HW 3—Chapter 2

1) Consider two points on the PPF: point A, at which there are 10 apples and 20 pears, and point B, at which there are 7 apples and 21 pears. If the economy is currently at point A, the opportunity cost of moving to point B is
A) 1 pear.
B) 7 apples.
C) 3 apples.
D) 21 pears.

2) Points outside (or beyond) the PPF are
A) attainable.
B) unattainable.
C) efficient.
D) inefficient.

3) Points inside (or below) the PPF are
A) unattainable.
B) attainable and productive efficient.
C) attainable but productive inefficient.
D) attainable and neither productive efficient nor productive inefficient.

4) Which of the following is an illustration of the law of increasing opportunity costs?
A) As more cars are produced, the opportunity cost of each additional car is greater than for the preceding unit.
B) As more cars are produced, the opportunity cost of each additional car is less than for the preceding unit.
C) As more cars are produced, the opportunity cost of each additional car is the same as for the preceding unit.
D) People pay lower prices for cars the higher the costs of producing cars.

5) Through war, many of the factories in country 1 are destroyed and many of its people are killed. As a result, the country's
A) production possibilities frontier (PPF) after the war has probably shifted to the right compared to its PPF prior to the war.
B) PPF after the war has probably shifted to the left compared to its PPF prior to the war.
C) PPF after the war is probably the same PPF as before the war.
D) ability to produce goods and services has increased.
E) b and d

6) Suppose the economy goes from a point on its production possibilities frontier (PPF) to a point below that PPF. Assuming that the PPF has not shifted, this could be due to
A) a gain of resources.
B) a loss of resources.
C) technological improvement in the production of both goods.
D) a new law that interferes with economic efficiency.

7) An increase in the quantity of resources
A) shifts the PPF leftward.
B) shifts the PPF rightward.
C) moves the economy to a new point up along a given PPF.
D) moves the economy to a new point down along a given PPF.

8) Say that an economy is currently achieving productive efficiency. This implies that
A) it is impossible to obtain gains in one area without losses in another.
B) it is possible to obtain gains in one area without losses in another.
C) there are too many resources.
D) there are too few resources.
E) none of the above

Exhibit 2-6

9) Refer to Exhibit 2-6. Which graph depicts a technological breakthrough in the production of good Y only?
A) (1)
B) (2)
C) (3)
D) (4)
E) none of the above

10) Refer to Exhibit 2-6. Which graph depicts a discovery of a new cheap source of energy that assists in the production of both good X and good Y?
A) (1)
B) (2)
C) (3)
D) (4)
E) none of the above
11) Refer to Exhibit 2-6. Which graph best depicts the consequence of a large-scale natural disaster?
A) (1)  
B) (2)  
C) (3)  
D) (4)  
E) none of the above

12) Refer to Exhibit 2-6. Which graph depicts society's choice to produce more of good X and less of good Y?
A) (1)  
B) (2)  
C) (3)  
D) (4)  
E) none of the above

13) Refer to Exhibit 2-6. Which graph depicts the result of an increase in the number of illegal immigrants entering the country?
A) (1)  
B) (2)  
C) (3)  
D) (4)  
E) none of the above

14) Refer to Exhibit 2-8. For Maria, the opportunity cost of producing one unit of Autos is ___________ unit(s) of Zebras.
A) 2.00  
B) 1.00  
C) 10.00  
D) 0.50

15) Refer to Exhibit 2-8. For Maya, the opportunity cost of producing one unit of Autos is ___________ unit(s) of Zebras.
A) 2.00  
B) 1.00  
C) 10.00  
D) 0.50

16) Refer to Exhibit 2-8. Who has the comparative advantage in the production of Autos?
A) Maria  
B) Maya  
C) Both Maria and Maya  
D) Neither Maria nor Maya

17) Refer to Exhibit 2-8. If Maria and Maya each specialize in the good in which she has a comparative advantage and then engage in trade, ____________________ can consume a combination of goods that lies beyond her PPF.
A) Maria, but not Maya,  
B) Maya, but not Maria,  
C) both Maria and Maya  
D) neither Maria nor Maya

Exhibit 2-8
Production Possibilities table

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18) Refer to Exhibit 2-8. If Maria and Maya each specialize in the good in which she has a comparative advantage and then engage in trade, ____________________ can consume a combination of goods that lies beyond her PPF.