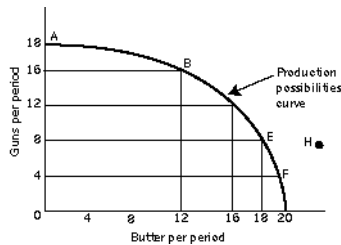


Mark your answers on a green Scantron. Have it in class at 9:35 AM. Late quizzes, even a minute or two late, will be penalized 5 points **or more** – depending on how late.

1. Although water is very abundant in most places, it is scarce because:
 - A) it has no alternative uses.
 - B) there is not enough for all uses if the price is zero.
 - C) it is a free good and not expensive.
 - D) scarce goods in general are not all that costly.
2. The three broad types of factors of production are:
 - A) capital, labor, and natural resources.
 - B) money, profit, and interest.
 - C) stocks, bonds, and financial assets.
 - D) technology, human capital, and comparative advantage.
3. Human capital is:
 - A) the set of acquired skills and abilities that workers bring to the production of goods and services.
 - B) the financial wealth the economy has available to produce goods and services.
 - C) the ability to produce one of two goods at relatively lower cost.
 - D) a factor of production only if it occurs naturally.

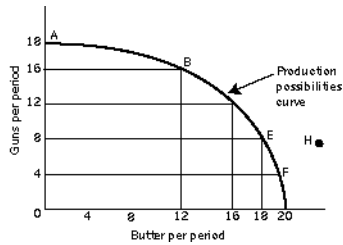
Use the following to answer question 4:



4. (Exhibit: Guns and Butter) Points A, B, E, and F:
 - A) indicate combinations of guns and butter that society can produce using all of its factors efficiently.
 - B) show that the opportunity cost of more guns increases, but that of more butter decreases.
 - C) indicate that society wants butter more than guns.
 - D) indicate constant costs for guns and increasing costs for butter.

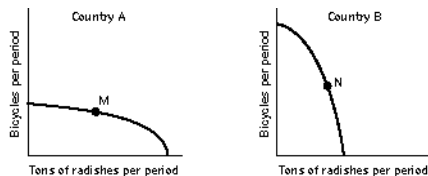
5. Which of the following is an example of capital?
- A) a gravel truck
 - B) a savings account
 - C) a share of General Motors stock
 - D) a lake

Use the following to answer question 6:



6. (Exhibit: Guns and Butter) If the economy were operating at point B, producing 16 units of guns and 12 units of butter per period, a decision to move to point E and produce 18 units of butter:
- A) indicates you can have more butter and guns simultaneously.
 - B) makes it clear that this economy experiences decreasing opportunity costs.
 - C) involves a loss of 8 units of guns per period.
 - D) involves a loss of 4 units of guns per period.
7. The concept of comparative advantage is based upon:
- A) absolute labor productivity.
 - B) relative labor costs.
 - C) dollar prices of labor.
 - D) relative opportunity costs.

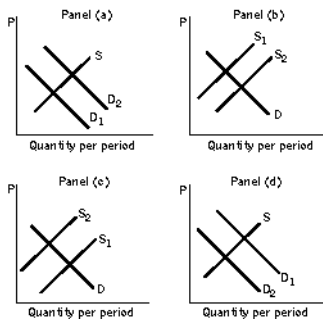
Use the following to answer question 8:



8. (Exhibit: Bicycles and Radishes 1) The exhibit shows production possibilities curves for two countries that produce only radishes and bicycles. The axes of both graphs are measured in equivalent units. Country A is now operating at point M, and Country B is now operating at point N. The opportunity cost of producing an additional ton of radishes would be greater in:
- A) Country A.
 - B) Country B.
 - C) neither; the opportunity cost would be the same in both countries.
 - D) there is not enough information given to answer the question.

9. International trade is possible in part through:
- inefficiently employing resources.
 - restricting the rate of growth of output.
 - generalization in the production of all goods.
 - specialization in the production of a few goods.
10. The principle stating that, for virtually all goods and services, there is a negative relationship between price and quantity demanded, all other things unchanged, is the law of:
- demand.
 - supply.
 - scarcity.
 - increasing costs.

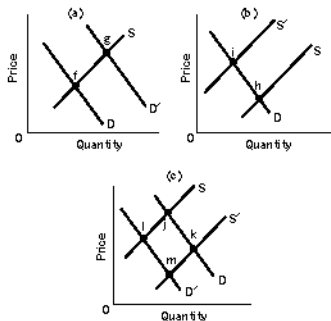
Use the following to answer questions 11-13:



11. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose consumer incomes increase. Which panel best describes how this will affect the market for tuxedos, a normal good?
- Panel (a)
 - Panel (b)
 - Panel (c)
 - Panel (d)
12. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose a wet and sunny year increases the nation's corn crop by 20 percent. Which panel best describes how this will affect the market for corn?
- Panel (a)
 - Panel (b)
 - Panel (c)
 - Panel (d)

13. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose the technology for producing snowboards improves. Which panel best describes how this will affect the market for winter parkas, a complement of snowboards?
- A) Panel (a)
 B) Panel (b)
 C) Panel (c)
 D) Panel (d)
14. A decrease in supply means:
- A) a shift to the left of the entire supply curve.
 B) moving downward (to the left) along the supply curve with lower prices.
 C) less will be demanded at every price.
 D) more will be supplied at every price.
15. A decrease in the price of milk will result in a(n):
- A) shift of the supply curve of ice cream to the right.
 B) shift of the supply curve of ice cream to the left.
 C) lower price of ice cream, and thus an increase in the demand for ice cream.
 D) increase in the demand for ice cream and a decrease in the supply of milk.
16. If a market reflects a shortage and prices are allowed to move:
- A) supply will increase.
 B) demand will decrease.
 C) price will decrease.
 D) price will increase.

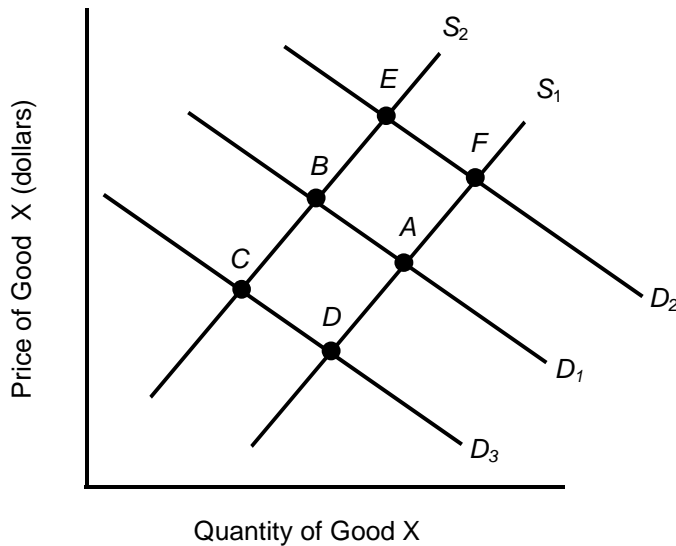
Use the following to answer questions 17-18:



17. (Exhibit: The Market for Videotape Rentals) An increase in buyers' income, assuming videotape rentals are a normal good, would result in a change illustrated by the move from:
- A) f to g in Figure (a).
 B) g to f in Figure (a).
 C) i to h in Figure (b).
 D) j to m in Figure (c).

18. (Exhibit: The Market for Videotape Rentals) An increase in the wage rate paid to video rental store employees would result in a change illustrated by the move from:
- A) f to g in Figure (a).
 - B) g to f in Figure (a).
 - C) i to h in Figure (b).
 - D) h to i in Figure (b).
19. Assume the supply curve of sirloin steak is upward sloping. If the price increases from \$4.25 to \$8.60 per pound,
- A) the supply of sirloin steak will rise.
 - B) a greater quantity of sirloin steak will be supplied.
 - C) a small quantity of sirloin steak will be supplied.
 - D) the demand for sirloin steak will decrease.
 - E) the supply of sirloin steak will decrease.

Use the following to answer questions 20-21:



20. In the figure above, the initial demand curve is D_1 and the supply curve is S_1 . Which of the following conditions would be most likely to change equilibrium from point A to point D?
- A) An increase in income
 - B) A decrease in the price a factor of production for good X
 - C) An increase in the price of a complementary good
 - D) Lower productivity
 - E) An increase in the price of a substitute good

21. In the figure above, the initial demand curve is D_1 and the supply curve is S_1 . If consumers become optimistic about their future economic well-being, the most likely consequence is
- A) a shift from S_1 to S_2 .
 - B) a shift from D_1 to D_2 .
 - C) a shift from D_1 to D_3 .
 - D) a shift from D_3 to D_1 .
 - E) a shift from D_2 to D_1 .
22. If both supply and demand for a good increase, which of the following will definitely happen?
- A) Price will remain the same.
 - B) Price will increase.
 - C) Price will decrease.
 - D) Quantity will increase.
 - E) Quantity will decrease.