

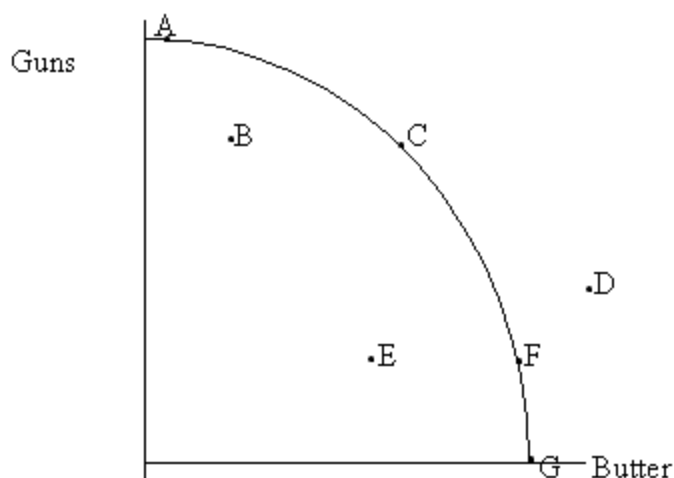
Chapter 2 Reading Quiz

1. *Scarcity* means that there
 - A. is a shortage of a good or service
 - B. are never enough resources to meet unlimited wants
 - C. the supply curve for a good decreases

2. *Opportunity costs* are
 - A. the costs of land, labor, and capital in each good
 - B. the costs of associated with scarce resources
 - C. the value of the next best alternative as a result of choosing some given alternative

3. The *production possibilities curve* represents
 - A. the possible combinations of output that could be produced efficiently
 - B. the possible combinations of output that can be produced in the future
 - C. the possible combinations of output that represent an inefficient use of resources

4. Which of the points in the production possibilities below represents an inefficient use of resources?
 - A. A
 - B. B
 - C. D



5. The bowed production possibilities curve in the figure in question 4 is because
 - A. there are constant relative costs associated with moving between guns or butter
 - B. there are increasing relative costs associated with moving between guns or butter
 - C. there are decreasing relative costs associated with moving between guns and butter

6. According to your textbook the *factors of productions* include land, labor, and
 - A. technology
 - B. entrepreneurship
 - C. economic goods

7. Your decision to attend college and receive advanced academic training increases the nation's
 - A. human capital
 - B. physical capital
 - C. entrepreneurship

8. Society may decide to increase the production of capital goods today, while decreasing current consumption because
 - A. this will lead to increased economic growth in the future
 - B. capital goods directly satisfy human wants and needs
 - C. consumer goods are not always in demand

9. According to Adam Smith increasing the *division of labor* in a factory will
 - A. decrease the productivity of labor
 - B. increase the output of the factory
 - C. will not affect the output of a factory

10. *Comparative advantage* is
 - A. the ability of a nation to produce a good or service more efficiently, with fewer resources than another nation
 - B. the ability of a nation to produce a good or service at a lower opportunity costs than another nation
 - C. the advantage that a nation may have in natural resources