

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

- 1) A modern economy like Canada's is largely organized by 1) _____
A) individuals forming cooperative enterprises and labour unions.
B) benevolent individuals pursuing the public interest.
C) governments at all levels coordinating the activities of firms and citizens.
D) the self-interested behaviour of a small number of individuals.
E) individuals following their own self interest, doing what seems best for themselves.
- 2) An insight first fully developed by Adam Smith is that 2) _____
A) without benevolence production would not occur.
B) all individuals are motivated solely by self-interest.
C) individual self-interest is the only necessary force for social order.
D) self-interest, not benevolence, is the foundation of economic order.
E) self-interest undermines effective economic order.
- 3) Karl Marx argued that 3) _____
A) centrally planned economies could provide a more equitable distribution of total output than capitalist economies.
B) technological change was not important in improving living standards.
C) benevolence, not self-interest, produced an effective economic order.
D) a free-market system would produce a low level of total output.
E) the unfettered market system driven by self-interest leads to the best social outcome.
- 4) In the Canadian economy, most decisions regarding resource allocation are made by 4) _____
A) legal contract.
B) the various levels of government.
C) negotiation between unions and firms.
D) business firms only.
E) consumers and producers interacting in the price system.
- 5) A basic underlying point in economics is that 5) _____
A) there are unlimited resources.
B) people have unlimited wants in the face of limited resources.
C) governments should never interfere in the workings of a market economy.
D) people have limited wants in the face of limited resources.
E) governments should satisfy the needs of the people.
- 6) Economics is the study of 6) _____
A) how to distribute income as equally as possible.
B) the allocation of scarce resources among alternative uses.
C) why resources are scarce.
D) how to limit human wants so that scarce resources are sufficient.
E) how to plan an economy.

- 7) Economics is generally NOT concerned with 7) _____
A) the rate of growth of productive capacity.
B) restricting the level of human wants.
C) the concept of opportunity cost.
D) the distribution of income among households.
E) the allocation of resources among alternative uses.
- 8) Economics can best be described as 8) _____
A) a normative science.
B) the study of the use of scarce resources to satisfy unlimited human wants.
C) the study of how to reduce inflation and unemployment.
D) the study of how a society *ought* to allocate its resources.
E) the application of sophisticated mathematical models to address social problems.
- 9) Consider the following list: a worker with training in video gaming technology, 10 hectares of 9) _____
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
A) goods and services.
B) a commodity.
C) an economic service.
D) a factor of production.
E) a capital resource.
- 10) Scarcity is likely to be 10) _____
A) a problem that will be solved by the proper use of available resources.
B) eliminated with a better understanding of economics.
C) a problem that will always exist.
D) a result of the work ethic.
E) unique to the twentieth century.
- 11) The concept of scarcity in economics usually refers to a condition 11) _____
A) that afflicts only poor countries.
B) where society is not employing all of its available resources in an efficient manner.
C) where people's wants can never be satisfied by the available resources.
D) where production is efficient, but distribution is inefficient.
E) where too many frivolous goods and services are produced at the expense of socially
desirable goods and services.
- 12) Which of the following statements best describes the underlying feature in most economic 12) _____
problems?
A) People have limited wants in the face of limited resources.
B) Our country is rich; we just don't realize it.
C) People have unlimited wants in the face of limited resources.
D) There are unlimited resources.
E) Governments should never interfere in the workings of a market economy.

- 13) Because resources are scarce, individuals are required to
- A) use resources inefficiently.
 - B) sacrifice production but not consumption.
 - C) make choices among alternatives.
 - D) improve production but not distribution.
 - E) improve distribution but not production.

13) _____

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

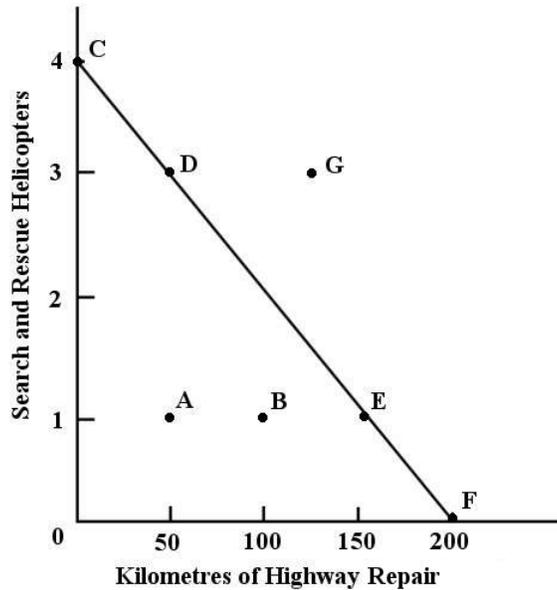


FIGURE 1-1

- 14) Refer to Figure 1-1. For the government, the opportunity cost of one search and rescue helicopter is

14) _____

- A) 100 kilometres of highway repair.
- B) 150 kilometres of highway repair.
- C) 200 kilometres of highway repair.
- D) 50 kilometres of highway repair.
- E) 0 kilometres of highway repair.

- 15) Refer to Figure 1-1. For the government, the opportunity cost of one kilometre of highway repair is

15) _____

- A) 1/10 of a search and rescue helicopter.
- B) 1/100 of a search and rescue helicopter.
- C) 1/50 of a search and rescue helicopter.
- D) 1/2 of a search and rescue helicopter.
- E) 1 search and rescue helicopter.

- 16) Refer to Figure 1-1. If the government chooses to allocate all \$200 million to highway repair, we can say that

16) _____

- A) the opportunity cost of the highway repair is 4 search and rescue helicopters.
- B) the opportunity cost of the highway repair is uncertain.
- C) the opportunity cost of the highway repair is \$0.
- D) there is no opportunity cost involved because the government stayed within its budget.
- E) there is no opportunity cost involved because the government has achieved its objectives.

- 17) 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. 17) _____
- A) D B) F C) E D) B E) G

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

- 18) Refer to Table 1-1. What is Tristan's opportunity cost of producing one fishing lure? 18) _____
- A) one mowed lawn
 B) 1/3 of a mowed lawn
 C) 3 mowed lawns
 D) 4 mowed lawns
 E) 1/4 of a mowed lawn
- 19) Refer to Table 1-1. What is Thomas's opportunity cost of producing one fishing lure? 19) _____
- A) 1 mowed lawn
 B) 5 lures
 C) 1/6 of a lure
 D) 1/6 of a mowed lawn
 E) there is no opportunity cost
- 20) Refer to Table 1-1. What is Tristan's opportunity cost of producing one mowed lawn? 20) _____
- A) one fishing lure
 B) 3 fishing lures
 C) 12 fishing lures
 D) 4 fishing lures
 E) 6 fishing lures
- 21) Refer to Table 1-1. What is Thomas's opportunity cost of producing one mowed lawn? 21) _____
- A) 1/6 fishing lure
 B) 6 fishing lures
 C) 12 fishing lures
 D) one fishing lure
 E) 0 fishing lures
- 22) 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? 22) _____
- A) Tristan produces 3 mowed lawns; Thomas produces 6 mowed lawns
 B) Tristan produces 12 lures; Thomas produces 6 mowed lawns
 C) Tristan produces 6 lures and 3 mowed lawns
 D) Tristan produces 6 lures; Thomas produces 6 lures
 E) Tristan produces nothing, Thomas produces 6 lures and 6 mowed lawns

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

23) _____

- A) Tristan has a higher opportunity cost of producing mowed lawns.
- B) Tristan has a higher opportunity cost of producing fishing lures.
- C) Thomas has a higher opportunity cost of producing mowed lawns.
- 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.

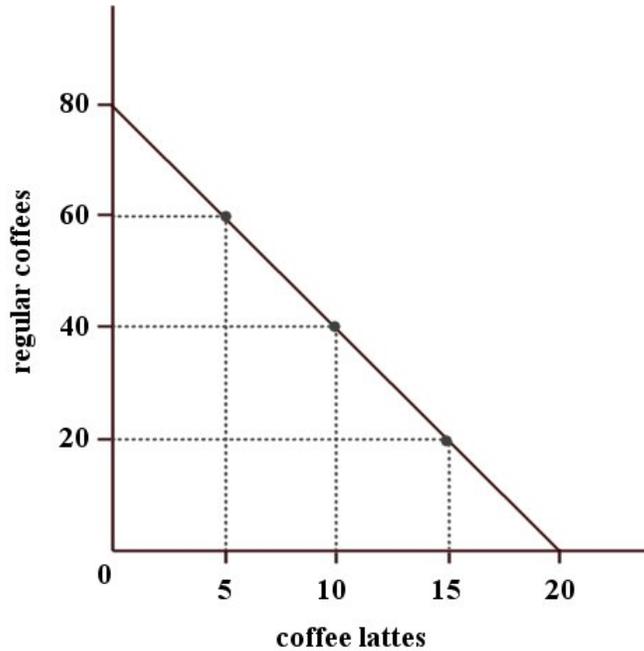


FIGURE 1-2

24) Refer to Figure 1-2. For Madeleine, the opportunity cost of one regular coffee is

24) _____

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

25) Refer to Figure 1-2. For Madeleine, the opportunity cost of one latte is

25) _____

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

- 26) Refer to Figure 1-2. If Madeleine chooses to allocate all \$100 to buying lattes, we can say that her opportunity cost in one month is 26) _____
- A) 80 cups of regular coffee.
 - B) 20 cups of regular coffee.
 - C) 40 cups of regular coffee.
 - D) zero because she stayed within her budget.
 - E) zero because she bought what she desired.
- 27) Refer to Figure 1-2. Which of the following combinations of regular coffees and lattes is affordable over the one-month period, given Madeleine's budget? 27) _____
- A) 20 lattes and 80 coffees
 - B) 4 lattes and 66 coffees
 - C) 15 lattes and 30 coffees
 - D) 16 lattes and 16 coffees
 - E) 8 lattes and 50 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

- 28) Refer to Table 1-2. What is Claire's opportunity cost of completing 1 chemistry lab report? 28) _____
- A) 3 biology lab reports
 - B) $1\frac{1}{2}$ biology lab reports
 - C) 2 biology lab reports
 - D) $\frac{2}{3}$ of a biology lab report
 - E) $\frac{3}{4}$ of a biology lab report
- 29) Refer to Table 1-2. What is Sam's opportunity cost of completing 1 chemistry lab report? 29) _____
- A) $\frac{2}{3}$ of a biology lab report
 - B) 4 of a biology lab report
 - C) $\frac{3}{4}$ of a biology lab report
 - D) 3 of a biology lab report
 - E) $\frac{4}{3}$ of a biology lab report

- 30) Refer to Table 1-2. What is Sam's opportunity cost of completing 3 biology lab reports? 30) _____
- A) 4 chemistry lab reports
 - B) 3 chemistry lab reports
 - C) 1 chemistry lab reports
 - D) 0 chemistry lab reports
 - E) 2 chemistry lab reports
- 31) Refer to Table 1-2. What is Sam's opportunity cost of completing 2 biology lab reports? 31) _____
- A) $1\frac{1}{3}$ chemistry lab reports
 - B) $2\frac{2}{3}$ chemistry lab reports
 - C) $\frac{3}{4}$ of a chemistry lab report
 - D) 4 chemistry lab reports
 - E) $\frac{2}{3}$ of a chemistry lab report
- 32) Refer to Table 1-2. Which of the following statements about Claire's and Sam's opportunity costs is correct? 32) _____
- A) Claire has a higher opportunity cost for completing 1 chemistry lab report.
 - B) Sam has a higher opportunity cost for completing 1 biology lab report.
 - C) Sam has a lower opportunity cost for completing 1 chemistry lab report.
 - D) Claire and Sam have equal opportunity costs.
 - E) Claire has a higher opportunity cost for completing 1 biology lab report.
- 33) Scarcity arises from limited resources. For this reason, all economic choices involve 33) _____
- A) complementary ends.
 - B) pride.
 - C) greed.
 - D) an opportunity cost.
 - E) a value judgement.
- 34) The opportunity cost of going to college or university for four years is 34) _____
- A) the cost of tuition and books and four years of lost wages from employment.
 - B) zero.
 - C) equal to the wage rate a person will earn after graduation.
 - D) the least valued alternative one forfeits to attend.
 - E) the cost of tuition, residence fees and books.
- 35) Suppose there are three alternatives to attending a 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 35) _____
- A) \$20.
 - B) \$25.
 - C) \$45.
 - D) \$10.
 - E) zero.

- 36) The opportunity cost of producing good *A* is defined to be 36) _____
- A) the money cost of the factors of production used in good *A*.
 - B) the retail price of good *A*.
 - C) the cost of having to get by using something else in place of good *A*.
 - D) what must be sacrificed of other goods to get an additional unit of good *A*.
 - E) the cheapest method of producing good *A*.
- 37) Suppose that one unit of labour can produce either 5 units of wool or 2 pineapples. What is the opportunity cost of producing 1 pineapple? 37) _____
- A) $5/2$ units of wool
 - B) zero
 - C) $2/5$ unit of wool
 - D) 5 units of wool
 - E) 2 units of wool
- 38) Katie and Hugh are producing pies and jars of pickles. Katie can produce either 200 jars of pickles or 100 pies per month. Hugh can produce either 800 jars of pickles or 200 pies per month. 38) _____
- A) Katie's opportunity cost of producing 1 jar of pickles is $1/2$ of a pie.
 - 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) Hugh's opportunity cost of producing 1 pie is $1/4$ jar of pickles.
 - E) Hugh's and Katie's opportunity costs of producing are the same.
- 39) Suppose Andrea has a job that pays her \$25 000 per year (after taxes). She is considering quitting her job and going to university full time for four years. Tuition fees and books will cost \$12 000 per year. Living expenses will cost \$10 000 per year. What is the opportunity cost of Andrea's four-year university degree? 39) _____
- A) \$88 000 B) \$100 000 C) \$120 000 D) \$148 000 E) \$188 000
- 40) It has been observed that university enrollment in Canada is higher during periods of high unemployment. A possible explanation for this is that 40) _____
- A) when prospects for getting a job are poor, the opportunity cost of doing nothing is higher.
 - B) during periods of high unemployment, tuition fees are reduced.
 - C) when prospects for getting a job are poor, the opportunity cost of getting a job is lower.
 - D) during periods of high unemployment, the opportunity cost is no longer relevant.
 - E) when prospects for getting a job are poor, the opportunity cost of going to university is lower.
- 41) A country's production possibilities boundary shows that 41) _____
- 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) the supply for goods always exceeds the demand.
 - D) when a society combines its resources efficiently, it is always possible to produce more of all goods.
 - E) when a society combines its resources inefficiently, it cannot produce more of one good without producing less of the other good.

- 42) 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 _____
- decrease.
 - increase at a decreasing rate.
 - remain the same.
 - increase.
 - increase at an increasing rate.
- 43) A point lying inside the production possibilities boundary is one at which _____
- it is not possible to produce more output with existing resources.
 - there is no scarcity.
 - more output could be produced with existing resources.
 - the opportunity cost of producing more output is negative.
 - the economy has run out of resources.
- 44) If a country's production possibilities boundary is drawn as a straight (downward-sloping) line it indicates _____
- the use of the scarce resources in an economy.
 - constant opportunity cost of producing more of either good.
 - decreasing opportunity cost of producing more of either good.
 - an unfair distribution of resources in an economy.
 - increasing opportunity cost of producing more of either good.

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

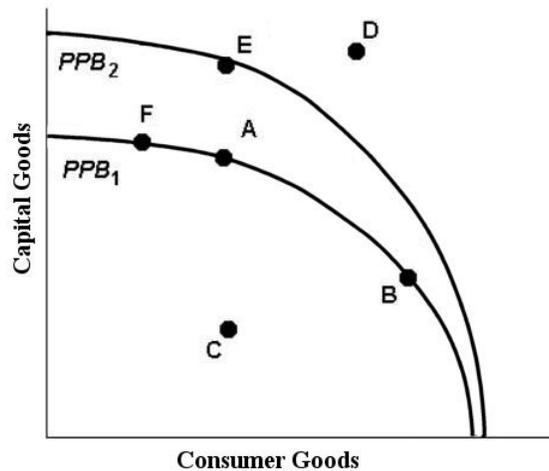


FIGURE 1-3

- 45) Refer to Figure 1-3. That the production possibilities boundaries are drawn concave to the origin reflects the _____
- unfair distribution of resources in the economy.
 - decreasing opportunity cost of producing more of either good.
 - increasing opportunity cost of producing more of either good.
 - constant opportunity cost of producing more of either good.
 - scarcity of resources in the economy.

- 46) Refer to Figure 1-3. 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 46) _____
- A) A, B, or C.
 - B) A or E.
 - C) A or B, but not C.
 - D) A, B, C, D, or E.
 - E) D or E
- 47) Refer to Figure 1-3. If Country X is currently producing at point A, it could move to point B if 47) _____
- A) some resources were switched from the consumption goods industries to the capital goods industries.
 - B) the cost of producing capital goods were to increase.
 - C) the cost of producing consumer goods were to increase.
 - D) some resources were switched from the capital goods industries to the consumption goods industries.
 - E) Country X is no longer able to produce the quantity of capital goods at point A.
- 48) Refer to Figure 1-3. If Country X were producing at point C, 48) _____
- A) this is the maximum output possible from given resources.
 - 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 A is zero.
 - D) the opportunity cost of moving to point A is to give up some capital goods.
 - E) the opportunity cost of moving to point B is to give up some consumption goods.
- 49) Refer to Figure 1-3. At point B, 49) _____
- A) the price of capital goods is higher than the price of consumption goods.
 - B) the opportunity cost of producing an extra unit of consumption goods is higher than at point A.
 - C) Country X is producing too many consumption goods and too few capital goods.
 - D) the price of consumption goods is equal to the price of capital goods.
 - E) the opportunity cost of producing an extra unit of capital goods is higher than at point A.
- 50) Refer to Figure 1-3. If Country X, constrained by the production possibilities boundary PPB_1 , is currently producing at point A, it can produce more capital goods by moving to point 50) _____
- A) E. B) F. C) D. D) B. E) C.
- 51) Refer to Figure 1-3. Suppose that Country X is currently producing at point E. Country X could achieve production at point D if 51) _____
- A) sufficient improvements in technology occurred in either the capital goods industry or the consumer goods industries.
 - B) the given resources were fully employed.
 - C) the given resources were more efficiently employed.
 - D) the prices of capital goods and consumption goods fell.
 - E) firms reduced output of capital goods.

- 52) Refer to Figure 1-3. A shift of the production possibilities boundary from PPB_1 to PPB_2 implies 52) _____
- A) that technology in the consumption goods industry has improved.
 - B) a movement from full employment to some unemployment.
 - C) an inevitable decrease in total output.
 - D) that if point E is the new choice of outputs, productivity has increased in the consumption goods industry.
 - E) that technology in the capital goods industries has improved.

- 53) Refer to Figure 1-3. Growth in the country's productive capacity is illustrated by 53) _____
- A) a movement from a point inside the boundary such as C to the boundary.
 - B) an outward shift of the boundary, for example from PPB_1 to PPB_2 .
 - C) a single point such as A on the boundary.
 - D) the movement between points on a given boundary.
 - E) a point like D outside the boundary.

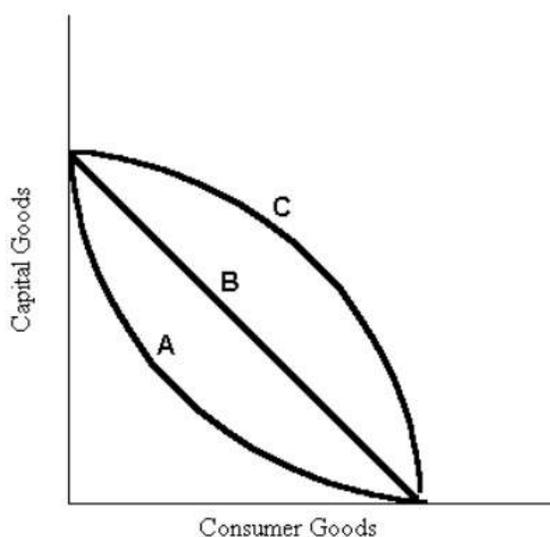


FIGURE 1-4

- 54) Refer to Figure 1-4. Suppose that the relevant production possibilities boundary is the one labelled B. This boundary implies that 54) _____
- A) the opportunity cost of producing either capital goods or consumer goods does not depend on how much of each good is produced.
 - B) capital goods are preferred to consumer goods.
 - C) the concept of opportunity cost is not at work in this economy.
 - D) in this society the resources are not efficiently employed.
 - E) consumer goods are preferred to capital goods.

- 55) Refer to Figure 1-4. Which production possibilities boundaries are consistent with increasing opportunity costs? 55) _____
- A) boundaries A and B
 - B) boundary A only
 - C) boundaries B and C
 - D) boundary C only
 - E) boundaries A, B, and C

- 56) Refer to Figure 1-4. Which production possibilities boundaries exhibit decreasing opportunity costs? 56) _____
- A) boundary A only
 - B) boundary B only
 - C) boundary C only
 - D) boundaries A and B
 - E) boundaries A and C
- 57) 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 57) _____
- A) a downward-sloping curve concave to the origin.
 - B) a downward-sloping curve convex to the origin.
 - C) semi-circular.
 - D) a downward-sloping straight line that is broken at one point.
 - E) a downward-sloping straight line.
- 58) On a diagram of a production possibilities boundary, the concept of scarcity is illustrated by the 58) _____
- A) area within the boundary.
 - B) negative slope of the boundary.
 - C) points on the boundary.
 - D) unattainable points outside the boundary.
 - E) distance from the origin to the boundary.
- 59) On a diagram of a production possibilities boundary, the concept of opportunity cost is illustrated by the 59) _____
- A) distance from the origin to the boundary.
 - B) area bounded by the two axes and the boundary.
 - C) boundary being concave to the origin.
 - D) unattainable points outside the boundary.
 - E) negative slope of the boundary.
- 60) A straight-line production possibilities boundary differs from a concave boundary in which of the following ways? 60) _____
- A) The straight-line boundary illustrates constant opportunity costs, whereas the concave boundary illustrates increasing opportunity costs.
 - B) The straight-line boundary shows opportunity cost, whereas the concave boundary does not.
 - C) The concave boundary illustrates constant opportunity costs, whereas the straight-line boundary illustrates decreasing opportunity costs.
 - D) The straight-line boundary does not show scarcity, whereas the concave boundary does.
 - E) A straight-line boundary is associated with a command economy, whereas a concave boundary is associated with a free-market economy.
- 61) Suppose a scientific breakthrough leads to a lower-cost method of producing battery-operated cars in Canada. The likely effect would be to move Canada's current production 61) _____
- A) possibilities boundary inward.
 - B) possibilities boundary outward.
 - 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.

- 62) Suppose fire destroy many millions of hectares of valuable Canadian forest. The effect on the Canadian economy would be best illustrated by _____ the production possibilities boundary. 62) _____
- A) a movement inside
 - B) an inward shift of
 - C) a movement to a point beyond
 - D) a shift outward of
 - E) a movement along
- 63) During the nineteenth and early twentieth centuries, millions of people immigrated to western Canada. The effect on the Canadian economy was to 63) _____
- A) shift its production possibilities boundary inward.
 - B) move it inside its new production possibilities boundary.
 - C) move it beyond its new production possibilities boundary.
 - D) move it along an unchanged production possibilities boundary.
 - E) shift its production possibilities boundary outward.
- 64) A move from inside the production possibilities boundary to the boundary itself could be caused by 64) _____
- A) an improvement in the government's ability to control its spending.
 - B) a reallocation of resources from military to civilian goods.
 - C) an increase in the labour supply.
 - D) technological progress.
 - E) the employment of previously idle resources.
- 65) 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 65) _____
- A) the growth of productive capacity.
 - B) technological progress.
 - C) the reallocation of resources between military and civilian goods.
 - D) an increase in the labour supply.
 - E) the employment of previously idle resources.

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.

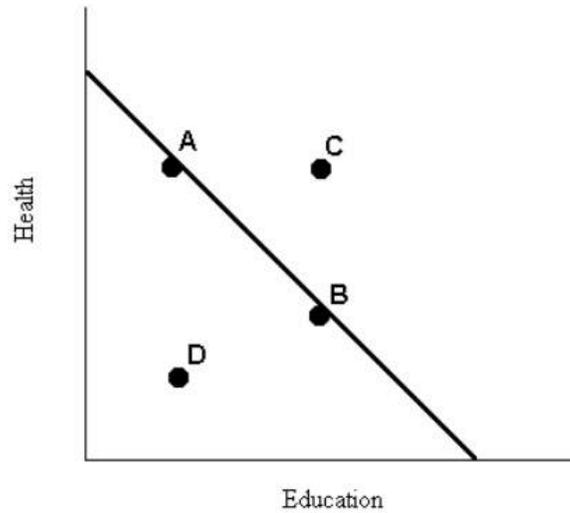


FIGURE 1-5

- 66) Refer to Figure 1-5. The levels of health and education expenditures at point C 66) _____
- A) are less than at point D.
 - B) could be achieved if the prices of health and/or education increased.
 - C) are equal to those of point A and point B.
 - D) are not attainable with the government's current budget.
 - E) are more cost-effective than those at points A, B, and D.
- 67) Refer to Figure 1-5. If the government's spending on health and education is given by point B, a 67) _____
- move to point A must involve
- A) less spending in total.
 - B) less spending on health.
 - C) zero opportunity cost.
 - D) more spending on education.
 - E) less spending on education.
- 68) Refer to Figure 1-5. Suppose the government's current spending is shown by point D. In this case, 68) _____
- 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) more health expenditures can be achieved only by sacrificing some education expenditures.
 - E) the prices of education and health care have increased beyond the government's ability to pay.

- 69) Consider the production possibilities boundary (PPB) of an economy. Economic growth is illustrated by 69) _____
- A) the movement to a point outside of the PPB.
 - B) an outward shift of the PPB.
 - C) the negative slope of the PPB.
 - D) a movement onto the PPB.
 - E) a movement along the PPB.
- 70) Suppose drought destroys many millions of acres of valuable Canadian farmland. The effect on the Canadian economy would be to move 70) _____
- A) its production possibilities boundary outward.
 - B) it along its production possibilities boundary.
 - C) it beyond its production possibilities boundary.
 - D) its production possibilities boundary inward.
 - E) none of the above. There would be no change in Canada's production possibilities boundary.
- 71) 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 71) _____
- A) a downward-sloping straight line with slope equal to -1.
 - B) a downward-sloping curve concave to the origin.
 - C) a downward-sloping straight line.
 - D) a downward-sloping curve convex to the origin.
 - E) circular.
- 72) Labour services are bought and sold in a 72) _____
- A) factor market.
 - B) product market.
 - C) foreign exchange market.
 - D) goods market.
 - E) mixed market.
- 73) In the circular flow of income, the allocation of resources is largely decided by 73) _____
- A) political parties and firms only.
 - B) individuals only.
 - C) firms and households acting independently.
 - D) central authorities only.
 - E) central authorities and firms only.
- 74) The key decision makers in a market economy are: 74) _____
- A) governments and all institutions under government control.
 - B) households, firms, and government.
 - C) large corporations and labour organizations.
 - D) individual citizens, non-profit organizations, and the Bank of Canada.
 - E) corporations and governments.

- 75) Economists usually assume that households and firms, respectively, maximize _____
 A) savings and profits.
 B) expenditures and profits.
 C) income and sales.
 D) wages and revenues.
 E) utility and profits.
- 76) Economists usually assume that households _____
 A) do not make consistent decisions, maximize satisfaction, and are the principal owners of the factors of production.
 B) do not make consistent decisions, maximize profits, and are the principal users of the factors of production.
 C) make consistent decisions, maximize utility, and are the principal owners 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.
- 77) The circular flow of income illustrates _____
 A) that firms own the factors of production.
 B) the interaction of households and firms through the factors and goods markets.
 C) that the flow of payments moves in the same direction as the flow of goods.
 D) that there is no relationship between goods markets and factor markets.
 E) the flows of expenditures and income in a household.
- 78) One of the "real" flows in the circular flow of income is _____
 A) factor services going from producers to consumers.
 B) goods going from consumers to producers.
 C) money payments going from consumers to producers.
 D) money payments going from producers to consumers.
 E) goods going from producers to consumers.
- 79) If some income earned by households is not spent on output, or if some income earned by firms is not spent on factor services, the circular flow of income will _____
 A) contract. B) explode. C) stop. D) expand. E) run over.
- 80) The famous economist who developed the idea of the division of labour was _____
 A) Adam Smith.
 B) John Maynard Keynes.
 C) Milton Friedman.
 D) Karl Marx.
 E) David Ricardo.
- 81) Specialization and trade _____
 A) arose as humans changed from nomadic and self-sufficient food gatherers to settled food producers.
 B) occur only in the private sector.
 C) *-exist only in capitalist economies.
 D) developed only where government and political institutions were stable.
 E) developed only in the twentieth century.

- 82) Specialization of labour means that 82) _____
A) a barter economy is not necessary.
B) job security is ensured.
C) different individuals perform different tasks in the production process of any given product.
D) different individuals produce different products.
E) each worker is self-sufficient.
- 83) A barter system of exchange 83) _____
A) is the most efficient form of exchange.
B) developed late in history.
C) requires the use of money.
D) does not involve the double coincidence of wants.
E) involves the trading of goods directly for other goods
- 84) Katie and Hugh are producing pies and jars of pickles. Katie can produce either 200 jars of pickles or 100 pies per month. Hugh can produce either 800 jars of pickles or 200 pies per month. Currently, each divide their time equally between production of the two goods per month -- Katie produces 100 jars of pickles and 50 pies while Hugh produces 400 jars of pickles and 100 pies. In order for Katie and Hugh to jointly gain from specialization, which of the following changes should take place? 84) _____
A) Katie should produce more pies and fewer jars of pickles.
B) Katie and Hugh should both produce more jars of pickles and fewer pies.
C) Hugh should produce more pies and fewer jars of pickles.
D) Katie should produce more jars of pickles and fewer pies.
E) Katie and Hugh should both produce more pies and fewer jars of pickles.
- 85) Specialization of labour led to greater efficiency in the allocation of resources because of 85) _____
A) greater reliance on self-sufficiency.
B) an increase in total work effort.
C) the use of barter.
D) the principle of comparative advantage.
E) the opportunity cost of labour increased.
- 86) One of the major results of the greater specialization of labour is that 86) _____
A) each worker must become more self-sufficient.
B) the circular flow of income contracts.
C) there is a greater need for trade.
D) the overall output of the economy declines.
E) there is an increased need for government to intervene in the marketplace.
- 87) A farmer selling tomatoes and corn at a roadside, and a currency trader in Hong Kong, are each participating in 87) _____
A) flexible manufacturing.
B) international trade.
C) barter.
D) a market.
E) an involuntary transaction.

- 88) Which of the following has most contributed to the globalization of the economy? 88) _____
- A) the decline in the relative importance of manufacturing
 - B) the decreased importance of agriculture
 - C) the shift toward a market economy in China
 - D) reductions in transportation and communication costs
 - E) tariffs and trade barriers
- 89) The use of money for transactions 89) _____
- A) increases the use of barter.
 - B) enables humanity to satisfy all wants.
 - C) makes exchange easier and thus promotes the specialization of labour.
 - D) makes specialization of labour more difficult.
 - E) fosters self-sufficiency.
- 90) The barter system of exchange is inefficient because 90) _____
- A) markets do not exist.
 - B) the double coincidence of wants may not exist.
 - C) "fair" values cannot be defined without the use of money.
 - D) exchange partners need to know each other.
 - E) bargaining power is unequal between rich and poor.
- 91) Which of the point(s) below is (are) true of money? 91) _____
- 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.
- 92) Money facilitates trade and specialization by 92) _____
- A) eliminating the need for barter.
 - B) providing employment for coin makers.
 - C) increasing investment.
 - D) reducing the shift of resources between uses.
 - E) increasing the value of gold.
- 93) An economic system that relies primarily upon custom and habit in economic decision making is a 93) _____
- A) communist system.
 - B) traditional system.
 - C) command system.
 - D) market system.
 - E) mixed system.

- 94) In practice, the term "centrally planned economy" refers to an economy in which 94) _____
A) economic decisions are made in the geographic centre of the country.
B) the military is in control of the government.
C) the mix of market and command principles is heavily weighted towards the latter.
D) all commodities are rationed.
E) the government makes all production and consumption decisions.
- 95) The Canadian economy is best described as 95) _____
A) primarily a public ownership economy.
B) traditional.
C) a mixed economic system.
D) primarily free-market decision making.
E) a command economy.
- 96) With regard to various economic systems, most economists agree that 96) _____
A) the mix of market and command principles that exists in Canada is the best.
B) the optimal mix of market and command systems remains constant over time.
C) command economies have been very successful in distributing income in socially just ways.
D) government intervention in the economy is only justified in time of war.
E) most production and consumption decisions are more efficiently coordinated by markets than through central planning.
- 97) Which countries have mostly public ownership of resources? 97) _____
A) Cuba and North Korea
B) Sweden and Norway
C) Brazil and Argentina
D) France and Germany
E) United States and Canada
- 98) Behaviour in free-market economies is 98) _____
A) random and unpredictable.
B) determined by a central authority.
C) based primarily on custom and habit.
D) mostly affected by elements of tradition and government command.
E) mostly directed by self interest.
- 99) In command economies, economic behaviour is 99) _____
A) random and unpredictable.
B) based primarily on custom and habit.
C) largely affected by elements of tradition and market incentives.
D) directed by individual self interest.
E) largely determined by a central authority.
- 100) In mixed economies, economic behaviour is 100) _____
A) directed only by self interest.
B) based primarily on custom and habit.
C) affected by elements of tradition, government command, and market incentives.
D) random and unpredictable.
E) largely determined by a central authority.

- 101) In traditional economies, economic behaviour is 101) _____
A) random and unpredictable.
B) largely determined by a central authority.
C) affected by elements of tradition, government command, and market incentives.
D) directed only by self interest.
E) based primarily on custom and habit.
- 102) The Canadian economic system can best be described as 102) _____
A) command.
B) mixed socialism.
C) pure free market.
D) mixed capitalism.
E) traditional.
- 103) Complex economic plans for many economic sectors are most associated with a 103) _____
A) command economy.
B) mixed market system..
C) free-market system.
D) feudal system.
E) traditional economy.
- 104) Most modern economies in the world today 104) _____
A) are mostly run by government decree.
B) are similar to feudal systems.
C) have a mix of traditional, command and market elements.
D) are complex systems that defy description and analysis.
E) have pure market exchange.
- 105) In the current Canadian economy, the majority of choices on how resources are allocated are made 105) _____
by
A) business firms only.
B) consumers and firms through the price system.
C) negotiation between unions and firms.
D) the various levels of government.
E) legal contracts.
- 106) Comparison of economic systems indicates that 106) _____
A) all countries have largely traditional economies.
B) most nations have either a purely socialist economy or a purely capitalist economy.
C) capitalist economies are clearly superior in distributing income.
D) most countries have mixed economies.
E) socialist economies are clearly superior in producing consumer goods.

- 107) 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 107) _____
- A) an indication that these economies should return to being command economies.
 - B) the difficulty of corruption in non-market economies.
 - 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) the triumph of capitalism over communism.
- 108) In a pure market economy, the role of government is limited to provision of : 108) _____
- 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.
- 109) Income redistribution in a mixed economy 109) _____
- A) is not allowed.
 - B) is only accomplished through government intervention.
 - C) risks reducing individual incentives to work and produce.
 - D) rarely occurs.
 - E) is supported by all individuals.
- 110) 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 110) _____
- A) the House of Commons and the Senate.
 - B) private property and freedom of contract.
 - C) securities regulators and the court system.
 - D) the Department of Finance and the Bank of Canada.
 - E) labour and capital markets.

Answer Key

Testname: UNTITLED1

- 1) E
Topic: 1.1. self-organizing economy
Skill: Recall
- 2) D
Topic: 1.1. self-organizing economy
Skill: Recall
- 3) A
Topic: 1.4. alternative economic systems
Skill: Recall
- 4) E
Topic: 1.1. self-organizing economy
Skill: Recall
- 5) B
Topic: 1.2b. scarcity and choice
Skill: Recall
- 6) B
Topic: 1.2b. scarcity and choice
Skill: Recall
- 7) B
Topic: 1.2b. scarcity and choice
Skill: Applied
- 8) B
Topic: 1.2b. scarcity and choice
Skill: Recall
- 9) D
Topic: 1.2a. resources
Skill: Applied
- 10) C
Topic: 1.2b. scarcity and choice
Skill: Applied
- 11) C
Topic: 1.2b. scarcity and choice
Skill: Recall
- 12) C
Topic: 1.2b. scarcity and choice
Skill: Recall
- 13) C
Topic: 1.2b. scarcity and choice
Skill: Recall
- 14) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 15) C
Topic: 1.2c. opportunity cost
Skill: Applied
- 16) A
Topic: 1.2c. opportunity cost
Skill: Applied

Answer Key

Testname: UNTITLED1

- 17) E
Topic: 1.2c. opportunity cost
Skill: Applied
- 18) E
Topic: 1.2c. opportunity cost
Skill: Applied
- 19) A
Topic: 1.2c. opportunity cost
Skill: Applied
- 20) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 21) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 22) B
Topic: 1.2c. opportunity cost
Skill: Applied
- 23) E
Topic: 1.2c. opportunity cost
Skill: Applied
- 24) C
Topic: 1.2c. opportunity cost
Skill: Applied
- 25) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 26) A
Topic: 1.2c. opportunity cost
Skill: Applied
- 27) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 28) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 29) C
Topic: 1.2c. opportunity cost
Skill: Applied
- 30) A
Topic: 1.2c. opportunity cost
Skill: Applied
- 31) B
Topic: 1.2c. opportunity cost
Skill: Applied
- 32) E
Topic: 1.2c. opportunity cost
Skill: Applied

Answer Key

Testname: UNTITLED1

- 33) D
Topic: 1.2c. opportunity cost
Skill: Recall
- 34) A
Topic: 1.2c. opportunity cost
Skill: Applied
- 35) B
Topic: 1.2c. opportunity cost
Skill: Applied
- 36) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 37) A
Topic: 1.2c. opportunity cost
Skill: Applied
- 38) A
Topic: 1.2c. opportunity cost
Skill: Applied
- 39) D
Topic: 1.2c. opportunity cost
Skill: Applied
- 40) E
Topic: 1.2c. opportunity cost
Skill: Applied
- 41) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 42) A
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 43) C
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 44) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 45) C
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 46) A
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 47) D
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 48) C
Topic: 1.2d. production possibilities boundary
Skill: Applied

Answer Key

Testname: UNTITLED1

- 49) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 50) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 51) A
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 52) E
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 53) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 54) A
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 55) D
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 56) A
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 57) E
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 58) D
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 59) E
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 60) A
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 61) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 62) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 63) E
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 64) E
Topic: 1.2d. production possibilities boundary
Skill: Applied

Answer Key

Testname: UNTITLED1

- 65) C
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 66) D
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 67) E
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 68) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 69) B
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 70) D
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 71) C
Topic: 1.2d. production possibilities boundary
Skill: Applied
- 72) A
Topic: 1.3a. circular flow of income and expenditure
Skill: Recall
- 73) C
Topic: 1.3a. circular flow of income and expenditure
Skill: Recall
- 74) B
Topic: 1.3a. circular flow of income and expenditure
Skill: Recall
- 75) E
Topic: 1.3a. circular flow of income and expenditure
Skill: Recall
- 76) C
Topic: 1.3a. circular flow of income and expenditure
Skill: Recall
- 77) B
Topic: 1.3a. circular flow of income and expenditure
Skill: Recall
- 78) E
Topic: 1.3a. circular flow of income and expenditure
Skill: Recall
- 79) A
Topic: 1.3a. circular flow of income and expenditure
Skill: Applied
- 80) A
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall

Answer Key

Testname: UNTITLED1

- 81) A
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 82) D
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 83) E
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 84) A
Topic: 1.3b. division of labour, specialization and trade
Skill: Applied
- 85) D
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 86) C
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 87) D
Topic: 1.3b. division of labour, specialization and trade
Skill: Applied
- 88) D
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 89) C
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 90) B
Topic: 1.3b. division of labour, specialization and trade
Skill: Applied
- 91) E
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 92) A
Topic: 1.3b. division of labour, specialization and trade
Skill: Recall
- 93) B
Topic: 1.4. alternative economic systems
Skill: Recall
- 94) C
Topic: 1.4. alternative economic systems
Skill: Recall
- 95) C
Topic: 1.4. alternative economic systems
Skill: Applied
- 96) E
Topic: 1.4. alternative economic systems
Skill: Recall

Answer Key

Testname: UNTITLED1

- 97) A
Topic: 1.4. alternative economic systems
Skill: Recall
- 98) E
Topic: 1.4. alternative economic systems
Skill: Recall
- 99) E
Topic: 1.4. alternative economic systems
Skill: Recall
- 100) C
Topic: 1.4. alternative economic systems
Skill: Recall
- 101) E
Topic: 1.4. alternative economic systems
Skill: Recall
- 102) D
Topic: 1.4. alternative economic systems
Skill: Recall
- 103) A
Topic: 1.4. alternative economic systems
Skill: Recall
- 104) C
Topic: 1.4. alternative economic systems
Skill: Recall
- 105) B
Topic: 1.4. alternative economic systems
Skill: Applied
- 106) D
Topic: 1.4. alternative economic systems
Skill: Recall
- 107) D
Topic: 1.4. alternative economic systems
Skill: Recall
- 108) A
Topic: 1.4. alternative economic systems
Skill: Recall
- 109) C
Topic: 1.4. alternative economic systems
Skill: Recall
- 110) B
Topic: 1.4. alternative economic systems
Skill: Recall