

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Which of the following statements provides the best definition of *economics*? 1) _____
- A) The study of the productive capacity of a nation's factors of production.
 - B) The study of the use of scarce resources to satisfy unlimited human wants.
 - C) The study of production and increasing its efficiency.
 - D) The study of the most equitable distribution of scarce resources.
 - E) The study of the production of goods and services.
- 2) Society's resources are often divided into broad categories. They are 2) _____
- A) population and natural resources.
 - B) land, labour, and capital.
 - C) tangible commodities and intangible commodities.
 - D) goods and services.
 - E) factors of consumption.
- 3) Consider the following list: a worker with training in video gaming technology, 10 hectares of arable land in southern Ontario, a fishing trawler in Nova Scotia, an ice-cream truck at a park in Quebec. Each of these is an example of 3) _____
- A) goods and services.
 - B) an economic service.
 - C) a factor of production.
 - D) a capital resource.
 - E) a commodity.
- 4) A basic underlying point in economics is that 4) _____
- A) people have unlimited wants in the face of limited resources.
 - B) governments should never interfere in the workings of a market economy.
 - C) people have limited wants in the face of limited resources.
 - D) governments should satisfy the needs of the people.
 - E) there are unlimited resources.
- 5) Which of the following best describes the study of economics? 5) _____
- A) how to distribute income as equally as possible
 - B) why resources are scarce
 - C) the allocation of scarce resources among alternative uses
 - D) how to limit human wants so that scarce resources are sufficient
 - E) how to plan an economy
- 6) Economics can best be described as 6) _____
- A) the application of sophisticated mathematical models to address social problems.
 - B) the study of how a society *ought* to allocate its resources.
 - C) the study of how to reduce inflation and unemployment.
 - D) the study of the use of scarce resources to satisfy unlimited human wants.
 - E) a normative science.

- 7) Scarcity is likely to be 7) _____
A) a result of the work ethic.
B) unique to the twentieth century.
C) eliminated with a better understanding of economics.
D) a problem that will be solved by the proper use of available resources.
E) a problem that will always exist.
- 8) The concept of scarcity in economics usually refers to a condition 8) _____
A) where people's wants can never be satisfied by the available resources.
B) where production is efficient, but distribution is inefficient.
C) where too many frivolous goods and services are produced at the expense of socially desirable goods and services.
D) where society is not employing all of its available resources in an efficient manner.
E) that afflicts only poor countries.
- 9) Which of the following statements best describes the underlying feature in most economic problems? 9) _____
A) There are unlimited resources.
B) Our country is rich; we just don't realize it.
C) Governments should never interfere in the workings of a market economy.
D) People have unlimited wants in the face of limited resources.
E) People have limited wants in the face of limited resources.
- 10) Because resources are scarce, individuals are required to 10) _____
A) make choices among alternatives.
B) improve distribution but not production.
C) improve production but not distribution.
D) use resources inefficiently.
E) sacrifice production but not consumption.

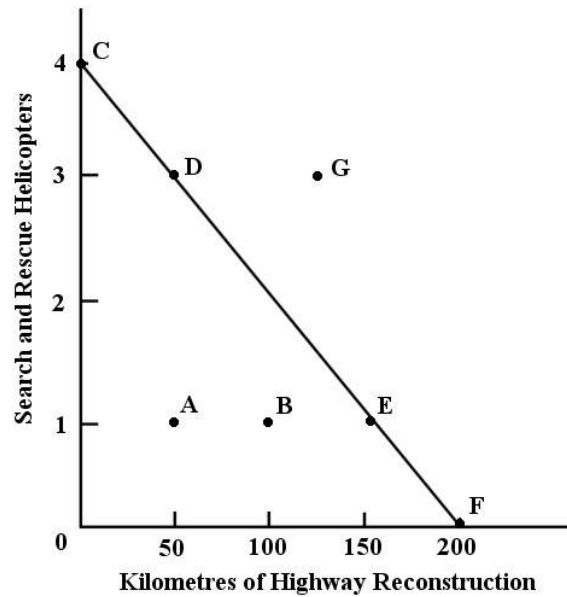


FIGURE 1-1

With a budget of \$200 million, the government can choose to purchase 4 helicopters or repair 200 km of highway.

- 11) Refer to Figure 1-1. For the government, the opportunity cost of one search and rescue helicopter is 11) _____
- A) 100 kilometres of highway repair.
 - B) 150 kilometres of highway repair.
 - C) 0 kilometres of highway repair.
 - D) 200 kilometres of highway repair.
 - E) 50 kilometres of highway repair.
- 12) Refer to Figure 1-1. For the government, the opportunity cost of one kilometre of highway repair is 12) _____
- A) 1/10 of a search and rescue helicopter.
 - B) 1/2 of a search and rescue helicopter.
 - C) 1/100 of a search and rescue helicopter.
 - D) 1 search and rescue helicopter.
 - E) 1/50 of a search and rescue helicopter.
- 13) Refer to Figure 1-1. If the government chooses to allocate all \$200 million to highway repair, we can say that 13) _____
- A) the opportunity cost of the highway repair is \$0.
 - B) there is no opportunity cost involved because the government stayed within its budget.
 - C) the opportunity cost of the highway repair is uncertain.
 - D) the opportunity cost of the highway repair is 4 search and rescue helicopters.
 - E) there is no opportunity cost involved because the government has achieved its objectives.
- 14) Refer to Figure 1-1. Which of the following combinations of kilometres of highway repair and helicopters is unaffordable, given the government's budget of \$200 million? 14) _____
- A) E
 - B) B
 - C) G
 - D) D
 - E) F

With a budget of \$500 000, a school board can choose to purchase 20 000 textbooks or 2000 laptop computers (or some intermediate combination) for use in classrooms.

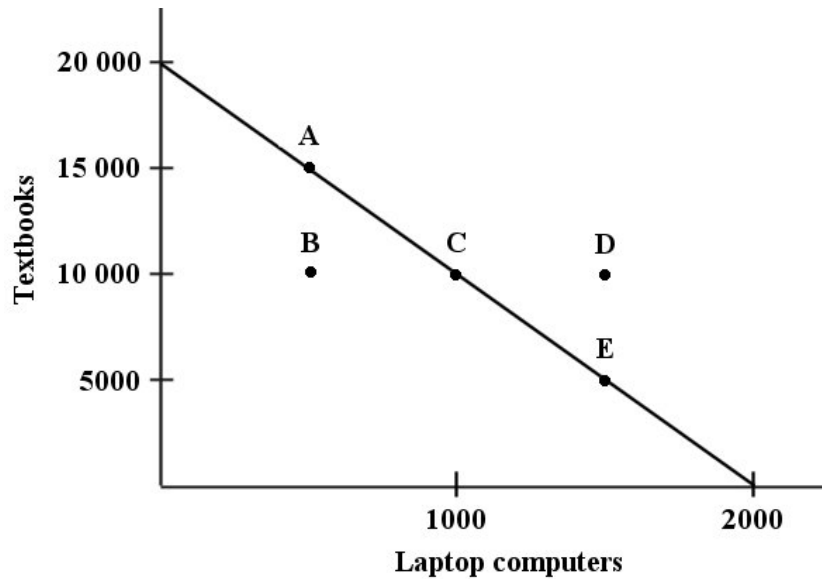


Figure 1-2

- 15) Refer to Figure 1-2. For the school board, what is the opportunity cost of one additional laptop computer? 15) _____
- A) 0 textbooks
 - B) 1/10 of a textbook
 - C) 10 textbooks
 - D) 20 textbooks
 - E) 2000 textbooks
- 16) Refer to Figure 1-2. For the school board, what is the opportunity cost of one additional textbook? 16) _____
- A) 2000 laptops
 - B) 1000 laptops
 - C) 1/100 of a laptop
 - D) 1/1000 of a laptop
 - E) 1/10 of a laptop
- 17) Refer to Figure 1-2. Suppose the school board chooses to allocate all \$500 000 to the purchase of laptop computers. What is the opportunity cost of this entire purchase? 17) _____
- A) The opportunity cost is \$0.
 - B) The opportunity cost is uncertain.
 - C) There is no opportunity cost because the purchase was made within the available budget.
 - D) The opportunity cost is 20,000 textbooks.
 - E) The opportunity cost is 2000 laptops.
- 18) Refer to Figure 1-2. Which of the following combinations of textbooks and laptops is unaffordable, given the school board's budget of \$500 000? 18) _____
- A) A
 - B) B
 - C) C
 - D) D
 - E) E

- 19) Refer to Figure 1-2. What is the price of a textbook in this example? 19) _____
 A) \$25 B) \$40 C) \$50 D) \$100 E) \$250
- 20) Refer to Figure 1-2. What is the price of a laptop computer in this example? 20) _____
 A) \$25 B) \$40 C) \$50 D) \$100 E) \$250

The table below illustrates that, in one day, Tristan can produce either 12 fishing lures or mow 3 lawns, while Thomas can produce either 6 fishing lures or mow 6 lawns.

	Fishing Lures	Mowed Lawns
Tristan	12	3
Thomas	6	6

TABLE 1-1

- 21) Refer to Table 1-1. What is Tristan's opportunity cost of producing one fishing lure? 21) _____
 A) 1/3 of a mowed lawn
 B) one mowed lawn
 C) 4 mowed lawns
 D) 1/4 of a mowed lawn
 E) 3 mowed lawns
- 22) Refer to Table 1-1. What is Thomas's opportunity cost of producing one fishing lure? 22) _____
 A) 5 lures
 B) there is no opportunity cost
 C) 1 mowed lawn
 D) 1/6 of a mowed lawn
 E) 1/6 of a lure
- 23) Refer to Table 1-1. What is Tristan's opportunity cost of producing one mowed lawn? 23) _____
 A) 3 fishing lures
 B) one fishing lure
 C) 6 fishing lures
 D) 4 fishing lures
 E) 12 fishing lures
- 24) Refer to Table 1-1. What is Thomas's opportunity cost of producing one mowed lawn? 24) _____
 A) 1/6 fishing lure
 B) 6 fishing lures
 C) 0 fishing lures
 D) one fishing lure
 E) 12 fishing lures
- 25) Refer to Table 1-1. If Tristan and Thomas want to maximize their joint output from one day of work, how should they specialize their production? 25) _____
 A) Tristan produces 12 lures; Thomas produces 6 mowed lawns
 B) Tristan produces nothing, Thomas produces 6 lures and 6 mowed lawns
 C) Tristan produces 6 lures and 3 mowed lawns
 D) Tristan produces 6 lures; Thomas produces 6 lures
 E) Tristan produces 3 mowed lawns; Thomas produces 6 mowed lawns

26) Refer to Table 1-1. Which of the following statements about Tristan's and Thomas's opportunity costs is correct?

26) _____

- A) Tristan has a higher opportunity cost of producing mowed lawns.
- B) Thomas has a higher opportunity cost of producing mowed lawns.
- C) Tristan has a higher opportunity cost of producing fishing lures.
- D) Thomas has a higher opportunity cost of producing fishing lures.
- E) Both A and D are correct.

Madeleine allows herself \$100 per month for purchasing coffee. The diagram below illustrates the choices available to her.

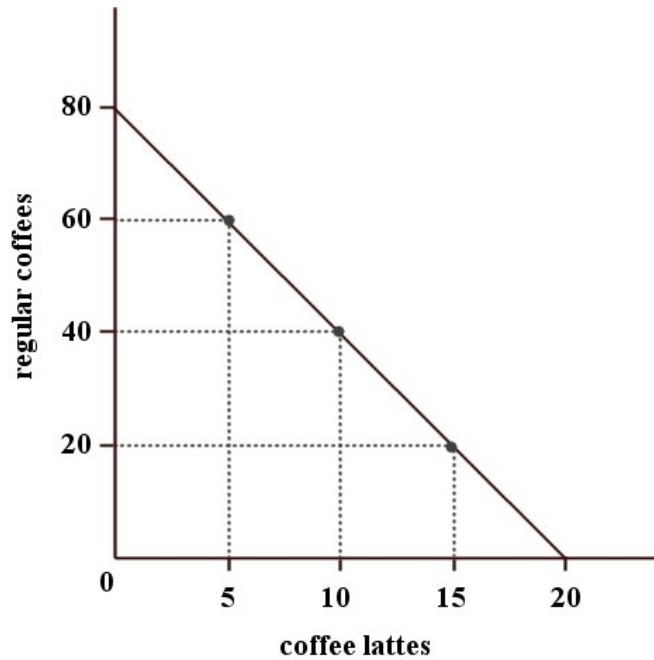


FIGURE 1-3

27) Refer to Figure 1-3. For Madeleine, the opportunity cost of one regular coffee is

27) _____

- A) 20 lattes.
- B) 80 lattes.
- C) 1/4 of a regular coffee.
- D) 4 lattes.
- E) 1/4 of a latte.

28) Refer to Figure 1-3. For Madeleine, the opportunity cost of one latte is

28) _____

- A) 1/4 of a latte.
- B) 4 regular coffees.
- C) 1/4 of a regular coffee.
- D) 80 regular coffees.
- E) 8 regular coffees.

- 29) Refer to Figure 1-3. If Madeleine chooses to allocate all \$100 to buying lattes, we can say that her opportunity cost in one month is _____ 29)
- A) zero because she stayed within her budget.
 - B) 80 cups of regular coffee.
 - C) 40 cups of regular coffee.
 - D) zero because she bought what she desired.
 - E) 20 cups of regular coffee.
- 30) Refer to Figure 1-3. Which of the following combinations of regular coffees and lattes is affordable over the one-month period, given Madeleine's budget? _____ 30)
- A) 15 lattes and 30 coffees
 - B) 20 lattes and 80 coffees
 - C) 8 lattes and 50 coffees
 - D) 4 lattes and 66 coffees
 - E) 16 lattes and 16 coffees

The table below shows that, in one day, Claire can complete either 3 chemistry or 2 biology lab reports, while Sam can complete either 4 chemistry or 3 biology lab reports.

	Chemistry Lab Reports	Biology Lab Reports
Claire	3	2
Sam	4	3

TABLE 1-2

- 31) Refer to Table 1-2. What is Claire's opportunity cost of completing 1 chemistry lab report? _____ 31)
- A) $1\frac{1}{2}$ biology lab reports
 - B) $\frac{2}{3}$ of a biology lab report
 - C) $\frac{3}{4}$ of a biology lab report
 - D) 3 biology lab reports
 - E) 2 biology lab reports
- 32) Refer to Table 1-2. What is Sam's opportunity cost of completing 1 chemistry lab report? _____ 32)
- A) $\frac{2}{3}$ of a biology lab report
 - B) 4 of a biology lab report
 - C) 3 of a biology lab report
 - D) $\frac{3}{4}$ of a biology lab report
 - E) $\frac{4}{3}$ of a biology lab report

- 33) Refer to Table 1-2. What is Sam's opportunity cost of completing 3 biology lab reports? 33) _____
 A) 2 chemistry lab reports
 B) 4 chemistry lab reports
 C) 0 chemistry lab reports
 D) 3 chemistry lab reports
 E) 1 chemistry lab reports
- 34) Refer to Table 1-2. What is Sam's opportunity cost of completing 2 biology lab reports? 34) _____
 A) 4 chemistry lab reports
 B) $\frac{2}{3}$ of a chemistry lab report
 C) $2\frac{2}{3}$ chemistry lab reports
 D) $1\frac{1}{3}$ chemistry lab reports
 E) $\frac{3}{4}$ of a chemistry lab report
- 35) Refer to Table 1-2. Which of the following statements about Claire's and Sam's opportunity costs is correct? 35) _____
 A) Claire has a higher opportunity cost for completing 1 biology lab report.
 B) Claire and Sam have equal opportunity costs.
 C) Claire has a higher opportunity cost for completing 1 chemistry lab report.
 D) Sam has a lower opportunity cost for completing 1 chemistry lab report.
 E) Sam has a higher opportunity cost for completing 1 biology lab report.
- 36) Scarcity arises from limited resources. For this reason, all economic choices involve 36) _____
 A) a value judgement.
 B) greed.
 C) complementary ends.
 D) pride.
 E) an opportunity cost.
- 37) The opportunity cost of going to college or university for four years is 37) _____
 A) zero.
 B) the cost of tuition and books and four years of lost wages from employment.
 C) the least valued alternative one forfeits to attend.
 D) the cost of tuition, residence fees and books.
 E) equal to the wage rate a person will earn after graduation.
- 38) Suppose there are only three alternatives to attending a "free" social event: read a novel (you value this at \$10), go to work (you could earn \$20), or watch videos with some friends (you value this at \$25). The opportunity cost of attending the social event is 38) _____
 A) \$10. B) \$20. C) \$25. D) \$45. E) \$55.

- 39) The opportunity cost of producing good A is defined to be 39) _____
 A) what must be sacrificed of other goods to get an additional unit of good A.
 B) the money cost of the factors of production used in good A.
 C) the retail price of good A.
 D) the cost of having to get by using something else in place of good A.
 E) the cheapest method of producing good A.
- 40) Suppose that one unit of labour can produce either 5 units of wool or 2 pineapples. What is the 40) _____
 opportunity cost of producing 1 pineapple?
 A) 2/5 unit of wool
 B) 5/2 units of wool
 C) zero
 D) 5 units of wool
 E) 2 units of wool
- 41) A small landscaping firm purchases a tractor that, in one day, is capable of drilling 60 fence-post 41) _____
 holes or removing 12 tree stumps (or some intermediate combination). For this landscaper, what is
 the opportunity cost of removing one extra tree stump?
 A) drilling 12 fence-post holes
 B) 1/5 of the cost of the tractor
 C) drilling 5 fence-post holes
 D) 1/12th of the cost of the tractor
 E) there is no opportunity cost
- 42) Suppose that a bakeshop with 5 employees can produce both pies and cakes. In one day, if all 42) _____
 resources are devoted to baking pies, the shop can produce 125 pies; if all resources are devoted to
 baking cakes, the shop can produce 50. What is the shop's opportunity cost of producing any one
 cake?
 A) 2.5 pies B) 0.4 cakes C) 2.5 cakes D) 0.25 pies E) 0.4 pies
- 43) Suppose that a bakeshop with 5 employees can produce both pies and cakes. In one day, if all 43) _____
 resources are devoted to baking pies, the shop can produce 125 pies; if all resources are devoted to
 baking cakes, the shop can produce 50. What is the shop's opportunity cost of producing any one
 pie?
 A) 50 cakes B) 2.5 pies C) 125 pies D) 0.4 cakes E) 0.4 pies
- 44) Katie and Hugh are producing pies and jars of pickles. Katie can produce either 200 jars of pickles 44) _____
 or 100 pies per month. Hugh can produce either 800 jars of pickles or 200 pies per month. Which of
 the following statements is correct?
 A) Hugh's opportunity cost of producing 1 pie is 1/4 jar of pickles.
 B) Katie's opportunity cost of producing 1 jar of pickles is 2 pies.
 C) Hugh's opportunity cost of producing 1 jar of pickles is 4 pies.
 D) Katie's opportunity cost of producing 1 jar of pickles is 1/2 of a pie.
 E) Hugh's and Katie's opportunity costs of producing are the same.
- 45) Suppose Andrea has a job that pays her \$25 000 per year (after taxes). She is considering quitting 45) _____
 her job and going to university full time for four years. Tuition fees and books will cost \$12 000 per
 year. Living expenses in either situation will cost \$10 000 per year. What is the opportunity cost of
 Andrea's four-year university degree?
 A) \$120 000 B) \$100 000 C) \$148 000 D) \$88 000 E) \$188 000

- 46) It has been observed that university enrollment in Canada is higher during periods of high unemployment. A possible explanation for this is that 46) _____
 A) during periods of high unemployment, tuition fees are reduced.
 B) during periods of high unemployment, the opportunity cost is no longer relevant.
 C) when prospects for getting a job are poor, the opportunity cost of getting a job is lower.
 D) when prospects for getting a job are poor, the opportunity cost of going to university is lower.
 E) when prospects for getting a job are poor, the opportunity cost of doing nothing is higher.
- 47) Chantal has a full-time job as a geological engineer and earns an annual after-tax salary of \$85 000. She decides to leave her job for 6 months to scuba dive on the Great Barrier Reef in Australia, and incurs costs of \$7500 for course equipment and certification, \$2500 for airfare, and \$12 000 for regular living expenses in Australia (equal to her living expenses at home). What is Chantal's opportunity cost for this 6-month, unpaid leave of absence? 47) _____
 A) \$52 500 B) \$65 000 C) \$22 000 D) \$12 000 E) \$42 000
- 48) During economic recessions, the opportunity cost of going to university _____ because the wages a student can expect to earn working in the best alternative _____. 48) _____
 A) decreases; decrease
 B) increases; increase
 C) increases; decrease
 D) decreases; increase
 E) remains the same; remain the same
- 49) A country's production possibilities boundary shows that 49) _____
 A) all points inside the boundary are preferred to all points on the boundary.
 B) when a society combines its resources efficiently, it cannot produce more of one good without producing less of the other good.
 C) when a society combines its resources inefficiently, it cannot produce more of one good without producing less of the other good.
 D) the supply for goods always exceeds the demand.
 E) when a society combines its resources efficiently, it is always possible to produce more of all goods.
- 50) Consider a production possibilities boundary showing the possible combinations of military goods and civilian goods that a country can produce. Suppose that the country is currently at a point on the boundary. If the production of military goods is increased, the production of civilian goods will necessarily 50) _____
 A) increase.
 B) remain the same.
 C) increase at an increasing rate.
 D) decrease.
 E) increase at a decreasing rate.
- 51) A point lying inside the production possibilities boundary is one at which 51) _____
 A) it is not possible to produce more output with existing resources.
 B) the opportunity cost of producing more output is negative.
 C) more output could be produced with existing resources.
 D) the economy has run out of resources.
 E) there is no scarcity.

- 52) If a country's production possibilities boundary is drawn as a straight (downward-sloping) line it indicates
- A) an unfair distribution of resources in an economy.
 - B) the use of the scarce resources in an economy.
 - C) constant opportunity cost of producing more of either good.
 - D) increasing opportunity cost of producing more of either good.
 - E) decreasing opportunity cost of producing more of either good.

52) _____

The diagram below shows two production possibilities boundaries for Country X.

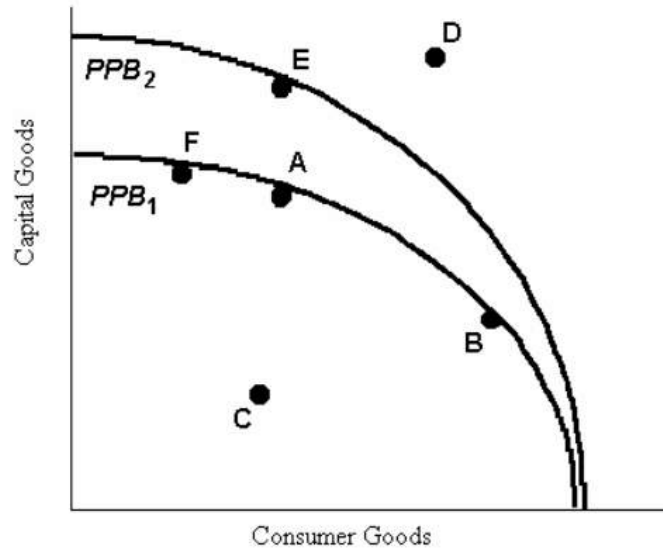


FIGURE 1-4

- 53) Refer to Figure 1-4. The production possibilities boundaries are drawn concave to the origin. What does this shape of the PPB demonstrate?
- A) the unfair distribution of resources in the economy
 - B) the constant opportunity cost of producing more of either good
 - C) the increasing opportunity cost of producing more of either good
 - D) the decreasing opportunity cost of producing more of either good
 - E) the scarcity of resources in the economy
- 54) Refer to Figure 1-4. If Country X, constrained by the production possibilities boundary PPB_1 , is producing the combination of goods indicated at point F, it can produce more consumer goods by moving to one of the points
- A) A, B, C, D, or E.
 - B) D or E
 - C) A, B, or C.
 - D) A or E.
 - E) A or B, but not C.

53) _____

54) _____

- 55) Refer to Figure 1-4. If Country X is currently producing at point A, it could move to point B if 55) _____
 A) the cost of producing capital goods were to increase.
 B) Country X is no longer able to produce the quantity of capital goods at point A.
 C) the cost of producing consumer goods were to increase.
 D) some resources were switched from the consumer goods industries to the capital goods industries.
 E) some resources were switched from the capital goods industries to the consumer goods industries.
- 56) Refer to Figure 1-4. If Country X were producing at point C, 56) _____
 A) the opportunity cost of moving to point A is zero.
 B) it is not possible to move to any point on PPB_1 or PPB_2 without technological progress.
 C) the opportunity cost of moving to point B is to give up some consumption goods.
 D) this is the maximum output possible from given resources.
 E) the opportunity cost of moving to point A is to give up some capital goods.
- 57) Refer to Figure 1-4. At point B, 57) _____
 A) the opportunity cost of producing an extra unit of consumer goods is higher than at point A.
 B) the price of consumer goods is equal to the price of capital goods.
 C) the opportunity cost of producing an extra unit of capital goods is higher than at point A.
 D) the price of capital goods is higher than the price of consumer goods.
 E) Country X is producing too many consumer goods and too few capital goods.
- 58) Refer to Figure 1-4. If Country X, constrained by the production possibilities boundary PPB_1 , is 58) _____
 currently producing at point A, it can produce more capital goods by moving to point
 A) F. B) C. C) E. D) B. E) D.
- 59) Refer to Figure 1-4. Suppose that Country X is currently producing at point E. Country X could 59) _____
 achieve production at point D if
 A) firms reduced output of capital goods.
 B) the given resources were more efficiently employed.
 C) sufficient improvements in technology occurred in either the capital goods industry or the consumer goods industries.
 D) the given resources were fully employed.
 E) the prices of capital goods and consumption goods fell.
- 60) Refer to Figure 1-4. A shift of the production possibilities boundary from PPB_1 to PPB_2 implies 60) _____
 A) that if point E is the new choice of outputs, productivity has increased in the consumer goods industry.
 B) that technology in the consumer goods industry has improved.
 C) an inevitable decrease in total output.
 D) a movement from full employment to some unemployment.
 E) that technology in the capital goods industries has improved.
- 61) Refer to Figure 1-4. Growth in the country's productive capacity is illustrated by 61) _____
 A) a point like D outside the boundary.
 B) an outward shift of the boundary, for example from PPB_1 to PPB_2 .
 C) a movement from a point inside the boundary such as C to the boundary.
 D) a single point such as A on the boundary.
 E) the movement between points on a given boundary.

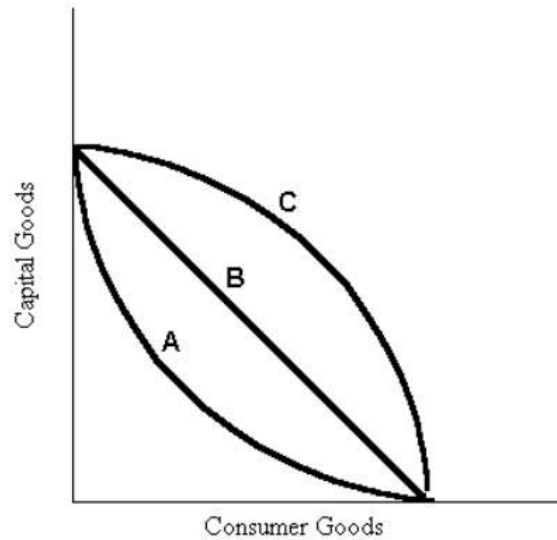


FIGURE 1-5

- 62) Refer to Figure 1-5. Suppose that the relevant production possibilities boundary is the one labelled B. This boundary implies that 62) _____
- A) in this society the resources are not efficiently employed.
 - B) capital goods are preferred to consumer goods.
 - C) the concept of opportunity cost is not at work in this economy.
 - D) consumer goods are preferred to capital goods.
 - E) the opportunity cost of producing either capital goods or consumer goods does not depend on how much of each good is produced.
- 63) Refer to Figure 1-5. Which production possibilities boundaries are consistent with increasing opportunity costs? 63) _____
- A) boundaries B and C
 - B) boundaries A, B, and C
 - C) boundary A only
 - D) boundaries A and B
 - E) boundary C only
- 64) Refer to Figure 1-5. Which production possibilities boundaries exhibit decreasing opportunity costs? 64) _____
- A) boundary B only
 - B) boundary A only
 - C) boundary C only
 - D) boundaries A and B
 - E) boundaries A and C
- 65) If there is always a three-for-one trade-off between the production of goods X and Y, then the production possibilities boundary for X and Y is 65) _____
- A) semi-circular.
 - B) a downward-sloping curve convex to the origin.
 - C) a downward-sloping straight line that is broken at one point.
 - D) a downward-sloping curve concave to the origin.
 - E) a downward-sloping straight line.

- 66) On a diagram of a production possibilities boundary, the concept of scarcity is illustrated by the 66) _____
A) distance from the origin to the boundary.
B) points on the boundary.
C) unattainable points outside the boundary.
D) area within the boundary.
E) negative slope of the boundary.
- 67) On a diagram of a production possibilities boundary, the concept of opportunity cost is illustrated 67) _____
by the
A) boundary being concave to the origin.
B) distance from the origin to the boundary.
C) unattainable points outside the boundary.
D) area bounded by the two axes and the boundary.
E) negative slope of the boundary.
- 68) A straight-line production possibilities boundary differs from a concave boundary in which of the 68) _____
following ways?
A) The concave boundary illustrates constant opportunity costs, whereas the straight-line
boundary illustrates decreasing opportunity costs.
B) A straight-line boundary is associated with a command economy, whereas a concave
boundary is associated with a free-market economy.
C) The straight-line boundary illustrates constant opportunity costs, whereas the concave
boundary illustrates increasing opportunity costs.
D) The straight-line boundary shows opportunity cost, whereas the concave boundary does not.
E) The straight-line boundary does not show scarcity, whereas the concave boundary does.
- 69) Consider Canada's production possibilities boundary. Suppose a scientific breakthrough leads to a 69) _____
lower-cost method of producing battery-operated cars in Canada. The likely effect would be to
move Canada's current production
A) possibilities boundary outward.
B) possibilities boundary inward.
C) above the level of U.S. production.
D) to a point beyond its new production possibilities boundary.
E) to a point inside its new production possibilities boundary.
- 70) Consider Canada's production possibilities boundary. Suppose fire destroys many millions of 70) _____
hectares of valuable Canadian forest. The effect on the Canadian economy would be best illustrated
by _____ the production possibilities boundary.
A) a movement to a point beyond
B) an inward shift of
C) a movement inside
D) a shift outward of
E) a movement along

- 71) Consider Canada's production possibilities boundary. During the nineteenth and early twentieth centuries, millions of people immigrated to western Canada. The effect on the Canadian economy was to 71) _____
- A) move it inside its new production possibilities boundary.
 - B) shift its production possibilities boundary outward.
 - C) move it beyond its new production possibilities boundary.
 - D) shift its production possibilities boundary inward.
 - E) move it along an unchanged production possibilities boundary.
- 72) In recent years, several large Canadian-owned mining and resource companies have been sold to foreign owners. The immediate effect on Canada's production possibilities boundary is 72) _____
- A) a shift outward.
 - B) a shift inward.
 - C) a movement to a point beyond the boundary.
 - D) a movement along.
 - E) no change.
- 73) A move from inside the production possibilities boundary to the boundary itself could be caused by 73) _____
- A) an increase in the labour supply.
 - B) the employment of previously idle resources.
 - C) technological progress.
 - D) an improvement in the government's ability to control its spending.
 - E) a reallocation of resources from military to civilian goods.
- 74) Consider a production possibilities boundary showing the quantity of military goods and the quantity of civilian goods on the two axes. A movement along the production possibilities boundary could be caused by 74) _____
- A) an increase in the labour supply.
 - B) technological progress.
 - C) the reallocation of resources between military and civilian goods.
 - D) the employment of previously idle resources.
 - E) the growth of productive capacity.

The downward-sloping line in the diagram below shows the combinations of health care and education expenditures that the government can afford with a given amount of tax revenue.

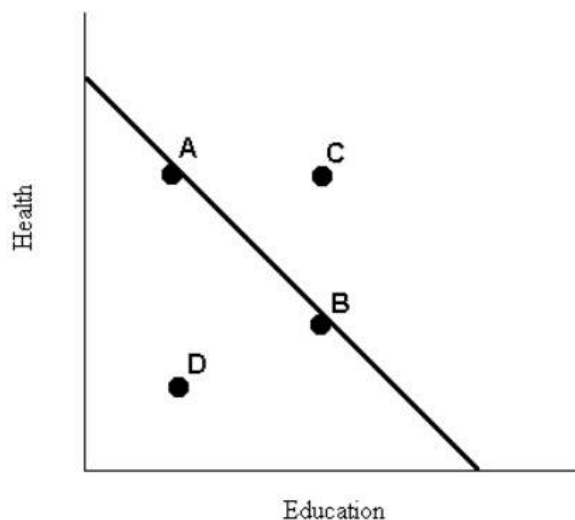


FIGURE 1-6

- 75) Refer to Figure 1-6. The levels of health and education expenditures at point C
 A) are equal to those of point A and point B.
 B) are less than at point D.
 C) are not attainable with the government's current budget.
 D) could be achieved if the prices of health and/or education increased.
 E) are more cost-effective than those at points A, B, and D. 75) _____
- 76) Refer to Figure 1-6. If the government's spending on health and education is given by point B, a
 move to point A must involve
 A) less spending on health.
 B) more spending on education.
 C) less spending in total.
 D) less spending on education.
 E) zero opportunity cost. 76) _____
- 77) Refer to Figure 1-6. Suppose the government's current spending is shown by point D. In this case,
 A) more education expenditures can be achieved only by sacrificing some health expenditures.
 B) the government is not spending its total budget.
 C) the government should spend its total budget so as to get to point B, since more health
 spending and more education spending are both clearly desirable.
 D) the prices of education and health care have increased beyond the government's ability to
 pay.
 E) more health expenditures can be achieved only by sacrificing some education expenditures. 77) _____

- 78) Consider the production possibilities boundary (PPB) of an economy. Economic growth is illustrated by 78) _____
- A) the movement to a point outside of the PPB.
 - B) the negative slope of the PPB.
 - C) a movement along the PPB.
 - D) a movement onto the PPB.
 - E) an outward shift of the PPB.
- 79) Suppose drought destroys many millions of acres of valuable Canadian farmland. The effect on the Canadian economy would be to move 79) _____
- A) its production possibilities boundary inward.
 - B) its production possibilities boundary outward.
 - C) it along its production possibilities boundary.
 - D) it beyond its production possibilities boundary.
 - E) None of the above. There would be no change in Canada's production possibilities boundary.
- 80) Suppose there are only two goods produced in our economy—snowplows and helicopters. If there is always a two-for-one tradeoff between the production of these two goods (in terms of opportunity cost), then the production possibilities boundary between snowplows and helicopters is 80) _____
- A) a downward-sloping curve convex to the origin.
 - B) a downward-sloping straight line.
 - C) a downward-sloping straight line with slope equal to -1.
 - D) a downward-sloping curve concave to the origin.
 - E) circular.
- 81) A modern economy like Canada's is largely organized by 81) _____
- A) individuals following their own self interest, doing what seems best for themselves.
 - B) individuals forming cooperative enterprises and labour unions.
 - C) the self-interested behaviour of a small number of individuals.
 - D) governments at all levels coordinating the activities of firms and citizens.
 - E) benevolent individuals pursuing the public interest.
- 82) An insight first fully developed by Adam Smith is that 82) _____
- A) self-interest, not benevolence, is the foundation of economic order.
 - B) individual self-interest is the only necessary force for social order.
 - C) all individuals are motivated solely by self-interest.
 - D) without benevolence production would not occur.
 - E) self-interest undermines effective economic order.
- 83) In the Canadian economy, most decisions regarding resource allocation are made by 83) _____
- A) legal contract.
 - B) consumers and producers interacting in the price system.
 - C) the various levels of government.
 - D) negotiation between unions and firms.
 - E) business firms only.

- 84) The famous economist who first described the division of labour was 84) _____
A) John Maynard Keynes.
B) Adam Smith.
C) Karl Marx.
D) David Ricardo.
E) Milton Friedman.
- 85) Which of the following statements about specialization and trade are correct? 85) _____
A) They developed only where government and political institutions were stable.
B) They exist only in capitalist economies.
C) They arose as humans changed from nomadic and self-sufficient food gatherers to settled food producers.
D) They developed only in the twentieth century.
E) They occur only in the private sector.
- 86) If an economy exhibits the specialization of labour, we know that 86) _____
A) different individuals are producing different products.
B) a barter economy is more suitable.
C) most production is artisanal in nature.
D) job security is ensured.
E) each worker is self-sufficient.
- 87) Which of the following statements best describes a barter system of exchange? 87) _____
A) It does not involve the double coincidence of wants.
B) It involves the trading of goods directly for other goods.
C) It developed late in history.
D) It is the most efficient form of exchange.
E) It requires the use of money.
- 88) Specialization of labour led to greater efficiency in the allocation of resources because of 88) _____
A) greater reliance on self-sufficiency.
B) the use of barter.
C) an increase in total work effort.
D) the opportunity cost of labour increased.
E) the principle of comparative advantage.
- 89) A greater specialization of labour leads to which of the following major results? 89) _____
A) the overall output of the economy declines
B) there is an increased need for government to intervene in the marketplace
C) there is a greater need for trade
D) each worker must become more self-sufficient
E) the circular flow of income contracts
- 90) A farmer selling tomatoes and corn at a roadside, and a currency trader in Hong Kong, are each participating in 90) _____
A) an involuntary transaction.
B) international trade.
C) a market.
D) flexible manufacturing.
E) barter.

- 91) Which of the following has most contributed to the globalization of the economy? 91) _____
- A) tariffs and trade barriers
 - B) the decline in the relative importance of manufacturing
 - C) reductions in transportation and communication costs
 - D) the shift toward a market economy in China
 - E) the decreased importance of agriculture
- 92) Which of the following results from the introduction of money for use in transactions? 92) _____
- A) society is able to satisfy all wants
 - B) the specialization of labour becomes more difficult
 - C) exchange becomes easier and this promotes the specialization of labour
 - D) self-sufficiency is assured
 - E) an increased use of barter
- 93) The barter system of exchange is inefficient because 93) _____
- A) exchange partners need to know each other.
 - B) the double coincidence of wants may not exist.
 - C) markets do not exist.
 - D) "fair" values cannot be defined without the use of money.
 - E) bargaining power is unequal between rich and poor.
- 94) Which of the point(s) below is (are) true of money? 94) _____
- i) Money eliminated the need for barter.
 - ii) Money allowed for specialization of labour and expansion of trade.
 - iii) Money allowed for the development of a market economy.
 - iv) Money allowed one to save current production for future use.
- A) Only i).
 - B) Only i) and ii).
 - C) Only i) and iv).
 - D) Only i), ii), and iv).
 - E) All of the points are true.
- 95) Money facilitates trade and specialization by 95) _____
- A) increasing the value of gold.
 - B) allowing an efficient barter system to develop.
 - C) providing employment for coin makers.
 - D) eliminating the need for barter.
 - E) reducing the shift of resources between uses.
- 96) With reference to the circular flow of income, how is the allocation of resources largely decided? 96) _____
- A) by central authorities and firms only
 - B) by central authorities only
 - C) by firms and households acting independently
 - D) by political parties and firms only
 - E) by individuals only

- 97) The key decision makers in a market economy are 97) _____
A) households, firms, and government.
B) large corporations and labour organizations.
C) governments and all institutions under government control.
D) individual citizens, non-profit organizations, and the Bank of Canada.
E) corporations and governments.
- 98) Economists usually assume that households and firms, respectively, maximize 98) _____
A) utility and profits.
B) savings and profits.
C) wages and revenues.
D) income and sales.
E) expenditures and profits.
- 99) In general, which of the following statements is an accurate description of economists' assumptions 99) _____
about households? Households
A) make consistent decisions, maximize utility, and are the principal owners of the factors of
production.
B) do not make consistent decisions, maximize satisfaction, and are the principal owners of the
factors of production.
C) do not make consistent decisions, maximize profits, and are the principal users of the factors
of production.
D) make consistent decisions, maximize profits, and are the principal users of the factors of
production.
E) make consistent decisions, maximize savings, and are the principal users of the factors of
production.
- 100) Which of the following is illustrated by the circular flow of income? 100) _____
A) that firms own the factors of production
B) that there is no relationship between goods markets and factor markets
C) the flows of expenditures and income in a household
D) the interaction of households and firms through the factors and goods markets
E) that the flow of payments moves in the same direction as the flow of goods
- 101) Which of the following represents a typical "real" flow (as opposed to a financial flow) in the 101) _____
circular flow of income?
A) goods going from consumers to producers
B) money payments going from producers to consumers
C) goods going from producers to consumers
D) factor services going from producers to consumers
E) money payments going from consumers to producers
- 102) If some income earned by households is not spent on output, or if some income earned by firms is 102) _____
not spent on factor services, the circular flow of income will
A) explode. B) stop. C) contract. D) run over. E) expand.

- 103) An economic system that relies primarily upon custom and habit in economic decision making is a 103) _____
A) traditional system.
B) mixed system.
C) communist system.
D) command system.
E) market system.
- 104) In practice, the term "centrally planned economy" refers to an economy in which 104) _____
A) the government makes ALL production and consumption decisions.
B) the military is in control of the government.
C) the mix of market and command principles is heavily weighted towards the latter.
D) economic decisions are made in the geographic centre of the country.
E) all commodities are rationed.
- 105) Karl Marx argued that 105) _____
A) a free-market system would produce a low level of total output.
B) technological change was not important in improving living standards.
C) benevolence, not self-interest, produced an effective economic order.
D) centrally planned economies could provide a more equitable distribution of total output than capitalist economies.
E) the unfettered market system driven by self-interest leads to the best social outcome.
- 106) When discussing types of economic systems the Canadian economy is best described as 106) _____
A) a mixed economic system.
B) traditional.
C) a command economy.
D) primarily a public ownership economy.
E) primarily free-market decision making.
- 107) With regard to various economic systems, most economists agree that 107) _____
A) the mix of market and command principles that exists in Canada is the best.
B) government intervention in the economy is only justified in time of war.
C) command economies have been very successful in distributing income in socially just ways.
D) the optimal mix of market and command systems remains constant over time.
E) most production and consumption decisions are more efficiently coordinated by markets than through central planning.
- 108) Which countries have mostly public ownership of resources? 108) _____
A) France and Germany
B) Brazil and Argentina
C) Cuba and North Korea
D) United States and Canada
E) Sweden and Norway
- 109) Behaviour in free-market economies is 109) _____
A) mostly affected by elements of tradition and government command.
B) based primarily on custom and habit.
C) random and unpredictable.
D) mostly directed by self interest.
E) determined by a central authority.

- 110) In command economies, economic behaviour is 110) _____
A) largely affected by elements of tradition and market incentives.
B) directed by individual self interest.
C) largely determined by a central authority.
D) random and unpredictable.
E) based primarily on custom and habit.
- 111) In mixed economies, economic behaviour is 111) _____
A) directed only by self interest.
B) based primarily on custom and habit.
C) random and unpredictable.
D) largely determined by a central authority.
E) affected by elements of tradition, government command, and market incentives.
- 112) In traditional economies, economic behaviour is 112) _____
A) based primarily on custom and habit.
B) affected by elements of tradition, government command, and market incentives.
C) random and unpredictable.
D) largely determined by a central authority.
E) directed only by self interest.
- 113) Complex economic plans for many economic sectors are most associated with a 113) _____
A) feudal system.
B) command economy.
C) mixed market system.
D) free-market system.
E) traditional economy.
- 114) Most modern economies in the world today 114) _____
A) are complex systems that defy description and analysis.
B) have a mix of traditional, command and market elements.
C) are mostly run by government decree.
D) have pure market exchange.
E) are similar to feudal systems.
- 115) In the current Canadian economy, the majority of choices on how resources are allocated are made 115) _____
by
A) business firms only.
B) legal contracts.
C) consumers and firms through the price system.
D) negotiation between unions and firms.
E) the various levels of government.
- 116) Comparison of economic systems indicates that 116) _____
A) most countries have mixed economies.
B) most nations have either a purely socialist economy or a purely capitalist economy.
C) socialist economies are clearly superior in producing consumer goods.
D) capitalist economies are clearly superior in distributing income.
E) all countries have largely traditional economies.

117) Many economies in central and Eastern Europe, including the countries of the former Soviet Union, are still in the process of moving from a command economy to a market economy. In the first years of this transition, most of these countries experienced sharp drops in output and reductions in living standards. Economists generally see this as 117) _____

- A) the difficulty of corruption in non-market economies.
- B) the triumph of capitalism over communism.
- C) the failure of the market system.
- D) an indication of the extreme difficulty of transition from one type of economic system to another.
- E) an indication that these economies should return to being command economies.

118) In a pure market economy, the role of government is limited to provision of : 118) _____

- i) a basic legal and institutional structure.
- ii) intervention in the allocation of resources in some areas of the economy.
- iii) redistribution of income.
- iv) stabilization of economic conditions generally.

Which of the above points is true?

- A) Only i).
- B) Only i) and ii).
- C) Only i) and iv).
- D) Only i), ii), and iv).
- E) All of the points are provided by government in a pure market economy.

119) Income redistribution in a mixed economy 119) _____

- A) rarely occurs.
- B) is supported by all individuals.
- C) is not allowed.
- D) risks reducing individual incentives to work and produce.
- E) is only accomplished through government intervention.

120) In a modern mixed economy the government ensures that key institutions are in place to facilitate voluntary transactions between economic agents. These key institutions are 120) _____

- A) labour and capital markets.
- B) the Department of Finance and the Bank of Canada.
- C) the House of Commons and the Senate.
- D) securities regulators and the court system.
- E) private property and freedom of contract.

Answer Key

Testname: UNTITLED1

- 1) B
- 2) B
- 3) C
- 4) A
- 5) C
- 6) D
- 7) E
- 8) A
- 9) D
- 10) A
- 11) E
- 12) E
- 13) D
- 14) C
- 15) C
- 16) E
- 17) D
- 18) D
- 19) A
- 20) E
- 21) D
- 22) C
- 23) D
- 24) D
- 25) A
- 26) E
- 27) E
- 28) B
- 29) B
- 30) E
- 31) B
- 32) D
- 33) B
- 34) C
- 35) A
- 36) E
- 37) B
- 38) C
- 39) A
- 40) B
- 41) C
- 42) A
- 43) D
- 44) D
- 45) C
- 46) D
- 47) A
- 48) A
- 49) B
- 50) D

Answer Key

Testname: UNTITLED1

- 51) C
- 52) C
- 53) C
- 54) C
- 55) E
- 56) A
- 57) A
- 58) A
- 59) C
- 60) E
- 61) B
- 62) E
- 63) E
- 64) B
- 65) E
- 66) C
- 67) E
- 68) C
- 69) A
- 70) B
- 71) B
- 72) E
- 73) B
- 74) C
- 75) C
- 76) D
- 77) B
- 78) E
- 79) A
- 80) B
- 81) A
- 82) A
- 83) B
- 84) B
- 85) C
- 86) A
- 87) B
- 88) E
- 89) C
- 90) C
- 91) C
- 92) C
- 93) B
- 94) E
- 95) D
- 96) C
- 97) A
- 98) A
- 99) A
- 100) D

Answer Key

Testname: UNTITLED1

- 101) C
- 102) C
- 103) A
- 104) C
- 105) D
- 106) A
- 107) E
- 108) C
- 109) D
- 110) C
- 111) E
- 112) A
- 113) B
- 114) B
- 115) C
- 116) A
- 117) D
- 118) A
- 119) D
- 120) E