Quiz 1 Name:_____

Microeconomics - EC 2016

Fall Semester 1999

Instructor: Robert M. McNab Score:_____

INSTRUCTIONS: Read all questions carefully and select the best answer.

1. T F A positive economic statement is untestable since it represents a value judgement on what should happen in the present or future. 2 point

2. A concave production possibilities frontier 'bows outward' from the origin due to: 2 points

a. Increasing marginal returns to production
b. Constant returns to production
c. Decreasing marginal returns to production
d. Increasing absolute returns to production

3. In the space provided below, illustrate a concave production possibilities frontier where the maximum production of computers is 1.5 million units and the maximum production of cars is 2.0 million units. Furthermore, illustrate an obtainable but inefficient combination of computers and cars (Point A); an efficient and obtainable combination of computers and cars (Point B), and an unobtainable combination of computers and cars (Point C). 4 points

4. T F While Point C in the figure is currently unobtainable, if either resources or technology increase significantly Point C is likely to become obtainable. 2 points.

Answer Key

1. False
2. C
3. See class notes for illustration of concave PPF
4. True