard. In the end she went to the movies. Which of the following statements is correct?

- A. The choice of the two movies and not the CD is an example of increasing costs.
- B.** The opportunity cost of the two movies is one CD.
- C. The opportunity cost of the two movies is \$16.
- D. The choice of two movies rather than one CD was a bad one.

Difficulty: Easy
Sayre - Macroeconomics --... #116
Source: StudyGuide
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

117. In reference to voluntary trade, what was Adam Smith the first to recognize?

- A. It does not happen very often.
- B. It may or may not benefit one or both of the parties to the trade.
- C. It benefits one party to the trade but only at the expense of the other.
- D.** It benefits both parties to the trade.

Difficulty: Easy
Sayre - Macroeconomics --... #117
Source: StudyGuide
Topic: Mac1.5 The Power of Trade
Type: Comprehension

118. What are the three fundamental questions in economics?

- A.** What to produce, how to produce it, and for whom is it produced.

- B. Is it necessary, is it right, and is it valuable?
- C. Who should produce, what is the right way to produce, and how should we decide?
- D. What to produce, how to produce it, and who should produce it.

Difficulty: Easy
 Sayre - Macroeconomics ... #118
 Source: StudyGuide
 Topic: Mac1.6 The Three Fundamental Questions
 Type: Definition

119. What are the four basic ways that society can use to organize its economic affairs?

- A. With consumer goods, capital goods, models and positive statements.
- B.** Using cooperation, command, custom or competition.
- C. Using plentiful resources, opportunity costs, technology and specialization.
- D. Using capitalism, communism, fantasy and technology.

Difficulty: Easy
 Sayre - Macroeconomics ... #119
 Source: StudyGuide
 Topic: Mac1.7 Four Types of Economies
 Type: Comprehension

120. "Factors of production" is a term that can be used interchangeably with:

- A. Models.
- B. Consumer goods.
- C.** Either resources or inputs.
- D. Technologies.

Difficulty: Easy
 Sayre - Macroeconomics ... #120
 Source: StudyGuide
 Topic: Mac1.7 Four Types of Economies
 Type: Definition

121. What are the factors of production?

- A. Land, labour, money, and enterprise.
- B. Land, labour, money, and capital.
- C.** Land, labour, capital, and enterprise.
- D. Competition, command, custom, and cooperation.

Difficulty: Easy
 Sayre - Macroeconomics ... #121
 Source: StudyGuide
 Topic: Mac1.7 Four Types of Economies
 Type: Definition

122. What are the names of the factor payments?

- A. Consumption spending and investment spending.
- B. Wages and profits.
- C. Wages, interest, and profits.
- D.** Wages, interest, rent, and profits.

Difficulty: Easy
 Sayre - Macroeconomics ... #122
 Source: StudyGuide
 Topic: Mac1.7 Four Types of Economies
 Type: Definition

123. What is an example of an economic model?

- A. Opportunity costs.
- B. Scarcity of resources.
- C. Positive statements.
- D.** Production possibilities curve.

Difficulty: Easy
 Sayre - Macroeconomics ... #123
 Source: StudyGuide
 Topic: Mac1.8 Production Possibilities
 Type: Comprehension

124. All of the following, except one, are capital goods. Which is the exception?

- A. An office building.
- B. A boiler in a pulp mill.
- C.** A garden shed.
- D. An airport runway.

Difficulty: Easy
 Sayre - Macroeconomics ... #124
 Source: StudyGuide
 Topic: Mac1.6 The Three Fundamental Questions
 Type: Comprehension

125. Which of the following is not a macroeconomic goal?

- A. Improvements in the standard of living.
- B.** Ensuring that the true needs of all people are met.
- C. Full employment.
- D. Stable prices.

Difficulty: Easy
 Sayre - Macroeconomics ... #125
 Source: StudyGuide

Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

126. All of the following, except one, are tools of macroeconomic policy. Which is the exception?

- A. Direct controls.
- B. Fiscal policy.
- C.** Destabilization policy.
- D. Monetary policy.

Difficulty: Easy
Sayre - Macroeconomics --... #126
Source: StudyGuide
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

127. Which of the following refers to the concept of specialization?

- A. Different individuals value goods differently.
- B. Some individuals are richer than others.
- C.** Different nations have different opportunity costs of producing goods.
- D. Some nations are richer than others.

Difficulty: Difficult
Sayre - Macroeconomics --... #127
Source: StudyGuide
Topic: Mac1.5 The Power of Trade
Type: Comprehension

128. Economics is relevant because

- A. economist has all the right answers.
- B.** many issues has an economic dimension.
- C. it teaches us how to make money.
- D. None of these.

Difficulty: Easy
Sayre - Macroeconomics --... #128
Source: Text
Topic: Mac1.1 The Relevance of Economics
Type: Comprehension

129. Which of the following is most valid with respect to macroeconomic goals?

- A. They tend to complement each other.
- B. They are always in conflict with each other.
- C.** Some are complementary and some are in conflict.
- D. They are accepted as valid by everyone in society.

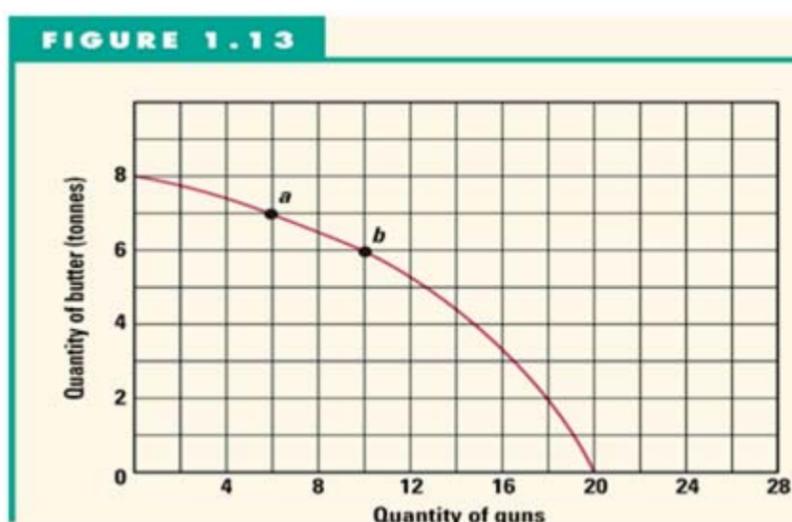
Difficulty: Difficult
Sayre - Macroeconomics --... #129
Source: StudyGuide
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

130. What is the distinction between a positive and a normative statement?

- A.** Positive statements are assertions that can be tested with data, whereas normative statements are based on a value system of beliefs.
- B. Normative statements are assertions that can be tested with data, whereas positive statements are based on a value system of beliefs.
- C. The distinction depends on the context in which each statement is used.
- D. Positive statements are correct statements of fact, whereas normative statements are incorrect.

Difficulty: Easy
Sayre - Macroeconomics --... #130
Source: StudyGuide
Topic: Mac1.2 What is Economics?
Type: Comprehension

Figure 1.13 shows Mendork's production possibility curve for the only two goods that it produces—guns and butter.



Sayre - Macroeconomics --...

131. Refer to Figure 1.13 to answer this question. If Mendork's production is currently that indicated by point a, what is the cost of producing four more guns?

- A.** 1 tonne of butter.
- B. 2 tonnes of butter.
- C. 6 tonnes of butter.
- D. 10 tonnes of butter.

Difficulty: Easy
 Sayre - Macroeconomics --... #131
 Source: StudyGuide
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

132. Refer to Figure 1.13 to answer this question. What is the opportunity cost of one more tonne of butter as output changes from point b to a?

- A. 2 guns.
- B.** 4 guns.
- C. 10 guns.
- D. 6 guns.

Difficulty: Easy
 Sayre - Macroeconomics --... #132
 Source: StudyGuide
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

133. Refer to Figure 1.13 to answer this question. Which of the following statements is correct if Mendork is currently producing 5 tonnes of butter and 8 guns?

- A. This society is using competition to coordinate its economic activities.
- B.** This society is experiencing either unemployment or inefficiency.
- C. This economy is experiencing full employment.
- D. This society is not adequately answering the "for whom" question.
- E. This economy is growing quickly.

Difficulty: Easy
 Sayre - Macroeconomics --... #133
 Source: StudyGuide
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

134. Refer to Figure 1.13 to answer this question. What is the opportunity cost of producing 2 tonnes of butter?

- A.** 2 guns.
- B. 18 guns.
- C. 20 guns.
- D. The answer cannot be determined from the information given.

Difficulty: Difficult
 Sayre - Macroeconomics --... #134
 Source: StudyGuide
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

135. Refer to Figure 1.13 to answer this question. If new technology increased the output of guns by 50 percent, how many guns could be produced if 6 tonnes of butter were produced?

- A. 18 guns.
- B. 20 guns.
- C.** 15 guns.
- D. 10 guns.
- E. 0 guns.

Difficulty: Difficult
 Sayre - Macroeconomics --... #135
 Source: StudyGuide
 Topic: Mac1.8 Production Possibilities
 Type: Graphic

136. What is the controversy with economic growth?

- A. Economic growth leads to higher income.
- B. Economic growth leads to greater leisure time.
- C.** Economic growth leads to increase pollution.
- D. Economic growth leads to greater job satisfaction.

Difficulty: Easy
 Sayre - Macroeconomics --... #136
 Source: Text
 Topic: Mac1.1 The Relevance of Economics
 Type: Comprehension

137. Which of the following statements describes the law of increasing costs?

- A. As the quantity produced of any particular item decreases, its per unit cost of production rises.
- B.** As the quantity produced of any particular item increases, its per unit cost of production rises.
- C. The prices of consumer goods and services always rise and never fall.
- D. If you wait to make a purchase, you will pay a higher price.
- E. The total cost of production rises as output goes up.

Difficulty: Easy
 Sayre - Macroeconomics --... #137
 Source: StudyGuide
 Topic: Mac1.8 Production Possibilities
 Type: Comprehension

138. All of the following, except one, are correct for a society that emphasizes the production of capital goods over that of consumer goods. Which is the exception?

- A. The society could enjoy the same quantity of capital goods and a larger quantity of consumer goods in the future.
- B. The society will have to save more now than a society that did not emphasize the production of capital goods.

- C. The society could enjoy the same quantity of consumer goods and a larger quantity of capital goods in the future.
- D. The society will grow faster than a society that emphasizes the production of consumer goods.
- E.** The society will have to save less now than a society that did not emphasize the production of capital goods.

Difficulty: Difficult
Sayre - Macroeconomics –... #138
Source: StudyGuide
Topic: Mac1.8 Production Possibilities
Type: Comprehension

139. All of the following statements, except one, are positive statements. Which is the exception?

- A. Increasing cigarette taxes will result in higher prices.
- B.** The government must increase the tax on cigarettes.
- C. Higher price for cigarettes will decrease the quantity demanded.
- D. The price of cigarettes is higher in Canada than in Russia.

Difficulty: Easy
Sayre - Macroeconomics –... #139
Source: New
Topic: Mac1.2 What is Economics?
Type: Comprehension

140. All of the following statements, except one, are normative statements. Which is the exception?

- A. The government should decrease spending.
- B.** Government spending is a topic in macroeconomics.
- C. Cuts to government spending in Canada have had enormous social costs.
- D. Increasing taxes is better than cutting government spending.

Difficulty: Easy
Sayre - Macroeconomics –... #140
Source: New
Topic: Mac1.2 What is Economics?
Type: Comprehension

141. Resource depletion and high rates of pollution are possible results of which of the following?

- A.** Economic growth.
- B. A more equitable distribution of income.
- C. A higher standard of living.
- D. Unemployment.
- E. All of these.

Difficulty: Easy
Sayre - Macroeconomics –... #141
Source: New
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

142. Which of the following forces choice in macroeconomics?

- A. Opportunity costs.
- B. Limited wants and needs.
- C. Voluntary trade.
- D.** Scarcity.
- E. All of these.

Difficulty: Easy
Sayre - Macroeconomics –... #142
Source: New
Topic: Mac1.4 Scarcity, Choice and Opportunity Costs
Type: Comprehension

143. In general, how to produce depends most on which of the following?

- A. Demand for goods and services.
- B. Distribution of income.
- C.** Opportunity costs and productivity of factors.
- D. The scientific method.

Difficulty: Difficult
Sayre - Macroeconomics –... #143
Source: New
Topic: Mac1.6 The Three Fundamental Questions
Type: Comprehension

144. Which type of economy would involve a central governing body making all of the fundamental economic decisions?

- A. Cooperation.
- B.** Command.
- C. Custom.
- D. Competition.
- E. Consumer.

Difficulty: Easy
Sayre - Macroeconomics –... #144
Source: New
Topic: Mac1.7 Four Types of Economies

Type: Definition

145. Which of the following is the factor payment received for the ability to give practical applications to ideas?

- A. Rent.
- B. Interest.
- C. Wages.
- D.** Profit.
- E. Capital.

Difficulty: Easy
Sayre - Macroeconomics --... #145
Source: New
Topic: Mac1.7 Four Types of Economies
Type: Definition

146. Which of the following is true about economics?

- A. It is a pure science.
- B.** It deals in generalities.
- C. It is more complex than reality.
- D. It ignores reality in developing models.

Difficulty: Difficult
Sayre - Macroeconomics --... #146
Source: New
Topic: Mac1.2 What is Economics?
Type: Comprehension

147. Which of the following best describe the economies of a capitalist society?

- A. Competition.
- B. Command.
- C.** Mix of competition and command.
- D. Mix of competition and custom.

Difficulty: Difficult
Sayre - Macroeconomics --... #147
Source: New
Topic: Mac1.7 Four Types of Economies
Type: Comprehension

148. All of the following, except one, are factors of production. Which is the exception?

- A. Labour.
- B. Capital.
- C. Land.
- D. Enterprise.
- E.** Competition.

Difficulty: Easy
Sayre - Macroeconomics --... #148
Source: New
Topic: Mac1.7 Four Types of Economies
Type: Comprehension

149. Which of the following is a consumer good or service?

- A. An office computer.
- B. A farm tractor.
- C.** A haircut.
- D. A menu in a restaurant.
- E. A government bond.

Difficulty: Easy
Sayre - Macroeconomics --... #149
Source: New
Topic: Mac1.8 Production Possibilities
Type: Comprehension

150. All of the following, except one, are typically macroeconomic topics. Which is the exception?

- A. Unemployment.
- B. Interest rates.
- C. Taxation policies.
- D.** Marginal utility.
- E. National income.

Difficulty: Easy
Sayre - Macroeconomics --... #150
Source: New
Topic: Mac1.2 What is Economics?
Type: Comprehension

151. Which of the following will always result in an equitable distribution of income?

- A. Economic growth.
- B. Low unemployment.
- C. Low inflation.
- D. A viable balance of international trade.
- E.** Trade surplus.

Difficulty: Easy
Sayre - Macroeconomics --... #151
Source: New
Topic: Mac1.9 Macroeconomic Goals
Type: Comprehension

152. Identify and explain the three fundamental questions in economics.

The first fundamental question asks: What is to be produced? What this means is that all societies have to decide what types of products and what quantities of each it should produce every year. Should it put the emphasis on capital goods or consumer goods, on residential or non-residential goods, on electronic products or food stuffs and so on. The second question is: How are these products going to be produced, i.e. what technology should we employ? Should we employ a simple but labour-intensive technology, for instance, or alternatively make use of sophisticated but expensive machinery? Should we manufacture things in giant assembly-line plants or in small workshops etc? The final question is: For whom are these products produced? How do we allocate the products and the resulting income between people? How are we to decide what share of the economic pie each person should receive?

Sayre - Macroeconomics ... #152

153. Identify and explain the four factors of production and the names given to payments received by each.

Factors of Production	Factor explained	Factor Payments
Labour	human physical and mental effort	wages
Capital	human made resources	interest
Land	natural resources	rent
Enterprise	the innovator and risk-taker	profit

Sayre - Macroeconomics ... #153

154. Define and give an example of the law of increasing costs.

The law of increasing costs states that as an economy's production level of any particular item increases, its *per unit* cost of production rises. Perhaps one of the best examples of this law in operation is in the area of pollution. Using hypothetical figures to illustrate: 40 years ago the cost to reduce harmful automobile emissions by 30% was say \$5 a car (filtering devices etc); to reduce those emissions by a further 30% would have cost an additional \$20 a car (enforced use of unleaded gases etc); a further 30% reduction would cost an additional \$100 a car. To reduce the emissions to zero would likely cost \$2000 a car. What this means is that the provision of cleaner and cleaner air gets increasingly expensive.

Sayre - Macroeconomics ... #154

155. Identify and briefly explain the four Cs used to organize an economy. Which one is the most recent, and when did it emerge.

Co-operation means that decisions in society are made by people discussing things together in order to achieve a consensus, as in a commune for instance. Command implies a leader or group of leaders who have the authority to determine what happens without consultation with the people as happened in ancient slave societies and in modern totalitarian states like Nazi Germany or the Soviet Union. Custom is a feature of traditional societies like Feudal Europe, China and Japan where the fundamental questions were determined by past practice; what was good for our ancestors is good enough for us. Competition is the most recent of the four Cs and emerged out of the Industrial Revolution 250 years ago. It places emphasis on individuals acting separately and for their own good in producing and consuming. Here, it is the market that determines how the three fundamental questions are answered.

Sayre - Macroeconomics ... #155

156. What are some of the problems of economic growth?

High growth rates means that the economy and the people must be able to adjust to change very quickly and this may prove to be difficult and painful. In addition, high growth rates are often associated with high rates of pollution, resource depletion, as well as traffic congestion, noise and stress.

Sayre - Macroeconomics ... #156

157. The cost of getting a degree (tuition and textbooks) from a private school is \$20,000 a year. Evaluate this statement.

The \$20,000 is the direct cost of attending college. The statement failed to incorporate the opportunity cost of attending college, which includes the salary a student could have earned during a year, and also the interest rate that could have been earned, had the student deposited the money in the bank.

Sayre - Macroeconomics ... #157

158. How does microeconomics differ from macroeconomics?

Microeconomics involves an analysis of individual parts of an economy whereas macroeconomic analysis looks at the big picture, the economy as a whole. Microeconomics is the study of individual choice, and how choice is influenced by economic forces. Macroeconomics is the study of the economy as a whole, which includes inflation, unemployment, business cycles and growth.

Sayre - Macroeconomics ... #158

159. Explain how microeconomics differs from macroeconomics and then categorize the following questions as either microeconomic or macroeconomic questions:

- How will interest rates change when the Federal Reserve Bank increases the money supply?
- How will Nike's share of the market change when Reebok increases their marketing expenditures?
- How does a tariff on imported steel affect the U.S. steel industry?
- Should Wal-Mart renovate its stores nationwide?
- Should the government lower income taxes to stimulate consumption?

Microeconomics is the study of individual choice and how that choice is influenced by economic forces, while macroeconomics is the study of inflation, unemployment, business cycles, and growth primarily from the whole to the parts. Micro focuses on individual choices while macro focuses on aggregate relationships.

- macroeconomics
- microeconomics
- microeconomics
- microeconomics
- macroeconomics

Sayre - Macroeconomics ... #159

160. Consider a farmer's production possibilities curve, with corn measured on the vertical axis, and soybeans on the horizontal. Describe the impact of each of the following on the curve:

- The farmer buys or rents more land.
- A higher yielding variety of corn seed is developed.
- The farmer hires 50 percent more farm workers.
- The price of soybeans increases.

- The entire curve should shift out, since more land could presumably be used to grow either crop.
- The vertical intercept will shift up, as greater amounts of corn can now be grown, but the amount of potential soybean crop remains unchanged.
- The entire curve will shift out from the origin, though not necessarily by 50 percent since we do not know the productivity of the workers.
- No effect, since it has changed neither the amount of inputs available nor the technology

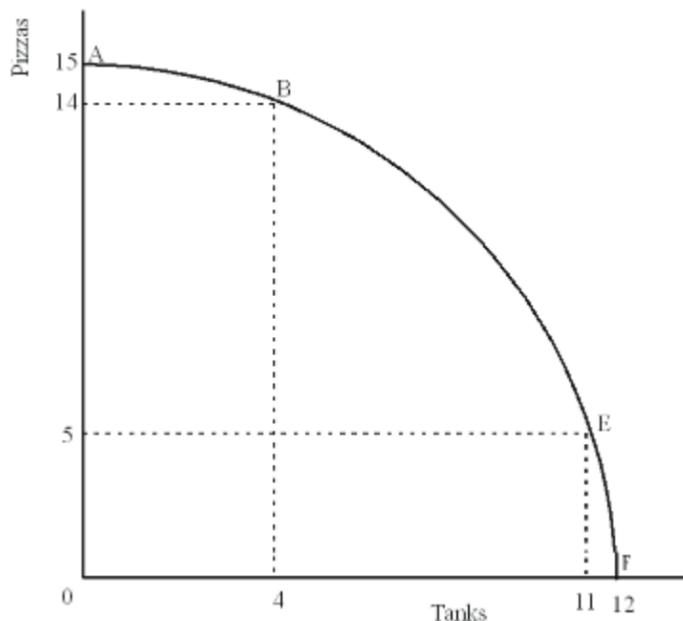
Sayre - Macroeconomics ... #160

161. Below is the production possibilities table for the country of Lavaland.

% resources devoted to production of tanks	Number of tanks	% resources devoted to production of pizza	Number of pizzas	Row
0	0	100	15	A
20	4	80	14	B
40	7	60	12	C
60	9	40	9	D
80	11	20	5	E
100	12	0	0	F

- Use the information in the Table to draw the production possibilities curve (PP1) for Lavaland. Put tanks on the horizontal axis.
- What is the cost to Lavaland of moving from point A to point B on its PP1?
- What is the cost to Lavaland of moving from point E to point F?
- What general economic principle is being illustrated by your answers to part (b) and (c) above? Explain.

(a) The diagram should look like this:



- The opportunity cost of moving from point A to point B is 1 pizza.
- The cost of moving from point E to point F is 5 pizzas.
- In moving from A to B, Lavaland gained 4 tanks. In moving from E to F, Lavaland gained 1 tank. But the cost of attaining one tank was much more with the move from E to F than it was when the movement was from A to B. In moving from A to B each tank required the giving up of an average of 1/4 of a pizza, whereas moving from E to F one tank required giving up 5 pizzas. The increasing cost of another tank (in terms of pizzas foregone) as Lavaland moved from A to F illustrates the principle of increasing marginal opportunity cost.

Sayre - Macroeconomics ... #161

162. Below is a list of resources. Indicate whether each is labour (L), capital (K), land (N), or enterprise (E).

- A shopping mall.
- A shoal of salmon on the high seas.
- Lumber in a lumber yard.
- The work of a brain surgeon.
- The work done by Todd Bertuzzi, hockey player.

- K
- N
- K
- L
- L

Sayre - Macroeconomics ... #162

163.

Tigris produces only two products: tennis balls and tennis racquets. Each worker comes with a fixed quantity of materials and capital, and the economy's labour force is fixed at 100 workers. The following table indicates the amounts of balls and racquets that can be produced daily with various quantities of labour:

Number of Workers	Daily Production of Tennis Balls	Number of Workers	Daily Production of Racquets
0	0	0	0
20	80	20	30
40	150	40	50
60	200	60	65
80	230	80	75
100	250	100	80

- Can Tigris produce 200 balls and 60 racquets?
- What is the total cost of producing 150 balls?
- What is the total cost of producing 75 racquets?
- If Tigris is currently producing 230 balls, what is the cost of an additional 20 balls?
- If Tigris is currently producing 30 racquets, what is the cost of an additional 20 racquets?

- No.
- 15 racquets.
- 170 balls.
- 30 racquets.
- 30 balls.

Sayre - Macroeconomics ... #163

164. The data below show the total production (in millions) of the only two goods produced in the countries of Carleton and Cumbria.

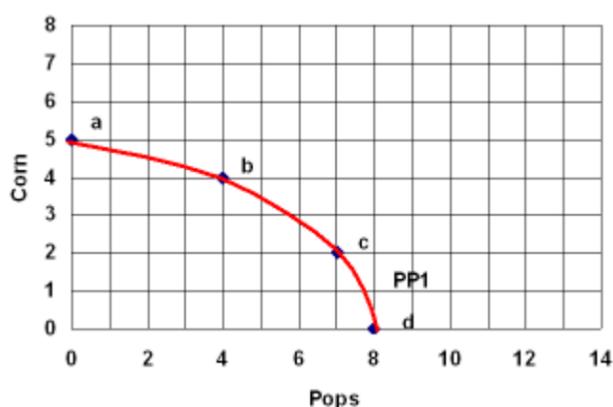
Carleton	10 binoculars	or	15 cameras
Cumbria	12 binoculars	or	9 cameras

- What is the opportunity cost of a binocular in Carleton?
- What is the opportunity cost of a camera in Cumbria?
- If, before trade, each country was devoting half its resources to producing each product, what is the total amount they were both producing?
- If the two countries were to specialize in producing the product they do best, what would be the total amount they could produce?
- What are the total gains as a result of specialization?

- 1 1/2 cameras.
- 1 1/3 binoculars.
- 11 binoculars and 12 cameras.
- 12 binoculars and 15 cameras.
- 1 binocular and 3 cameras.

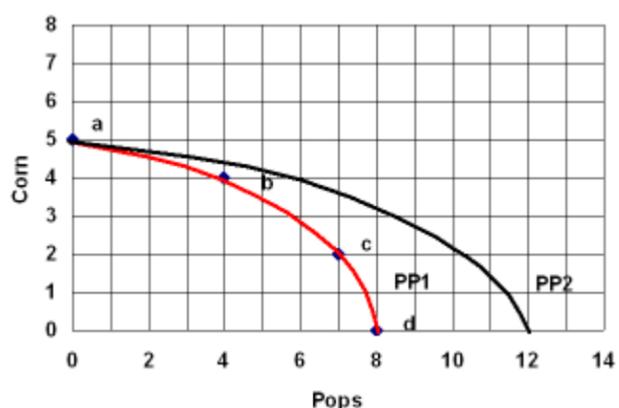
Sayre - Macroeconomics ... #164

165. The following graph shows the production possibilities for the economy of Esher:



- What is the total cost of producing 7 pops?
 - What is the total cost of producing 4 corns?
 - What is the cost of moving from point b to point c?
- Suppose that Esher experiences a 50% increase in the productivity of producing Pops.
- Draw in the new production possibilities curve labelled PP2.
 - If Esher wants to have 6 pops, how many corn can it now have?

- 3 corn
 - 4 pops
 - 2 corn
- d) See the following graph:



- 4 corn.

166. Identify the following statements as either positive (P) or normative (N) and also whether they are microeconomic (MI) or macroeconomic (MA) in nature:

- a) The government should impose a maximum on the price of oil.
- b) The price of oil in Canada is determined by the market.
- c) Economic growth is too low in Canada.
- d) The lowest earning 20 percent of the Canadian population earn only 5 percent of the total income.
- e) Unemployment is a far more serious problem than inflation.

- a) N MI
- b) P MI
- c) N MA
- d) P MA
- e) N MA

167. Why is economics relevant?

The study of economics helps us to understand better how the world functions. Analyzing issues from an economic dimension gives you the insight to the different arguments of many controversies in our society.

168. Discuss the pros and cons of economic growth.

Pro

- Greater income which allowing consumers to purchase more and bigger goods.
- Higher standard of living enabling people to enjoy more leisure time.
- Increase social and political stability because dividing a growing pie is easier than dividing a shrinking pie.
- Decrease in birth rate reduces the strain on the environment

Con

- Leads to greater environmental damage, increase stress and traffic congestion in people's daily life
- Too much emphasis on material things at the expense of things that are more important for personal well-being (for example, job satisfaction)

169. Discuss the pros and cons of taking from the rich and giving to the poor.

Pro

- Government might be able to lower social unrest and disharmony by reducing the income gap between the rich and poor.

Con

- Higher taxes distort markets.
- Disincentive to work hard and to take on risks

170. Define economics.

Economics is a social science that studies the ways humans and societies organize themselves to make choices about the use of scarce resources, which are used to produce the goods and services necessary to satisfy human wants and needs.

171. List seven macroeconomic goals.

Improved standard of living

Economic growth

Full employment

Stable prices

Viable balance of international trade

An equitable distribution of income

Manageable government debt and deficit

172. What is the difference between a positive and a normative statement?

Positive statements are assertions about the world that can be verified by using empirical data. Normative statements are based of personal value systems and cannot be verified by appealing to facts. Economic theory attempts to relate to positive statements and not normative statements.

173. Define normative statement. Give an example.

Normative statements are based of personal value systems and cannot be verified by appealing to facts. Example, the unemployment rate should be 5% or the unemployment rate ought to be 5%.

174. What is the difference between a factor of production and factor price? Give an example of each.

Factor of production is a productive resource. Factor price is what is paid for the productive resource.

Factors of production: land, labour, capital, enterprise.

Factor price: rent for land, wage for labour, interest for capital, and profit for enterprise.

175. Explain why voluntary trade is mutual beneficial.

Voluntary trade always benefits both parties because if one party does not benefit, that party will not trade.

176. Scarcity implies choice. Explain

Society cannot produce all the goods and service everybody wants because resources are scarce. The basic problem to an economy is unlimited needs and wants and limited resources. To best solve this problem the economy has to decide what goods and service to produce to best satisfy human needs and wants. Thus scarcity implies choice.

177. Choice implies opportunity cost. Explain.

Since the economy cannot produce all the goods and service everybody wants, the economy has to decide what goods and services to produce. By deciding to produce one good, the economy is giving up the opportunity to produce something else. This is opportunity cost.

178. Distinguish between a capital good and a consumer good.

Consumer goods are products used by consumers to satisfy their wants and needs, for example bread and beer. Capital goods are goods used to produce consumer goods and they do not directly satisfy consumer wants and needs.

179. Suppose two identical economies with the same production possibility curve. If country A produces more capital goods relative to country B, which country will grow faster? Explain.

Country A will have higher economic growth. By producing more capital goods in the current period, country A will be able to produce more capital and consumer goods in the future.

180. Given the following production possibility curve. How will the curve change if there is a change in technology of both goods? How will the curve change if there is only a change in the technology of food production?

181. Given the following production possibility curve.

	A	B	C	D	E
Good X	20	18	15	9	0
Good Y	0	5	8	11	12

- What is the opportunity cost from point A to point B?
- What is the opportunity cost from point B to point C?
- What is the opportunity cost from point C to point D?
- What is the opportunity cost from point D to point E?

- The opportunity cost from point A to point B is 2 units of Good X.
- The opportunity cost from point B to point C is 3 units of Good Y.
- The opportunity cost from point B to point C is 6 units of Good Y.
- The opportunity cost from point B to point C is 9 units of Good Y.

182. Is it more cost effective to remove snow from city highways with labour or capital? Explain.

Depends on the opportunity cost, if the city's opportunity cost for labour is lower then the city will use labour to remove snow from city highways.

183. List the tools policy makers use to achieve economic goals

Fiscal policy
Monetary policy
Direct controls

184. Given the following production possibility curve.

	A	B	C	D	E
Peanut Butter	30	27	22	15	0
Jelly	0	8	11	14	15

- What is the total cost of producing 27 units of peanut butter?
- What is the total cost of producing 8 units of jelly?
- What is the opportunity cost from point B to point D?
- What is the per unit cost of going from point B to point A?

- 9 units of jelly

- b) 3 units of peanut butter
- c) 12 units of peanut butter
- d) $\frac{8}{3}$ units of jelly

Sayre - Macroeconomics ... #184

185. Using the following information,

Method	Labour	Capital	Output
A	3 units	1 unit	5 units
B	4 units	1 unit	5 units
C	2 units	2 units	5 units

- a) which method is more efficient, Method A or Method B?
 - b) which method is more efficient, Method A or Method C?
- a) Method A is more efficient. Method A requires one less unit of labour to produce the same amount of output as Method B. Efficiency means getting the most for the least.
- b) Indeterminate, Method A requires one less unit of capital but one more unit of labour to produce the same amount of Method C's output. Method A and Method C uses different technology

Sayre - Macroeconomics ... #185

186. Suppose both Alpha and Beta has 10 units of economic resource.
One unit of economic resource can produce

	Cups	or	Saucer
Alpha	3 units	or	1 unit
Beta	2 units	or	4 units

- a) What is the opportunity cost of 1 cup for Alpha?
The opportunity cost of 1 cup in Alpha is $\frac{1}{3}$ saucer.
 - b) What is the opportunity cost of 1 saucer for Beta?
The opportunity cost of 1 saucer in Beta is $\frac{1}{2}$ cup.
 - c) If Alpha and Beta are allow to trade, would Alpha specialize in the production of cups or saucer? Explain
Alpha would specialize in the production of cups because it has a lower opportunity cost in cup production. The opportunity cost of 1 cup for Alpha is $\frac{1}{3}$ saucer and 2 cups for Beta.
- a) The opportunity cost of 1 cup in Alpha is $\frac{1}{3}$ saucer.
 - b) The opportunity cost of 1 saucer in Beta is $\frac{1}{2}$ cup.
 - c) Alpha would specialize in the production of cups because it has a lower opportunity cost in cup production. The opportunity cost of 1 cup for Alpha is $\frac{1}{3}$ saucer and 2 cups for Beta.

Sayre - Macroeconomics ... #186

1 Summary

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