Exam

Name_____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) An individual has an absolute advantage in producing pizzas if that individual: 1) _____
A) can produce more pizzas in a given amount of time than anyone else.
B) has a higher opportunity cost of producing pizzas than anyone else.
C) has a lower opportunity cost of producing pizzas than anyone else.
D) charges the lowest price for pizzas.

2) If Al has an absolute advantage over Beth in preparing meals, then: 2) _____
A) Al can prepare more meals in a given time period than Beth.
B) it takes Al more time to prepare a meal than Beth.
C) the problem of scarcity applies to Beth but not to Al.
D) Al's opportunity cost of preparing a meal is lower than is Beth's.

3) If Les can produce two pairs of pants per hour while Eva can produce one pair per hour, then it must be true that: 3) _____
A) Eva has a comparative advantage in producing pants.
B) Les has an absolute advantage in producing pants.
C) Les has both comparative and absolute advantage in producing pants.
D) Les has a comparative advantage in producing pants.

4) If a nation can produce a more computers per year than any other nation, that nation has a(n) _____ advantage in the production of computers. 4) _____
A) natural B) comparative C) absolute D) relative

5) If you have a comparative advantage in a particular task, then: 5) _____
A) you have specialized in that task, while others have not.
B) you give up more to accomplish that task than do others.
C) you complete it faster than other people.
D) you give up less to accomplish that task than do others.

6) Larry has a comparative advantage over his classmates in writing term papers if he: 6) _____
A) has a lower opportunity cost of writing term papers than his classmates.
B) always earns an A on his term papers.
C) can write term papers faster than his classmates.
D) has an absolute advantage in writing term papers.

7) If a nation has the lowest opportunity cost of producing a good, that nation has a(n) _____ in the production of that good. 7) _____

A) comparative advantage and an absolute advantage
B) comparative advantage
C) absolute advantage and possibly a comparative advantage
D) absolute advantage

8) Which of the following statements is true? 8) _____

A) Comparative advantage does not require absolute advantage.
B) Absolute advantage requires comparative advantage.
C) Comparative advantage requires absolute advantage.
D) Absolute advantage implies comparative advantage.

9) If Jane can produce 3 pairs of shoes per hour, while Bob can produce 2, then _____ has a(n) _____ advantage in producing shoes. 9) _____

A) Jane; absolute
B) Jane; comparative
C) Bob; comparative
D) Bob; absolute

10) According to the accompanying table, Martha has the absolute advantage in making: 10) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) cakes.
B) both pies and cakes.
C) neither pies nor cakes.
D) pies.

11) According to the accompanying table, Julia has the absolute advantage in making: 11) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) cakes.
B) both pies and cakes.
C) pies.
D) neither pies nor cakes.

12) Refer to the accompanying table. Martha's opportunity cost of making of a pie is: 12) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) 3/4 of a cake. B) 8 cakes. C) 80 cakes. D) 4/3 of a cake.

13) Refer to the accompanying table. Martha's opportunity cost of making a cake is: 13) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) 60 pies. B) 4/3 of a pie. C) 6 pies. D) 3/4 of a pie.

14) Refer to the accompanying table. Julia's opportunity cost of making a pie is: 14) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) 6 cakes. B) 6/5 of a cake. C) 5/6 of a cake. D) 60 cakes.

15) Refer to the accompanying table. Julia's opportunity cost of making a cake is: 15) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) 6 cakes. B) 6/5 of a cake. C) 5/6 of a cake. D) 60 cakes.

16) Refer to the accompanying table. _____ has the comparative advantage in making pies and _____ the comparative advantage in making cakes. 16) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) Martha; Julia
B) Julia; Julia
C) Julia; Martha
D) Martha; Martha

17) Refer to the accompanying table. Based on their comparative advantage, Martha should specialize in making _____ while Julia should specialize in making _____. 17) _____

	Time to Make a Pie	Time to Make a Cake
Martha	60 minutes	80 minutes
Julia	50 minutes	60 minutes

A) pies; cakes
B) neither pies nor cakes; both pies and cakes
C) both pies and cakes; neither pies nor cakes
D) cakes; pies

18) Suppose it takes Dan 5 minutes to make a sandwich and 15 minutes to make a smoothie, and it takes Tracy 6 minutes to make a sandwich and 12 minutes to make a smoothie. What is the opportunity cost to Dan of making a sandwich? 18) _____

A) 5 smoothies
B) 3 smoothies
C) 15 smoothies
D) 1/3 of a smoothie

19) Suppose it takes Dan 5 minutes to make a sandwich and 15 minutes to make a smoothie, and it takes Tracy 6 minutes to make a sandwich and 12 minutes to make a smoothie. Which of the following statements is correct? 19) _____

A) Dan has the comparative advantage in sandwiches, but Tracy has the absolute advantage in sandwiches.
B) Dan has the comparative and absolute advantage in smoothies.
C) Dan has the comparative advantage in smoothies, but Tracy has the absolute advantage in smoothies.
D) Dan has the comparative and absolute advantage in sandwiches.

20) Suppose it takes Dan 5 minutes to make a sandwich and 15 minutes to make a smoothie, and it takes Tracy 6 minutes to make a sandwich and 12 minutes to make a smoothie. Which of the following statements is correct? 20) _____

A) Tracy should specialize in sandwiches and smoothies.
B) Dan should specialize in both sandwiches and smoothies.
C) Dan should specialize in smoothies, and Tracy should specialize in sandwiches.
D) Dan should specialize in sandwiches, and Tracy should specialize in smoothies.

21) Suppose it takes Paul 3 hours to bake a cake and 2 hours to mow the lawn, and suppose it takes Tom 2 hours to bake a cake and 1 hour to mow the lawn. Which of the following statements is correct? 21) _____

A) Paul has the absolute advantage in mowing the lawn.
B) Paul has the absolute advantage in baking cakes.
C) Paul has the comparative advantage in mowing the lawn.
D) Paul has the comparative advantage in baking cakes.

22) Suppose Cathy and Lewis work in a bakery making pies and cakes. Suppose it takes Cathy 1.5 hours to make a pie and 1 hour to make a cake, and suppose it takes Lewis 2 hours to make a pie and 1.5 hours to make a cake. Which of the following statements is correct? 22) _____

A) Cathy has a comparative advantage in pies, and Lewis has an absolute advantage in pies.
B) Cathy has a comparative and absolute advantage in pies.
C) Lewis has a comparative advantage in pies, and Cathy has an absolute advantage in pies.
D) Lewis has a comparative and absolute advantage in pies.

23) Suppose Cathy and Lewis work in a bakery making pies and cakes. Suppose it takes Cathy 1.5 hours to make a pie and 1 hour to make a cake, and suppose it takes Lewis 2 hours to make a pie and 1.5 hours to make a cake. Which of the following statements is correct? 23) _____

A) Lewis should specialize in pies, and Cathy should specialize in cakes.
B) There are no gains from specialization and trade.
C) Cathy should specialize in both pies and cakes.
D) Cathy should specialize in pies, and Lewis should specialize in cakes.

24) Suppose Cathy and Lewis work in a bakery making pies and cakes. Suppose it takes Cathy 1.5 hours to make a pie and 1 hour to make a cake, and suppose it takes Lewis 2 hours to make a pie and 1.5 hours to make a cake. What is the opportunity cost to Cathy of making a cake? 24) _____

A) 2/3 of a pie. B) 1.33 pies. C) 1 pie. D) 1.5 pies.

25) Refer to the accompanying table. According to the table, Corey has the absolute advantage in: 25) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) neither making nor delivering pizza.
B) delivering pizza.
C) making pizza.
D) making and delivering pizza.

26) Refer to the accompanying table. According to the table, Pat has the absolute advantage in: 26) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) making pizza.
B) delivering pizza.
C) making and delivering pizza.
D) neither making nor delivering pizza.

27) Refer to the accompanying table. Corey's opportunity cost of making of a pizza is delivering: 27) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) 1/2 of a pizza.
B) 2 pizzas.
C) 3/2 of a pizza.
D) 2/3 of a pizza.

28) Refer to the accompanying table. Corey's opportunity cost of delivering of a pizza is making: 28) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) 6 pizzas. B) 2 pizzas. C) 12 pizzas. D) 1/2 of a pizza.

29) Refer to the accompanying table. Pat's opportunity cost of making a pizza is delivering: 29) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) 3 pizzas. B) 2/3 of a pizza. C) 3/2 of a pizza. D) 2 pizzas.

30) Refer to the accompanying table. Pat's opportunity cost of delivering a pizza is making: 30) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) 10 pizzas. B) 2/3 of a pizza. C) 3/2 of a pizza. D) 12 pizzas.

31) Refer to the accompanying table. _____ has the comparative advantage in making pizza, and _____ has the comparative advantage in delivering pizza. 31) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) Pat; Pat B) Corey; Pat C) Pat; Corey D) Corey; Corey

32) Refer to the accompanying table. Based on their comparative advantages, Pat should specialize in _____, and Corey should specialize in _____. 32) _____

	Pizzas Made Per Hour	Pizzas Delivered Per Hour
Corey	12	6
Pat	10	15

A) making pizza; delivering pizza
B) both making pizza and delivering pizza; neither making pizza nor delivering pizza
C) neither making pizza nor delivering pizza; both making pizza and delivering pizza
D) delivering pizza; making pizza

33) Lou and Alex live together and share household chores. They like to cook some meals ahead of time and eat leftovers. The accompanying table shows the number of rooms they can each clean and the number of meals they can each cook in an hour. 33) _____

	Rooms Cleaned Per Hour	Meals Cooked Per Hour
Lou	5	4
Alex	3	3

Which of the following is true?
A) Alex has a comparative advantage over Lou in cleaning.
B) Lou has both an absolute advantage and a comparative advantage over Alex in both tasks.
C) Lou has a comparative advantage over Alex in cleaning.
D) Alex has both an absolute advantage and a comparative advantage over Lou in both tasks.

34) Lou and Alex live together and share household chores. They like to cook some meals ahead of time and eat leftovers. The accompanying table shows the number of rooms they can each clean and the number of meals they can each cook in an hour. 34) _____

	Rooms Cleaned Per Hour	Meals Cooked Per Hour
Lou	5	4
Alex	3	3

If Alex and Lou work out an efficient arrangement for these two chores, then under that arrangement:

A) Alex and Lou each would do half of the cooking and half of the cleaning.
B) Lou would do all of the cleaning, while Alex would do all of the cooking.
C) Lou would do all of the cleaning and all of the cooking.
D) Alex would do all of the cleaning, while Lou would do all the cooking.

35) Lou and Alex live together and share household chores. They like to cook some meals ahead of time and eat leftovers. The accompanying table shows the number of rooms they can each clean and the number of meals they can each cook in an hour. 35) _____

	Rooms Cleaned Per Hour	Meals Cooked Per Hour
Lou	5	4
Alex	3	3

For Alex, the opportunity cost of cleaning one room is making _____ meal(s); for Lou the opportunity cost of cleaning one room is making _____ meal(s).

A) 1; 5/4 B) 1; 4/5 C) 3; 5 D) 4; 4

36) Dent 'n' Scratch Used Cars and Trucks employs 3 salesmen. Data for their sales last month are shown in this table: 36) _____

	Cars Sold	Trucks Sold
Larry	10	5
Joe	9	9
Ralph	3	12

Based on last month's data, _____ has an absolute advantage in selling cars and _____ has an absolute advantage in selling trucks.

A) Ralph; Larry B) Larry; Joe C) Joe; Joe D) Larry; Ralph

37) Dent 'n' Scratch Used Cars and Trucks employs 3 salesmen. Data for their sales last month are shown in this table: 37) _____

	Cars Sold	Trucks Sold
Larry	10	5
Joe	9	9
Ralph	3	12

Based on last month's data, Larry's opportunity cost of selling a truck is selling:

A) 10 cars. B) 1 car. C) 1/2 of a car. D) 2 cars.

38) Dent 'n' Scratch Used Cars and Trucks employs 3 salesmen. Data for their sales last month are shown in this table: 38) _____

	Cars Sold	Trucks Sold
Larry	10	5
Joe	9	9
Ralph	3	12

Based on last month's data, Joe's opportunity cost of selling a truck is selling:

A) 4 cars. B) 9 cars. C) 1/3 of a car. D) 1 car.

39) Dent 'n' Scratch Used Cars and Trucks employs 3 salesmen. Data for their sales last month are shown in this table: 39) _____

	Cars Sold	Trucks Sold
Larry	10	5
Joe	9	9
Ralph	3	12

Based on last month's data, Ralph's opportunity cost of selling a truck is selling:

A) 4 cars. B) 1/4 of a car. C) 1/3 of a car. D) 3 cars.

40) Dent 'n' Scratch Used Cars and Trucks employs 3 salesmen. Data for their sales last month are shown in this table: 40) _____

	Cars Sold	Trucks Sold
Larry	10	5
Joe	9	9
Ralph	3	12

Based on last month's data, Joe's opportunity cost of selling a car is _____ than Ralph's, and Joe's opportunity cost of selling a car is _____ than Larry's.

A) less; less B) greater; greater
C) less; greater D) greater; less

41) Dent 'n' Scratch Used Cars and Trucks employs 3 salesmen. Data for their sales last month are shown in this table: 41) _____

	Cars Sold	Trucks Sold
Larry	10	5
Joe	9	9
Ralph	3	12

Based on last month's data, _____ should specialize in truck sales, and _____ should specialize in car sales.

A) Ralph; Larry B) Joe; Ralph C) Larry; Joe D) Larry; Ralph

42) The textbook notes that the last time a major league batter hit .400 was in 1941. This is because: 42) _____
A) the average quality of batters has fallen.
B) baseball diamonds have become larger.
C) the league imposes harsh penalties for steroid use.
D) specialization by pitchers, infielders, and outfielders has made it harder for batters to hit.

43) Ginger and Maryann are lost in the jungle, where the only things to eat are mangoes and fish. Ginger can gather more mangoes per hour than Maryann and can also catch more fish per hour than can Maryann. Therefore: 43) _____
A) Ginger should specialize in the activity for which she has an absolute advantage.
B) Maryann should specialize in the activity for which she has a comparative advantage.
C) there are no gains to specialization and trade for Ginger.
D) there are no gains to specialization and trade for Maryann.

44) In general, individuals and nations should specialize in producing those goods for which they have a(n): 44) _____
A) absolute advantage.
B) absolute advantage and a comparative advantage.
C) absolutely comparative advantage.
D) comparative advantage.

45) If Ana devotes all her time to making fudge, she can make 3 pounds of fudge an hour, and if she devotes all her time to making toffee, she can make 2 pounds of toffee an hour. If Leo devotes all his time to making fudge, he can make 4 pounds of fudge an hour, and if he devotes all his time to making toffee, he can make 5 pounds of toffee an hour. What is Leo's opportunity cost of making a pound of fudge? 45) _____
A) 4 pounds of toffee
B) 0.8 of a pound of toffee
C) 5 pounds of toffee
D) 1.25 pounds of toffee

46) If Ana devotes all her time to making fudge, she can make 3 pounds of fudge an hour, and if she devotes all her time to making toffee, she can make 2 pounds of toffee an hour. If Leo devotes all his time to making fudge, he can make 4 pounds of fudge an hour, and if he devotes all his time to making toffee, he can make 5 pounds of toffee an hour. Which of the following statements is correct? 46) _____
A) Leo has both the absolute advantage and the comparative advantage in fudge.
B) Ana has the comparative advantage in fudge, but Leo has the absolute advantage in fudge.
C) Ana has both an absolute advantage and the comparative advantage in fudge.
D) Ana has the comparative advantage in toffee, but Leo has the absolute advantage in toffee.

47) If Ana devotes all her time to making fudge, she can make 3 pounds of fudge an hour, and if she devotes all her time to making toffee, she can make 2 pounds of toffee an hour. If Leo devotes all his time to making fudge, he can make 4 pounds of fudge an hour, and if he devotes all his time to making toffee, he can make 5 pounds of toffee an hour. According to The Principle of Comparative Advantage, Ana and Leo will be able to produce more overall if: 47) _____

A) both Leo and Ana specialize in fudge.
B) the Principle of Comparative Advantage does not hold in this example.
C) Ana specializes in fudge and Leo specializes in toffee.
D) Leo specializes in fudge and Ana specializes in toffee.

48) When Thurston catches 10 fish a day, he can gather a maximum of 40 coconuts, and when he catches 20 fish a day, he can gather a maximum of 30 coconuts. If Thurston's opportunity cost of producing each good increases as he produces more of it, and he decides to catch 30 fish a day, then the maximum number of coconuts he can gather must be: 48) _____

A) greater than 20.
B) equal to 20.
C) less than 20.
D) greater than 10.

49) Suppose Karl divides his time between making birdhouses and growing artichokes. Karl's friend recently gave Karl some new woodworking tools that greatly reduced the amount of time it takes Karl to make each birdhouse, but the new tools had no impact on the amount of time it takes Karl to grow artichokes. Thus, the new tools _____ Karl's opportunity cost of growing artichokes. 49) _____

A) increased
B) halved
C) decreased
D) had no effect on

50) In general, individuals and nations should specialize in producing goods _____ other individuals or nations. 50) _____

A) for which they have a higher opportunity cost compared to
B) that they can produce less quickly than
C) for which they have a lower opportunity cost compared to
D) that they can produce more quickly than

51) A country is most likely to have a comparative advantage in the production of cars if: 51) _____

A) it has a relative abundance in the natural resources needed to produce cars.
B) it has strict environmental protection laws governing automobile emissions.
C) its citizens prefer driving cars to other forms of transportation.
D) it imports most of the raw materials necessary to produce cars.

52) The United States generally has a comparative advantage in the development of technology because it has: 52) _____
A) large amounts of natural resources.
B) the greatest need for new technology.
C) a disproportionate share of the world's best research universities.
D) patent laws, which no other country has.

53) The emergence of English as the de facto world language _____ a comparative advantage in the production of books, movies and popular music. 53) _____
A) has given English-speaking countries
B) has given all countries
C) has given non-English-speaking countries
D) has no effect on which country has

54) The United States was unable to maintain its dominance in the production of televisions because: 54) _____
A) the product designs evolved too rapidly for engineers in the United States to keep up.
B) the highly technical skills necessary to produce televisions are greater in other countries.
C) the raw materials necessary to build televisions became scarce in the United States.
D) automated techniques allowed production to be outsourced to countries with less-skilled workers.

55) A graph that illustrates the maximum amount of one good that can be produced for every possible level of production of the other good is called a: 55) _____
A) production possibilities curve.
B) supply curve.
C) consumption possibilities curve.
D) production function.

56) The production possibilities curve shows: 56) _____
A) the maximum amount of one good that can be produced for every possible production level of the other good.
B) how increasing the resources used to produce one good increases the production of the other good.
C) how increasing the production of one good allows production of the other good to also rise.
D) the minimum amount of one good that can be produced for every possible production level of the other good.

57) Points that lie outside the production possibilities curve are _____, and points that lie inside the production possibilities curve are _____. 57) _____
A) inefficient; efficient
B) efficient; inefficient
C) unattainable; attainable
D) attainable; unattainable

58) Points that lie beneath the production possibilities curve are: 58) _____
A) unattainable but efficient. B) attainable and efficient.
C) unattainable and inefficient. D) attainable but inefficient.

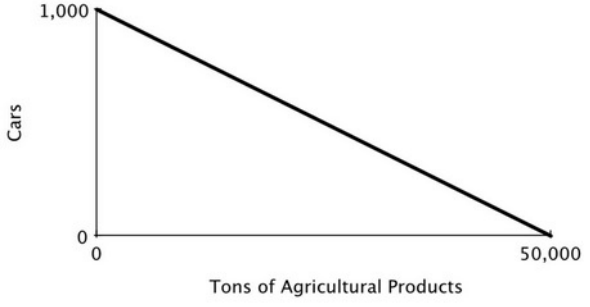
59) If a country is producing at point where an increase in the production of one good requires a reduction in the production of another good, then it must be producing at an: 59) _____
A) undesirable point. B) efficient point.
C) unattainable point. D) inefficient point.

60) Suppose Colin brews beer and makes cheese. If Colin can increase his production of beer without decreasing his production of cheese, then he is producing at an: 60) _____
A) ideal point. B) efficient point.
C) unattainable point. D) inefficient point.

61) If Ana devotes all her time to making fudge, she can make 3 pounds of fudge an hour, and if she devotes all her time to making toffee, she can make 2 pounds of toffee an hour. If Leo devotes all his time to making fudge, he can make 4 pounds of fudge an hour, and if he devotes all his time to making toffee, he can make 5 pounds of toffee an hour. Suppose that Ana and Leo decide to work together as a team. Can they produce 2 pounds of fudge and 4.5 pounds of toffee each hour? 61) _____
A) Yes, this point is both attainable and efficient.
B) Yes, this point is attainable, but inefficient.
C) No, this point is not attainable.
D) No, this point is not attainable and inefficient.

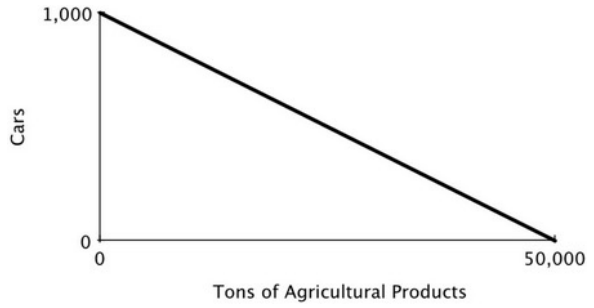
62) The downward slope of the production possibilities curve illustrates the: 62) _____
A) Incentive Principle. B) Cost-Benefit Principle.
C) Principle of Comparative Advantage. D) Scarcity Principle.

63) The accompanying figure shows the production possibilities curve for the island of Genovia: 63) _____



The opportunity cost of producing a car in Genovia is:
A) 50 tons of agricultural products. B) 500 tons of agricultural products.
C) 5,000 tons of agricultural products. D) 5 tons of agricultural products.

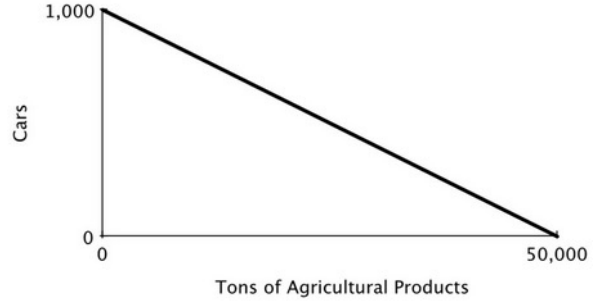
64) The accompanying figure shows the production possibilities curve for the island of Genovia: 64) _____



The opportunity cost of producing one ton of agricultural products in Genovia is:

A) 1,000 cars. B) 1/5 of a car. C) 1 car. D) 1/50 of a car.

65) The accompanying figure shows the production possibilities curve for the island of Genovia: 65) _____



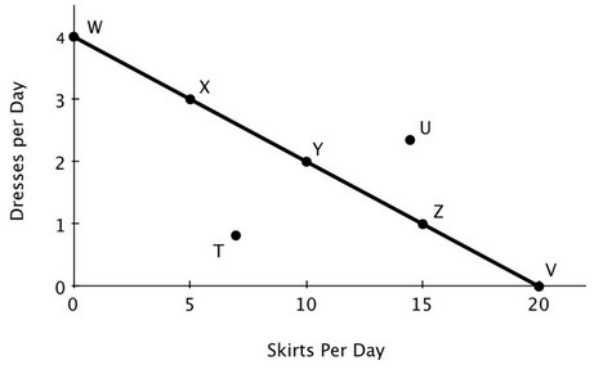
If 500 cars are produced in Genovia, a maximum of _____ tons of agricultural products can be produced.

A) 40,000 B) 50,000 C) 25,000 D) 45,000

66) The slope of a production possibilities curve is _____ because _____. 66) _____

A) negative; producing more of one good requires producing less of the other
B) positive; producing more of one good requires producing more of the other
C) negative; producing less of one good requires producing less of the other
D) positive; producing more of one good requires producing less of the other

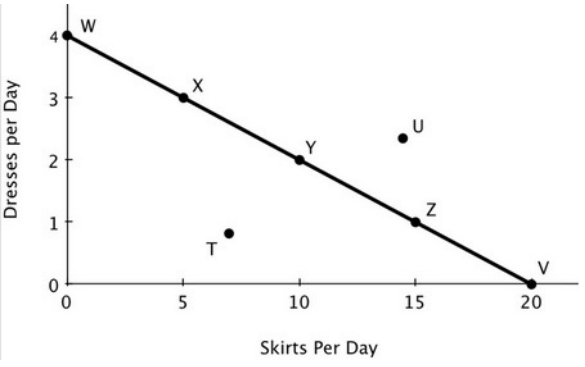
67) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 67) _____



The maximum number of dresses that Becky can make in a day is represented by point:

A) T B) U C) W D) V

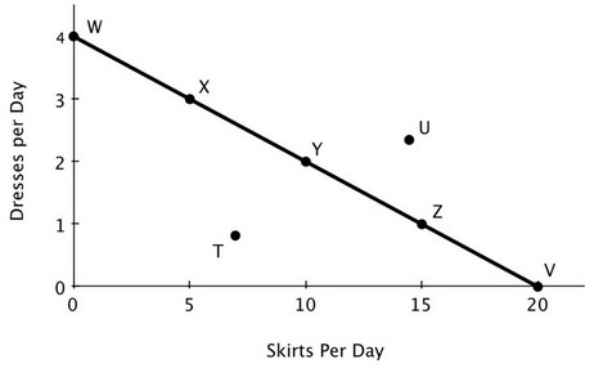
68) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 68) _____



The maximum number of skirts that Becky can make in a day is represented by point:

A) T B) V C) U D) Z

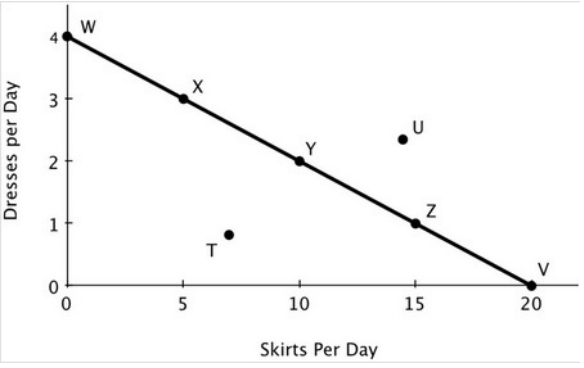
69) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 69) _____



Point *U* is:

A) inefficient. B) unattainable. C) attainable. D) efficient.

70) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 70) _____

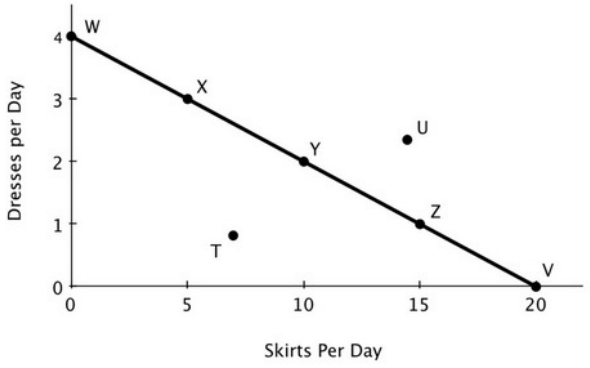


Of the labeled points, only _____ are attainable.

A) *W*, *X*, *Y*, *Z*, *V*, and *T* B) *W*, *X*, *Y*, *Z*, and *V*

C) *X*, *Y*, and *Z* D) *T* and *U*

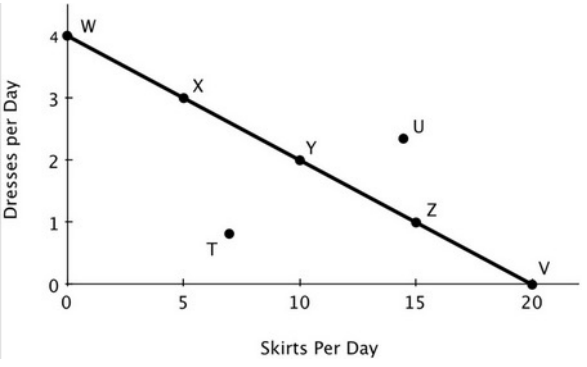
71) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 71) _____



Of the labeled points, only _____ are efficient.

A) *W*, *X*, *Y*, *Z*, and *V*
B) *T* and *U*
C) *X*, *Y*, and *Z*
D) *W*, *X*, *Y*, *Z*, *V*, and *T*

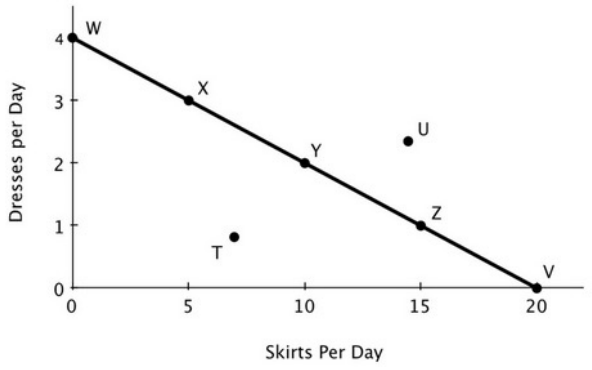
72) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 72) _____



Point *T* is:

A) neither attainable nor efficient.
B) both attainable and efficient.
C) efficient.
D) attainable.

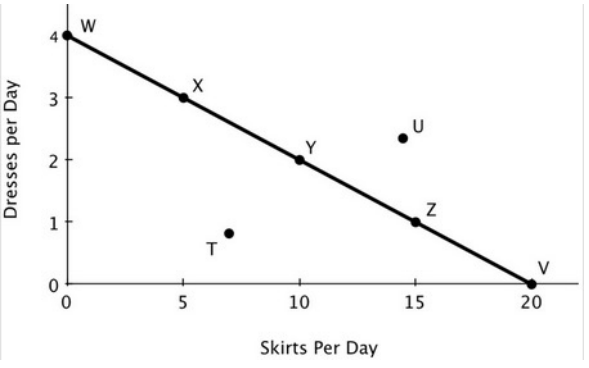
73) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 73) _____



Point *Y* is _____, and point *V* is _____.

A) efficient; efficient
B) inefficient; inefficient
C) inefficient; efficient
D) efficient; inefficient

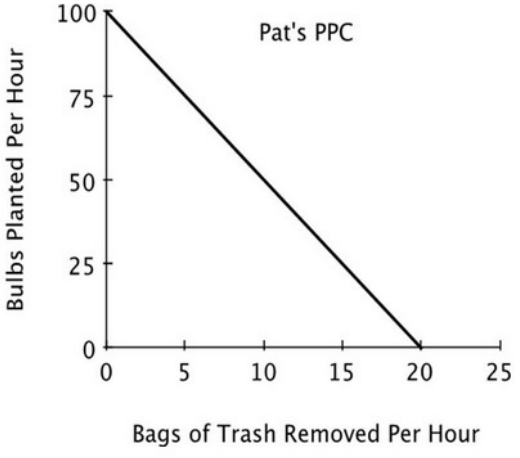
74) The accompanying figure shows Becky's daily production possibilities curve for dresses and skirts. 74) _____

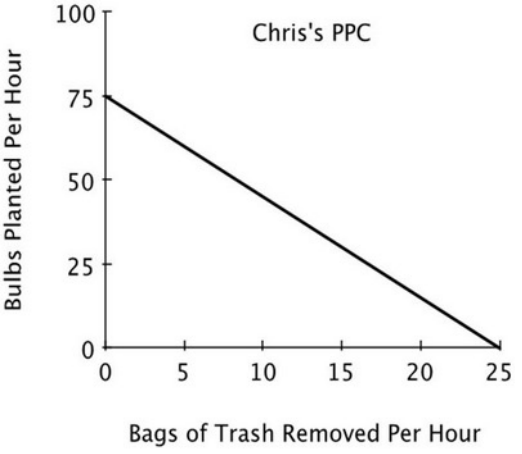


Relative to point *X*, at point *Y*:

A) more dresses and fewer skirts are produced.
B) more dresses and more skirts are produced.
C) more skirts and fewer dresses are produced.
D) fewer skirts and fewer dresses are produced.

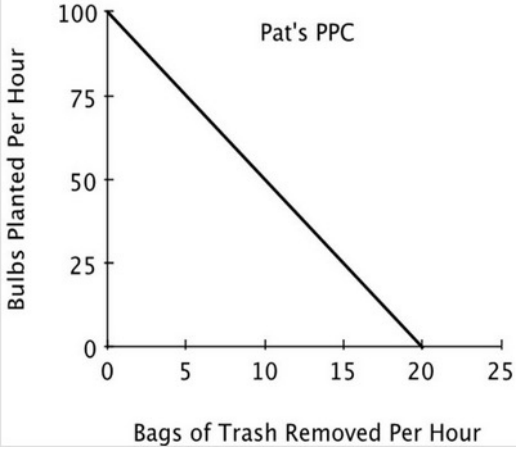
75) Refer to the accompanying figure. For Pat, the opportunity cost of removing one bag of trash is planting: 75) _____

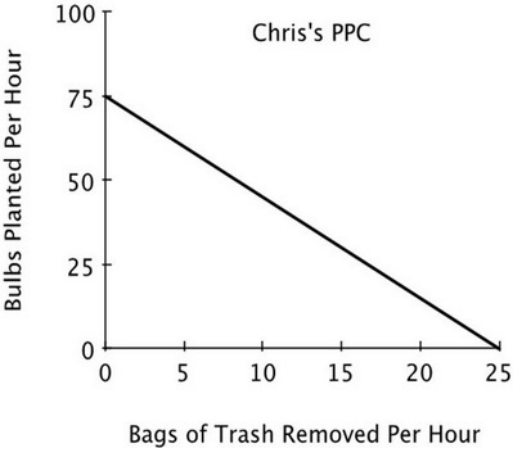




A) 1/5 of a bulb.
B) 5 bulbs.
C) 1/100 of a bulb.
D) 100 bulbs.

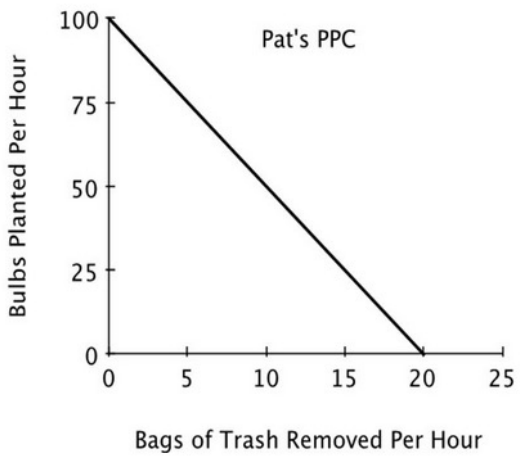
76) Refer to the accompanying figure. For Pat, the opportunity cost of planting one bulb is removing: 76) _____

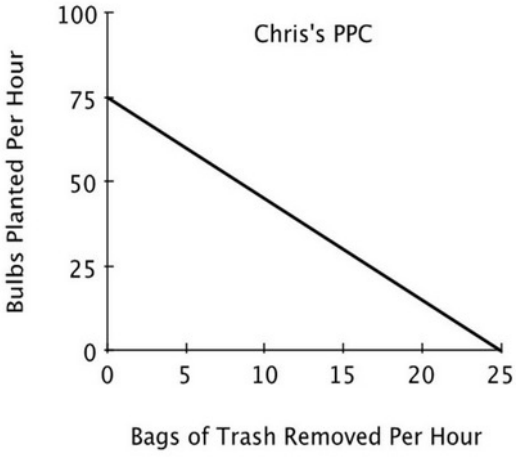




A) 1/20 of a bulb of trash.
B) 5 bulbs of trash.
C) 1/5 of a bulb of trash.
D) 20 bulbs of trash.

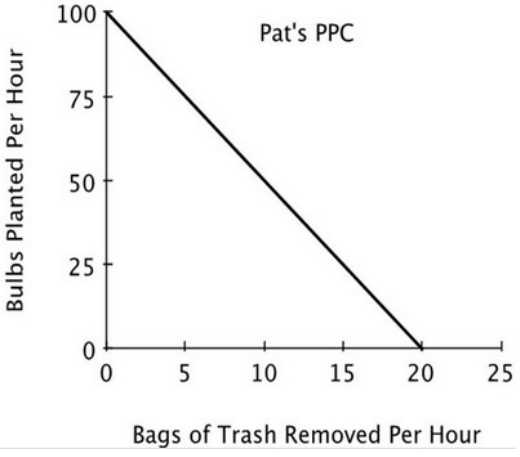
77) Refer to the accompanying figure. For Chris, the opportunity cost of removing one bag of trash is planting: 77) _____

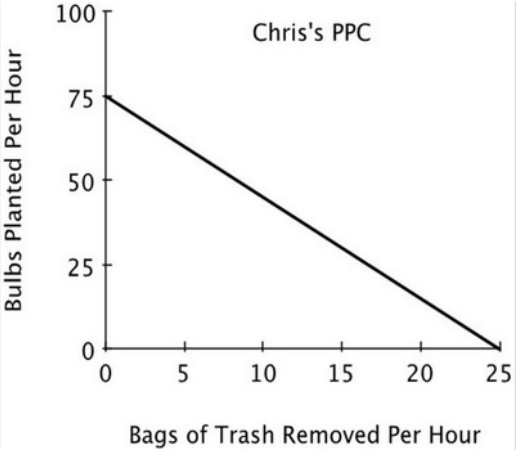




A) 1/3 of a bulb.
B) 25 bulbs.
C) 1/25 of a bulb.
D) 3 bulbs.

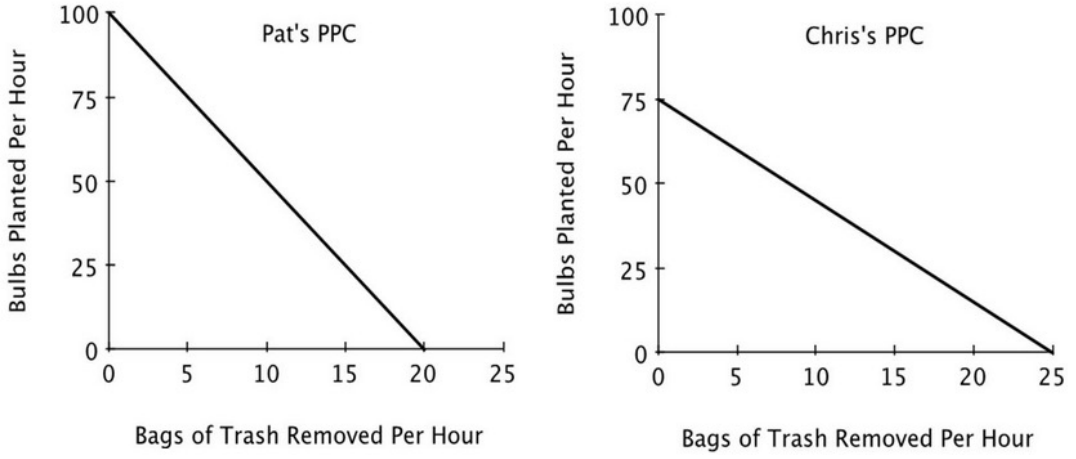
78) Refer to the accompanying figure. For Chris, the opportunity cost of planting one bulb is removing: 78) _____





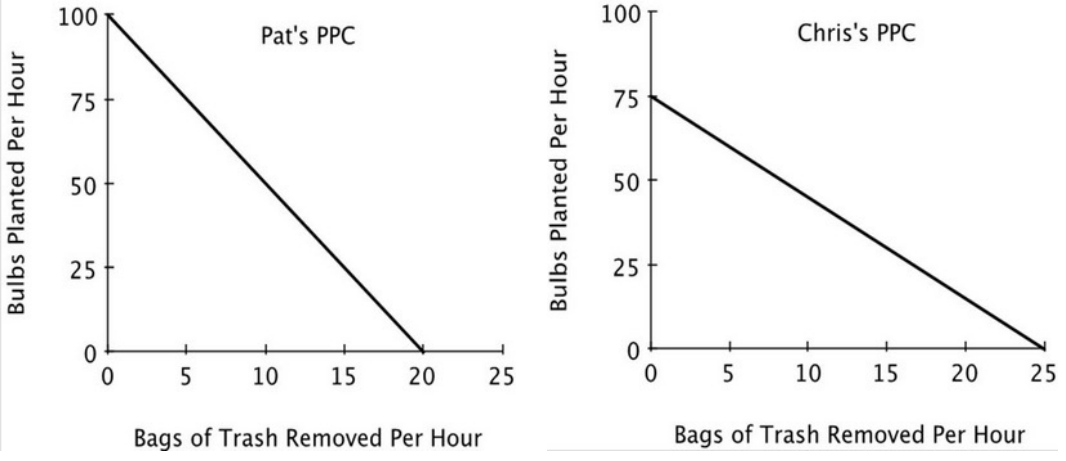
A) 3 bags of trash.
B) 25 bags of trash.
C) 1/25 of a bag of trash.
D) 1/3 of a bag of trash.

79) Refer to the accompanying figure. If Pat and Chris were to specialize in the task in which each has a comparative advantage: 79) _____



A) Chris would remove trash and Pat would plant bulbs.
B) Pat and Chris would each spend half of their time each task.
C) both Pat and Chris would plant bulbs because they both have an absolute advantage in that task.
D) Chris would plant bulbs and Pat would remove trash.

80) Refer to the accompanying figure. If Pat and Chris each spend half their time on each task, then: 80) _____



A) they will plant more bulbs and remove fewer bags of trash than if they had each specialized in the task at which they have a comparative advantage.
B) they will plant fewer bulbs and remove fewer bags of trash than if they each had specialized in the task at which they have a comparative advantage.
C) the outcome will be efficient.
D) the outcome will be unattainable.

81) On a graph of a production possibilities curve, if a point is attainable, then it: 81) _____
A) might or might not be efficient.
B) must completely exhaust all currently available resources.
C) must be efficient.
D) is efficient only if it does not exhaust all currently available resources.

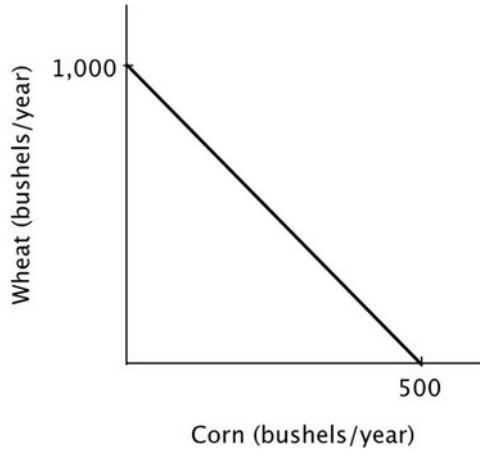
82) Any combination of goods that can be produced with currently available resources is an: 82) _____
A) efficient point.
B) inefficient point.
C) attainable point.
D) attainable and efficient point.

83) On a graph of a production possibilities curve, an inefficient point is: 83) _____
A) necessarily an unattainable point.
B) necessarily an attainable point.
C) possibly an unattainable point.
D) not necessarily an attainable point.

84) Consider a graph of a production possibilities curve. If a producer is operating at an inefficient point, then that producer: 84) _____
A) must be at an unattainable point on the production possibilities curve.
B) cannot produce more of one good without giving up some of the other good.
C) can produce more of one good without producing less of the other good.
D) must be specializing in activities for which it has a comparative advantage.

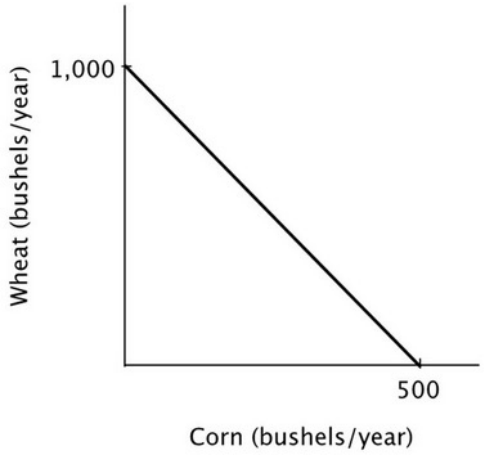
85) Points that lie below the production possibilities curve are inefficient because: 85) _____
A) producers face scarcity.
B) too many goods are being produced.
C) more of one good could be produced without producing less of the other.
D) producing more of one good means producing less of the other.

86) Refer to the accompanying figure. Growing 1,000 bushels of wheat and no bushels of corn each year is: 86) _____



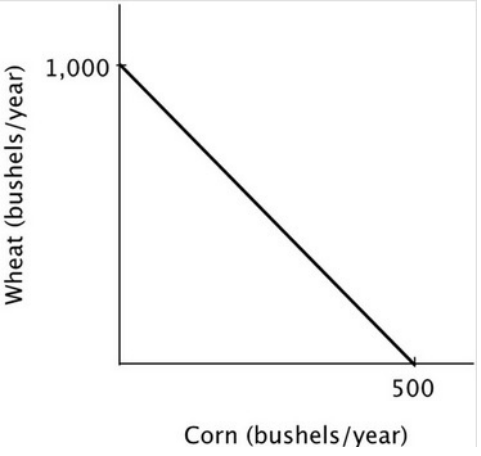
A) inefficient but attainable.
B) inefficient and unattainable.
C) efficient and attainable.
D) efficient but unattainable.

87) Refer to the accompanying figure. It is efficient for this farmer to: 87) _____



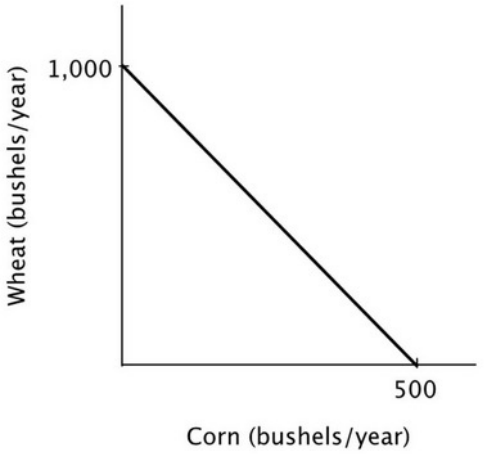
A) grow 500 bushels of wheat and 250 bushels of corn.
B) grow 1,000 bushels of wheat and 500 bushels of corn.
C) grow 500 bushels of wheat and 500 bushels of corn.
D) grow 250 bushels of wheat and 500 bushels of corn.

88) Refer to the accompanying figure. The opportunity cost of producing one bushel of corn is: 88) _____



A) 500 bushels of wheat.
B) 2 bushels of wheat.
C) 250 bushels of wheat.
D) ½ of a bushel of wheat.

89) Refer to the accompanying figure. The opportunity cost of producing one bushel of wheat is: 89) _____



A) 2 bushels of corn.
B) 500 bushels of corn.
C) 1,000 bushels of corn.
D) ½ of a bushel of corn.

90) If a given production combination is known to be attainable, then it: 90) _____
A) could be either an inefficient or efficient point.
B) must be on the production possibilities curve.
C) must be an inefficient point.
D) must be an efficient point.

91) If a given production combination is efficient, then it must be: 91) _____
A) below the production possibilities curve.
B) either an attainable or unattainable point.
C) on the production possibilities curve.
D) above the production possibilities curve.

92) Working efficiently, Jordan can write 3 essays and outline 4 chapters each week. It must be true that: 92) _____
A) 4 essays and 3 chapter outlines would be both attainable and efficient.
B) 2 essays and 3 chapter outlines would be efficient.
C) 6 essays and 0 chapter outlines would be unattainable.
D) 3 essays and 5 chapter outlines would be unattainable.

93) Assume point *A* on a linear production possibilities curve represents the combination of 12 coffees and 3 cappuccinos, and point *B* represents 3 coffees and 6 cappuccinos. Suppose coffees are on the vertical axis and cappuccinos are on the horizontal axis. The absolute value of the slope of the production possibilities curve between points *A* and *B* equals: 93) _____
A) 1/3.
B) 4.
C) 6.
D) 3.

94) Assume point *A* on a linear production possibilities curve represents the combination of 12 coffees and 3 cappuccinos, and point *B* represents 3 coffees and 6 cappuccinos. Suppose coffees are on the vertical axis and cappuccinos are on the horizontal axis. The opportunity cost of a cup of coffee is: 94) _____

A) 9 cappuccinos.
B) 1/3 of a cappuccino.
C) 6 cappuccinos.
D) 3 cappuccinos.

95) Generally, on a linear two-good production possibilities curve, the opportunity cost of the good measured on the vertical axis is: 95) _____

A) the negative of the opportunity cost of the good measured on the horizontal axis.
B) the reciprocal of the opportunity cost of the good measured on the horizontal axis.
C) the absolute value of the slope of the production possibilities curve.
D) one minus the opportunity cost of the good measured on the horizontal axis.

96) If a linear, two-good production possibilities curve has a slope of –2, then: 96) _____

A) you have a comparative advantage in the good measured on the vertical axis.
B) having an additional unit of the good measured on the vertical axis means giving up ½ of a unit of the good measured on the horizontal axis.
C) you have an absolute advantage in the good measured on the vertical axis.
D) having an additional unit of the good measured on the vertical axis means giving up 2 units of the good measured on the horizontal axis.

97) The idea that tradeoffs have to be made when resources are scarce is reflected in the fact that: 97) _____

A) the production possibilities curve has a negative slope.
B) points below the production possibilities curve are efficient.
C) points below the production possibilities curve are inefficient.
D) the slope of a linear production possibilities is constant.

98) In a two-person, two-good economy, the gains to specialization will be larger when: 98) _____

A) one person has an absolute advantage in both goods.
B) there are small differences between the individuals in their opportunity costs of producing the two goods.
C) neither person has an absolute advantage.
D) there are large differences between the individuals in their opportunity costs of producing the two goods.

99) According to the Principle of Increasing Opportunity Cost, in expanding the production of any good, we should start by utilizing the resources that: 99) _____

A) we have the least of.
B) we have the most of.
C) have the highest opportunity cost.
D) have the lowest opportunity cost.

100) Smith and Jones comprise a two-person economy. Their hourly rates of production are shown in the accompanying table. 100) _____

	Calculators Per Hour	Computers Per Hour
Smith	100	10
Jones	120	6

The opportunity cost of making a calculator for Smith is _____ and for Jones it is _____.

A) 1 computer; 0.5 computers
B) 0.6 computers; 1.2 computers
C) 10 computers; 20 computers
D) 0.10 computers; 0.05 computers

101) Smith and Jones comprise a two-person economy. Their hourly rates of production are shown in the accompanying table. 101) _____

	Calculators Per Hour	Computers Per Hour
Smith	100	10
Jones	120	6

If Smith and Jones devote all of their resources to producing computers, then the maximum number of computers they can produce in an hour is:

A) 120.
B) 10.
C) 6.
D) 16.

102) Smith and Jones comprise a two-person economy. Their hourly rates of production are shown in the accompanying table. 102) _____

	Calculators Per Hour	Computers Per Hour
Smith	100	10
Jones	120	6

Suppose Smith and Jones begin by producing 16 computers and 0 calculators per hour. If they wish to produce 14 computers and 40 calculators per hour efficiently, then Smith should spend _____, and Jones should spend _____.

A) 45 minutes making computers and 15 making calculators; 1 hour making calculators
B) 1 hour making computers; 20 minutes making computers and 40 minutes making calculators
C) 30 minutes making each; 30 minutes making each
D) 1 hour making computers; 40 minutes making computers and 20 minutes making calculators

103) Smith and Jones comprise a two-person economy. Their hourly rates of production are shown in the accompanying table. 103) _____

	Calculators Per Hour	Computers Per Hour
Smith	100	10
Jones	120	6

Suppose Smith and Jones begin by producing 0 computers and 220 calculators per hour. If they wish to produce 2 computers and 200 calculators per hour efficiently, then Smith should spend _____, and Jones should spend _____.

A) 30 minutes making each; 30 minutes making each
B) 1 hour making calculators; 10 minutes making computers and 50 minutes making calculators
C) 12 minutes making computers and 48 minutes making calculators; 1 hour making calculators
D) 48 minutes making computers and 12 minutes making calculators; 1 hour making calculators

104) Smith and Jones comprise a two-person economy. Their hourly rates of production are shown in the accompanying table. 104) _____

	Calculators Per Hour	Computers Per Hour
Smith	100	10
Jones	120	6

If Smith and Jones are dividing their time efficiently and producing more than 10 computers and fewer than 120 calculators per hour, then Smith will _____ and Jones will _____.

A) produce only computers; produce only calculators
B) produce only calculators; produce only computers
C) split his time between computers and calculators; produce only computers
D) produce only computers; split his time between computers and calculators

105) Smith and Jones comprise a two-person economy. Their hourly rates of production are shown in the accompanying table. 105) _____

	Calculators Per Hour	Computers Per Hour
Smith	100	10
Jones	120	6

If Smith and Jones are dividing their time efficiently and producing fewer than 10 computers and more than 120 calculators per hour, then Smith will _____ and Jones will _____.

A) produce only calculators; produce only computers
B) produce only computers; produce only calculators
C) split his time between computers and calculators; produce only calculators
D) produce only calculators; split his time between computers and calculators

106) Smith and Jones comprise a two-person economy. Their hourly rates of production are shown in the accompanying table. 106) _____

	Calculators Per Hour	Computers Per Hour
Smith	100	10
Jones	120	6

Suppose Smith and Jones begin by producing 100 calculators per hour; as Smith and Jones choose to efficiently produce fewer computers and more calculators, _____ should devote more time to calculators because his _____.

A) Jones; opportunity costs are lower
B) Smith; absolute advantage is larger
C) Jones; absolute advantage is smaller
D) Smith; opportunity costs are lower

107) Earth Movers & Shakers operates 3 iron ore mines. The accompanying table shows each mine's total daily production and the current number of miners at each mine. All miners work for the same wage, and each miner in any given mine produces the same number of tons per day as every other miner in that mine. 107) _____

	Total Tons Per Day	Number of Miners
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

The opportunity cost of moving one miner from Mother Lode to another mine is:

A) 1 ton per day.
B) 2 tons per day.
C) 3 tons per day.
D) 4 tons per day.

108) Earth Movers & Shakers operates 3 iron ore mines. The accompanying table shows each mine's total daily production and the current number of miners at each mine. All miners work for the same wage, and each miner in any given mine produces the same number of tons per day as every other miner in that mine. 108) _____

	Total Tons Per Day	Number of Miners
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

The opportunity cost of moving one miner from Scraping Bottom to another mine is:

A) 3 tons per day.
B) 4 tons per day.
C) 0 tons per day.
D) 5 tons per day.

109) Earth Movers & Shakers operates 3 iron ore mines. The accompanying table shows each mine's total daily production and the current number of miners at each mine. All miners work for the same wage, and each miner in any given mine produces the same number of tons per day as every other miner in that mine. 109) _____

	Total Tons Per Day	Number of Miners
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

The opportunity cost of moving one miner from Middle Drift to another mine is:

A) 5 tons per day.
B) 3 tons per day.
C) 4 tons per day.
D) 1 ton per day.

110) Earth Movers & Shakers operates 3 iron ore mines. The accompanying table shows each mine's total daily production and the current number of miners at each mine. All miners work for the same wage, and each miner in any given mine produces the same number of tons per day as every other miner in that mine. 110) _____

	Total Tons Per Day	Number of Miners
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

Suppose Earth Movers & Shakers needs to fill an order for 60 tons of ore in a single day. If it has no other orders for that day, it should:

A) take it all from Middle Drift.
B) take 20 tons from each of the three mines.
C) take 30 tons from Scraping Bottom and 30 tons from Middle Drift.
D) take it all from Mother Lode.

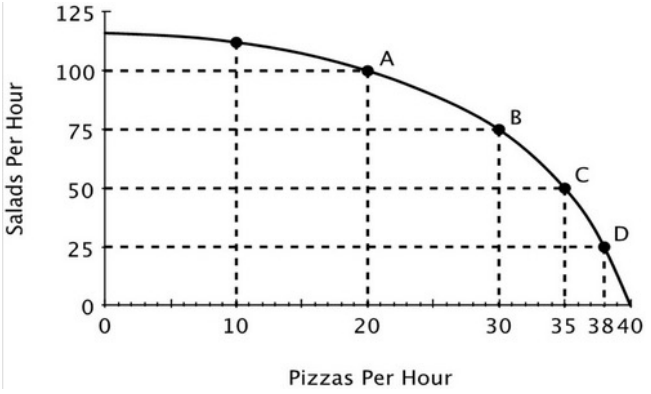
111) Earth Movers & Shakers operates 3 iron ore mines. The accompanying table shows each mine's total daily production and the current number of miners at each mine. All miners work for the same wage, and each miner in any given mine produces the same number of tons per day as every other miner in that mine. 111) _____

	Total Tons Per Day	Number of Miners
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

Suppose Earth Movers & Shakers needs to fill an order for 100 tons of ore in a single day. If it has no other orders to fill that day, and it's not possible to transfer miners from one mine to another, it should:

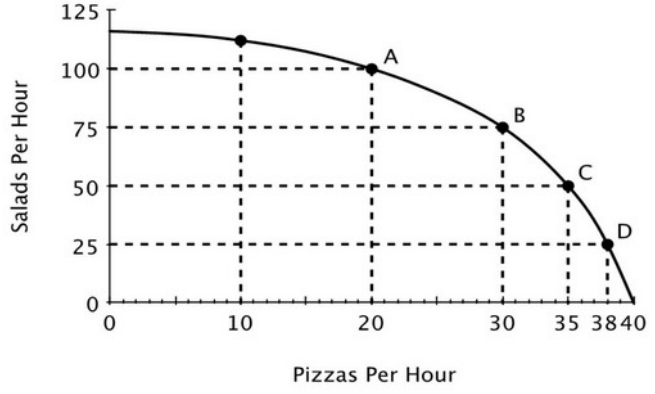
A) take 30 tons from Scraping Bottom and 70 tons from Mother Lode.
B) take 75 tons from Middle Drift and 25 tons from Scraping Bottom.
C) take it all from Mother Lode.
D) take 75 tons from Middle Drift and 25 tons from Mother Lode.

112) Refer to the accompanying figure. If this restaurant makes 75 salads in one hour, then what's the maximum number of pizzas it can make in that same hour? 112) _____



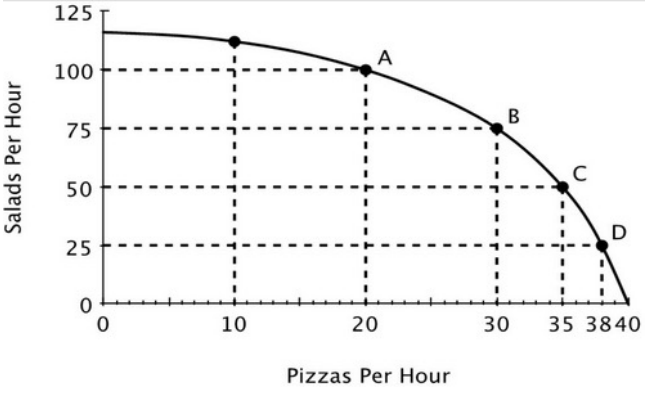
A) 10 B) 30 C) 0 D) 20

113) Refer to the accompanying figure. Relative to point *B*, at point *C* this restaurant is: 113) _____



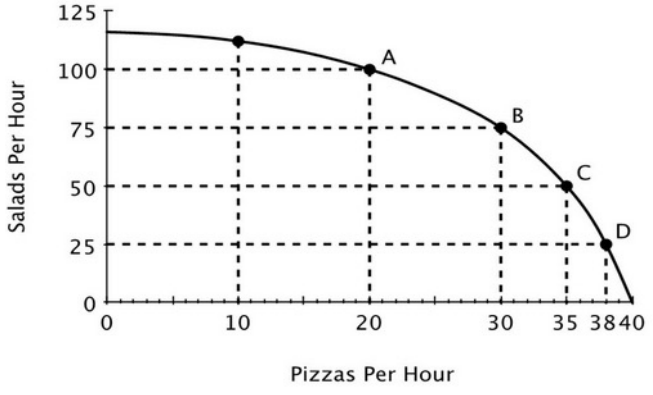
A) making more pizzas and more salads.
B) operating more efficiently.
C) making more pizzas and fewer salads.
D) making fewer pizzas and more salads.

114) Refer to the accompanying figure. Moving from point *C* to point *B*, the opportunity cost of 25 more salads is: 114) _____



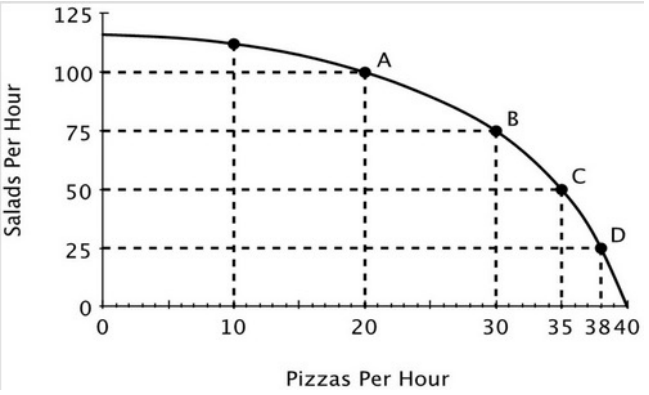
A) 10 pizzas. B) 5 pizzas. C) 15 pizzas. D) 30 pizzas.

115) Refer to the accompanying figure. Moving from point *B* to point *A*, the opportunity cost of 25 more salads is: 115) _____



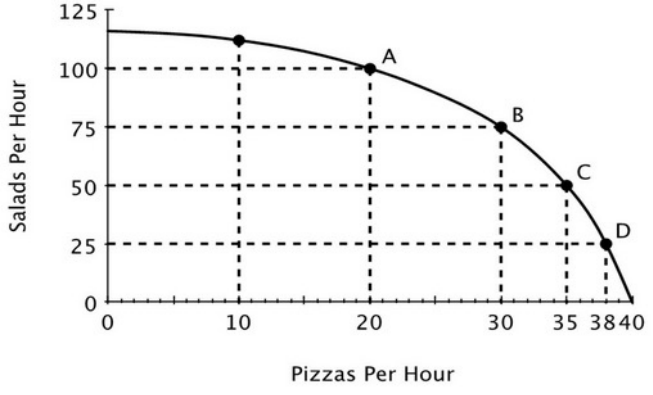
A) 20 pizzas. B) 5 pizzas. C) 15 pizzas. D) 10 pizzas.

116) Refer to the accompanying figure. The opportunity cost of making an additional salad: 116) _____



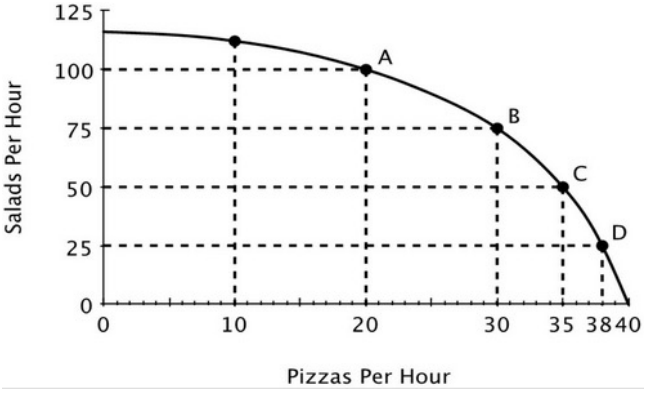
A) remains constant regardless of how many salads are made.
B) increases as the number of salads increases.
C) decreases as the number of salads increases.
D) decreases as the number of pizzas decreases.

117) Refer to the accompanying figure. If this restaurant goes from producing 20 to 25 pizzas per hour, then which of the following statements is true? 117) _____



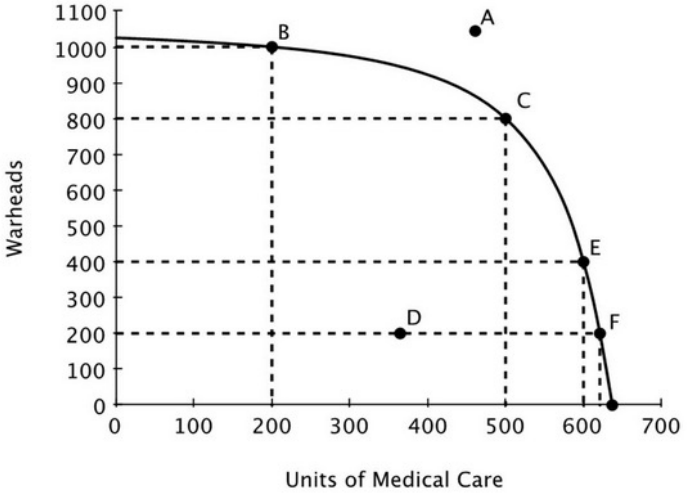
A) It has to give up exactly 25 salads.
B) It has to give up fewer than 12.5 salads.
C) It has to give up exactly 12.5 salads.
D) It has to give up more than 12.5 salads.

118) Refer to the accompanying figure. As the production of pizza increases, the opportunity cost of producing pizza: 118) _____



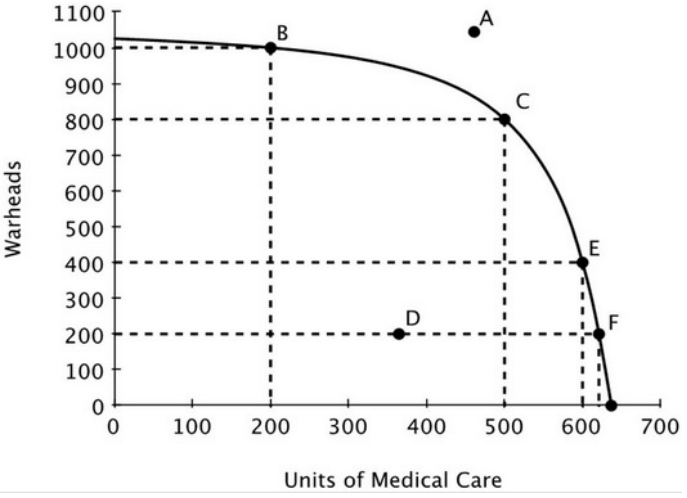
A) doesn't change.
B) becomes negative.
C) decreases.
D) increases.

119) Refer to the accompanying figure. Which of the following is true? 119) _____



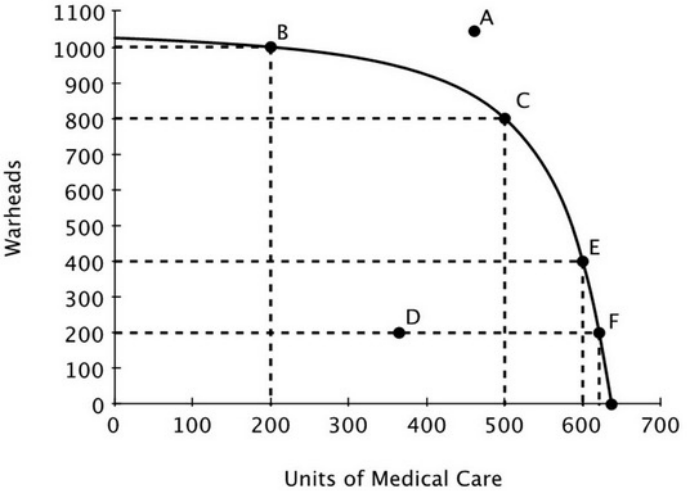
A) Points *B*, *C*, *E* and *F* are efficient.
B) Point *D* is efficient because it requires using the fewest resources.
C) Point *A* is efficient because it is farthest from the origin.
D) Point *F* is the most efficient because medical care is the highest there.

120) Refer to the accompanying figure. Suppose that the government requires that resources be used efficiently. Which of the following would the government definitely not allow? 120) _____



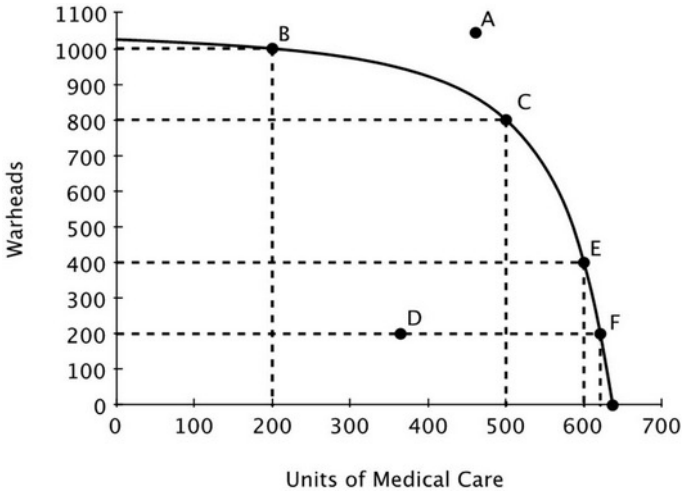
A) Specialization in warhead production.
B) Production at point *D*.
C) Specialization in medical care production.
D) Production at any point other than *C*.

121) Refer to the accompanying figure. If this economy is currently producing at point *C*, then the opportunity cost of providing 100 additional units of medical care would be: 121) _____



A) 800 warheads.
B) 100 warheads.
C) 400 warheads.
D) 200 warheads.

122) Refer to the accompanying figure. The opportunity cost of increasing medical care from 200 to 400 units is _____ the opportunity cost of increasing medical care from 400 to 600 units. 122) _____



A) twice as much as
B) less than
C) exactly the same as
D) greater than

123) Production possibilities curves for large economies are generally bow-shaped because: 123) _____
A) specialization gives some producers a comparative advantage.
B) opportunity costs tend to increase with increases in production.
C) opportunity costs tend to decrease with increases in production.
D) as more resources are used to produce a good, those resources become less expensive.

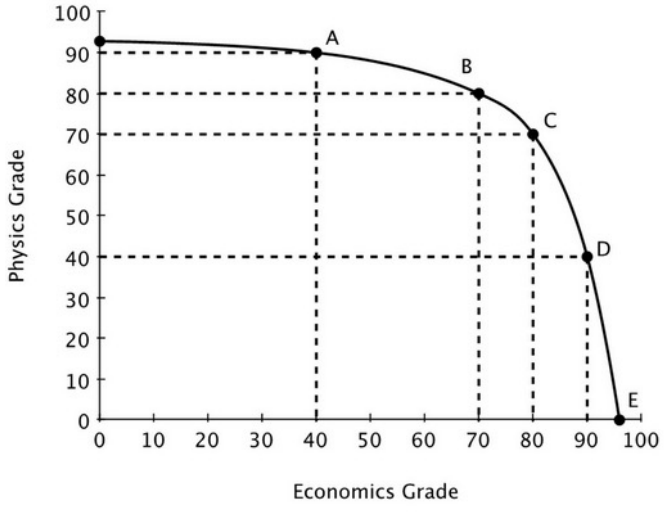
124) The Principle of Increasing Opportunity Costs states that: 124) _____
A) when increasing production, resources with the lowest opportunity costs should be used first.
B) when increasing production, resources with the lowest opportunity costs should be used last.
C) opportunity costs increase when too little is produced.
D) productive people do the hardest tasks first.

125) You have noticed that your next-door neighbor, Mary, always works in the garden, and her husband, Joe, always walks the dog. You conclude that if Joe and Mary are efficient, then it must be the case that: 125) _____
A) Mary has an absolute advantage in gardening.
B) Mary's opportunity cost of walking the dog is lower than Joe's.
C) Joe experiences increasing opportunity costs when he gardens, but not when he walks the dog.
D) Joe has a comparative advantage in walking the dog.

126) The benefits of specialization can be used to explain why: 126) _____

A) big companies take advantage of smaller ones.
B) machines are more productive than human workers.
C) workers prefer to work on a variety of tasks during the day.
D) individuals and nations benefit from trade.

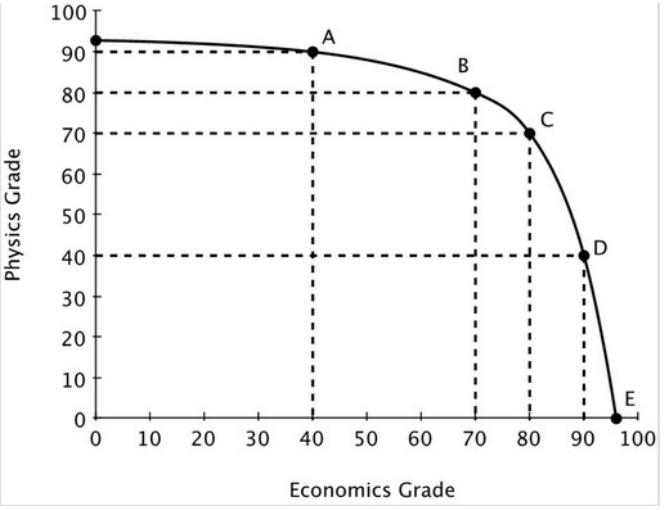
127) Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown in the accompanying figure. 127) _____



Both of Moe's professors require at least a 65 to pass and a 90 to earn an A. Which of the following is true?

A) Moe can pass economics, but only if he fails physics.
B) Moe could earn an A in economics and still pass physics.
C) Moe can pass both classes.
D) Moe can pass physics, but only if he fails economics.

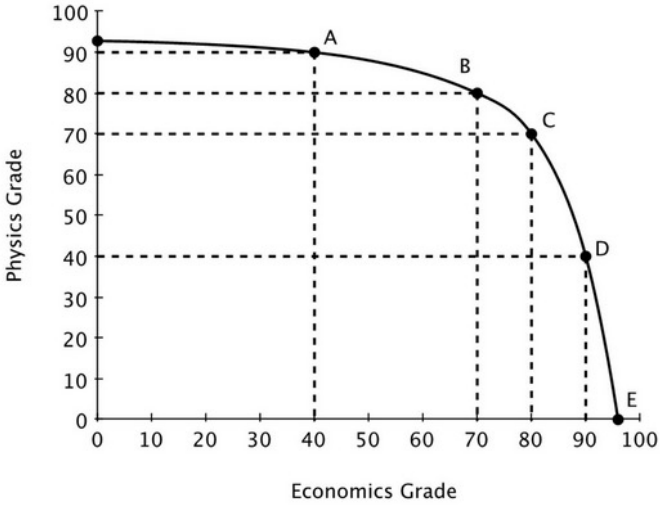
128) Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown in the accompanying figure. 128) _____



Which of the following is true?

A) Moe has a comparative advantage in physics.
B) Moe has an absolute advantage in economics.
C) Moe has a comparative advantage in economics.
D) Moe's opportunity cost of studying for each subject is increasing.

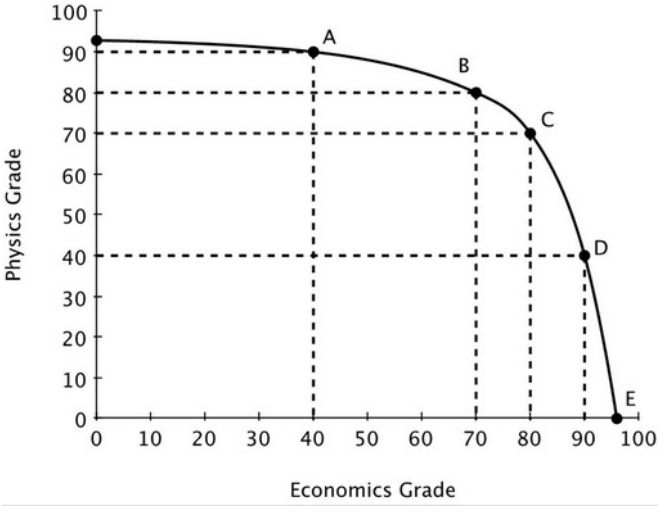
129) Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown in the accompanying figure. 129) _____



According to Moe's PPC, moving from a 70 to an 80 in economics:

A) has a lower opportunity cost than moving from an 80 to a 90.
B) is inefficient.
C) is unattainable.
D) has a higher opportunity cost than moving from an 80 to a 90.

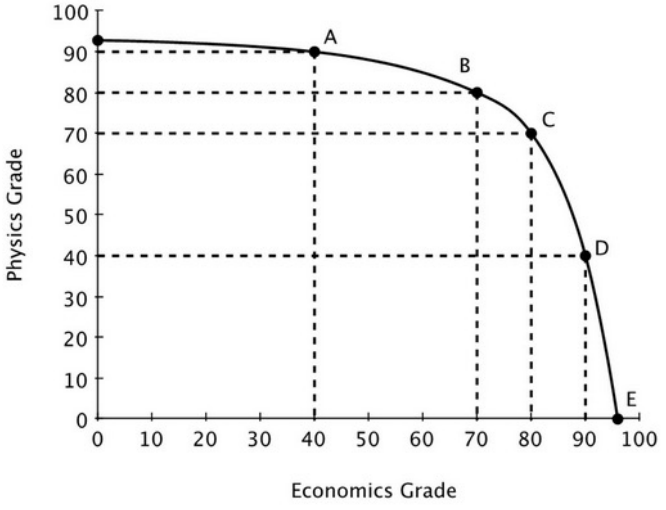
130) Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown in the accompanying figure. 130) _____



If Moe moves from Point *A* to point *C*, his grade in Physics will go down by _____ his grade in economics.

A) less than the decrease in
B) more than the increase in
C) less than the increase in
D) more than the decrease in

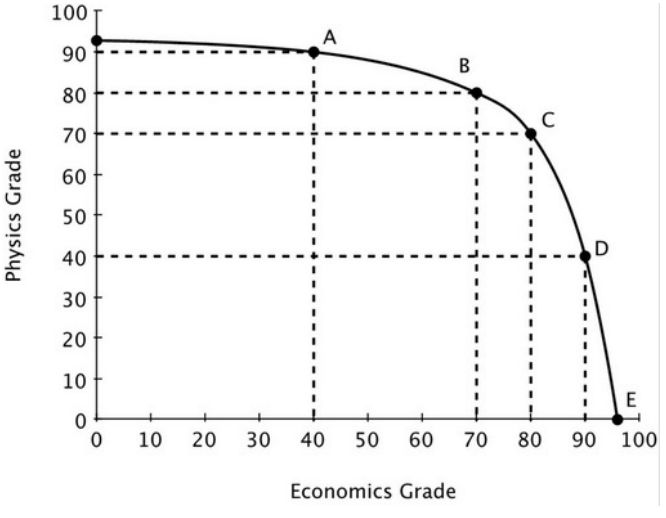
131) Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown in the accompanying figure. 131) _____



The Principle of Increasing Opportunity Cost is reflected in the fact that the opportunity cost going from 70 to 80 in economics is:

A) lower than the opportunity cost of going from 80 to 90 in economics.
B) the same as the opportunity cost of going from 70 to 80 in physics.
C) higher than the opportunity cost of going from 80 to 90 in economics.
D) lower than the opportunity cost of going from 80 to 90 in physics.

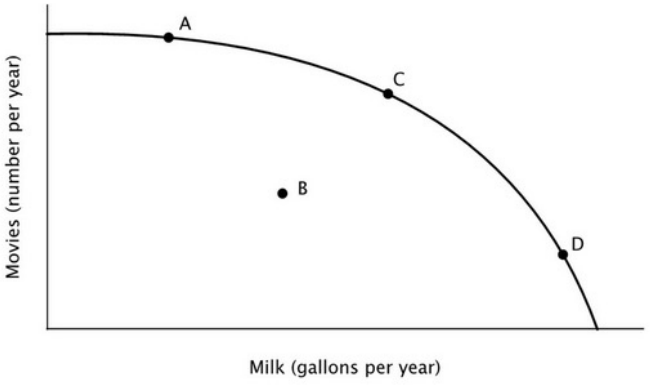
132) Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown in the accompanying figure. 132) _____



Moe needs to earn at least an 80 in both economics and physics to keep his scholarship. Given his current PPC, an 80 in both classes is _____.

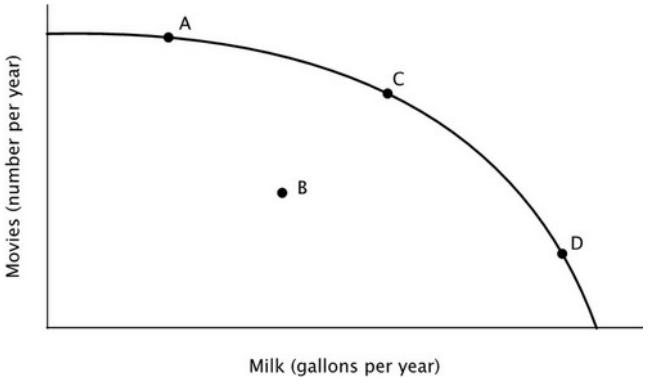
A) attainable B) efficient C) inefficient D) unattainable

133) Refer to the accompanying figure. For the nation whose PPC is shown, it must be true that: 133) _____



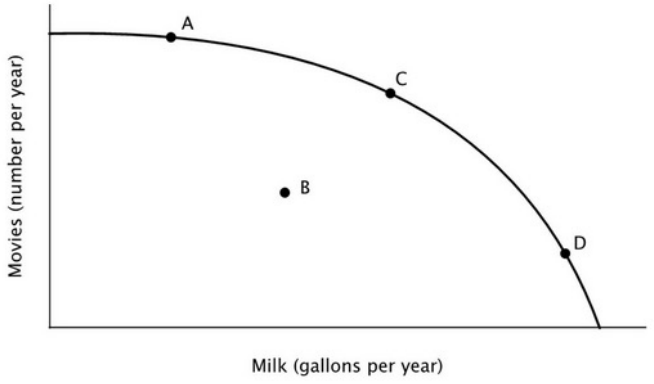
A) the nation has a comparative advantage in making milk.
B) the nation's productive resources are better-suited to making milk than to making movies.
C) some of the nation's productive resources are better-suited to making milk, and some are better-suited to making movies.
D) the nation's productive resources are better-suited to making movies than to making milk.

134) Refer to the accompanying figure. At point *D*, the opportunity cost of making milk is: 134) _____



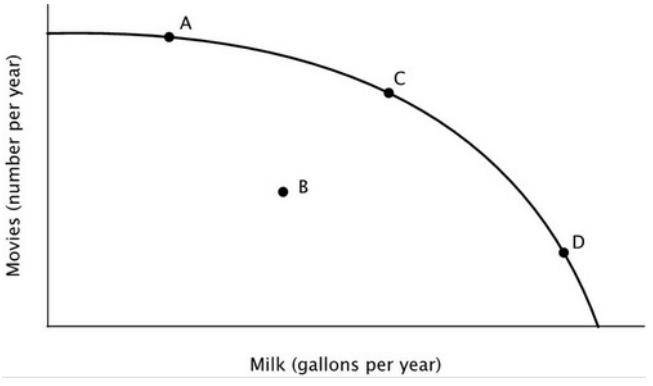
A) high because productive resources that are better-suited to making movies *are* being used to make milk.
B) high because the economy is not operating efficiently.
C) high because productive resources that are better-suited to making movies *are not* being used to make milk.
D) low because the economy is specializing in making milk.

135) Refer to the accompanying figure. This economy would be operating at point *B* if: 135) _____



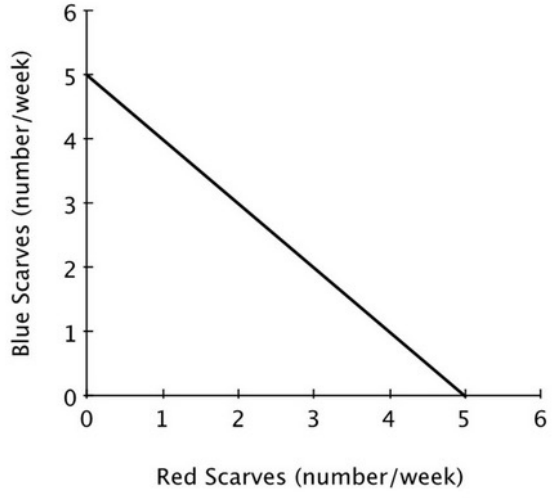
A) the opportunity cost of making milk were higher than the opportunity cost of making movies.
B) the opportunity cost of making movies were higher than the opportunity cost of making milk.
C) resources that are better-suited to making movies were being used to make milk, while resources that are better-suited to making milk were being used to make movies.
D) it was operating efficiently.

136) Refer to the accompanying figure. If this economy were currently operating at point *D*, then in order to make more movies: 136) _____



A) no productive resources would need to switch from making milk to movies because point D is already efficient.
B) the first productive resources to switch to making movies should be those with the highest opportunity cost of making milk.
C) no productive resources would need to switch from making milk to movies because each resource should continue to be used according to its comparative advantage.
D) the first productive resources to switch to making movies should be those with the lowest opportunity cost of making milk.

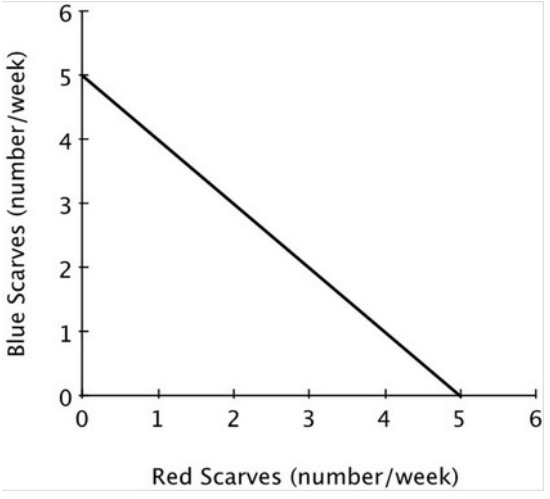
137) The accompanying figure shows Avery's weekly production possibilities curve for scarves. 137) _____



For Avery, the opportunity cost of making a red scarf is:

A) increasing. B) 1 blue scarf. C) zero. D) decreasing.

138) The accompanying figure shows Avery's weekly production possibilities curve for scarves. 138) _____



Avery's PPC would shift outward if she:

A) devotes less time to knitting each week.
B) devotes more time to knitting each week.
C) knits fewer red scarves and more blue scarves each week.
D) knits more red scarves and fewer blue scarves each week.

139) Economic growth can result from a(n): 139) _____
A) increase in the amount of productive resources.
B) increase in the amount of consumer goods produced.
C) increase in number of the minimum wage jobs.
D) decrease in the number of workers available.

140) Which of the following is NOT a reason why there are gains to specialization? 140) _____
A) It increases the amount productive resources in the economy.
B) It further improves skills through experience and practice.
C) It eliminates many of the costs of switching from one task to another.
D) It allows individuals to concentrate on the activities in which they have a comparative advantage.

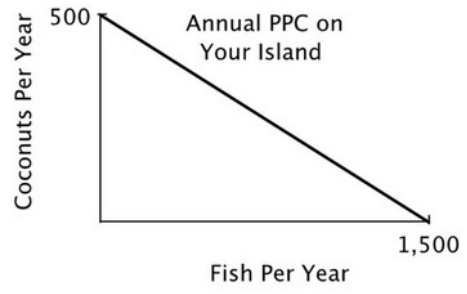
141) An increase in an economy's productive resources will lead the production possibilities curve to: 141) _____
A) shift outward.
B) become flatter.
C) shift inward.
D) stay the same.

142) Suppose that Nepal invests less in new factories and equipment than does the United States. This will likely cause: 142) _____
A) Nepal's production possibilities curve to shift outward faster than the U.S.'s.
B) The U.S.'s production possibilities curve to shift inward faster than Nepal's.
C) Nepal's production possibilities curve to shift inward faster than the U.S.'s.
D) The U.S.'s production possibilities curve to shift outward faster than Nepal's.

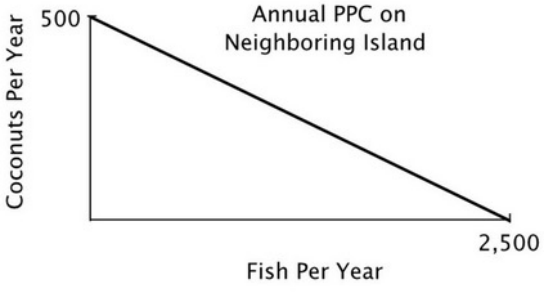
143) If a nation restricts imports, it will: 143) _____
A) benefit each individual citizen in that nation.
B) decrease the total value of goods and services produced in that nation.
C) increase the total value of goods and services produced in that nation.
D) harm each individual citizen in that nation.

144) Regarding specialization, it is generally true that: 144) _____
A) specialization imposes costs as well as benefits.
B) less specialization is always better.
C) more specialization is always better.
D) more specialization is always worse.

145) You are the Minister of Trade for a small island country with the following annual PPC: 145) _____



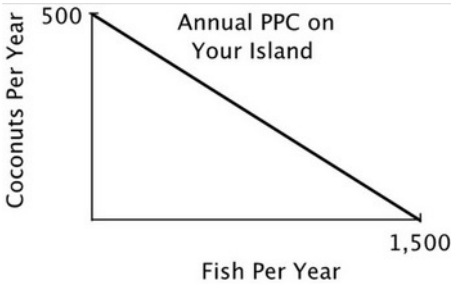
You are negotiating a trade agreement with a neighboring island with the following annual PPC:



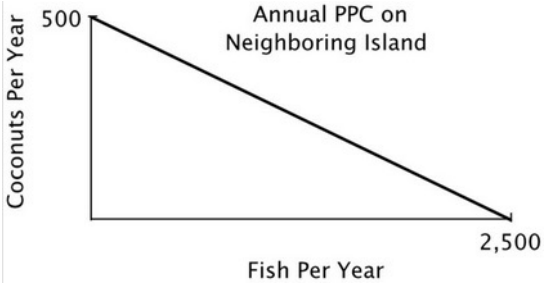
As soon as you see the other island's PPC, you realize there are:

A) gains from trade because your island has a comparative advantage in coconuts.
B) no gains from trade because there is no difference in your ability to harvest coconuts.
C) no gains from trade because you both have the same comparative advantage.
D) no gains from trade because the other island has an absolute advantage.

146) You are the Minister of Trade for a small island country with the following annual PPC: 146) _____



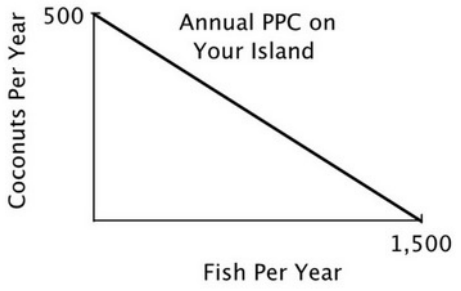
You are negotiating a trade agreement with a neighboring island with the following annual PPC:



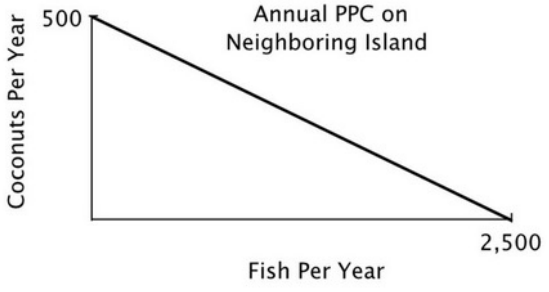
If the other island's delegate offers to give you 2 fish for every 1 coconut you give them, you will:

A) refuse their offer because the opportunity cost to you of a coconut is more than 2 fish.
B) accept their offer because you do not have an absolute advantage in fish.
C) refuse their offer because the opportunity cost to you of a coconut is less than 2 fish.
D) accept their offer because you do not have the comparative advantage in fish.

147) You are the Minister of Trade for a small island country with the following annual PPC: 147) _____



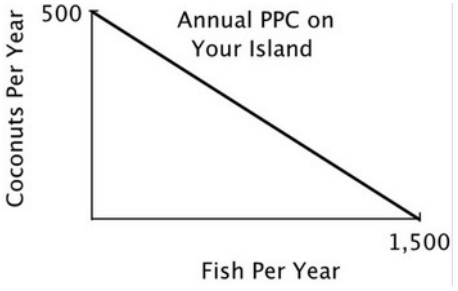
You are negotiating a trade agreement with a neighboring island with the following annual PPC:



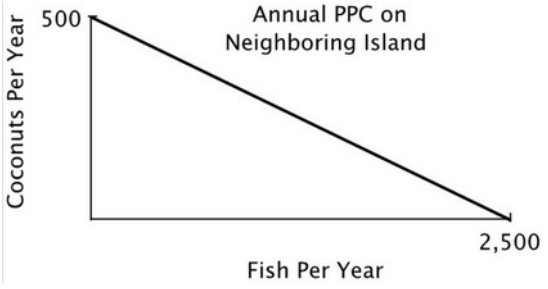
What's the minimum number of fish you would be willing to accept in exchange for a coconut?

A) 4 B) 3 C) 5 D) 2

148) You are the Minister of Trade for a small island country with the following annual PPC: 148) _____



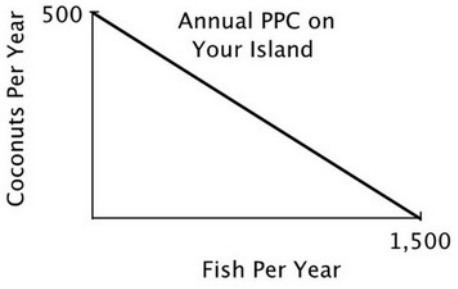
You are negotiating a trade agreement with a neighboring island with the following annual PPC:



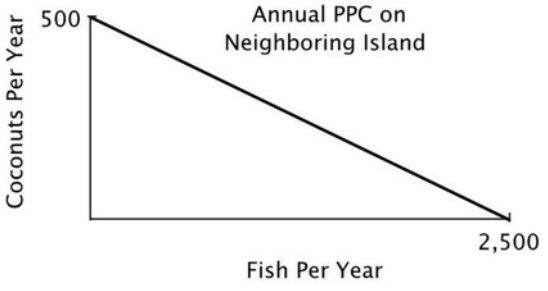
If you offer to give the other island 1 coconut for every 4 fish they give you, then they will:

A) accept your offer because your opportunity cost of a coconuts is less than 4 fish.
B) refuse your offer because they can produce as many coconuts as you can.
C) accept your offer because their opportunity cost of a coconut is greater than 4 fish.
D) refuse your offer because they have a comparative advantage in fish.

149) You are the Minister of Trade for a small island country with the following annual PPC: 149) _____



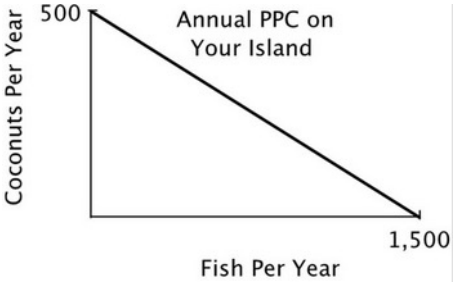
You are negotiating a trade agreement with a neighboring island with the following annual PPC:



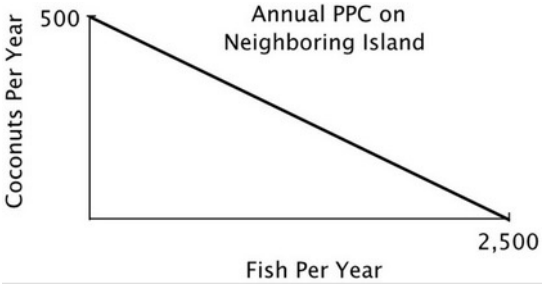
Both islands specialize exclusively in the product for which they have a comparative advantage. You have agreed to give 350 coconuts to the other island in exchange for 1,300 fish. After the trade, your island has a total of _____ coconuts and _____ fish.

A) 500; 1,500 B) 150; 1,300 C) 150; 2,800 D) 500; 1,300

150) You are the Minister of Trade for a small island country with the following annual PPC: 150) _____



You are negotiating a trade agreement with a neighboring island with the following annual PPC:



Both islands specialize exclusively in the product for which they have a comparative advantage. You have agreed to give 350 coconuts to the other island in exchange for 1,300 fish. After the trade the other island has a total of _____ coconuts and _____ fish.

A) 500; 1,200 B) 350; 1,200 C) 350; 1,500 D) 850; 1,200

151) If country A can produce more of practically everything than can country B, then which of the following statements is true? 151) _____

A) Country B cannot have a comparative advantage in the production of any good that country A wants to buy.
B) Country B has no incentive to trade with country A.
C) Country A has no incentive to trade with country B.
D) Trade can benefit both countries.

152) As the differences in opportunity costs between the U.S. and its trading partners increase, the potential gains from specialization and trade _____. 152) _____

A) become unpredictable B) stay the same
C) increase D) decrease

153) One reason there is political opposition to international trade is that: 153) _____
A) trade does not increase the total value of goods and services produced by a nation.
B) the differences in opportunity costs between countries are small.
C) the potential gains from specialization and trade are small.
D) not everyone benefits from trade.

154) One concern regarding the North American Free Trade Agreement (NAFTA) was that it would lead: 154) _____
A) highly skilled workers in the United States to lose their jobs.
B) unskilled workers in the United States to lose their jobs.
C) wages in Mexico to rise.
D) the total value of goods and services produced by the United States to fall.

155) When a nation reduces the barriers to international trade: 155) _____
A) the total value of all goods and services produced by the nation falls.
B) the total value of all goods and serviced produced by the nation rises.
C) each individual citizen becomes better off.
D) each individual citizen becomes worse off.

156) The benefits to specialization are even greater when two trading partners have: 156) _____
A) absolute advantages in producing the same goods.
B) very similar opportunity costs.
C) large differences in opportunity costs.
D) similar consumption preferences.

157) According to the textbook, the evidence indicates that NAFTA has: 157) _____
A) not significantly reduced the employment of unskilled workers in the United States.
B) stopped illegal immigration from Mexico.
C) reduced the employment of unskilled workers in the United States significantly.
D) reduced the wages of skilled workers in the United States.

158) According to the textbook, NAFTA was expected to help which country exploit its comparative advantage in the production of goods made by unskilled labor? 158) _____
A) Cuba B) Mexico C) The USA D) Canada

159) Outsourcing is a term increasingly used to refer to the act of: 159) _____
A) hiring illegal immigrants.
B) replacing relatively expensive American workers with low-wage workers overseas.
C) importing raw materials into the United States from other countries.
D) exporting final goods to other countries.

160) The fundamental reason firms outsource is that: 160) _____
A) outsourcing increases employment overseas.
B) U.S. workers cannot perform the tasks performed by workers in other countries.
C) low-wage workers in other countries are more productive than are U.S. workers.
D) hiring low-wage workers overseas reduces firms' costs.

161) When a U.S. firm engages in outsourcing, it benefits _____ and harms _____. 161) _____
A) the U.S. consumers of the firm's products; the firm's foreign employees
B) the U.S. consumers of the firm's products; the firm's U.S. employees
C) the firm; the U.S. consumers of the firm's products
D) the U.S. consumers of the firm's products; the firm

162) All else equal, the jobs that are the least likely to be outsourced are those that: 162) _____
A) can be broken down into series of well-defined steps.
B) require face-to-face communication.
C) do not involve face-to-face contact.
D) can be done by a computer.

163) Which of the following jobs is least likely to be outsourced? 163) _____
A) Transcription of physicians' records
B) Flipping hamburgers
C) Software design
D) Technical assistance over the phone for your computer

Answer Key
Testname: UNTITLED2

1) A
2) A
3) B
4) C
5) D
6) A
7) B
8) A
9) A
10) C
11) B
12) A
13) B
14) C
15) B
16) A
17) A
18) D
19) D
20) D
21) D
22) C
23) A
24) A
25) C
26) B
27) A
28) B
29) C
30) B
31) B
32) D
33) C
34) B
35) B
36) D
37) D
38) D
39) B
40) C
41) A
42) D
43) B
44) D
45) D
46) B
47) C
48) C
49) A
50) C

51) A
52) C
53) A
54) D
55) A
56) A
57) C
58) D
59) B
60) D
61) B
62) D
63) A
64) D
65) C
66) A
67) C
68) B
69) B
70) A
71) A
72) D
73) A
74) C
75) B
76) C
77) D
78) D
79) A
80) B
81) A
82) C
83) B
84) C
85) C
86) C
87) A
88) B
89) D
90) A
91) C
92) D
93) D
94) B
95) B
96) B
97) A
98) D
99) D
100) D

101) D
102) D
103) C
104) D
105) C
106) A
107) D
108) A
109) A
110) A
111) D
112) B
113) C
114) B
115) D
116) B
117) B
118) D
119) A
120) B
121) C
122) B
123) B
124) A
125) D
126) D
127) C
128) D
129) A
130) C
131) A
132) D
133) C
134) A
135) C
136) B
137) B
138) B
139) A
140) A
141) A
142) D
143) B
144) A
145) A
146) A
147) B
148) C
149) B
150) B

151) D
152) C
153) D
154) B
155) B
156) C
157) A
158) B
159) B
160) D
161) B
162) B
163) B