

Homework Quiz 2 Answers

1) Every society must deal with the problem of scarcity because

A) human wants are unlimited relative to the availability of resources.

B) productive resources, technology, and labor are unlimited.

C) human beings become satiated as consumption increases.

D) people do not have enough money to buy everything they need.

E) government taxes consumers too much.

2) When people make choices that, at the time and with the information they have at their disposal, will give them the greatest amount of satisfaction, they are said to be

A) living under a communist dictator.

B) acting in their own rational self-interest.

C) showing no willingness to plan for the future.

D) behaving irrationally.

E) applying econometric models to their every day behavior.

3) A rational worker

A) always works for the highest money wage.

B) never acts under conditions of uncertainty.

C) would never quit a job until he or she had a better one.

D) always works for the highest money wage, other things equal.

E) deals only with positive and never with normative issues.

4) In economics, the concept of opportunity cost is

A) negated by ensuring that the government will have a role in a capitalist society.

B) best illustrated by knowing why consumers choose one good over another.

C) the methodology government economists use to determine the total amount of the national debt.

D) defined to be the highest-valued alternative that must be forgone when a choice is made.

E) quantifiable only if you know the real dollar prices of the goods and services you are giving up to attend college.

5) The tradeoffs facing a society can be illustrated in a graph known as

A) the production operations curve.

B) the production cost model.

C) the production possibilities curve.

D) the production cost curve.

E) the production cost forecast curve.

6) A production possibilities curve shows that more of one type of good can be produced only by

A) increasing the quantity of other types of goods that are produced.

B) decreasing employment.

C) government intervention.

D) decreasing the quantity of other types of goods that are produced.

E) increasing the quantity of both types of goods that are produced.

7) Which economic concept is the closest parallel to the saying, "There's no free lunch"?

A) Specialization

B) Unlimited wants

C) Underutilization of resources

D) Overutilization of resources

E) Opportunity costs

8) Because of scarcity,

- A) we are unable to produce all we would like to produce.
- B) we must make choices between production possibilities.
- C) we attempt to utilize our resources as efficiently as possible.
- D) costs are incurred in making choices.
- E) All of these**

9) The city of Austin can buy roads or light rail. If 10 miles of roads cost \$1 million and 2 miles of light rail cost \$10 million, what is the city's opportunity cost of 1000 miles of roads?

- A) \$100 million
- B) 2 miles of light rail
- C) 20 miles of light rail**
- D) \$50 million
- E) answers a and c are correct

10) Ronnie waits one hour in line to buy a ticket to a rock concert. The opportunity cost of buying the \$28 ticket

- A) is Ronnie's best alternative use of the one hour it took to wait in line.
- B) is Ronnie's best alternative use of both the \$28 and the one hour spent in line.**
- C) is Ronnie's best alternative use of the \$28.
- D) is the value of the \$28 to the ticket agent.
- E) cannot be measured because there is no opportunity cost associated with consumption.