

Economics 101
Spring 2001
Section 4 - Hallam
Quiz 1

1. Which of the following is a correct statement about making a pair of pants?
 - a. The cloth is an expendable.
 - b. The sewing machine is an expendable.
 - c. The time supplied by the skilled seamstress is a capital service.
 - d. The thread is capital.
 - e. a and c are true.

2. Economics is the
 - a. study of choice with constraints.
 - b. study of choices by businesses.
 - c. study of how to maximize profit.
 - d. study of choice with resource scarcity.
 - e. a and d above.

3. Opportunity cost is
 - a. the cost of the time needed to make a choice.
 - b. the cost of the alternative opportunity given up when a choice is made.
 - c. the cost of the accountant hired to keep track of costs.
 - d. the cost of finding an opportunity.

4. Human capital is
 - a. the location of the government in the nation of human.
 - b. capital that is produced by humans.
 - c. the skills and training that workers possess.
 - d. the owner's equity in a firm.

5. The principle of increasing opportunity cost (which implies that the production possibility frontier is concave to the origin) implies that
 - a. as we produce more of a product, the opportunity cost of producing it becomes less.
 - b. as we produce more of a product, the opportunity cost of producing it stays the same.
 - c. as we produce more of a product, the opportunity cost of producing it becomes greater.

6. Which of the following is a reasonable method to construct the production possibility set (the set of all outputs producible from a given set of inputs)?
 - a. set a level for all inputs, pick a level of one of the two outputs, find all feasible levels of the other output for this level of the first output, and then repeat for other levels of the first output.
 - b. set a level for all inputs, pick a level of one of the two outputs, find the maximum level of the other output for this level of the first output, and then repeat for other levels of the first output.
 - c. pick a level of the two outputs and then find all levels of inputs that will produce this specific output combination.

7. Which of the following is a normative statement?
 - a. Affirmative action programs lead to increased enrollment of minorities.
 - b. More corn is produced in years following a high corn price.
 - c. The price of a Big Mac in campus town is \$1.89.
 - d. The income of individuals who make more than \$200,000 per year should have a high marginal tax rate.
 - e. My model of the typical college student implies that reading the classics is preferred to playing video games.

Consider the following data

Chairs	Tables
50	0
46	7
42	13
37	18
30	22
22	25
12	27
0	28

8. What is the opportunity cost of 5 more chairs when the firm is already producing 37?
- a. 37 tables
 - b. 5 tables
 - c. 4 tables
 - d. 3 tables
 - e. 6 tables

9. Rich and Kelly live on an island. The following table represents their output in a day of work.

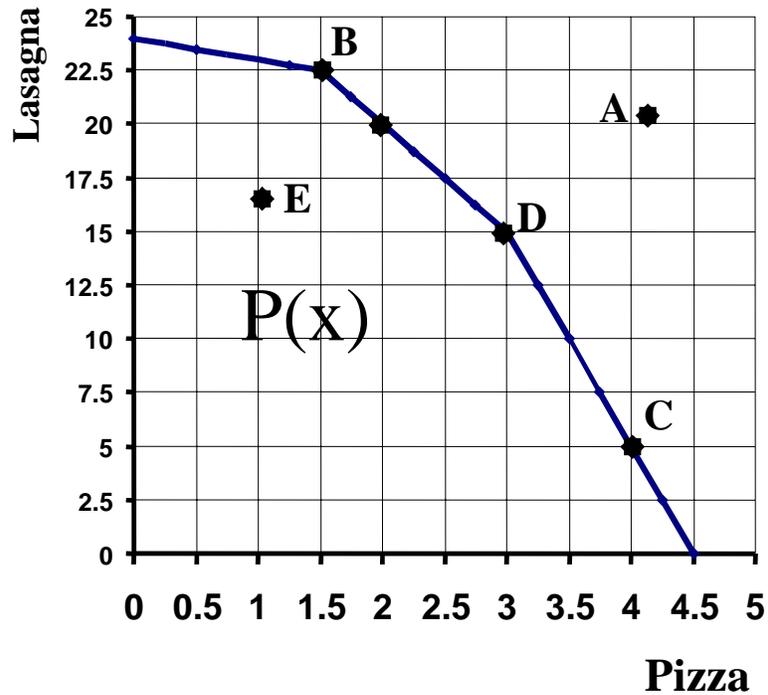
	Pineapple	Beetles
Rich	10	20
Kelly	12	36

Which of the following statements is true.

- a. Rich has an absolute advantage in both products and a comparative advantage in picking pineapple.
- b. Kelly has an absolute advantage in both products and a comparative advantage in picking pineapple.
- c. Kelly has an absolute advantage in picking pineapple and a comparative advantage in catching beetles.
- d. Rich has a comparative advantage in catching beetles.

10. Consider the following production set $P(x)$ for pizza and lasagna.

Production Possibility Set Pizza and Lasagna



When the firm is producing between 1.5 and 3 pizzas, what is the opportunity cost of one more pizza?

- a. 3 lasagna
- b. 5 lasagna
- c. 7.5 lasagna
- d. 2.5 lasagna
- e. 4 lasagna

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Answers

1. e
2. e
3. b
4. c
5. c
6. a
7. d
8. b
9. c
10. b