To answer the next 3 questions, suppose that there are 10 Fijis and 20 Dels on an island together. The PPF for one Fiji and one Delt is given in the diagram below. Assume that all Fiji’s are identical and all Delt’s are identical in their production capabilities.

1. The opportunity cost of one FISH is ___ bananas if a Fiji produces it and ___ bananas if a Delt produces it.
   a. 1; ½  
   b. ½ ; 1  
   c. 10; 20  
   d. 20; 10

2. _____ have the comparative advantage in fish production and _____ have the absolute advantage in banana production.
   a. Delts; Delts  
   b. Delts; Fijis  
   c. Fijis; Fijis  
   d. Fijis; Delts

3. _____ have the absolute advantage in fish production and _____ have the comparative advantage in banana production.
   a. Delts; Delts  
   b. Delts; Fijis  
   c. Fijis; Fijis  
   d. Delts; Delts

4. Recall that there are 10 Fijis and 20 Dels. If production is organized efficiently and the economy produces 500 fish, it can produce a maximum of ____ bananas.
   a. 100  
   b. 250  
   c. 300  
   d. 400
5  If marginal cost of additional oil exceeds the marginal benefit of additional oil, society is producing
   a. More than the allocatively efficient amount of oil  
   b. More than the productively efficient amount of oil
   c. Less than the allocatively efficient amount of oil  
   d. Less than the productively efficient amount of oil

6  If an economy is producing inside of its PPF, the economy is
   a. productively inefficient  
   b. Productively efficient
   c. Producing beyond its capacity  
   d. Allocatively efficient

7  The PPF is bowed away from its origin because
   a. The law of diminishing marginal opportunity cost  
   b. The law of diminishing marginal utility
   c. The law of increasing marginal opportunity cost  
   d. The law of increasing marginal utility

8  A rightward shift of an economy’s PPF
   a. Is referred to as economic growth  
   b. Could be caused by improved technology
   c. Could be caused by more capital accumulation  
   d. All of the above
9. Based on the PPF drawn above, point B would lead to
   a. More economic growth than A because B includes more capital goods than A
   b. Less economic growth than point A because A includes fewer capital goods than A
   c. The same level of economic growth because both A & B are productively efficient.
   d. The same level of economic growth because A & B are both allocatively efficient

10. Based on the above diagram, if the slope of the PPF at point A is -2 and the economy is producing at point A, the marginal opportunity cost of a capital good is _____ and the marginal opportunity cost of a consumer good is:
   a. 2; 2
   b. 2; ½
   c. ½; 2
   d. ½; ½

11. Which of the following is an example of a positive statement?
   a. The U.S. budget deficit should be reduced.
   b. The federal government should increase the minimum wage.
   c. A higher minimum wage will cause some workers to lose jobs
   d. All of the above.

12. The fallacy of composition is the false belief that
   a. What is true for the parts is definitely NOT true for the whole.
   b. If A occurs before B, then A must have caused B
   c. If A occurs after B, then A must have been caused by B
   d. What is true for the parts is true for the whole
13. Suppose that y is graphed on the vertical axis and x is on the horizontal axis. If when x increases from 5 to 10, y decreases from 20 to 10, the slope of the line illustrating the relationship between y and x is:

- a. $-2$
- b. $\frac{1}{2}$
- c. 2
- d. $-\frac{1}{2}$

14. If the marginal cost of producing electricity decreases, then we can conclude that

- a. The allocatively efficient level of electric production increased.
- b. The allocatively efficient level of electric production decreased.
- c. The productively efficient level of electric production increased.
- d. The productively efficient level of electric production decreased.

Answer Sheet, Quiz 1, Form ______

Name__________________________________

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