

Section 1: Quiz

Scarcity and the Factors of Production**A. Key Terms**

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. a situation that occurs when a producer cannot offer a particular good or service at the current price
- _____ 2. the effort that a person devotes to a task, for which the person is paid
- _____ 3. physical objects such as baseballs or umbrellas
- _____ 4. the study of how people make decisions to satisfy their needs and wants

Column II

- a. goods
- b. economics
- c. shortage
- d. labor

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 5. Which of the following are factors of production?
 - a. capital and land
 - b. scarcity and shortages
 - c. technology and productivity
 - d. economics and business decisions
- _____ 6. Which of the following is an example of using physical capital to save time and money?
 - a. hiring more workers to do a job
 - b. building extra space in a factory to simplify production
 - c. switching from oil to coal to make production cheaper
 - d. lowering workers' wages to increase profits
- _____ 7. To what part of an industry does a worker's education contribute?
 - a. technology
 - b. physical capital
 - c. human capital
 - d. scarce resources
- _____ 8. Which of the following is an entrepreneur?
 - a. a person who earns a lot of money as a singer or dancer
 - b. a person who creates a game and sells it to a game manufacturer
 - c. a person who starts an all-organic cleaning supplies business that employs others
 - d. a person who works as a highly paid computer programmer
- _____ 9. What is the difference between a shortage and scarcity?
 - a. A shortage can be temporary or long-term, but scarcity always exists.
 - b. A shortage results from rising prices; scarcity results from falling prices.
 - c. A shortage is a lack of all goods and services; scarcity concerns a single item.
 - d. There is no real difference between a shortage and scarcity.
- _____ 10. What does an economist mean by the term *land*?
 - a. farmland only
 - b. food crops grown on farmland as well as the farmland itself
 - c. goods and services that are produced from the land
 - d. all natural resources used to produce goods and services

Section 2: Quiz

Opportunity Cost



A. Key Terms

Use each of the following terms in a sentence that suggests its meaning.

1. trade-off _____
2. opportunity cost _____
3. thinking at the margin _____

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- _____ 4. The economic concept of *guns or butter* means that
 - a. a person can spend extra money either on sports equipment or food.
 - b. a company must decide whether to manufacture guns or butter.
 - c. a government must decide whether to produce more or less military or consumer goods.
 - d. a government can buy unlimited military and civilian goods if it is rich enough.
- _____ 5. If a person who wants to buy a compact disc (CD) has just enough money to buy one, and chooses CD A instead of CD B, then CD B is the
 - a. trade-off.
 - b. opportunity cost.
 - c. decision at the margin.
 - d. opportunity at the margin.
- _____ 6. A decision-making grid is a visual way of
 - a. examining opportunity costs.
 - b. selling goods or services.
 - c. making marginal decisions.
 - d. identifying shortages.
- _____ 7. Making a decision at the margin is possible only in situations where
 - a. the available opportunity costs are unclear or complicated.
 - b. the available alternatives can be divided into increments.
 - c. there are more than three different types of alternatives to consider.
 - d. there are differences in the amount of time each alternative will consume.
- _____ 8. Every decision involves trade-offs because
 - a. everyone has to make decisions.
 - b. everyone's resources are limited.
 - c. some people have more money than others.
 - d. some decisions are made for business, others for society.
- _____ 9. All of the following are trade-offs for a student who spends a semester abroad EXCEPT
 - a. eating all of their favorite foods.
 - b. seeing friends from home daily.
 - c. experiencing the culture of another country.
 - d. missing family activities at home.
- _____ 10. A decision is made at the margin when each alternative considers
 - a. a different trade-off than the others.
 - b. where the most costly alternative will be.
 - c. what the "all or nothing" alternative will be.
 - d. cost and benefit ranked in progressive units.

Section 3: Quiz

Production Possibilities Curves**A. Key Terms**

Briefly define or identify each of the following.

1. underutilization _____
2. efficiency _____
3. law of increasing costs _____

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- _____ 4. A production possibilities curve shows the relationship between the production of
 - a. farm goods and factory goods.
 - b. two types of farm goods.
 - c. two types of factory goods.
 - d. any two categories of goods.
- _____ 5. The line on a production possibilities curve showing the relative amounts of two types of goods produced using all resources is called the
 - a. production possibilities frontier.
 - b. opportunity cost line.
 - c. utilization of resources.
 - d. maximum possible production line.
- _____ 6. Increasing the number of laborers in an economy generally causes a(n)
 - a. increase in the production possibilities curve.
 - b. decrease in the production possibilities curve.
 - c. increase in the opportunity cost of production.
 - d. decrease in the opportunity cost of production.
- _____ 7. The law of increasing costs means that as production shifts from one item to another,
 - a. the cost of production gets cheaper and cheaper.
 - b. the cost of producing an item stays the same no matter how many are produced.
 - c. more and more resources are necessary to increase production of the second item.
 - d. the land costs of increasing production rise much more steeply than do the labor costs.
- _____ 8. An economy that is NOT using all its resources to gain the maximum possible production is

a. efficient.	c. growing.
b. underutilized.	d. trading off.
- _____ 9. The curve usually seen in a production possibilities frontier can be explained by
 - a. growth in the economy.
 - b. underutilization of resources.
 - c. increasing an economy's efficiency.
 - d. the law of increasing costs.
- _____ 10. An economy that is producing the maximum amount of goods and services is considered

a. efficient.	c. growing.
b. underutilized.	d. trading off.