Pre-Quiz 3  

Name: _________________________

**Multiple Choice (10 points each)**

1. Economics is the study of how:
   A) Best to use society's scarce resources.
   B) Society spends the income of individuals.
   C) Society purchases resources, given its macroeconomic goals.
   D) Individual market participants decide what to produce given fixed resource constraints.

2. In economics, what does scarcity mean?
   A) That a shortage of a particular good will cause the price to fall.
   B) That a production-possibilities curve cannot accurately represent the tradeoff between two goods.
   C) That society's desires exceed the want-satisfying capability of the resources available to satisfy those desires.
   D) That the market mechanism has failed.

3. Capital, as economists use the term, refers to:
   A) The money needed to start a new business.
   B) The costs of operating a business.
   C) Shares of stock issued by businesses.
   D) Final goods that are used to produce other goods and services.

4. Opportunity cost is:
   A) Only measured in dollars and cents.
   B) The dollar cost to society of producing the goods.
   C) The difficulty associated with using one good in place of another.
   D) The most valuable alternative that must be given up in order to get something else.

5. A production-possibilities curve indicates the:
   A) Combinations of goods and services an economy is actually producing.
   B) Maximum combinations of goods and services an economy can produce given its available resources and technology.
   C) Maximum combinations of goods and services an economy can produce given unlimited resources.
   D) Average combinations of goods and services an economy can produce given its available resources and technology.

6. Productive efficiency can be defined as the:
   A) Maximum resources used in producing a given output level.
   B) Maximum output of a good produced from the available resources.
   C) Minimum output of a good produced from the available resources.
   D) Maximum output of a good produced if all resources are devoted to its production.
7. A technological advance would best be represented by:
A) A shift outward of the production-possibilities curve.
B) A shift inward of the production-possibilities curve.
C) A movement from inside the production-possibilities curve to a point on the production-possibilities curve.
D) A movement from the production-possibilities curve to a point inside the production-possibilities curve.

8. Which of the following would advocate a laissez faire economic policy?
A) Karl Marx.
B) Adam Smith.
C) John Maynard Keynes.
D) President Franklin Roosevelt.

9. A mixed economy:
A) Is justified by the superiority of laissez faire over government intervention.
B) Utilizes both market and nonmarket signals to allocate goods and services.
C) Relies on the use of central planning by private firms rather than the government.
D) All of the above.

10. The collapse of communism is evidence of:
A) Ceteris paribus.
B) Market failure.
C) Government failure.
D) The failure of a mixed economy.

11. The Latin phrase ceteris paribus means:
A) The production-possibilities curve never shifts.
B) Laissez faire.
C) Other things remain equal.
D) The invisible hand.