

Name: _____

Consider that the United States is experiencing historically **low** unemployment rates and that there is little “excess industrial capacity” (empty or unused factories). Approximately 5% of gross domestic product (GDP, total production of goods and services) in the U.S. consists of military goods.

The major Republican candidates have pledged expanded spending on defense if they are elected. All support development and deployment of a missile defense system, increased spending on military salaries and benefits, and modernizing of land, sea, and air major weapon systems.

a) Is it likely that there will be an opportunity cost to the increased military production? If not, why not? Explain in either case.

b) Using a production possibilities frontier diagram, show how the opportunity cost, if any, would be determined. Pick a point for the U.S. economy’s current position based on the information provided.

Pledge:

I pledge my honor that during this quiz I neither gave nor received assistance and that I saw no dishonest work.

Signed: _____

I have not signed the pledge intentionally. (Check only if appropriate.)