

1. Which of the following resources are considered scarce?
 - A) Farmland
 - B) Machinery
 - C) Workers
 - D) All of the above**

2. The opportunity cost of installing a traffic light at a dangerous intersection is:
 - A) The next-best alternative that must be given up in order to install the traffic light.**
 - B) Negative, since it will reduce the number of accidents.
 - C) The time lost by drivers who approach the intersection when the light is red.
 - D) The cost of cameras the city will install to catch those who run the light.

3. A point lying inside the production possibilities curve indicates that:
 - A) More output could be produced with existing resources.**
 - B) There are not enough resources available to reach the production possibilities curve.
 - C) Production is being limited by the level of technology.
 - D) All of the above

4. The market mechanism:
 - A) Relies on prices and sales to send a message to producers.**
 - B) Eliminates market failures caused by government intervention.
 - C) Works through central planning by the government.
 - D) Is very inefficient because there is no communication between consumers and producers.

5. Microeconomics focuses on the performance of:
 - A) Individual consumers, individual firms, and government agencies.**
 - B) Individual consumers but not government agencies.
 - C) Government agencies, but not individual firms.
 - D) Individual firms only.

6. Which of the following is NOT an example of one of the three basic economic questions?
 - A) Which level of output should we produce so the company can earn the highest profit?**
 - B) Should we produce more military goods or more consumer goods?
 - C) Should everyone get the same amount of goods and services?
 - D) Is it wrong for farmers to contaminate waterways with fertilizer?

7. Which of the following would cause the production possibilities curve to shift outward?
 - A) An improvement in technology**
 - B) An increase in the amount of money in the economy
 - C) A decrease in the number of workers employed

D) A decrease in immigration into the United States

8. The slope of a production possibilities curve provides information about:

A) Opportunity costs.

B) The growth of the economy.

C) Technological change.

D) Income distribution.

9. The trend toward greater reliance on the market mechanism by former communist societies evidence of:

A) Government failure.

B) Market failure.

C) Scarcity.

D) Ceteris paribus.

10. If resources were unlimited, opportunity costs would not exist.

A) True.

B) False.