1. Assume the price of product Y (the quantity of which is on the vertical axis) is $15 and the price of product X (the quantity of which is on the horizontal axis) is $3. Also assume that money income is $60. The absolute value of the slope of the resulting budget line:
A. is 5.
B. is 1/5.
C. is 4.
D. is 20.

2. Refer to the above diagram. An improvement in technology will:
A. shift the production possibilities curve from $PP_1$ to $PP_2$.
B. shift the production possibilities curve from $PP_2$ to $PP_1$.
C. move the economy from $A$ to $C$ along $PP_1$.
D. move the economy from $A$, $B$, or $C$ on $PP_1$ to $D$.

3. If the equation $y = 5 + 6x$ was graphed, the:
A. slope would be -5.
B. slope would be +.6.
C. slope would be +5.
D. vertical intercept would be +.6.
4. Refer to the above diagram. Other things equal, this economy will achieve the most rapid rate of growth if:
A. the ratio of capital to consumer goods is minimized.
B. it chooses point C.
C. it chooses point B.
D. it chooses point A.

5. In the above diagram the vertical intercept and slope are:
A. 4 and \(-1\frac{1}{3}\) respectively.
B. 3 and \(+\frac{3}{4}\) respectively.
C. 3 and \(-1\frac{1}{3}\) respectively.
D. 4 and \(+\frac{3}{4}\) respectively.
6. (Last Word) The fallacy of composition is essentially the error of:
A. omitting relevant variables in constructing a model.
B. reasoning from the general to the particular.
C. confusing cause and effect in economic relationships.
D. generalizing from the particular to the general.

7. The process by which capital goods are accumulated is known as investment.
   True    False

8. The slope of a budget line reflects the:
   A. desirability of the two products.
   B. price ratio of the two products.
   C. amount of the consumer's income.
   D. utility ratio of the two products.

9. (Last Word) The "after this, therefore because of this" fallacy states that:
   A. because event A precedes event B, A is necessarily the cause of B.
   B. the very attempt to accomplish a certain objective may create conditions that prohibit the achievement of that goal.
   C. events may drastically alter plans; one's intentions and actual accomplishments may differ considerably.
   D. generalizations that are accurate at the level of microeconomics may be inaccurate at the level of macroeconomics.

10. In the figure above are two linear production possibilities curves for countries Alpha and Beta. We can conclude that:
    A. different value systems make it impossible to compare opportunity costs in the two countries.
    B. the opportunity cost of shelter is greater in Beta than it is in Alpha.
    C. the opportunity cost of food is greater in Alpha than it is in Beta.
    D. the opportunity cost of shelter is greater in Alpha than it is in Beta.

11. In drawing a particular budget line, money income and the prices of the two products are fixed.
    True    False
12. If two variables are inversely related, then as the value of one variable:
A. increases, the value of the other may either increase or decrease.
B. decreases, the value of the other decreases.
C. increases, the value of the other decreases.
D. increases, the value of the other increases.

Answer the next question(s) on the basis of the following production possibilities tables for two countries, North Cantina and South Cantina:

<table>
<thead>
<tr>
<th></th>
<th>North Cantina Production possibilities</th>
<th>South Cantina Production possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital goods</td>
<td>A 5 B 4 C 3 D 2 E 1 F 0</td>
<td>A 5 B 4 C 3 D 2 E 1 F 0</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>0 10 18 24 28 30</td>
<td>0 8 15 21 25 27</td>
</tr>
</tbody>
</table>

13. Refer to the above tables. The opportunity cost of the fifth unit of capital goods:
A. is higher in North Cantina than in South Cantina.
B. is the same in North Cantina and South Cantina.
C. is lower in North Cantina than in South Cantina.
D. cannot be determined from the information provided.

14. The budget line shows:
A. the amount of product A that a consumer is willing to give up to obtain one more unit of product B.
B. all possible combinations of two goods that can be purchased, given money income and the prices of the goods.
C. the minimum amount of two goods that a consumer can purchase with a given money income.
D. all possible combinations of two goods that yield the same level of utility to the consumer.

15. Which of the following is an economic explanation for why most college-aged movie stars do not attend college.
A. they are too dumb to get into college
B. they would find college life boring
C. the opportunity cost in terms of reduced income is too great
D. they cannot afford the room, board, and tuition fees most colleges charge.
Answer the next question(s) on the basis of the following five data sets wherein it is assumed that the variable shown on the left is the independent variable and the one on the right is the dependent variable. Assume in graphing these data that the independent variable is shown on the horizontal axis and the dependent variable on the vertical axis.

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>J</td>
<td>K</td>
<td>L</td>
<td>M</td>
<td>N</td>
</tr>
<tr>
<td>0</td>
<td>10</td>
<td>0</td>
<td>-1.5</td>
<td>100</td>
</tr>
<tr>
<td>40</td>
<td>20</td>
<td>30</td>
<td>-5</td>
<td>80</td>
</tr>
<tr>
<td>80</td>
<td>30</td>
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<td>5</td>
<td>60</td>
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<tr>
<td>120</td>
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<td>1.5</td>
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</tr>
<tr>
<td>160</td>
<td>50</td>
<td>120</td>
<td>2.5</td>
<td>20</td>
</tr>
<tr>
<td>200</td>
<td>60</td>
<td>150</td>
<td>3.5</td>
<td>0</td>
</tr>
</tbody>
</table>

16. Refer to the above data sets. The vertical intercept is negative for:
A. none of the data sets.
B. data sets 2 and 4 only.
C. data sets 1 and 3 only.
D. data sets 1 and 5 only.

17. The production possibilities curve shows:
A. the various combinations of two goods that can be produced when society employs all of its scarce resources.
B. the minimum outputs of two goods that will sustain a society.
C. the various combinations of two goods that can be produced when some resources are unemployed.
D. the ideal, but unattainable, combinations of two goods that would maximize consumer satisfactions.

18. The typical production possibilities curve is:
A. an upsloping line that is concave to the origin.
B. a downsloping line that is convex to the origin.
C. a downsloping line that is concave to the origin.
D. a straight upsloping line.

19. The economic perspective entails:
A. irrational behavior by individuals and institutions.
B. a comparison of marginal benefits and marginal costs in decision making.
C. short-term but not long-term thinking.
D. rejection of the scientific method.

20. The term "ceteris paribus" means:
A. that if event A precedes event B, A has caused B.
B. that economics deals with facts, not values.
C. other things equal.
D. prosperity inevitably follows recession.
21. The movement from line \( A \) to line \( A' \) represents a change in:
A. the slope only.
B. both the slope and the intercept.
C. the intercept only.
D. neither the slope nor the intercept.

22. Deltonia produces both consumer and capital goods. Other things equal, if Deltonia reduces the percentage of its output devoted to capital goods, then:
A. its rate of growth will decline.
B. its production possibilities curve will shift to the left.
C. it must also reduce the percentage of its output devoted to consumer goods.
D. its rate of growth will increase.

23. Which of the following is a capital resource?
A. a computer programmer
B. a corporate bond issued by a computer manufacturer
C. silicone (sand) used to make computer chips
D. a piece of software used by a firm

24. Refer to the above data sets. The equation for data set 3 is:
A. \( P = 90 - .5N \).
B. \( P = 90 + .5N \).
C. \( P = .5N \).
D. \( P = 40 + .5N \).

25. The study of economics is primarily concerned with:
A. keeping private businesses from losing money.
B. demonstrating that capitalistic economies are superior to socialistic economies.
C. choices that are made in seeking the best use of resources.
D. determining the most equitable distribution of society's output.
26. Assume that a change in government policy results in greater production of both consumer goods and investment goods. We can conclude that:
A. the economy was not employing all of its resources before the policy change.
B. the economy's production possibilities curve has been shifted to the left as a result of the policy decision.
C. this economy's production possibilities curve is convex (bowed inward) to the origin.
D. the law of increasing opportunity costs does not apply in this society.

27. (Consider This) Free products offered by firms:
A. may or may not be free to society, but are never free to individuals.
B. may or may not be free to individuals, but are never free to society.
C. are produced and distributed at no cost to society.
D. usually are items nobody wants.

28. The amount of pizzas that consumers want to buy per week is reflected in the equation \( P = 15 - .02Q_d \), where \( Q_d \) is the amount of pizzas purchased per week and \( P \) is the price of pizzas. On the basis of this information we can say that:
A. if pizzas were free, people would consume 800 per week.
B. more pizzas will be purchased at a high price than at a low price.
C. if the price of pizzas is $6, then 150 will be purchased.
D. 50 fewer pizzas will be purchased per week for every $1 increase in price.

<table>
<thead>
<tr>
<th>Duckistan</th>
<th>Production possibilities</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian goods</td>
<td>20 18 14 8 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military goods</td>
<td>0 1 2 3 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Herbania</th>
<th>Production possibilities</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian goods</td>
<td>40 36 26 14 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military goods</td>
<td>0 1 2 3 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

29. Refer to the above tables. Opportunity costs are:
A. constant in both Duckistan and Herbania.
B. larger in Duckistan than in Herbania.
C. increasing in both Duckistan and Herbania.
D. increasing in Duckistan and constant in Herbania.
30. Refer to the above graph. Using \( Q_d \) for quantity demanded and \( P \) for price, which of the following equations correctly states the demand for this product?

A. \( P = Q_d/10 \).
B. \( P = 50 - P/2 \).
C. \( P = 10 - .2Q_d \).
D. \( P = 10 - 2Q_d \).

Pre-Test Chapter 1 ed17 Key

1. B
2. A
3. C
4. D
5. A
6. D
7. TRUE
8. B
9. A
10. D
11. TRUE
12. C
13. A
14. B
15. C
16. C
17. A
18. C
19. B
20. C
21. B
22. A
23. D
24. A
25. C
26. A
27. B
28. D
29. C
30. C