

AP Microeconomics

Name: _____ Score: _____

1. Scarcity exists because...

- ☐ people are lazy
- ☐ wants are unlimited but resources are limited
- ☐ money has not been invented yet
- ☐ governments make bad choices

2. Every economic system must answer three questions. Which set is correct?

- ☐ What, how, and for whom to produce
- ☐ When, where, and why to produce
- ☐ Who to tax, spend, and borrow from
- ☐ How much to import, export, and save

3. A country is producing at a point **inside** its PPC. This means:

- ☐ some of its resources are idle or unemployed
- ☐ it is producing efficiently
- ☐ it needs more resources than exist
- ☐ it has achieved economic growth

4. A country has an **absolute advantage** in a good when it can:

- ☐ produce more of it with the same resources
- ☐ produce it at a lower opportunity cost
- ☐ sell it at a higher price
- ☐ produce it without any resources

5. Cost-benefit analysis says to take an action when:

- ☐ the benefit is at least as large as the cost
- ☐ you have already paid for it
- ☐ the cost is high
- ☐ other people are doing it

6. Only poor people and poor countries face scarcity.

- ☐ True
- ☐ False

7. With its current resources, an economy can produce at a point outside its PPC.

☐ True ☐ False

8. The 4th cookie has a marginal benefit of 6 dollars and a marginal cost of 2 dollars. By how much (in dollars) does making it change your net benefit?

_____ dollars

9. The value of the single best alternative you give up is the _____ cost.

10. In a pure market economy, a central planner sets the prices.

☐ True ☐ False

AP Microeconomics

1. **wants are unlimited but resources are limited**

Scarcity is the gap between unlimited wants and the limited resources available to satisfy them.

2. **What, how, and for whom to produce**

Scarcity forces every economy to decide **what** goods, **how** they are made, and **for whom**.

3. **some of its resources are idle or unemployed**

Inside the curve, resources sit idle — the economy could make more of both goods.

4. **produce more of it with the same resources**

Absolute advantage is about raw output; comparative advantage is about opportunity cost.

5. **the benefit is at least as large as the cost**

Act only when $\text{benefit} \geq \text{cost}$ — comparing what you gain with what you give up.

6. **False**

Everyone faces scarcity of **some** resource — even the wealthy run short of time.

7. **False**

Points outside are unattainable now — reaching them needs economic growth.

8. **4 dollars**

Net benefit rises by $MB - MC = 6 - 2 = 4$. Since $MB > MC$, it is worth making.

9. **opportunity**

Opportunity cost is what you sacrifice — the next-best choice — when you decide.

10. **False**

No one sets them — prices emerge from buyers and sellers. That is the invisible hand.