Practice for Chapter two
Fall 2017

1) The attainable production points on a production possibilities curve are
A) the horizontal and vertical intercepts.
B) the points along the production possibilities frontier.
C) the points outside the area enclosed by the production possibilities frontier.
D) the points along and inside the production possibility frontier.

2) The points outside the production possibilities frontier are
A) efficient.　　　　　　B) attainable.
C) inefficient.　　　　　D) unattainable.

3) The Great Depression of the 1930s, with a large number of workers and factories unemployed, would be represented in a production possibilities frontier graph by
A) a point inside the frontier.
B) a point outside the frontier.
C) a point on the frontier.
D) an intercept on either the vertical or the horizontal axis.

Figure 1

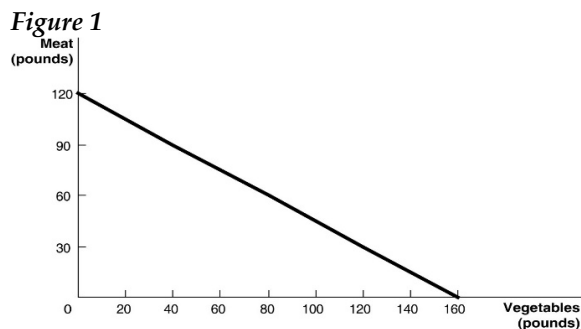
Figure 1 above shows the production possibilities frontier for country A, a nation that produces two goods, meat and vegetables.

4) *Refer to Figure 1.* What is the opportunity cost of one pound of vegetables?
A) $\frac{3}{4}$ pound of meat　　　　　B) 1.2 pounds of meat

C) $1\frac{1}{3}$ pounds of meat　　　　D) 12 pounds of meat

5) *Refer to Figure 1.* What is the opportunity cost of one pound of meat?
A) $\frac{3}{4}$ pound of vegetables　　　　B) $1\frac{1}{3}$ pounds of vegetables

C) 1.6 pounds of vegetables　　　　D) 16 pounds of vegetables

6) Increasing opportunity cost is represented by a _____ production possibilities frontier.
A) linear　　　　　　B) bowed in
C) bowed out　　　　D) vertical

7) Without an increase in the supplies of factors of production, how can a nation achieve economic growth?
A) by producing more high-value goods and fewer low-value goods
B) through technological advancement which enables more output with the same quantity of resources
C) by lowering the prices of factors of production
D) by increasing the prices of factors of production

Table 1

	Serena	Haley
Bracelets	8	9
Necklaces	16	12

Table 1 shows the output per week of two jewelers, Serena and Haley. They can either devote their time to making bracelets or making necklaces.

8) *Refer to Table 1.* Which of the following statements is true?
A) Haley has an absolute advantage in making both products.
B) Serena has an absolute advantage in making both products.
C) Haley has an absolute advantage in making bracelets and Serena in making necklaces.
D) Haley has an absolute advantage in making necklaces and Serena in making bracelets.

9) *Refer to Table 1.* What is Haley's opportunity cost of making a bracelet?
A) 3/4 of a bracelet   B) 3 bracelets
C) 4/3 necklaces   D) 2 necklaces

10) *Refer to Table 1.* What is Haley's opportunity cost of making a necklace?
A) 3/4 of a bracelet   B) 3 bracelets
C) 4/3 necklaces   D) 2 necklaces

11) *Refer to Table 1.* What is Serena's opportunity cost of making a bracelet?
A) 2 necklaces   B) 1/2 of a bracelet
C) 1/2 of a necklace   D) 3/4 of a bracelet

12) *Refer to Table 1.* What is Serena's opportunity cost of making a necklace?
A) 2 necklaces   B) 1/2 of a bracelet
C) 1/2 of a necklace   D) 3/4 of a bracelet

13) *Refer to Table 1.* Which of the following statements is true?
A) Haley has a comparative advantage in making both products.
B) Serena has a comparative advantage in making both products.
C) Haley has a comparative advantage in making bracelets and Serena in making necklaces.
D) Haley has a comparative advantage in making necklaces and Serena in making bracelets.

14) Households _____ final goods and services in the _____ market.
A) purchase; factor   B) purchase; product
C) sell; factor   D) sell; product

Figure 2
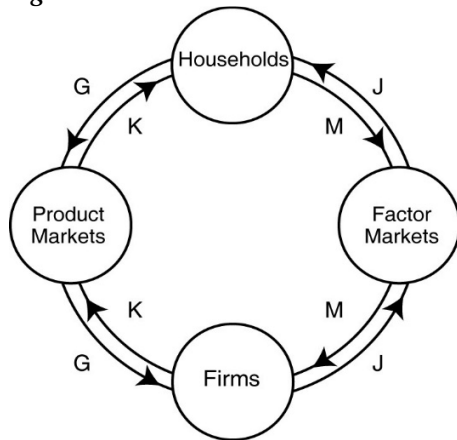
15) ***Refer to Figure 2.*** Which two arrows in the diagram depict the following transaction: Apple sells 20 computers at the Best Buy store.
A) *J* and *M*   B) *J* and *G*
C) *K* and *M*   D) *K* and *G*

True or False
1, The basis for trade is comparative advantage, not absolute advantage.
2, If a country produces only two goods, it is possible to have a comparative advantage in the production of both those goods.
3, In a two-good, two country world, if one country has an absolute advantage in the production of both goods, it cannot benefit by trading with the other country.
4, It is possible to have a comparative advantage in producing a good or service without having an absolute advantage.
5, In a free market there are significant restrictions on how a good or service can be produced or sold.