

## QUIZ 1 ANSWERS

- 1) The best description of economics is that it is
  - A) the application of sophisticated mathematical models to address social problems.
  - B) a normative science.
  - C) the study of the use of scarce resources to satisfy unlimited human wants.
  - D) the study of how to reduce inflation and unemployment.
  
- 2) Suppose there are only three things you can do rather than attend a community social event: read a novel (you value this at \$5), go to work (you could earn an extra \$7), or watch videos with some friends (you value this at \$10). The opportunity cost of attending the community social event is
  - A) zero
  - B) \$10.
  - C) \$7.
  - D) \$5.
  
- 3) In the circular flow of income, the allocation of resources is decided by
  - A) central authorities and firms only.
  - B) individuals only.
  - C) political parties and firms only.
  - D) firms and households acting independently.
  
- 4) In command economies behaviour is
  - A) determined by a central authority.
  - B) directed by self interest.
  - C) random and unpredictable.
  - D) based primarily on custom and habit.
  
- 5) Specialization of labour means that
  - A) job security is ensured.
  - B) a barter economy can become well-developed.
  - C) different individuals produce different products.
  - D) different individuals perform different tasks in the production process of any given product.
  
- 6) The Canadian economy is best described as
  - A) command determined.
  - B) a mixed system economy.
  - C) free-market decision making.
  - D) primarily a public ownership economy.
  
- 7) Suppose that 1 unit of labour can produce either 5 units of wool or 2 pineapples. What is the opportunity cost of producing 1 pineapple?
  - A) 5 units of wool
  - B) zero
  - C)  $5/2$  units of wool
  - D) 2 units of wool
  
- 8) Katie and Hugh are producing pies and jars of pickles. Katie can produce either 200 jars of pickles or 100 pies per month. Hugh can produce either 800 jars of pickles or 200 pies per month.
  - A) Katie's opportunity cost of producing 1 jar of pickles is  $1/2$  of a pie.
  - B) Hugh's and Katie's opportunity costs of producing are the same.
  - C) Hugh's opportunity cost of producing 1 pie is  $1/4$  jar of pickles.
  - D) Hugh's opportunity cost of producing 1 jar of pickles is 4 pies.

- 9) The production possibilities boundary depicts the fact that  
A) all points inside the curve are preferred to all points on the curve.  
B) when a society combines its resources efficiently, it cannot produce more of one good without producing less of the other good.  
C) the demand for goods always exceeds the supply.  
D) when a society combines its resources efficiently, it cannot produce more of one good without producing more of the other good.
- 10) A point lying inside the production possibility boundary is one at which  
A) the opportunity cost of producing more output is negative.  
B) the economy has run out of resources.  
C) there is no scarcity.  
D) more output could be produced with existing resources.
- 11) If there is always a two-for-one trade-off between the production of goods X and Y, then the production possibilities boundary for X and Y is  
A) a downward-sloping curve convex to the origin.  
B) a downward-sloping curve concave to the origin.  
C) a downward-sloping straight line.  
D) a downward-sloping straight line that is broken at one point.
- 12) On a diagram of a production possibility boundary, the concept of opportunity cost is illustrated by the  
A) negative slope of the boundary.  
B) boundary being concave to the origin.  
C) unattainable points outside the boundary.  
D) distance from the origin to the boundary.  
E) area bounded by the two axes and the boundary.
- 13) Suppose fires destroy many millions of hectares of commercially valuable Canadian forest. The effect on the Canadian economy would be best illustrated by a \_\_\_\_\_ the production possibility boundary.  
A) inward shift of  
B) point beyond  
C) movement along  
D) shift outward of
- 14) A move from inside the production possibility boundary to the boundary itself would be caused by  
A) a reallocation of resources from military to civilian goods.  
B) the employment of previously unemployed resources.  
C) technological progress.  
D) an improvement in the government's ability to control inflation.
- 15) Consider a production possibilities boundary showing military goods and civilian goods on the two axes. A movement along the production possibility boundary would be caused by  
A) growth of productive capacity.  
B) technological progress.  
C) the reallocation of resources from military to civilian goods.  
D) the employment of previously unemployed resources.