

Economics Honors-Opportunity Cost Quiz

DO NOT WRITE ON QUIZ

1. The crucial problem of economics is
 - (a) establishing a fair tax system.
 - (b) providing social goods and services.
 - (c) developing a price mechanism that reflects the relative scarcities of products and resources.
 - (d) allocating scarce productive resources to satisfy wants.**
 - (e) enacting a set of laws that protects resources from overuse.

2. When one decision is made, the next best alternative not selected is called
 - (a) economic resource.
 - (b) opportunity cost.**
 - (c) scarcity.
 - (d) comparative disadvantage.
 - (e) production.

3. Which of the following is true if the production possibilities curve is a curved line concave to the origin?
 - (a) Resources are perfectly substitutable between the production of the two goods.
 - (b) It is possible to produce more of both products.
 - (c) Both products are equally capable of satisfying consumer wants.
 - (d) The prices of the two products are the same.
 - (e) As more of one good is produced, more and more of the other good must be given up.**

4. Which of the following is true of the concept of increasing opportunity cost?
 - (a) It is unimportant in command economies because of central planning.
 - (b) It suggests that the use of resources to produce a set of goods and services means that as more of one is produced, some of the other must be sacrificed.**
 - (c) It is irrelevant if the production possibilities curve is convex to the origin.
 - (d) It suggests that unlimited wants can be fulfilled.
 - (e) It means that resources are plentiful and opportunities to produce greater amounts of goods and services are unlimited.

5. To be considered scarce, an economic resource must be which of the following?

- I. Limited
- II. Free
- III. Desirable

- (a) I only
- (b) I and II only
- (c) II and III only
- (d) I and III only**
- (e) I, II and III

6. The basic economic problem is reflected in which of the following concepts?

- I. Opportunity cost
- II. Production possibilities
- III. The fallacy of composition
- IV. *Ceteris paribus*

- (a) I only
- (b) IV only
- (c) I and II only**
- (d) II and III only
- (e) II, III and IV only

7. Which of the following goods would be considered scarce?

- I. Education
- II. Gold
- III. Time

- (a) I only
- (b) II only
- (c) III only
- (d) I and II only
- (e) I, II and III**

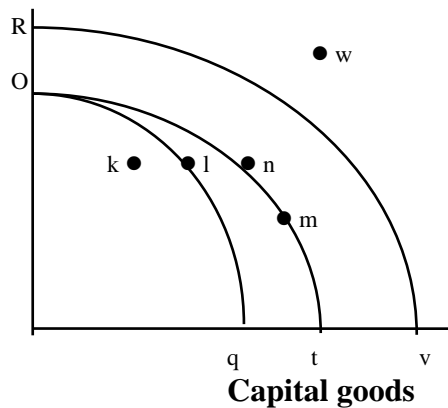
8. The value of the best alternative forgone when a decision is made defines

- (a) economic good.
- (b) opportunity cost.**
- (c) scarcity.
- (d) trade-off.
- (e) comparative advantage.

9. Which of the following problems do all economic systems face?
- I. How to allocate scarce resources among unlimited wants
 - II. How to distribute income equally among all the citizens
 - III. How to decentralize markets
 - IV. How to decide what to produce, how to produce and for whom to produce
- (a) I only
(b) I and IV only
 (c) II and III only
 (d) I, II and III only
 (e) I, II, III and IV
10. In which way does a straight-line production possibilities curve differ from a concave production possibilities curve?
- (a) A straight-line production possibilities curve has a decreasing opportunity cost.
(b) A straight-line production possibilities curve has a constant opportunity cost.
 (c) A straight-line production possibilities curve has an increasing opportunity cost.
 (d) A straight-line production possibilities curve does not show opportunity cost.
 (e) There is no difference between the two production possibilities curves.

Use the following PPC diagram to answer questions 11-15

Consumer Goods



11. A shift in the production possibilities curve from Oq to Ot may be caused by
- (a) an increase in productivity for consumer goods
 (b) an overall improvement in productivity for both goods
(c) an increase in productivity for capital goods
 (d) more of the existing resources being used to produce capital goods

12. Point **k** indicates that the economy is operating at
- (a) full employment of existing plant equipment
 - (b) optimal capacity of existing plant and equipment
 - (c) **under employment of existing plant and equipment**
 - (d) an efficient combination involving fewer capital goods and more consumer goods
13. A shift from curve **Oq** to **Rv** can occur when
- (a) **there is an improvement in technology or an increase in resource availability for both goods**
 - (b) there are structural changes in the **capital goods** sector allowing efficiency flow-ons.
 - (c) existing resources and the level of technology are used most efficiently and output in both goods maximized
 - (d) there is a general economic expansion involving an increase in both average wages and the general price level
14. Given that other variables remain constant
- (a) fewer consumer goods are produced at point **n** as compared to combination **m**
 - (b) **future economic growth is likely to be higher with combination m as compared to n**
 - (c) the current standard of living must be higher by producing at a combination **m** as compared to **n**
 - (d) economic growth will move the economy to a more optimal combination **m** as compared to **n**
15. A point **w** is currently unobtainable since
- (a) the economy does not require this level of economic growth
 - (b) some resources must remain in reserve for use in future production periods
 - (c) restructuring has not occurred in the workplace to allow this level of production
 - (d) **all available resources and level of technology are being fully utilized**