Homework Assignment I
Due Date: September 14

Solve the following multiple-choice problems and mark the answers on the scantron provided. Make sure to include your name and section number on the scantron (Each problem is worth 2 points).

1. All of the following will shift the Production Possibilities Frontier of the US outwards EXCEPT?
   (a) President Bush allows 10 million Mexicans to legally immigrate to the U.S. in order to help him win Hispanic votes
   (b) By order of the government 5 million workers are shifted from agriculture to the production of high-tech equipment
   (c) Microsoft develops a version of Windows that is insusceptible to viruses
   (d) The United States conquers Iraq and turns it into its fifty first state

2. Out of the following resources, which one tends to decrease over time?
   (a) Wind for energy
   (b) Computers
   (c) Limestone
   (d) Forests

3. Which of the following goods is likely to have the largest income effect?
   (a) Healthcare
   (b) A yacht
   (c) Electricity
   (d) Milk

4. Which one of these resources falls under the category of land?
   (a) A wooden table     (b) An irrigation system
   (c) Plastics                  (d) Water

5. Joe decides to quit his job as a teacher and become a real-estate agent, what is Joe's opportunity cost of becoming a real-estate agent?
   (a) The benefits from being a real-estate agent minus the cost of being a teacher
   (b) The money and experience that he would have gained as a teacher
   (c) The money he has to pay in order to get his real-estate license
   (d) The extra income that he will receive as a real-estate agent

6. Mina decides not to attend her math class since the instructor does not have an attendance policy and she has an exam in economics. This BEST illustrates that:
   (a) People make decisions on the margin
   (b) Ceteris paribus conditions hold
   (c) Preferences are subjective
   (d) Incentives matter
7. Which of these topics is most likely to be covered in a Macroeconomics course?
(a) How companies decide on their prices under different market structures
(b) The effects of a sales tax on tourists’ purchasing patterns
(c) How consumers decide between different goods
(d) How the exchange rate is determined

8. Which of the following events will increase the equilibrium price of butter?
(a) An increase in income tax
(b) A decrease in the price of milk
(c) A decrease in the price of bread
(d) A decrease in the number of consumers

9. Eric’s maximum willingness to pay for a watch is $24, Jillian’s is $22, Rick’s is $18 and Meredith’s is $15. If each watch costs $19, how much consumer surplus would Eric, Jillian, Rick and Meredith derive assuming none of them buys more than one watch?
(a) $8
(b) $6
(c) $5
(d) $3

10. What will happen to the price and quantity of DVDs (the discs themselves) if the price of DVD players decreases because of technological improvements and at the same time the number of DVDs suppliers increases?
(a) Price will increase but quantity can increase, decrease or remain the same
(b) Price will decrease but quantity can increase, decrease or remain the same
(c) Quantity will increase but price can increase, decrease or remain the same
(d) Quantity will decrease but price can increase, decrease or remain the same

11. According to economists a rational person is somebody who:
(a) Never makes a decision unless she has all the information she can get
(b) Considers both the benefits and the costs of her actions
(c) Uses economic theory to solve problems
(d) Has above average intelligence

12. What would happen if the price of a good were above the equilibrium price?
(a) There will be a excess supply and sellers will lower the price of the good
(b) There will be a excess supply and buyers will bid up the price of the good
(c) There will be a excess demand and sellers will raise the price of the good
(d) There will be a excess demand and buyers will bid down the price of the good

13. Which of the following scenarios best illustrates the law of supply?
(a) A bakery makes more bagels when demand for bagels grows raising their price
(b) Microsoft creates a new version of Windows after sales of the old version fall
(c) John decides to sell his car and buy a new one after getting a salary increase
(d) The supply of cars increases because the number of car manufactures rises
14. Which of the following statements is a positive statement?
(a) The government should spend more money fixing roads
(b) The U.S. national debt has climbed to $9 trillion
(c) The stock market is likely to crush next year
(d) Why do we have global warming?

*Use figure 1 (below), which represents the Production Possibilities Frontier for Technolia, to answer problems 15 through 17.*

![Figure 1](image)

15. What approximately is the marginal cost of producing another computer at point C?
(a) 1/2 car
(b) 1/3 car
(c) 2 cars
(d) 3 cars

16. Which one of these statements is correct?
(a) It is possible to produce 3 cars and 8 computers in Technolia
(b) Point D is more efficient than point C
(c) Point C is more efficient than point B
(d) Point E is fully efficient

17. If 8 computers are produced in Technolia, what is the highest number of cars than can be produced?
(a) 10 cars
(b) 6 cars
(c) 4 cars
(d) 2 cars
For each of the events in problems 18 through 20, state what will happen to the equilibrium price and equilibrium quantity of coffee?

18. The number of coffee growers increases?
   (a) Price and quantity will both increase
   (b) Price and quantity will both decrease
   (c) Price will increase but quantity will decrease
   (d) Price will decrease but quantity will increase

19. A drought kills many of the plants that are used to produce tea?
   (a) Price and quantity will both increase
   (b) Price and quantity will both decrease
   (c) Price will increase but quantity will decrease
   (d) Price will decrease but quantity will increase

20. The National Institute of Health declares that coffee can cause liver cancer and, at the same time, the number of coffee suppliers increases?
   (a) Price will increase but quantity can increase, decrease or remain the same
   (b) Price will decrease but quantity can increase, decrease or remain the same
   (c) Quantity will increase but price can increase, decrease or remain the same
   (d) Quantity will decrease but price can increase, decrease or remain the same