Eco201, Fall 2007, Quiz #1, Prof. Bill Even

Put all answers in the space provided at the end of the quiz. No credit is given for answers placed elsewhere on the quiz.

1) Economics is best defined as the study of how people, businesses, governments, and societies
   A) choose abundance over scarcity.    B) use their infinite resources.
   C) make choices to cope with scarcity.    D) attain wealth.

2) U.S. producers decide to produce more compact cars and fewer SUVs as the price of gasoline rises. Producers
   are answering the _______ question.
   A) "how many"    B) "how"    C) "when"    D) "what"

3) Human capital is
   A) all capital owned by individuals or corporations, but not by governments.
   B) all capital owned by individuals, but not by corporations or governments.
   C) machinery that meets or exceeds federal safety standards for use by humans.
   D) the skill and knowledge of workers.

4) The opportunity cost of any action is
   A) the monetary cost but not the time required.    B) the time required but not the monetary cost.
   C) all the possible alternatives forgone.    D) the highest-valued alternative forgone.

5) The night before a midterm exam, you decide to go to the movies instead of studying for the exam. You score
   60 percent on your exam. If you had studied the night before, you'd have scored 70 percent. What was the
   opportunity cost of your evening at the movies?
   A) 60 percent.    B) Zero.
   C) 10 percent off your grade.    D) 70 percent

6) During the summer you have made the decision to attend summer school, which prevents you from working
   at your usual summer job in which you normally earn $6,000 for the summer. Your tuition cost is $3,000 and
   books and supplies cost $1,300. The opportunity cost of attending summer school is
   A) $18,300.    B) $4,300.    C) $6,000.    D) $3,300.

7) Which of the following is an example of a positive statement?
   A) The Federal Reserve ought to cut the interest rate.
   B) Increasing the minimum wage results in more unemployment.
   C) We should cut back on our use of carbon-based fuels such as coal and oil.
   D) Every American should have equal access to health care.

8) The term "ceteris paribus" means
   A) the study of scarcity and choice.    B) all other things remaining constant or equal.
   C) value free and testable.    D) using market mechanisms.

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

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10) In the above table, the relationship between x and y is _______ and, with y measured on the vertical axis, the
    slope between y = 5 and y = 8 is equal to _______.
    A) positive; 3    B) negative; 8    C) negative; 6    D) positive; 5

11) The slope of a straight line is 3. When x equals 10, y equals 33. When x equals 11, y equals

12) In the above figure, the slope across the arc between c and d is
13) The production possibilities frontier is the boundary between
   A) those wants that are limited and those that are unlimited.
   B) those combinations of goods and services that can be produced and those that can be consumed.
   C) those combinations of goods and services that can be produced and those that cannot.
   D) those resources that are limited and those that are unlimited.

14) The above figure illustrates that if this country wishes to move from its current production point (labeled "Current") and have 10 more tons of food, it can do this by producing
   A) 10 more tons of clothing.
   B) 5 more tons of clothing.
   C) 10 fewer tons of clothing.
   D) 5 fewer tons of clothing.

15) When resources are assigned to inappropriate tasks, that is, tasks for which they are not the best match, the result will be producing at a point
   A) where the slope of the PPF is zero.
   B) outside the PPF.
   C) inside the PPF.
   D) where the slope of the PPF is positive.

16) While producing on the production possibilities frontier, if additional units of a good could be produced at a constant opportunity cost, the production possibilities frontier would be
   A) positively sloped.
   B) a straight line.
   C) bowed outward.
   D) bowed inward.

17) Which of the following is an example of a situation where people acting in their own self-interest may not promote the public interest?
   A) the Chinese textile firm described in the assigned Wall Street Journal article.
   B) fishermen deciding how many fish to catch.
   C) fans deciding whether to stand to improve their view at a football game.
   D) all of the above.

Put all your answers in the space below.

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Answer Key
Testname: Q1F1F07

1) C  
2) D  
3) D  
4) D  
5) C  
6) A  
7) B  
8) B  
9) A  
10) A  
11) D  
12) D  
13) C  
14) D  
15) C  
16) B  
17) D  
18)  

5