

**Sample Multiple Choice**

1. Which of the following is NOT a question that scarcity forces all societies to answer?

- C
- a. How are goods and services to be produced?
  - b. Who will get the goods and services produced?
  - c. How can scarcity be eliminated?
  - d. Which goods and services are to be produced?

2. Lumber prices fall in Calgary, Alberta, because new forests are opened for harvesting in nearby British Columbia. As a result, what might you expect to find in the Calgary housing industry?

- D
- a. Less labour will be used to construct homes as wages fall relative to the price of lumber.
  - b. Less wood will be used in the construction of new homes because the price is now cheaper.
  - c. Steel frames for houses are replacing wood frames because wood is considered a cheap substitute.
  - d. More wood is being used in the construction of new homes.

3. What is the term for a system of economic organization in which the ownership and control of productive capital assets rests with the state, and resources are allocated through central planning and political decision making?

- A
- a. a command economy
  - b. a market economy
  - c. a corporate economy
  - d. a capitalist economy

4. In a market economy, how are resources allocated?

- D
- a. by central planners using a price system
  - b. by decentralized planners at the local level
  - c. by government bureaucracies because of the absence of a price system
  - d. by individual decision makers responding to market prices

5. What tends to occur in countries with high labour costs?

- B
- a. They use more labour rather than capital in the production process.
  - b. They use more capital rather than labour in the production process.
  - c. They rely on only one method for the production of goods.
  - d. They become relatively poor countries.

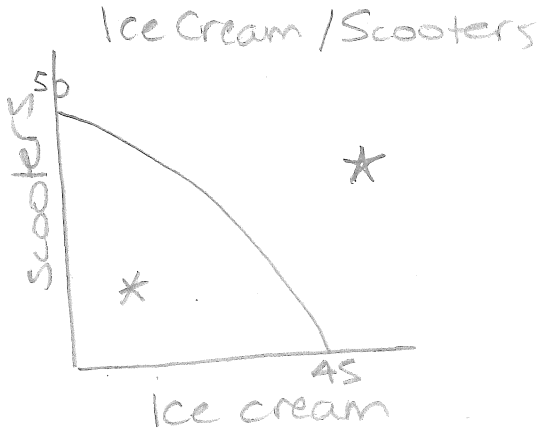
6. In the circular flow model, in what forms do households receive income?

- A
- a. wages, rent, interest, and profits
  - b. wages and rent while firms receive interest and profits
  - c. wages, rent, and interest while firms receive profits
  - d. wages while firms receive rent, interest, and profits

**Production Possibility Curves**

Use the table below and create a Production Possibilities Curve.

Ice Cream	45	42	36	27	15	0
Scooters	0	10	20	30	40	50



Show a point that is inefficient. \*

Show a point that is impossible. \*

What is the opportunity cost of 30 scooters?

19 Ice Cream

What is the opportunity cost of 45 Ice Cream?

50 Scooters

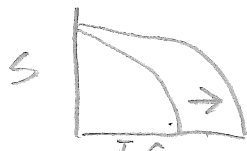
Would it make sense to produce 15 ice cream and 10 scooters? Why or why not?

No. Inefficient. Not using all available resources.

Can you produce 19 scooters and 45 ice cream? Why or why not?

No. Impossible. Not enough resources.

Show graphically what would happen if new technology improved the production of ice cream.



Show graphically what would happen if technology improved the production of both ice cream and scooters.

