Question 1

Which of the following are characteristics of a scarce resource?

A. There is a fixed quantity of the resource available but no demand for it
B. There is a demand for that resource with limited supply
C. The resource has unlimited supply and limited demand
D. There is limited supply of a resource with no demand for that resource
E. The resource is in demand, but there is no supply of it

Question 2

Which of the following does Economics primarily study?

A. how scarcity can be eliminated
B. how firms manipulate prices
C. how government influences resource allocation decisions
D. the problem of scarce resources relative to human wants

Question 3

Which of the following best describes what we mean by resources in economics?

A. Natural resources like natural gas and trees
B. The factors used to produce goods and services
C. Human resources like workers
D. The ability to handle a situation
E. Monetary wealth

Question 4

Which of the following statements about specialization and trade is true?

A. A country should specialize in and export the good for which it has absolute advantage.
B. A country should specialize in and import the good for which it has comparative advantage.
C. A country should specialize in and import the good for which it has absolute advantage.
D. A country should specialize in and export the good for which they have comparative advantage.
E. Both countries should specialize and trade in the same good if their opportunity costs are equal.

Question 5

Country A and Country B are potential trading partners that can produce boats and umbrellas, as illustrated in the PPCs below.

Which of the following exchange prices for boats would result in gains from trade for these two countries?

A. \( \frac{1}{3} \) umbrella per boat
B. \( \frac{3}{5} \) umbrella per boat
C. \( \frac{1}{4} \) umbrella per boat
D. One umbrella per boat
E. 2.5 umbrellas per boat

Question 6

Martha and Dave like to make tacos and cakes. The time it takes for Martha and Dave to make tacos and cakes is given in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Martha</th>
<th>Dave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to make a taco</td>
<td>10 minutes</td>
<td>15 minutes</td>
</tr>
<tr>
<td>Time to make a cake</td>
<td>20 minutes</td>
<td>30 minutes</td>
</tr>
</tbody>
</table>
Which person has a comparative advantage in the production of tacos, and which person has a comparative advantage in the production of cakes?

- A. Both have a comparative advantage in producing both goods.
- B. Neither person has comparative advantage in producing either good.
- C. Dave has a comparative advantage in producing both goods.
- D. They both have a comparative advantage in producing tacos; neither person has a comparative advantage in producing cakes.
- E. Martha has a comparative advantage in producing both goods.

Question 7

The graph below represents a change in the production possibilities of the nation of Xam.

**Xam's production possibilities**

Which of the following statements about the economic growth in this PPC are true?

- A. Xam now has more resources or technology to produce more fruit smoothies, but not fast cars
- B. Xam now has more resources or technology available that can produce either fast cars or fruit smoothies
C. Xam now has more resources or technology available to produce more fast cars, but not fruit smoothies
D. Xam has fewer resources or technology to produce fruit smoothies and fast cars
E. Xam’s resources or technology have not changed

Question 8

The graph below shows the PPC for a country producing ice cream and frozen yogurt.

![Production Possibilities Curve]

What statement explains why the PPC for ice cream and frozen yogurt is a straight line instead of a curve?

A. The shape of the PPC signifies that the resources needed to produce the two goods are interchangeable.
B. The shape of the PPC signifies that the resources needed to produce the two goods are very different.
C. The shape of the PPC signifies increasing opportunity cost
D. The shape of the PPC signifies an inefficient use of resources
E. The shape of the PPC signifies efficient use of resources

Question 9

As a result of an increase in consumer incomes, the demand for Meeps has decreased.
Based on this information, what can we definitely say about what type of good a Meep is?

A. It is an inferior good.
B. It is a normal good.
C. It is a substitute good.
D. It is a complement good.
E. It has many substitutes.

Question 10

Land in the United States can be used to produce either soybeans or corn. The price of soybean fertilizer has fallen due to cheaper imports from China.

What will change for soybeans and corn?

A. Supply of both corn and soybeans will increase
B. Supply of soybeans will decrease and supply of corn will increase
C. Supply of soybeans will increase and the supply of corn will decrease
D. Quantity supplied of corn and quantity supplied of soybeans will both increase
E. Quantity supplied of corn and quantity supplied of soybeans will both decrease

Question 11

*The market for blankets is shown here.*
Which of the following explains why $7 is not an equilibrium price in the market for blankets?

A. The supply is greater than the demand  
B. The quantity supplied is greater than the quantity demanded  
C. The quantity demanded and quantity supplied are equal  
D. The quantity demanded is greater than the quantity supplied  
E. The demand is greater than the supply

Question 12

Shampoo and conditioner are complementary goods.

What happens to the price and quantity of conditioner if the price of shampoo decreases?

A. Price decreases; quantity increases.  
B. Price increases; quantity decreases.  
C. Price increases; quantity increases.  
D. Price decreases; quantity decreases.  
E. Price decreases; quantity demanded does not change.

Question 13

Which of the following is the best example of physical capital?

A. A $100,000 business loan from a bank  
B. A business hiring 10,000 workers at a factory  
C. A truck for a delivery company  
D. An oven for a family of four  
E. An increase in construction jobs

Question 14

Which of the following will NOT cause the demand for video games to change?

A. a change in the price of a close substitute  
B. a change in consumer incomes  
C. a change in the price of video games  
D. a change in consumer tastes  
E. a change in consumer preferences

Question 15
Which of the economic systems listed below involves government ownership of the factors of production?

A. Command Economy  
B. Market Economy  
C. Traditional Economy  
D. All of the Above

Question 16

Economists use the term "Land" to refer to all sorts of natural resources. Which of the following resources fit into this category?

A. Land  
B. Lumber  
C. Oil  
D. All of the Above

Question 17

Which of the following best describes the reason why price will increase when demand increases?

A. Until price changes in response to a demand increase, the quantity demanded will be less than quantity supplied.  
B. Price instantly adjusts to an increase in demand.  
C. At the old equilibrium price, the quantity demanded will exceed the quantity supplied, which will cause a shortage.  
D. At the old equilibrium quantity, the price people are willing to pay for that quantity has decreased.  
E. At the old equilibrium price, the quantity supplied will exceed the quantity demanded, which will cause a surplus.

Question 18

Which of the following best describes the law of supply?

A. Supply is infinite.  
B. Legal authorities regulate markets.  
C. Producers sell the same amount of a good no matter its price.  
D. Sellers set the price that demanders pay.  
E. As price increases, quantity supplied increases.
Two supply curves

Which of the following could cause the movement indicated by the arrow in the graph shown here?

A. Lower worker wages
B. Reduced government regulation of producers
C. Seller’s expectation that the good’s price will fall in the future
D. Increased government regulations of producers
E. A decrease in consumer income

Answer Key

1. B
2. D
3. B
4. D
5. B
6. B
7. C
8. A
9. A
10. C
11. D
12. C
13. C
14. C
15. A
16. D
17. C
18. E
19. D