Put all answers in the table at the end of the quiz. Credit will not be given for answers placed elsewhere.

1) In the U.S. economy, the recent trend has been that
   A) employment in agriculture has been increasing.
   B) employment in the service industry has been increasing.
   C) employment in mining, construction, and manufacturing has been increasing.
   D) employment in both agriculture and the service industry has been decreasing.

2) What are the four categories into which factors of production are grouped?
   A) entrepreneurship, profit, labor and wages
   B) profit, wages, rent and interest
   C) land, labor, capital and entrepreneurship
   D) capital, human capital, land and labor

3) Joy is training to become a chef. The skills she is obtaining from her training and education will increase what type of resource?
   A) physical capital
   B) entrepreneurship
   C) human capital
   D) land

4) Opportunity cost is defined as the
   A) total value of all the alternatives given up.
   B) lowest-valued alternative given up.
   C) highest-valued alternative given up.
   D) cost of not doing all of the things you would like to do.

5) Which of the following is a positive statement?
   A) The United States should fight inflation even if it raises unemployment.
   B) A 5 percent increase in income leads to a 3 percent increase in the consumption of orange juice.
   C) What to do with Social Security is the most important economic issue today.
   D) Because they decrease productivity, labor unions should be eliminated.

6) The fallacy of composition is the false belief that
   A) what is true for each part is also true for the whole.
   B) because event A occurred before event B, event A caused event B.
   C) the *ceteris paribus* condition does not apply.
   D) because event A occurred after event B, event A caused event B.

7) The _______ describes the mistake of reasoning that event A causes event B just because event A occurs prior to event B.
   A) fallacy of supposition
   B) *ceteris paribus* fallacy
   C) fallacy of composition
   D) *post hoc* fallacy

8) A president of the United States promises to simultaneously produce more defense goods without any decreases in the production of other goods. This promise can be valid
   A) if the United States is producing at a point inside its production possibilities frontier.
   B) if the United States is producing at a point on its production possibilities frontier.
   C) if the United States is producing at a point beyond its production possibilities frontier.
   D) only if the production possibilities frontier shifts rightward.
9) The production possibilities frontier bows outward because
   A) opportunity costs are fixed as the production of a good increases.
   B) opportunity costs are increasing as the production of a good increases.
   C) opportunity costs are decreasing as the production of a good increases.
   D) resources are of uniform quality.

<table>
<thead>
<tr>
<th>Possibility</th>
<th>Pizza (per hour)</th>
<th>Soda (cases per hour)</th>
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<tbody>
<tr>
<td>A</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>B</td>
<td>1</td>
<td>95</td>
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</tr>
<tr>
<td>F</td>
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10) In the above table, the production of 3 pizzas and 35 cases of soda is
   A) possible only if the economy produces with maximum efficiency.
   B) feasible but would involve unemployed or misallocated resources.
   C) impossible unless more resources become available.
   D) possible only if there is inflation.

11) In the above table, the opportunity cost of the 2nd pizza is
   A) 80 cases of soda.          B) 95 cases of soda.
   C) 15 cases of soda.          D) 0 cases of soda.

12) We measure the marginal ________ of a good by what a ________.
   A) benefit; person is willing to pay
   B) benefit; person must pay
   C) cost; person is willing to pay
   D) cost; person’s preferences are

13) As you consume more and more of a good
   A) the marginal benefit increases or decreases depending where you are or are not on the PPF.
   B) the price of the good falls.
   C) the marginal benefit increases.
   D) the marginal benefit decreases.

14) Resource use is efficient when marginal benefit is
   A) at its maximum value.          B) equal to marginal cost.
   C) less than marginal cost.      D) greater than marginal cost.
15) Based on the above, which figure shows the impact of a worldwide reduction in labor?
   A) Figure A  B) Figure B  C) Figure C  D) Figure D

16) Which graph shows the impact of scientists developing a more powerful fertilizer?
   A) Figure A  B) Figure B  C) Figure C  D) Figure D

To answer the next 3 questions, suppose that John and Jane are on an island together. Their individual PPFs are drawn below.

17) Jane’s opportunity cost of producing a banana is ____ fish. John’s opportunity cost of producing a banana is ____ fish.

18) (Jane, John) has the comparative advantage in fish production and (Jane, John) has the comparative advantage in banana production.

19) Draw the PPF for the economy in the space to the right of the above PPF if John and Jane specialize and organize production efficiently. Be sure to label the numerical values for the vertical and horizontal intercept and the “kink” in the PPF.

Place all answers in the space below.

<table>
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<tr>
<th>1b</th>
<th>2c</th>
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<td>13d</td>
<td>14b</td>
<td>15d</td>
<td>16a</td>
<td>17 2; 1</td>
<td>18 Jane; John</td>
</tr>
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