Test Bank for Principles of Microeconomics 6th Edition Frank Bernanke Heffetz 0073517852 9780073517858

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# Chapter 02 Test Bank

*Student:* _____

1. An individual has an absolute advantage in producing pizzas if that individual:

A. has a lower opportunity cost of producing pizzas than anyone else.
B. can produce more pizzas in a given amount of time than anyone else.
C. has a higher 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:

A. it takes Al more time to prepare a meal than Beth.
B. the problem of scarcity applies to Beth but not to Al.
C. Al's opportunity cost of preparing a meal is lower than is Beth's.
D. Al can prepare more meals in a given time period than Beth.

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:

A. Les has a comparative advantage in producing pants.
B. Les has an absolute advantage in producing pants.
C. Eva has a comparative advantage in producing pants.
D. Les has both comparative and absolute 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.

A. comparative
B. absolute
C. relative
D. natural

5. If you have a comparative advantage in a particular task, then:

A. you are better at it than other people.
B. you give up more to accomplish that task than do others.
C. you give up less to accomplish that task than do others.

D. you have specialized in that task, while others have not.

6. Larry has a comparative advantage over his classmates in writing term papers if he:

A. can write term papers faster than his classmates.
B. has an absolute advantage in writing term papers.
C. always earns an A on his term papers.
D. has a lower opportunity cost of writing term papers than his classmates.

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

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

8. Which of the following statements is true?

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

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

10. Refer to the table below. According to the table, Martha has the absolute advantage in:

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

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

11. Refer to the table below. According to the table, Julia has the absolute advantage in:

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

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

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

| | 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. 4/3 of a cake.
C. 8 cakes.
D. 80 cakes.

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

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

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

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

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

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

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

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

16. Refer to the table above._____has the comparative advantage in making pies and_____the comparative advantage in making cakes.

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

A. Martha; Martha
B. Julia; Julia
C. Martha; Julia
D. Julia; Martha

17. Refer to the table below. Based on their comparative advantage, Martha should specialize in_____while Julia should specialize in_____.

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

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

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?

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

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?

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

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

21. Suppose it takes Paul 3 hours to bake a cake and 2 hours to move 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?

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

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?

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 and absolute advantage in pies.
D. Lewis has a comparative advantage in pies, and Cathy has an 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?

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

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

25. Refer to the table below. According to the table, Corey has the absolute advantage in:

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

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

26. Refer to the table below. According to the table, Pat has the absolute advantage in:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31. Refer to the table below._____has the comparative advantage in making pizza, and_____ has the comparative advantage in delivering pizza.

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

A. Corey; Corey
B. Pat; Pat
C. Pat; Corey
D. Corey; Pat

32. Refer to the table below. Based on their comparative advantages, Pat should specialize in_____, and Corey should specialize in_____.

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

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

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

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

Which of the following is true?

A. Lou has both an absolute advantage and a comparative advantage over Alex in both tasks.
B. Alex has a comparative advantage over Lou in cleaning.
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 table below shows the number of rooms they can each clean and the number of meals they can each cook in an hour.

| | 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. Alex would do all of the cleaning, while Lou would do all the cooking.
C. Lou would do all of the cleaning and all of the cooking.
D. Lou would do all of the cleaning, while Alex would do all of 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 table below shows the number of rooms they can each clean and the number of meals they can each cook in an hour.

| | 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. 4; 4
B. 1; 4/5
C. 1; 5/4
D. 3; 5

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

| | 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. Joe; Joe
B. Larry; Ralph
C. Ralph; Larry
D. Larry; Joe

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

| | 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. 1/2 of a car.
C. 1 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:

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

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

| | 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. 1/3 of a car.
C. 3 cars.
D. 1/4 of a car.

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

| | 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; greater
B. greater; less
C. less; less
D. greater; greater

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

| | 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. Joe; Ralph
B. Ralph; Larry
C. Larry; Ralph
D. Larry; Joe

42. The textbook notes that the last time a major league batter hit .400 was in 1941. This is because:

A. the average quality of batters has fallen.
B. the league imposes harsh penalties for steroid use.
C. specialization by pitchers, infielders, and outfielders has made it harder for batters to hit.
D. baseball diamonds have become larger.

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:

A. There are no gains to specialization and trade for Ginger.
B. There are no gains to specialization and trade for Maryann.
C. Maryann should specialize in the activity for which she has a comparative advantage.
D. Ginger should specialize in the activity for which she has an absolute advantage.

44. In general, individuals and nations should specialize in producing those goods for which they have a(n):

A. absolute advantage.
B. comparative advantage.
C. absolutely comparative advantage.
D. absolute advantage and a comparative advantage.

45. In general, individuals and nations should specialize in producing goods_____other individuals or nations.

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

46. A country is most likely to have a comparative advantage in the production of cars if:

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

47. The United States generally has a comparative advantage in the development of technology because it has:

A. large amounts of natural resources.
B. a disproportionate share of the world's best research universities.
C. the greatest need for new technology.
D. patent laws, which no other country has.

48. The emergence of English as the de facto world language has_____a comparative advantage in the production of books, movies and popular music:

A. given English•speaking countries
B. given non•English•speaking countries
C. had no effect on which country has
D. given all countries

49. The United States was unable to maintain its dominance in the production of televisions because:

A. the highly technical skills necessary to produce televisions are greater in other countries.
B. the raw materials necessary to build televisions became scarce in the United States.
C. the product designs evolved too rapidly for engineers in the United States to keep up.
D. automated techniques allowed production to be outsourced to countries with less•skilled workers.

50. 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(n):

A. production possibilities curve.
B. consumption possibilities curve.
C. production function.
D. supply curve.

51. The production possibilities curve shows:

A. the minimum production of one good 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. the maximum production of one good for every possible production level of the other good.
D. how increasing the production of one good allows production of the other good to also rise.

52. Points that lie outside the production possibilities curve are_____, and points that lie inside the production possibilities curve are_____.

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

53. Points that lie beneath the production possibilities curve are:

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

54. 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:

A. inefficient point.
B. efficient point.
C. unattainable point.
D. undesirable point.

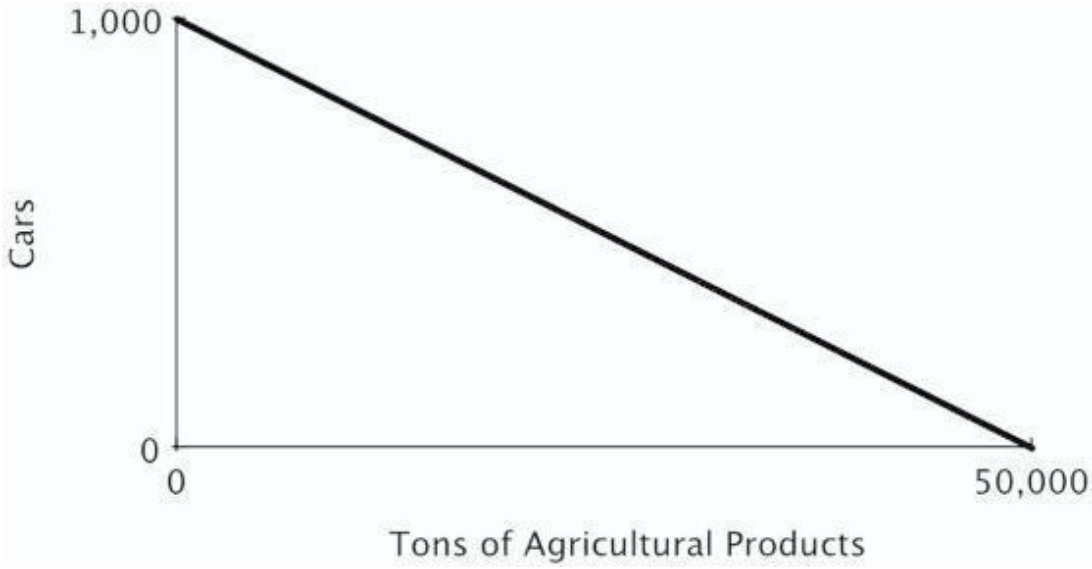
55. Suppose Colin brews beer and makes cheese. If Colin can increase his production of beer without decreasing his production of cheese, then he is producing at an:

A. inefficient point.
B. efficient point.
C. unattainable point.
D. ideal point.

56. The downward slope of the production possibilities curve illustrates the:

A. Scarcity Principle.
B. Cost•Benefit Principle.
C. Incentive Principle.
D. Principle of Comparative Advantage.

57. The figure below shows the production possibilities curve for the island of Genovia:




The opportunity cost of producing a car in Genovia is:

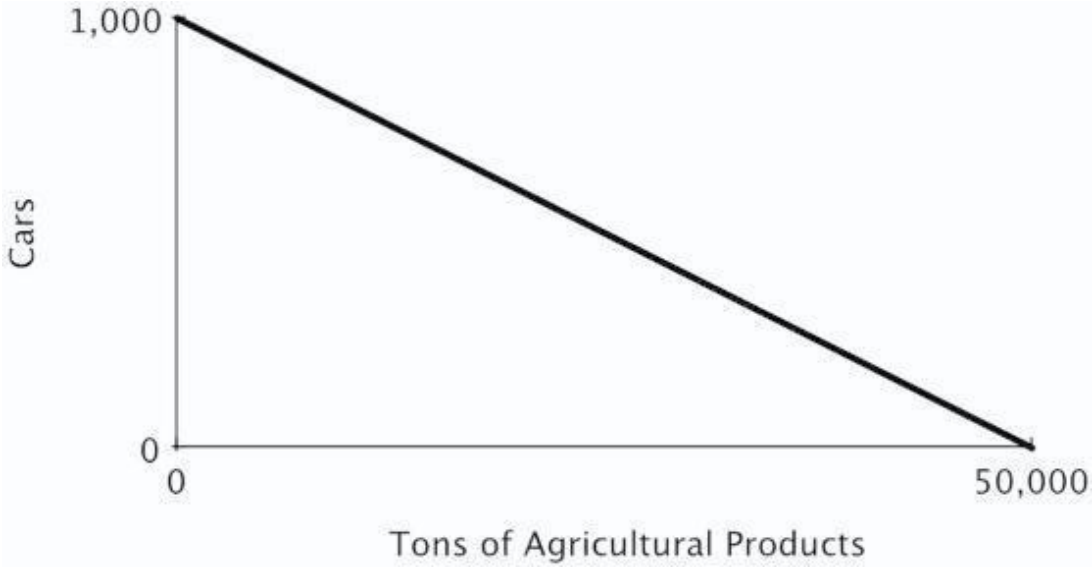
A. 5,000 tons of agricultural products.
B. 500 tons of agricultural products.
C. 5 tons of agricultural products.
D. 50 tons of agricultural products.

58. The figure below shows the production possibilities curve for the island of Genovia:

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

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

59. The figure below shows the production possibilities curve for the island of Genovia:



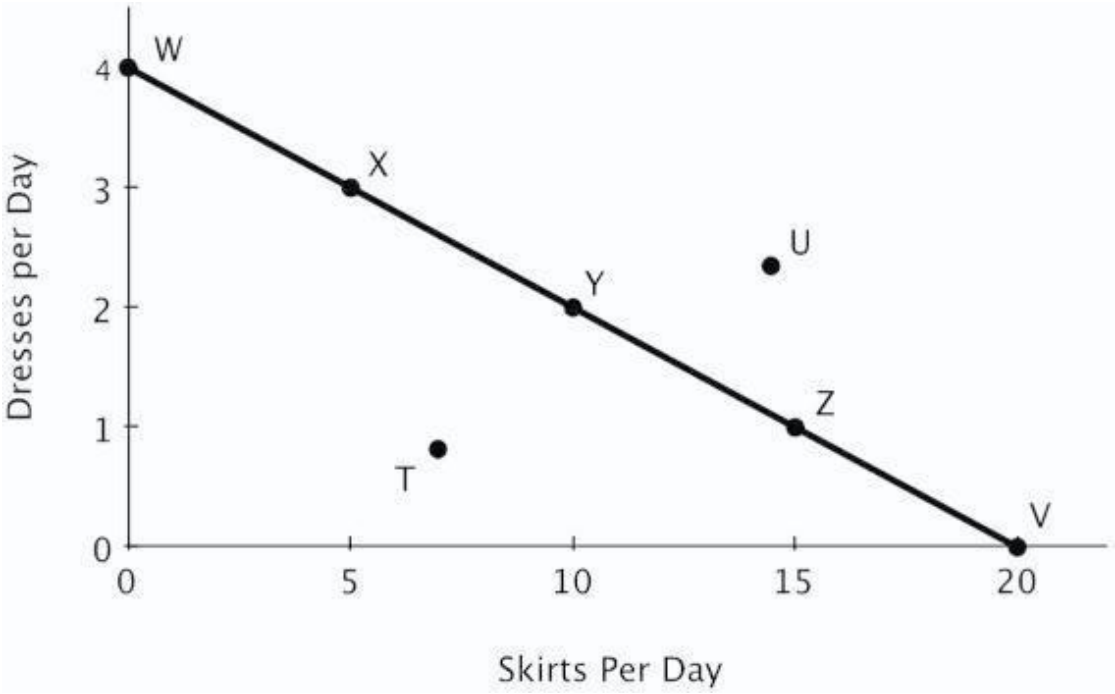

If 500 cars are produced in Genovia, a maximum of_____tons of agricultural products can be produced.

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

60. The slope of a production possibilities curve is_____because_____.

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

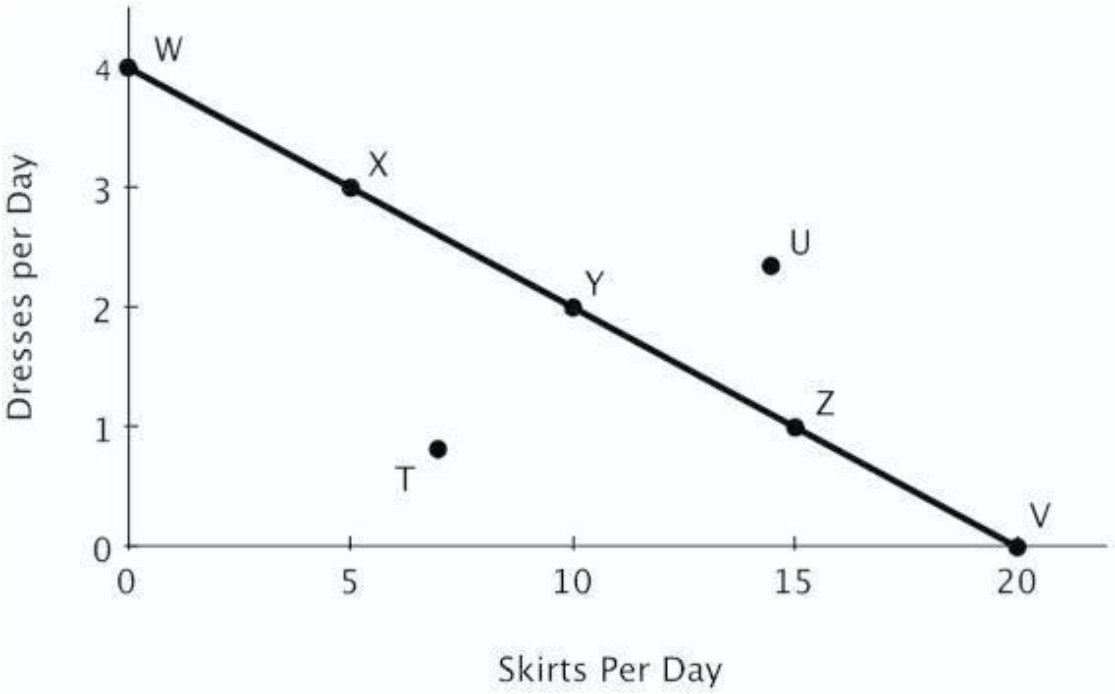
61. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




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

A. *U*
B. *T*
C. *V*
D. *W*

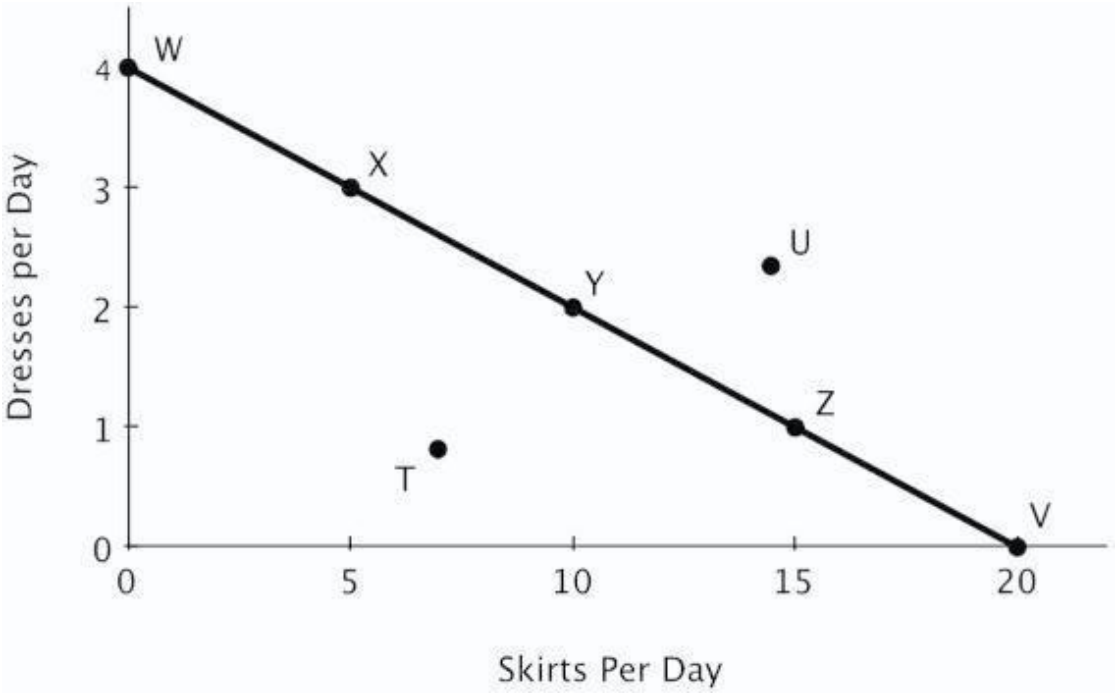
62. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




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

A. *U*
B. *T*
C. *V*
D. *Z*

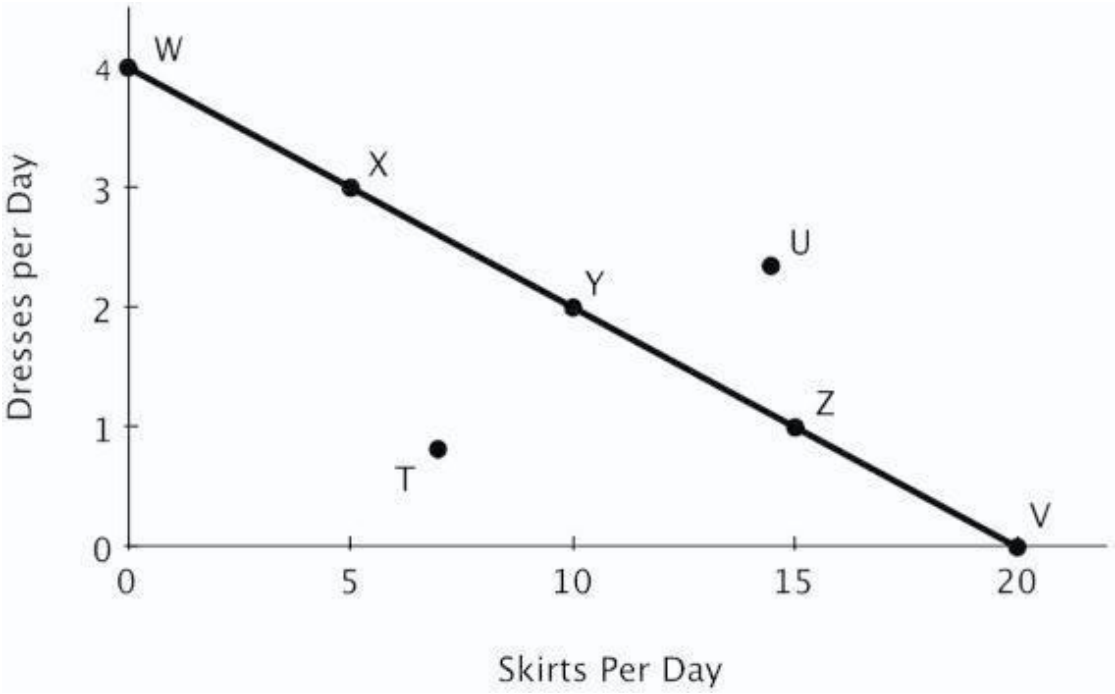
63. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Point *U* is:

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

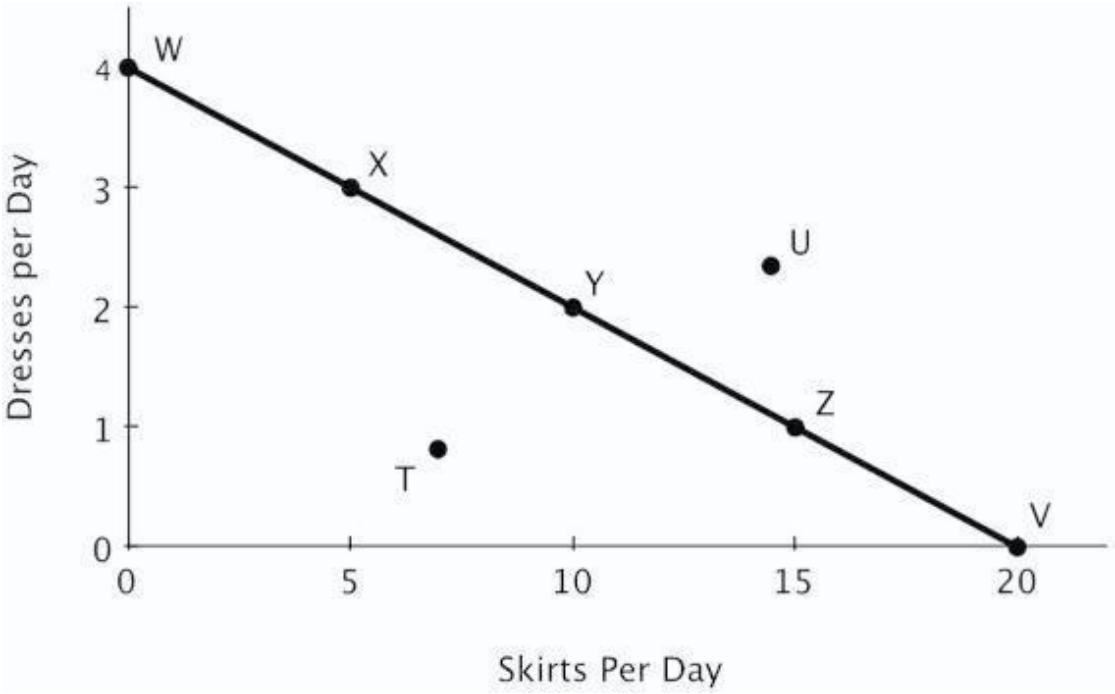
64. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Of the labeled points, only_____are attainable.

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

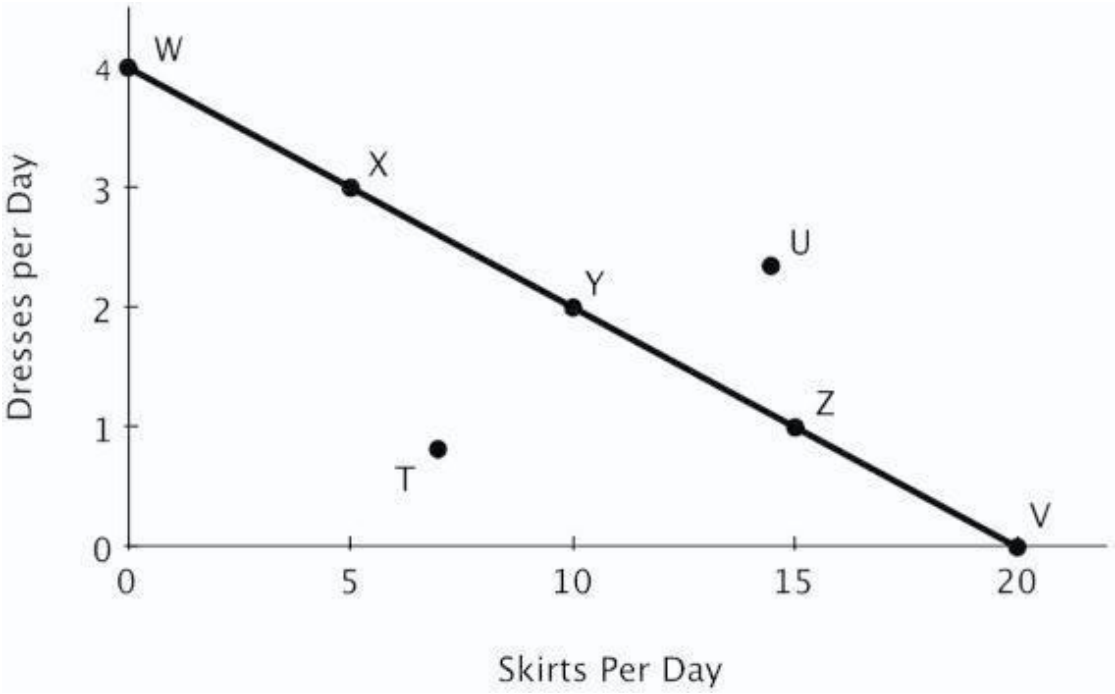
65. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Of the labeled points, only_____are efficient.

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

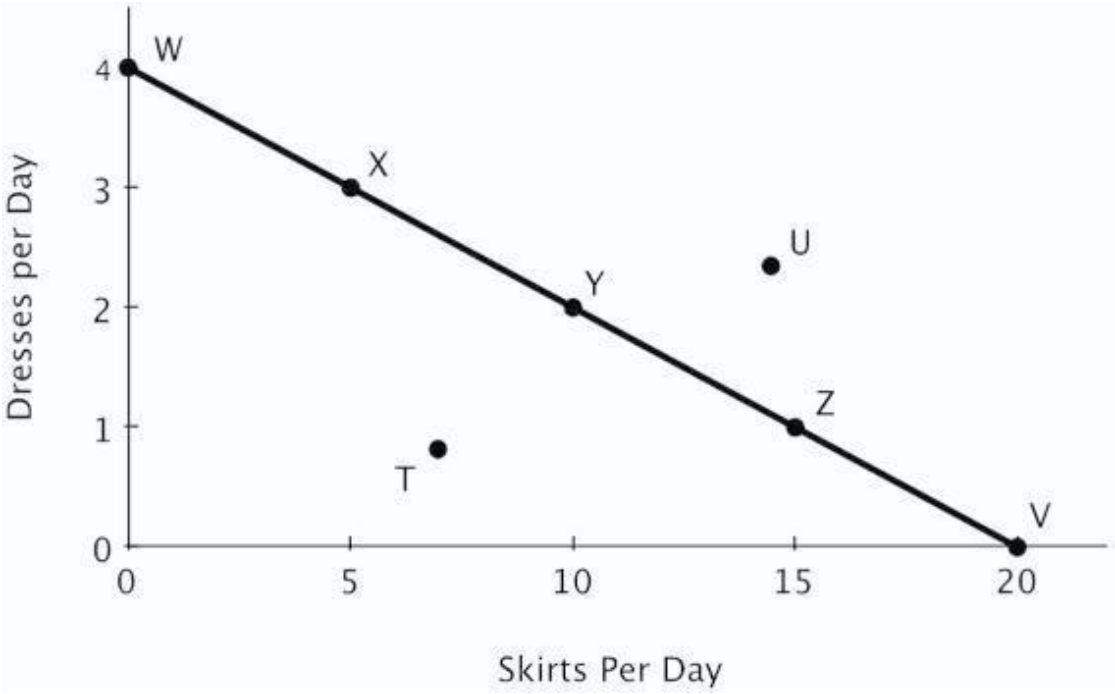
66. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Point *T* is:

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

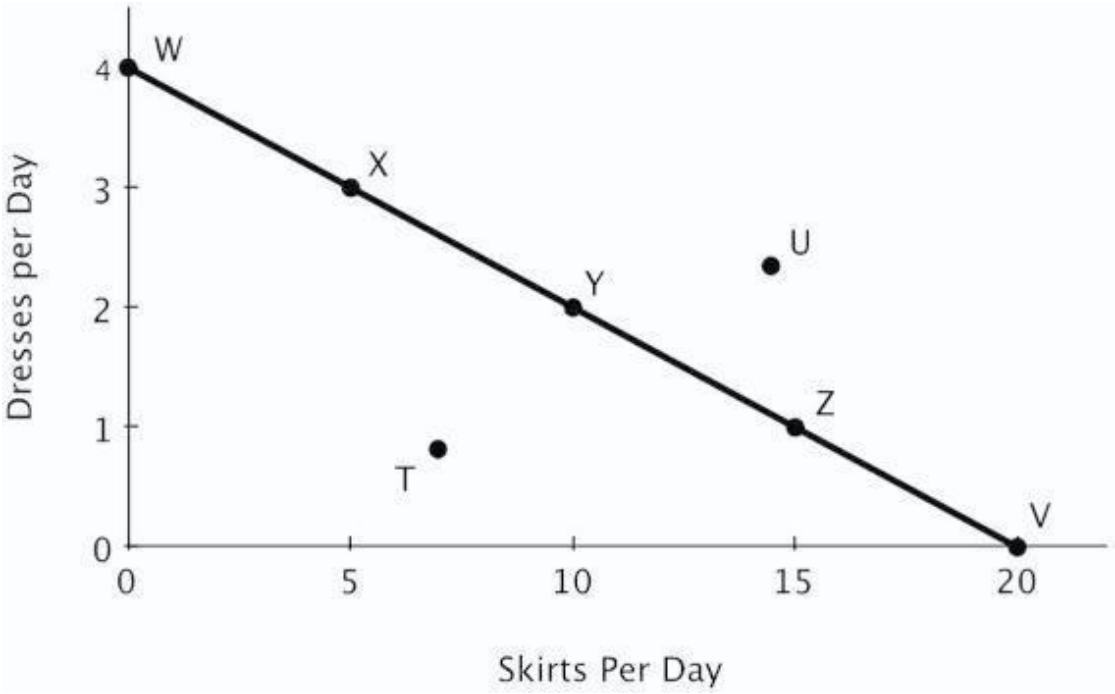
67. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Point *Y* is_____, and point *V* is_____.

A. efficient; inefficient
B. inefficient; efficient
C. efficient; efficient
D. inefficient; inefficient

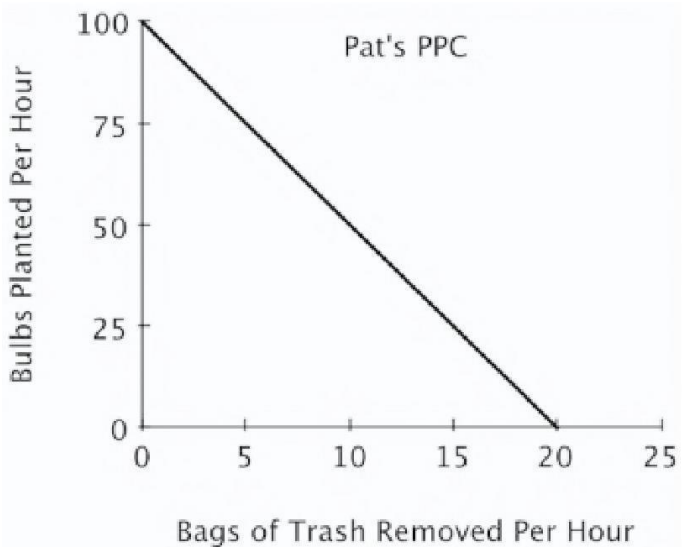
68. The figure below shows Becky's daily production possibilities curve for dresses and skirts.

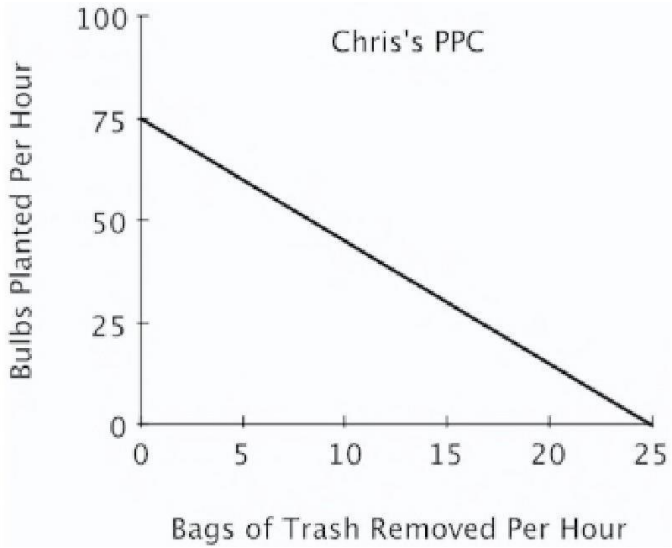



Relative to point *X*, at point *Y*:

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

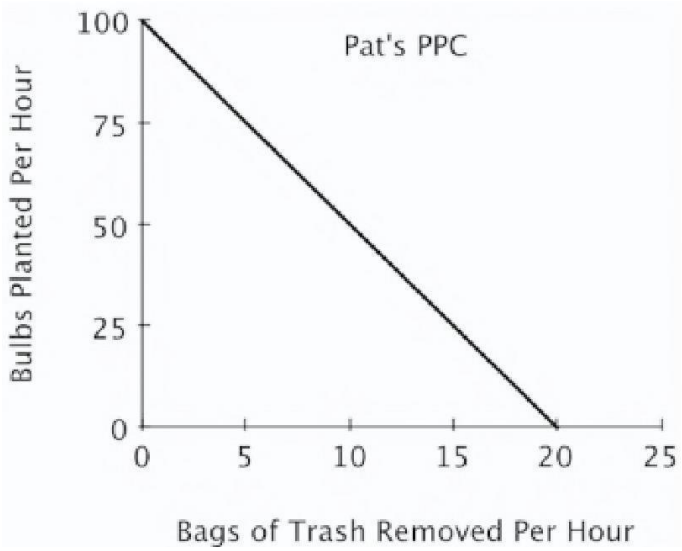
69. Refer to the figure below. For Pat, the opportunity cost of removing one bag of trash is planting:



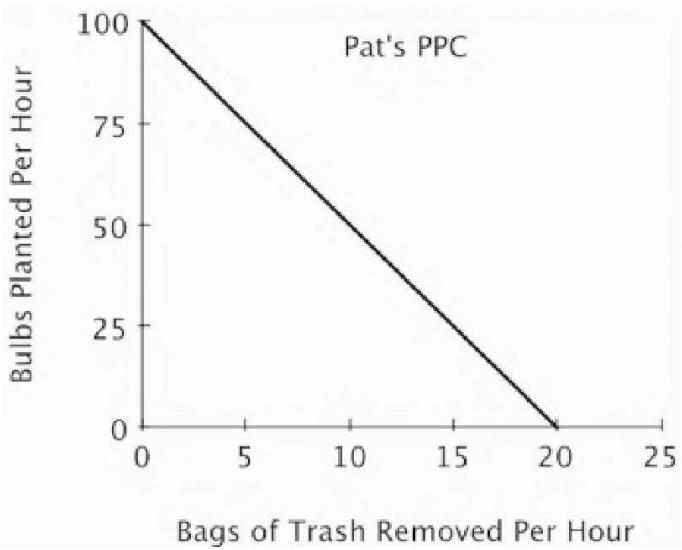

A. 100 bulbs.
B. 5 bulbs.
C. 1/100 of a bulb.
D. 1/5 of a bulb.

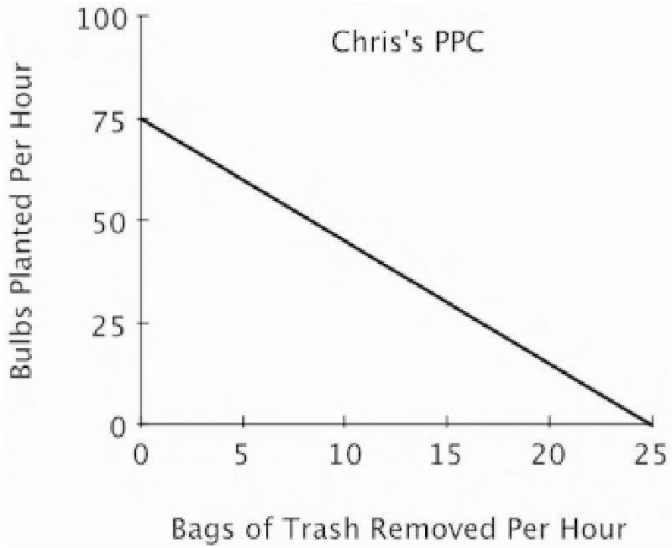
70. Refer to the figure below. For Pat, the opportunity cost of planting one bulb is removing:



A. 20 bags of trash.
B. 5 bags of trash.
C. 1/20 of a bag of trash.
D. 1/5 of a bag of trash.

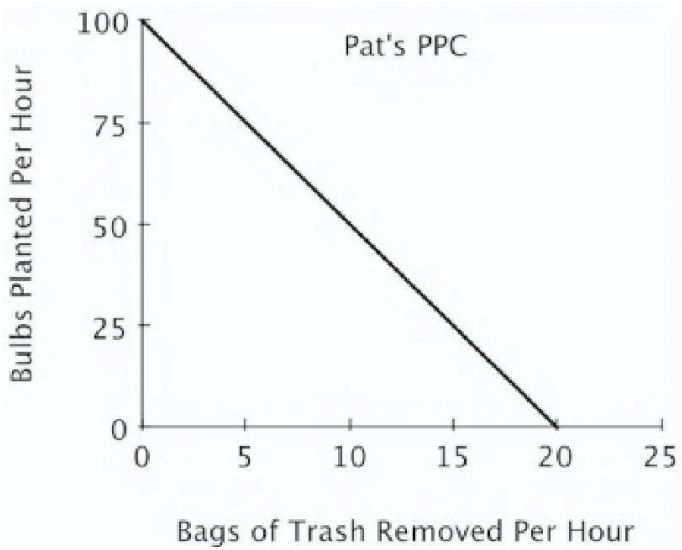
71. Refer to the figure below. For Chris, the opportunity cost of removing one bag of trash is planting:



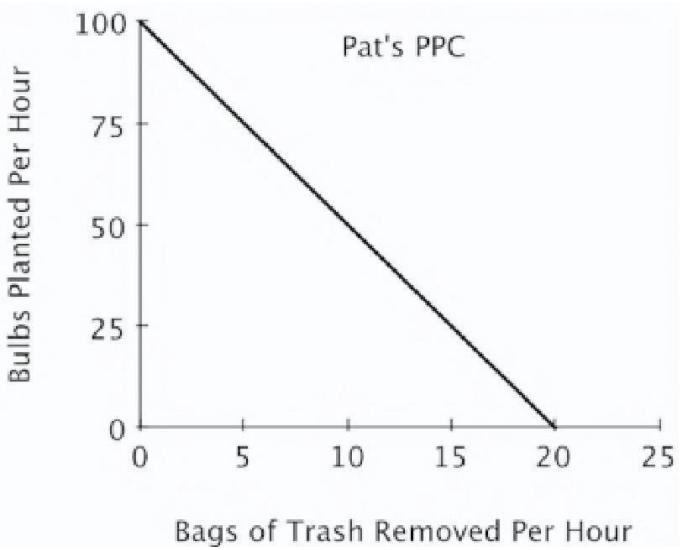

A. 25 bulbs.
B. 1/25 of a bulb.
C. 3 bulbs.
D. 1/3 of a bulb.

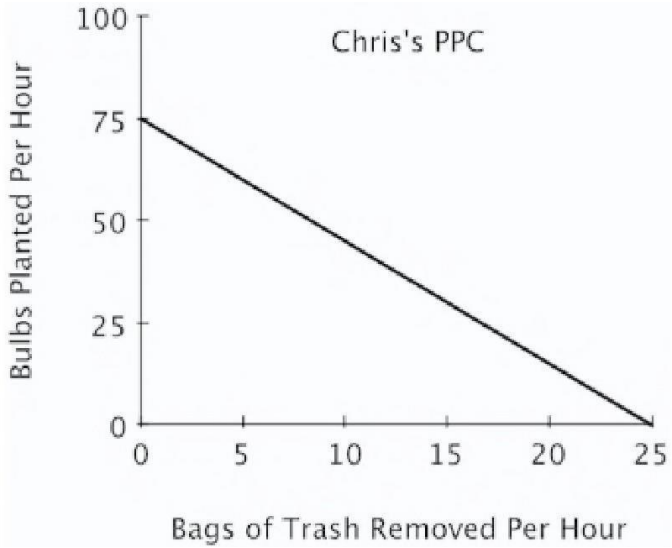
72. Refer to the figure below. For Chris, the opportunity cost of planting one bulb is removing:



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

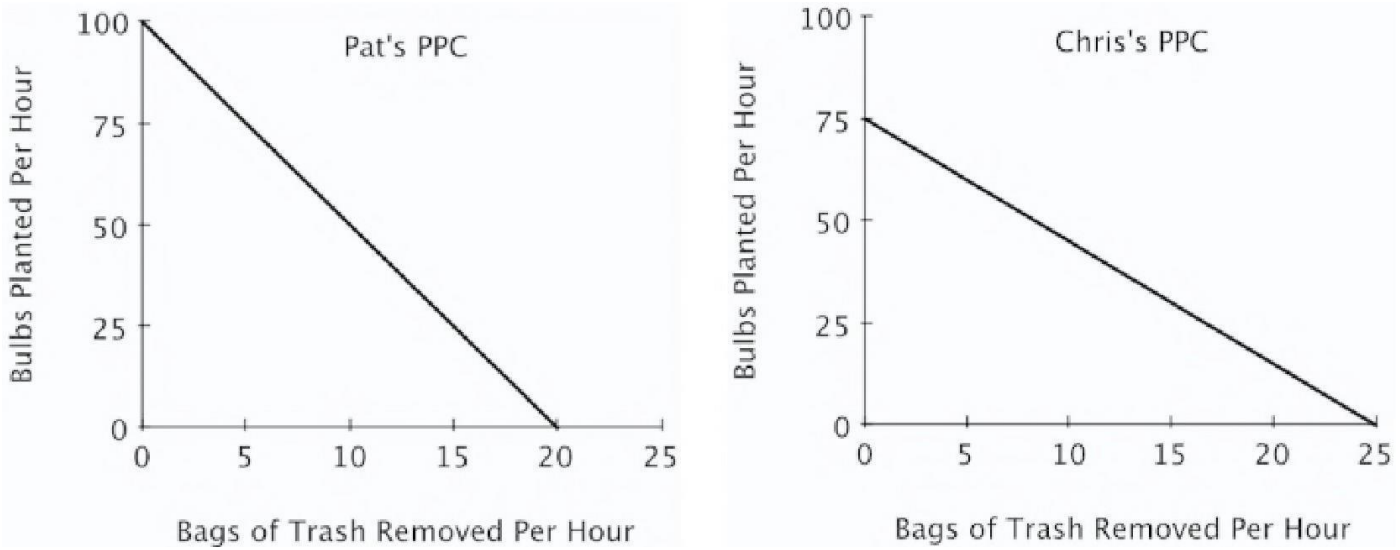
73. Refer to the figure below. If Pat and Chris were to specialize in the task in which each has a comparative advantage:




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

74. Refer to the figure below. If Pat and Chris each spend half their time on each task, then:




A. the outcome will be efficient.
B. 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.
C. 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.
D. the outcome will be unattainable.

75. On a graph of a production possibilities curve, if a point is attainable, then it:

A. must be efficient.
B. might or might not be efficient.
C. is efficient only if it does not exhaust all currently available resources.
D. must completely exhaust all currently available resources.

76. Any combination of goods that can be produced with currently available resources is an:

A. attainable point.
B. efficient point.
C. inefficient point.
D. attainable and efficient point.

77. On a graph of a production possibilities curve, an inefficient point is:

A. necessarily an attainable point.
B. not necessarily an attainable point.
C. necessarily an unattainable point.
D. possibly an unattainable point.

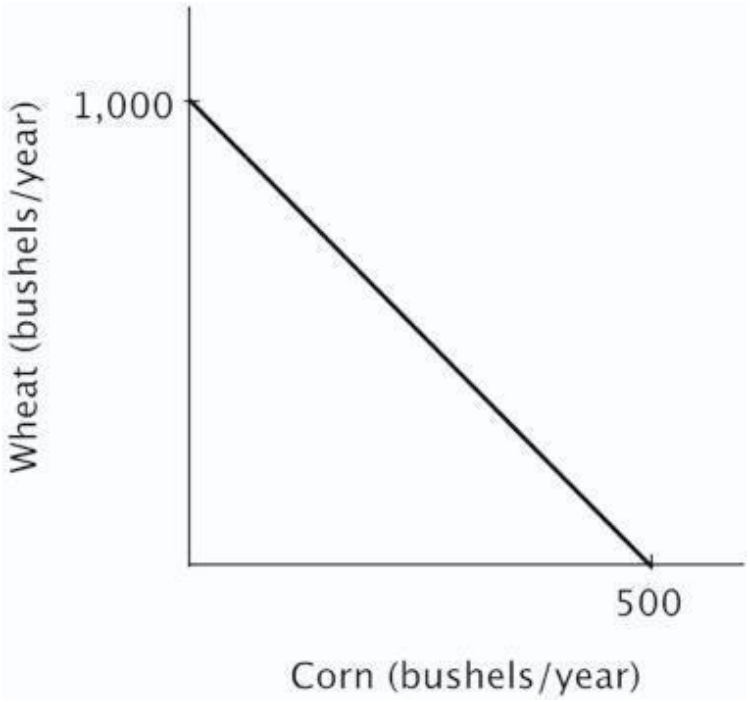
78. Consider a graph of a production possibilities curve. If a producer is operating at an inefficient point, then that producer:

A. cannot produce more of one good without giving up some of the other good.
B. can produce more of one good without producing less of the other good.
C. must be at an unattainable point on the production possibilities curve.
D. must be specializing in activities for which it has a comparative advantage.

79. Points that lie below the production possibilities curve are inefficient because:

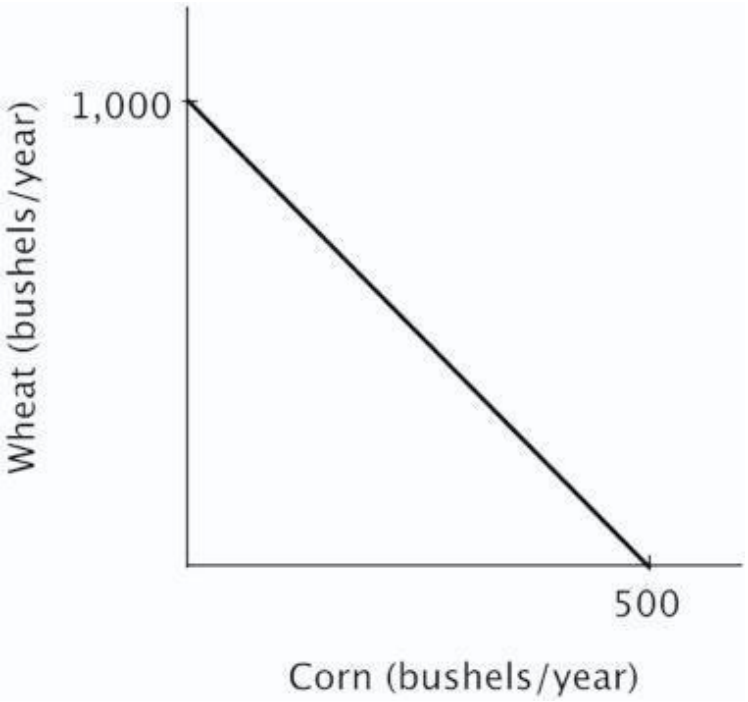
A. more of one good could be produced without producing less of the other.
B. producing more of one good means producing less of the other.
C. producers face scarcity.
D. too many goods are being produced.

80. Refer to the figure below. Growing 1,000 bushels of wheat and no bushels of corn each year is:



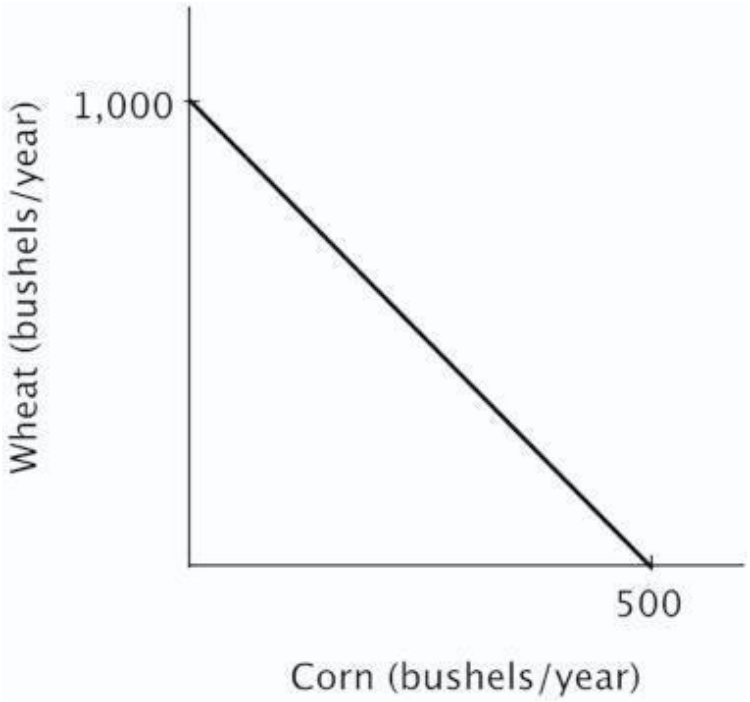

A. inefficient and unattainable.
B. inefficient but attainable.
C. efficient but unattainable.
D. efficient and attainable.

81. Refer to the figure below. It is efficient for this farmer to:



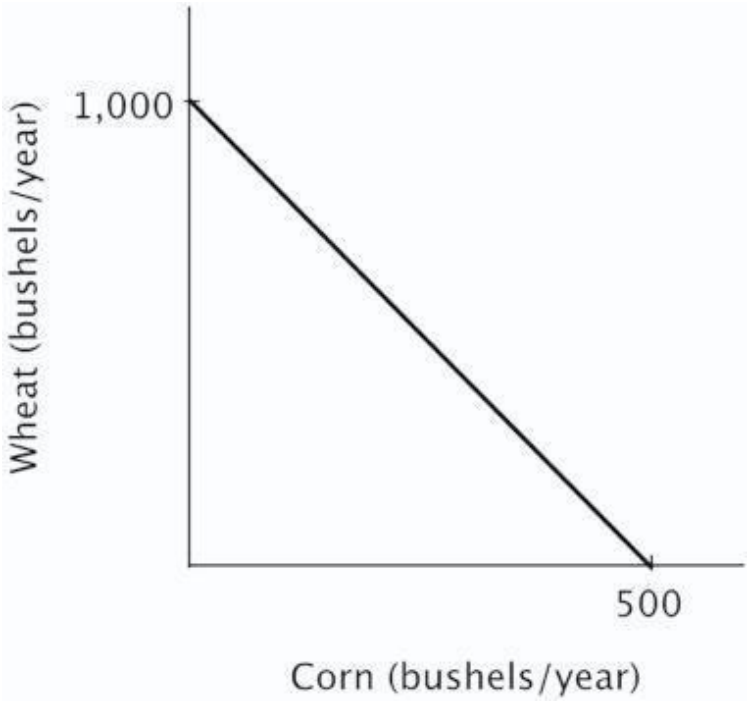

A. grow 500 bushels of wheat and 500 bushels of corn.
B. grow 250 bushels of wheat and 500 bushels of corn.
C. grow 500 bushels of wheat and 250 bushels of corn.
D. grow 1000 bushels of wheat and 500 bushels of corn.

82. Refer to the figure below. The opportunity cost of producing one bushel of corn is:




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

83. Refer to the figure below. The opportunity cost of producing one bushel of wheat is:




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

84. If a given production combination is known to be attainable, then it:

A. must be on the production possibilities curve.
B. must be an inefficient point.
C. must be an efficient point.
D. could be either an inefficient or efficient point.

85. If a given production combination is efficient, then it must be:

A. above the production possibilities curve.
B. on the production possibilities curve.
C. either an attainable or unattainable point.
D. below the production possibilities curve.

86. Working efficiently, Jordan can write 3 essays and outline 4 chapters each week. It must be true that:

A. 6 essays and 0 chapter outlines would be unattainable.
B. 2 essays and 3 chapter outlines would be efficient.
C. 3 essays and 5 chapter outlines would be unattainable.
D. 4 essays and 3 chapter outlines would be both attainable and efficient.

87. 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:

A. 6
B. 4
C. 3
D. 1/3

88. 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:

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

89. Generally, on a linear two•good production possibilities curve, the opportunity cost of the good measured on the vertical axis is:

A. one minus 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. the negative of the opportunity cost of the good measured on the horizontal axis.

90. If a linear, two-good production possibilities curve has a slope of –2, then:

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

91. The idea that tradeoffs have to be made when resources are scarce is reflected in the fact that:

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

92. In a two•person, two•good economy, the gains to specialization will be larger when:

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

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

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

94. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. 0.10 computers; 0.05 computers
B. 10 computers; 20 computers
C. 1 computer; 0.5 computers
D. 0.6 computers; 1.2 computers

95. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. 6.
C. 16.
D. 10.

96. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. 1 hour on computers; 40 minutes on computers and 20 minutes on calculators
B. 1 hour on computers; 20 minutes on computers and 40 minutes on calculators
C. 30 minutes on each; 30 minutes on each
D. 45 minutes on computers and 15 on calculators; 1 hour on calculators

97. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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 on each; 30 minutes on each
B. 48 minutes on computers and 12 minutes on calculators; 1 hour on calculators
C. 1 hour on calculators; 10 minutes on computers and 50 minutes on calculators
D. 12 minutes on computers and 48 minutes on calculators; 1 hour on calculators

98. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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 computers; split his time between computers and calculators
C. split his time between computers and calculators; produce only computers
D. produce only calculators; produce only computers

99. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. split his time between computers and calculators; produce only calculators
B. produce only calculators; split his time between computers and calculators
C. produce only calculators; produce only computers
D. produce only computers; produce only calculators

100. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. Smith; absolute advantage is larger
B. Jones; absolute advantage is smaller
C. Jones; opportunity costs are lower
D. Smith; opportunity costs are lower

101. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

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

102. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

| | 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. 0 tons per day.
B. 3 tons per day.
C. 4 tons per day.
D. 5 tons per day.

103. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

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

104. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

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

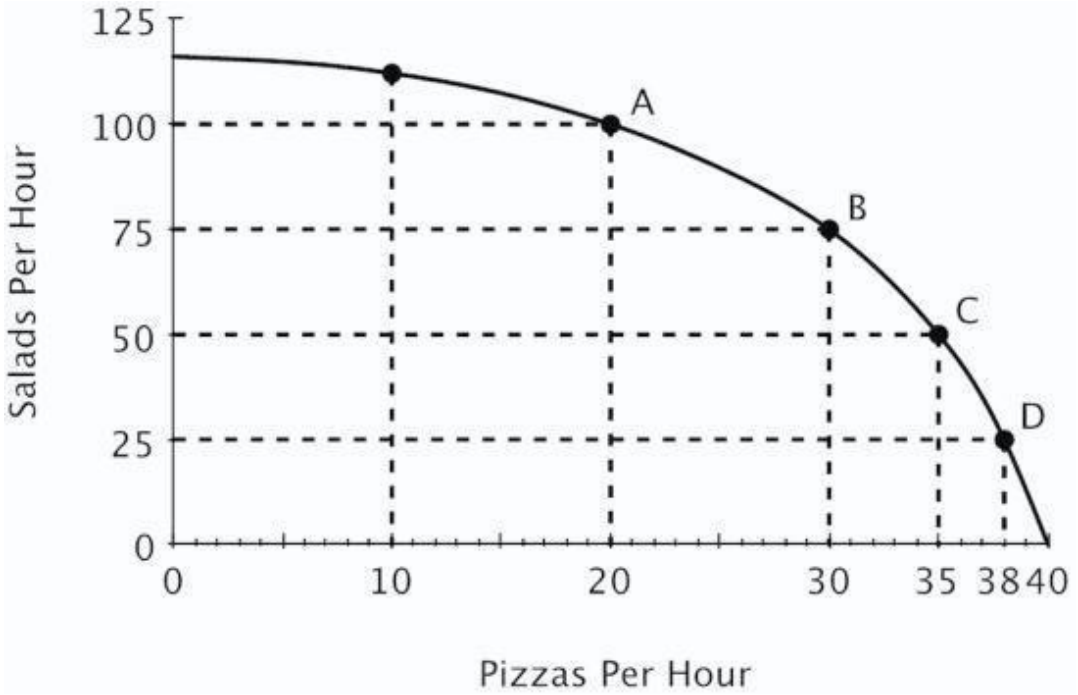
105. Earth Movers & Shakers operates 3 iron ore mines. The table below shows each mine's total daily production and the current number of miners at each mine. All miners work for the same wage, and each miner in any given mine produces the same number of tons per day as every other miner in that mine.

| | 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:

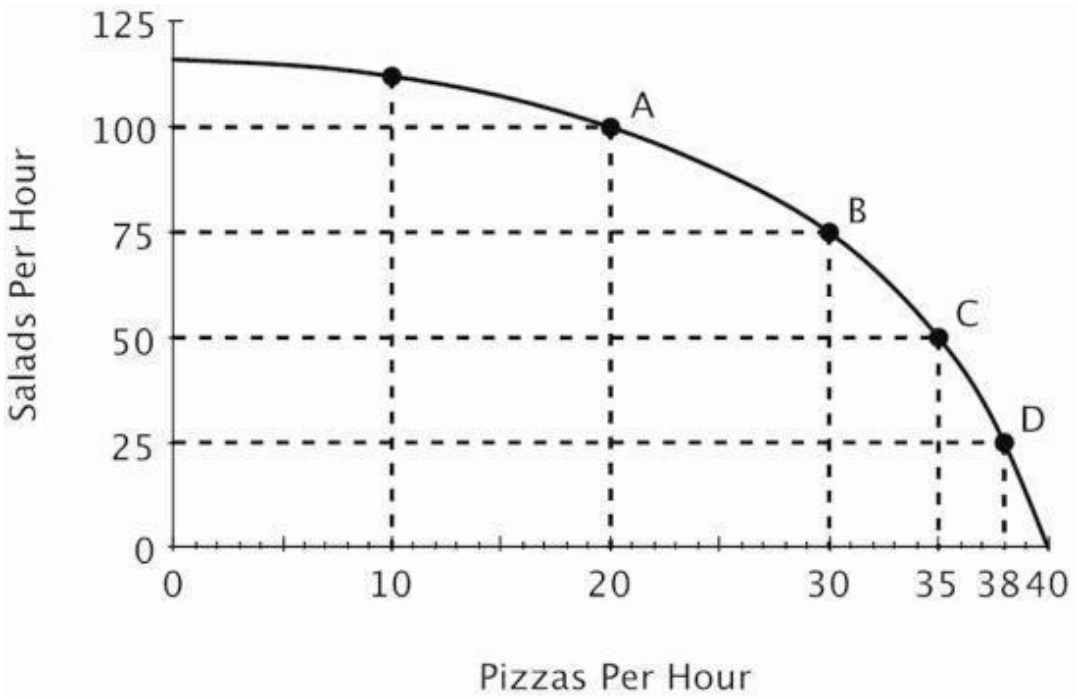
A. take it all from Mother Lode.
B. take 75 tons from Middle Drift and 25 tons from Mother Lode.
C. take 75 tons from Middle Drift and 25 tons from Scraping Bottom.
D. take 30 tons from Scraping Bottom and 70 tons from Mother Lode.

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



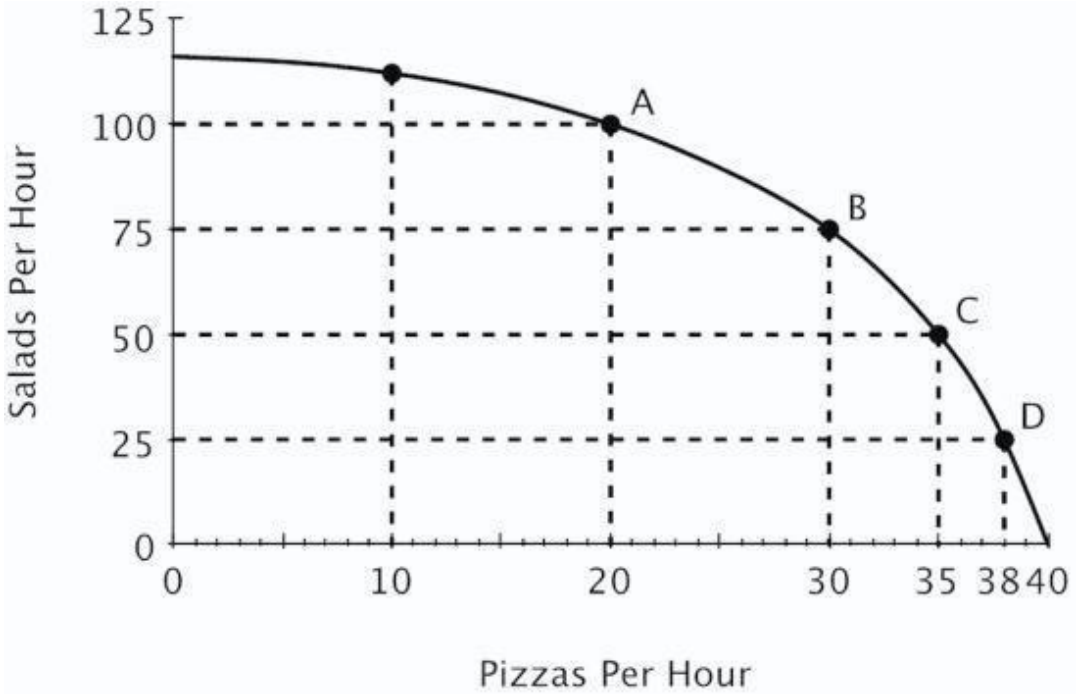

A. 0
B. 10
C. 20
D. 30

107. Refer to the figure below. Relative to point *B*, at point *C* this restaurant is:



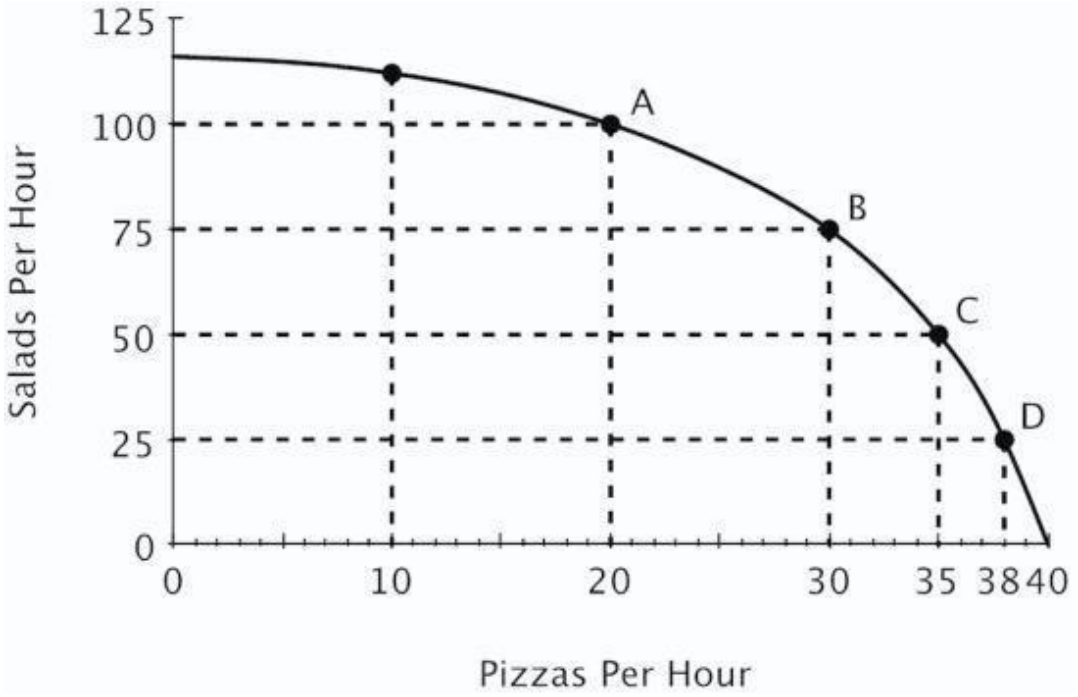

A. making more pizzas and more salads.
B. making more pizzas and fewer salads.
C. making fewer pizzas and more salads.
D. operating more efficiently.

108. Refer to the figure below. Moving from point *C* to point *B*, the opportunity cost of 25 more salads is:



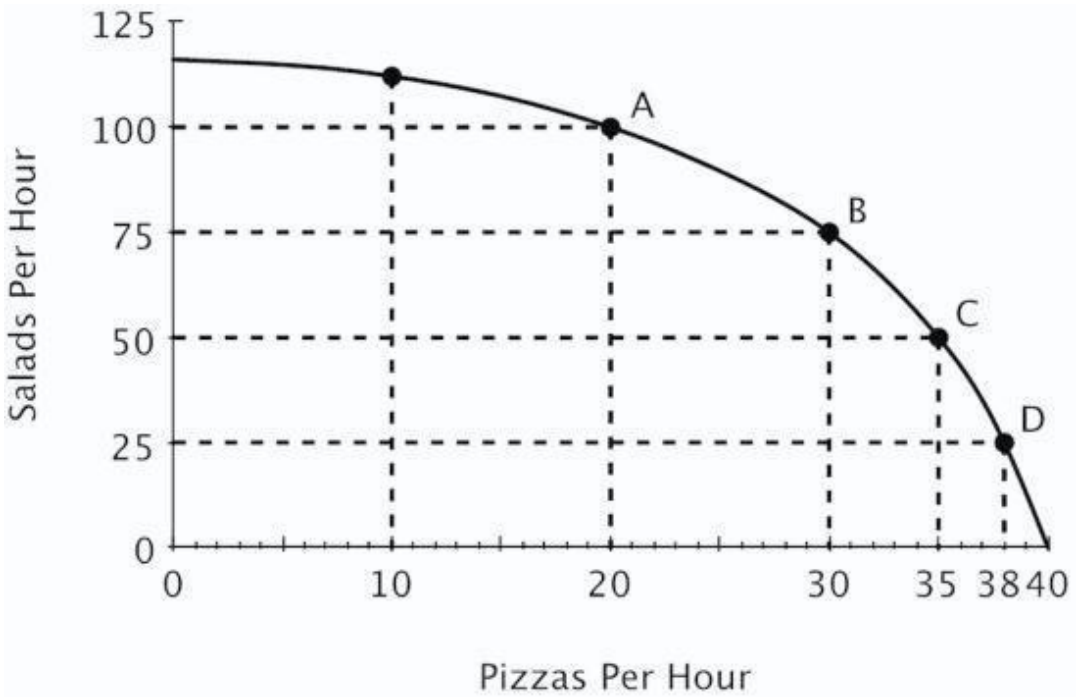

A. 5 pizzas.
B. 10 pizzas.
C. 15 pizzas.
D. 30 pizzas.

109. Refer to the figure below. Moving from point *B* to point *A*, the opportunity cost of 25 more salads is:



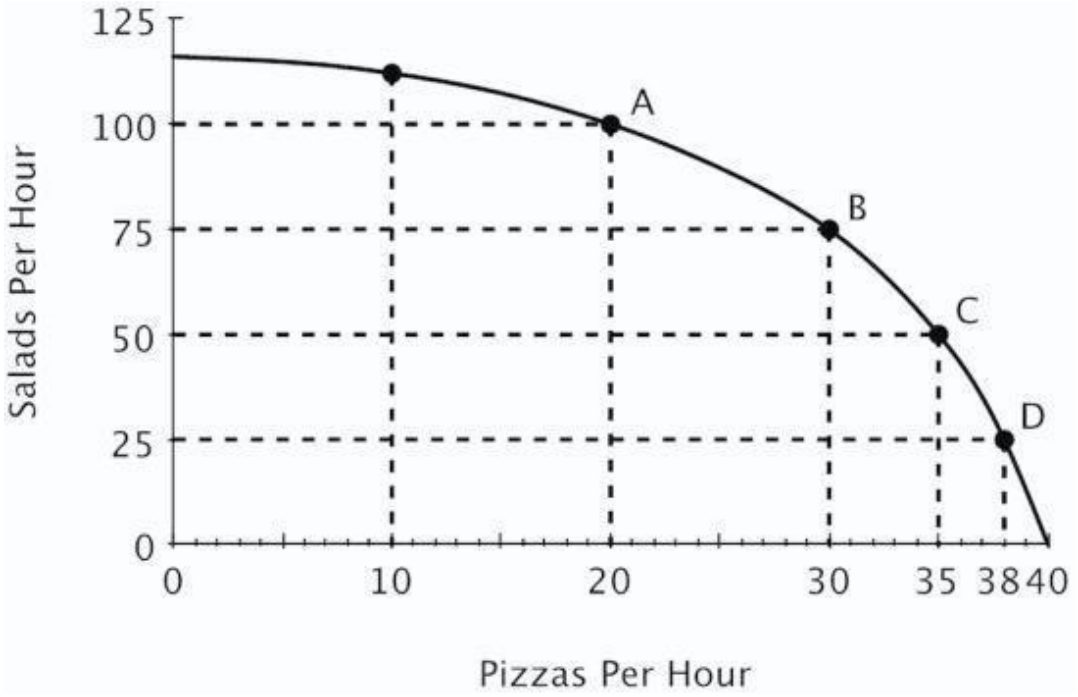

A. 5 pizzas.
B. 10 pizzas.
C. 15 pizzas.
D. 20 pizzas.

110. Refer to the figure below. The opportunity cost of making an additional salad:



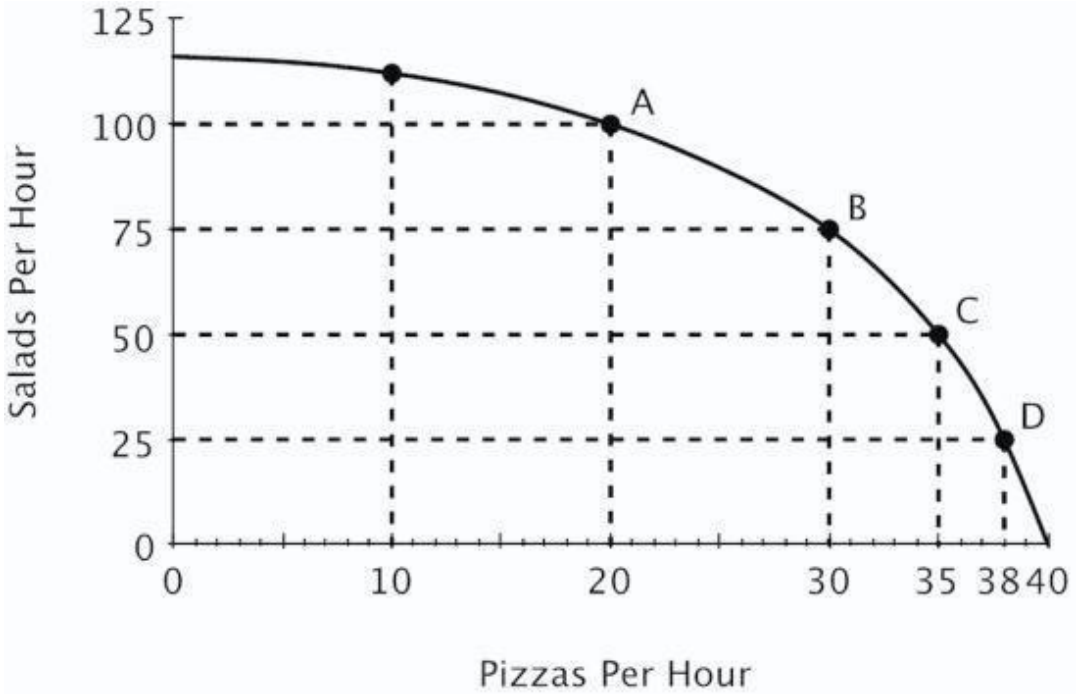

A. remains constant regardless of how many salads are made.
B. increases as the number of salads increases.
C. decreases as the number of pizzas decreases.
D. decreases as the number of salads increases.

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



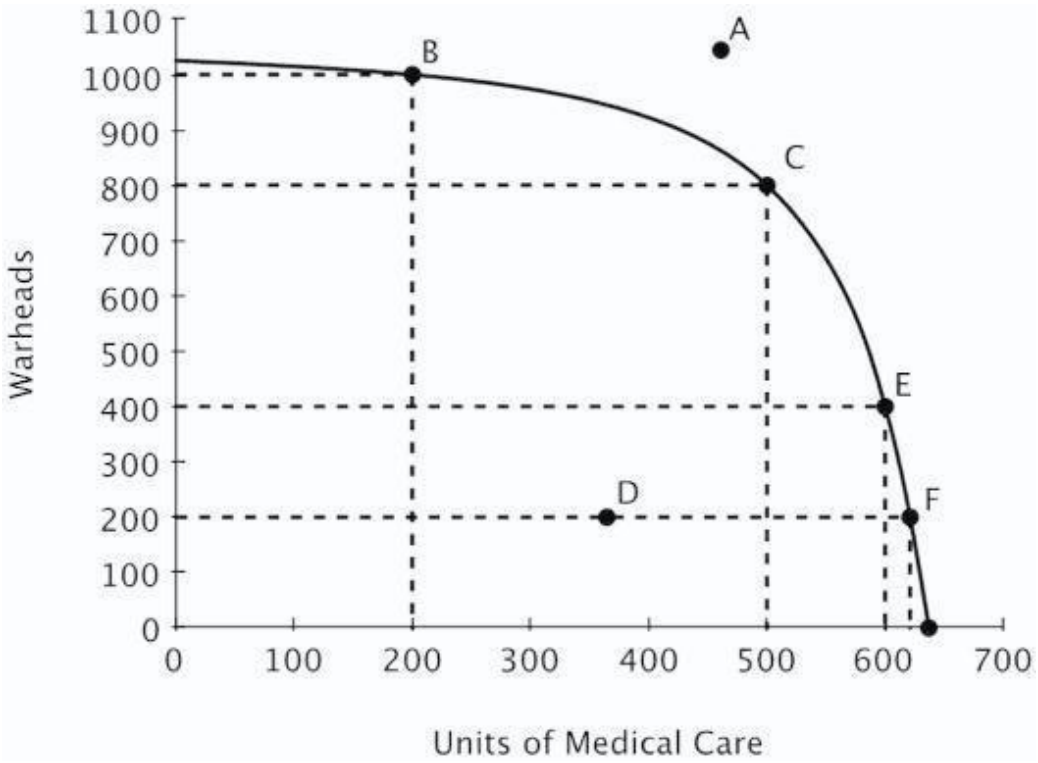

A. It has to give up exactly 25 salads.
B. It has to give up more than 12.5 salads.
C. It has to give up exactly 12.5 salads.
D. It has to give up fewer than 12.5 salads.

112. Refer to the figure below. As the production of pizza increases, the opportunity cost of producing pizza:



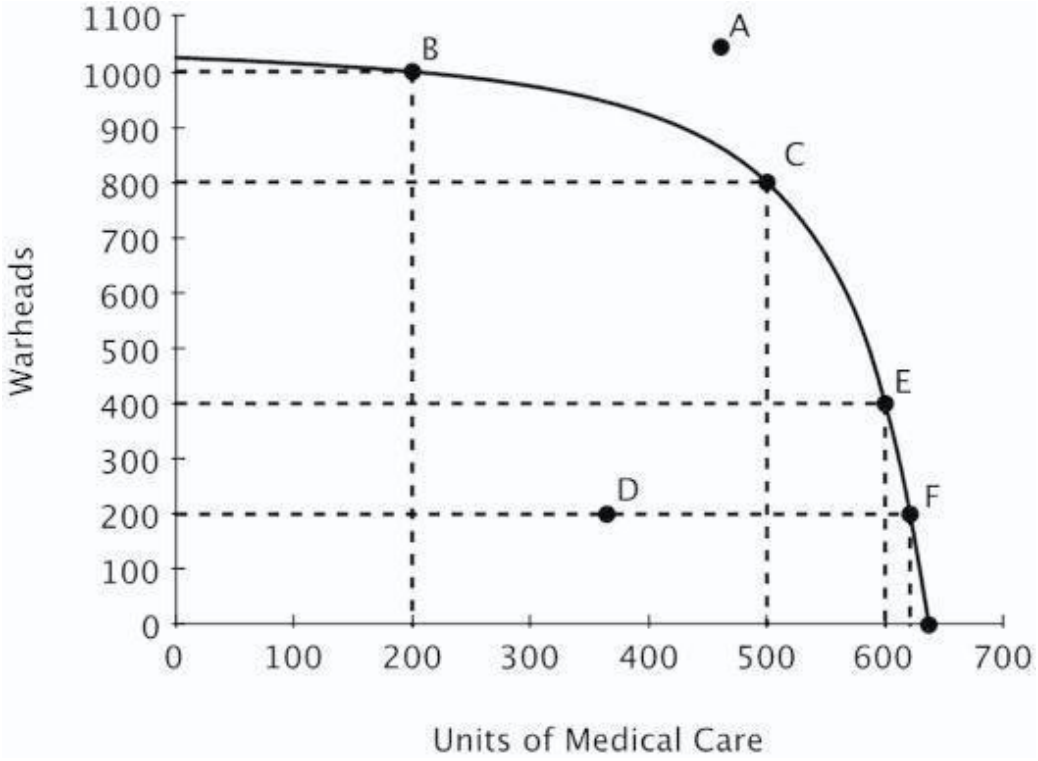

A. doesn't change.
B. decreases.
C. increases.
D. become negative.

113. Refer to the figure below. Which of the following is true?



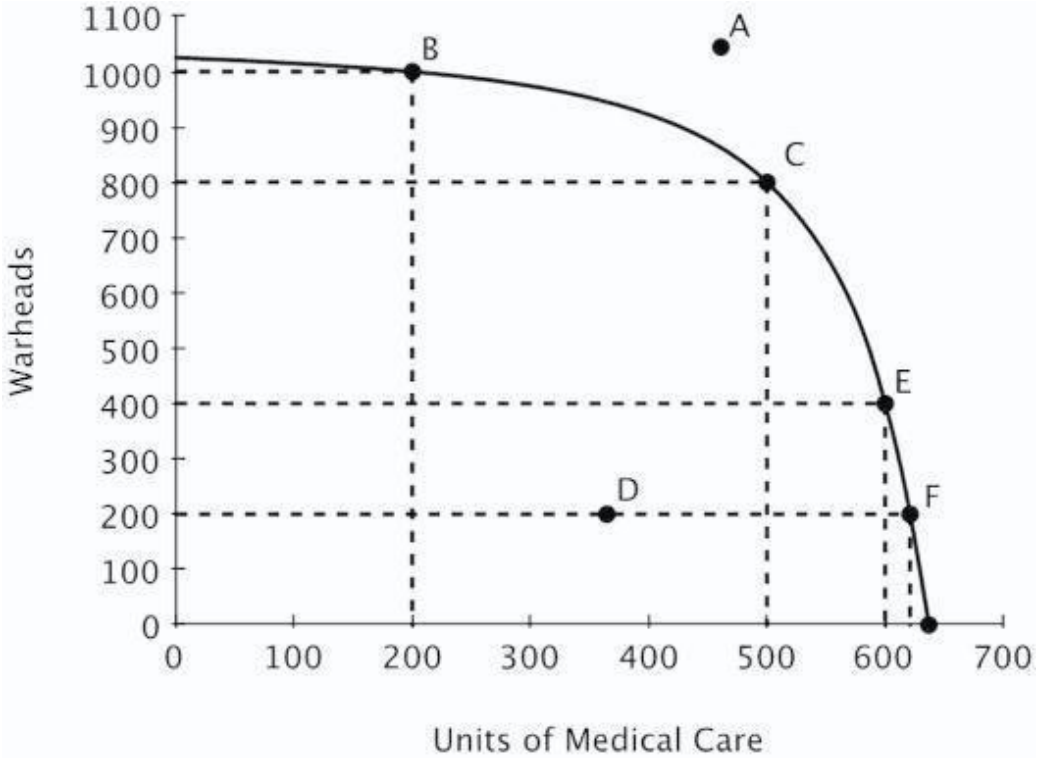

A. Point *A* is efficient because it is farthest from the origin.
B. Point *D* is efficient because it requires using the fewest resources.
C. Point *F* is the most efficient because medical care is the highest there.
D. Points *B*, *C*, *E* and *F* are efficient.

114. Refer to the figure below. Suppose that the government requires that resources be used efficiently. Which of the following would the government definitely not allow?



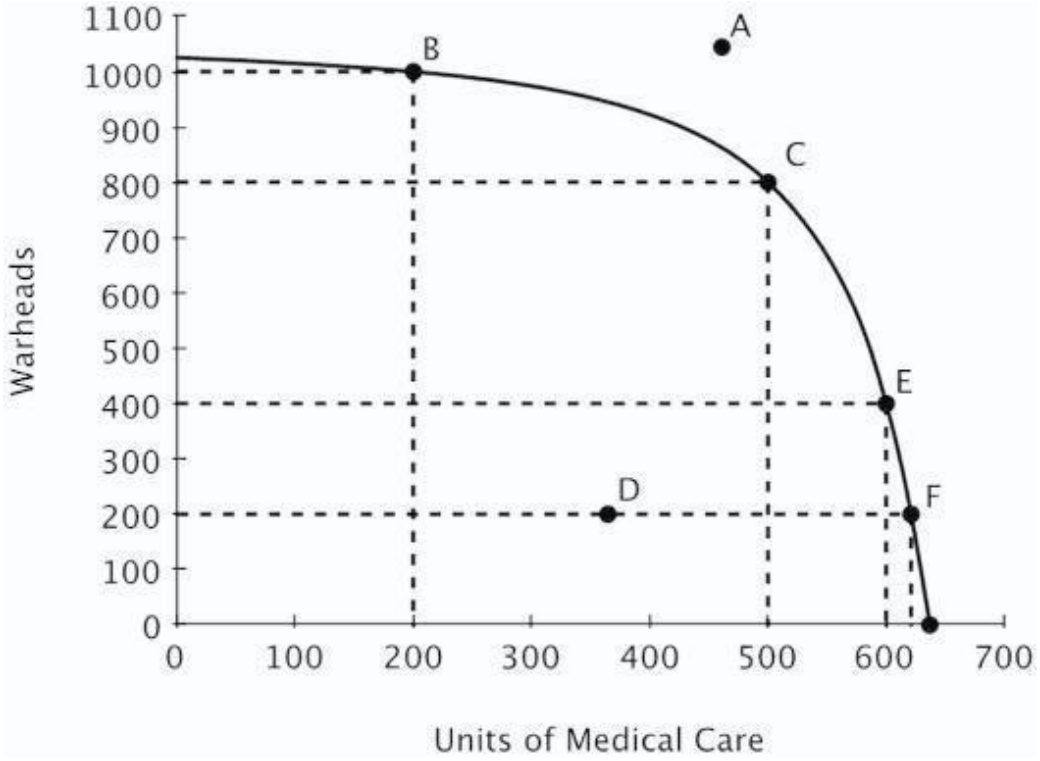

A. Specialization in warhead production.
B. Specialization in medical care production.
C. Production at any point other than *C*.
D. Production at point *D*.

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




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

116. Refer to the figure below. 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.




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

117. Production possibilities curves for large economies are generally bow•shaped because:

A. specialization gives some producers a comparative advantage.
B. opportunity costs tend to decrease with increases in production.
C. opportunity costs tend to increase with increases in production.
D. as more resources are used to produce a good, those resources become less expensive.

118. The Principle of Increasing Opportunity Costs states that:

A. productive people do the hardest tasks first.
B. when increasing production, resources with the lowest opportunity costs should be used first.
C. when increasing production, resources with the lowest opportunity costs should be used last.
D. opportunity costs increase when too little is produced.

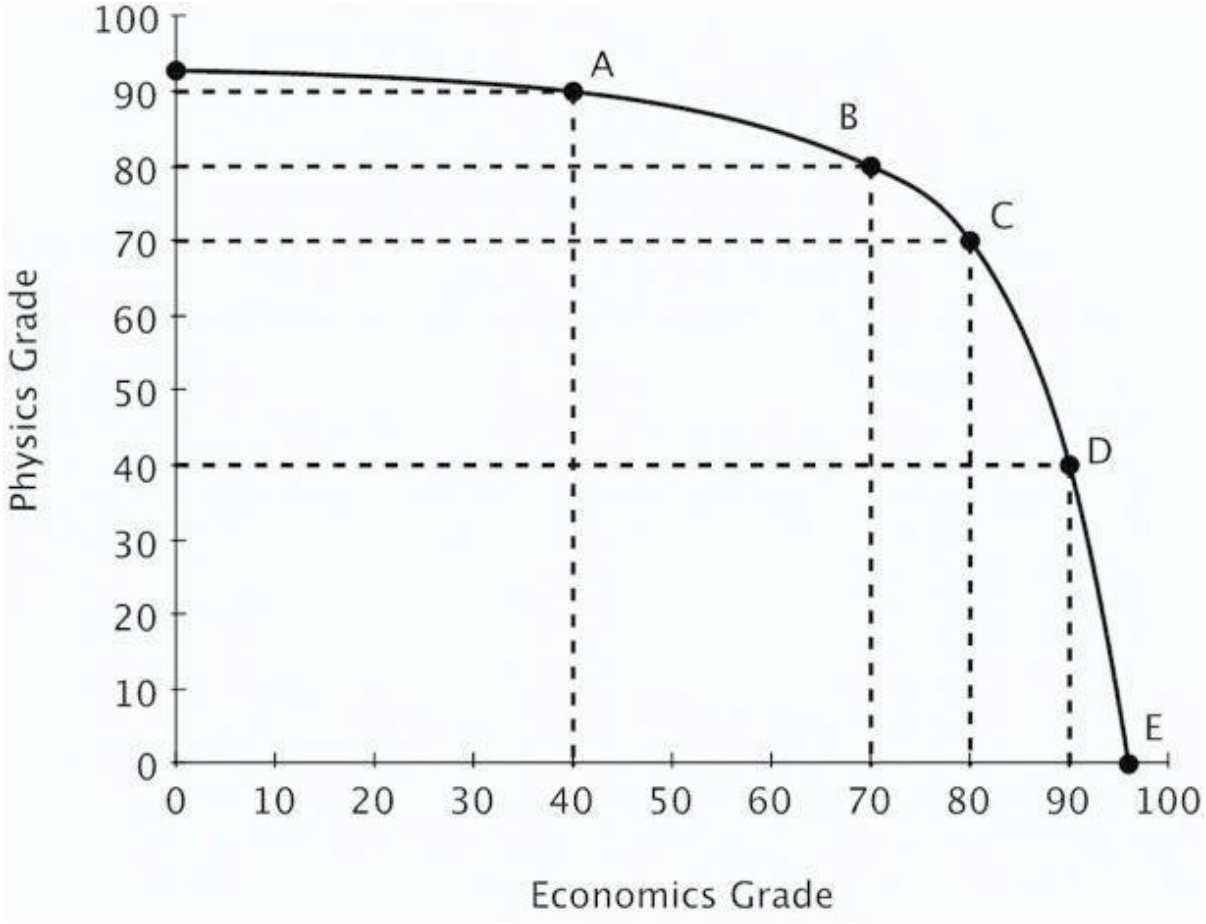
119. You have noticed that your next•door neighbor, Mary, always works in the garden, and her husband, Joe, always walks the dog. You conclude that if Joe and Mary are efficient, then it must be the case that:

A. Mary has an absolute advantage in gardening.
B. Joe has a comparative advantage in walking the dog.
C. Mary's opportunity cost of walking the dog is lower than Joe's.
D. Joe experiences increasing opportunity costs when he gardens, but not when he walks the dog.

120. The benefits of specialization can be used to explain why:

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

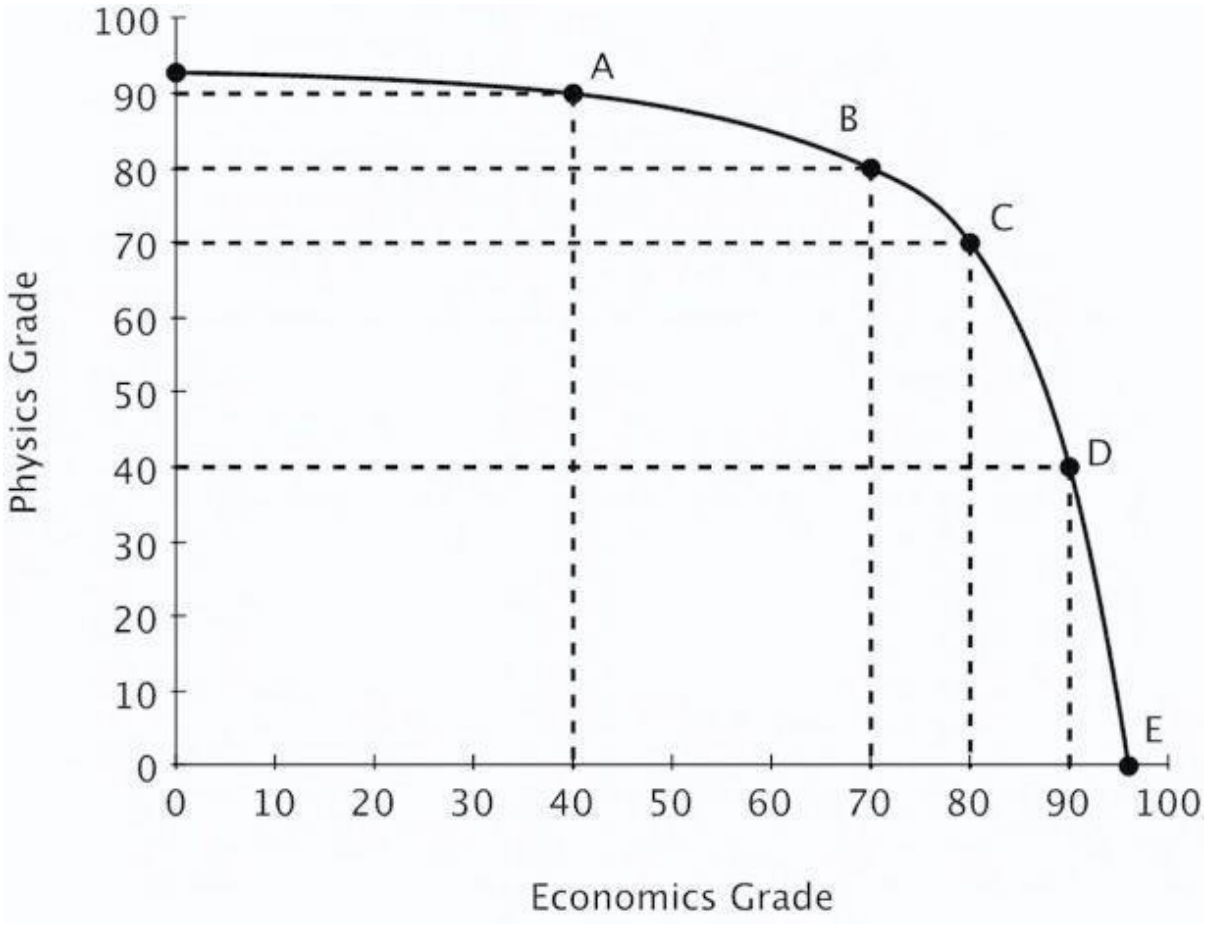
121. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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

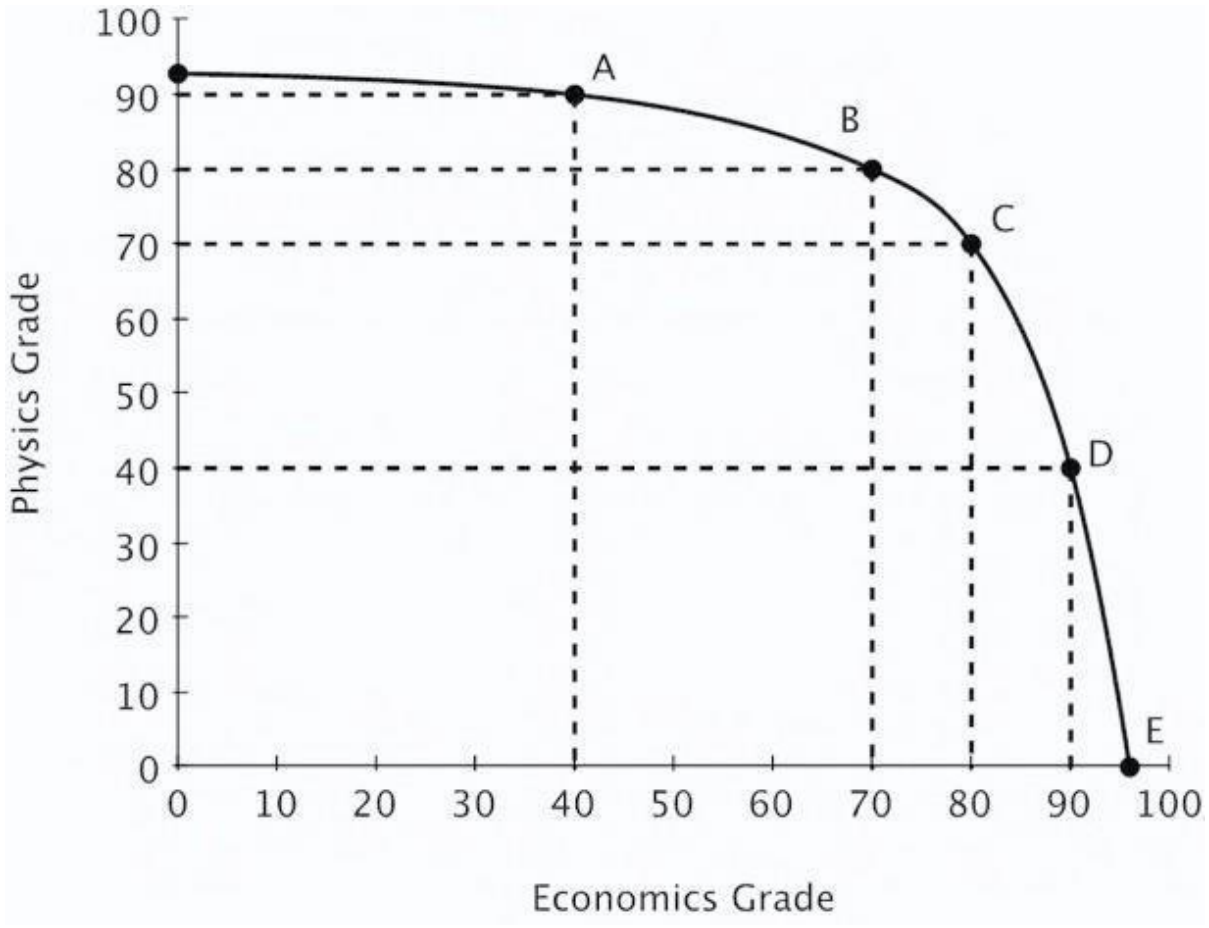
122. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




Which of the following is true?

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

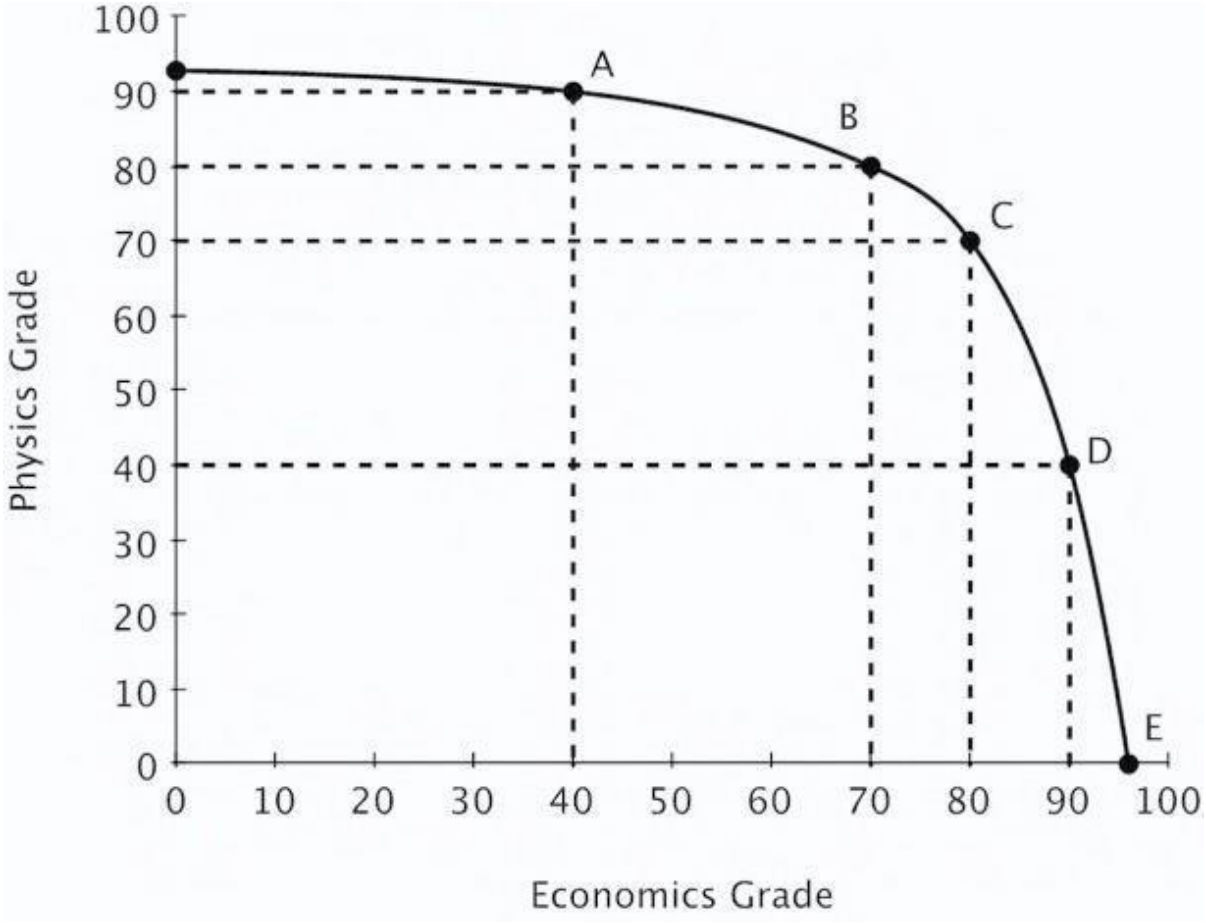
123. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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

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

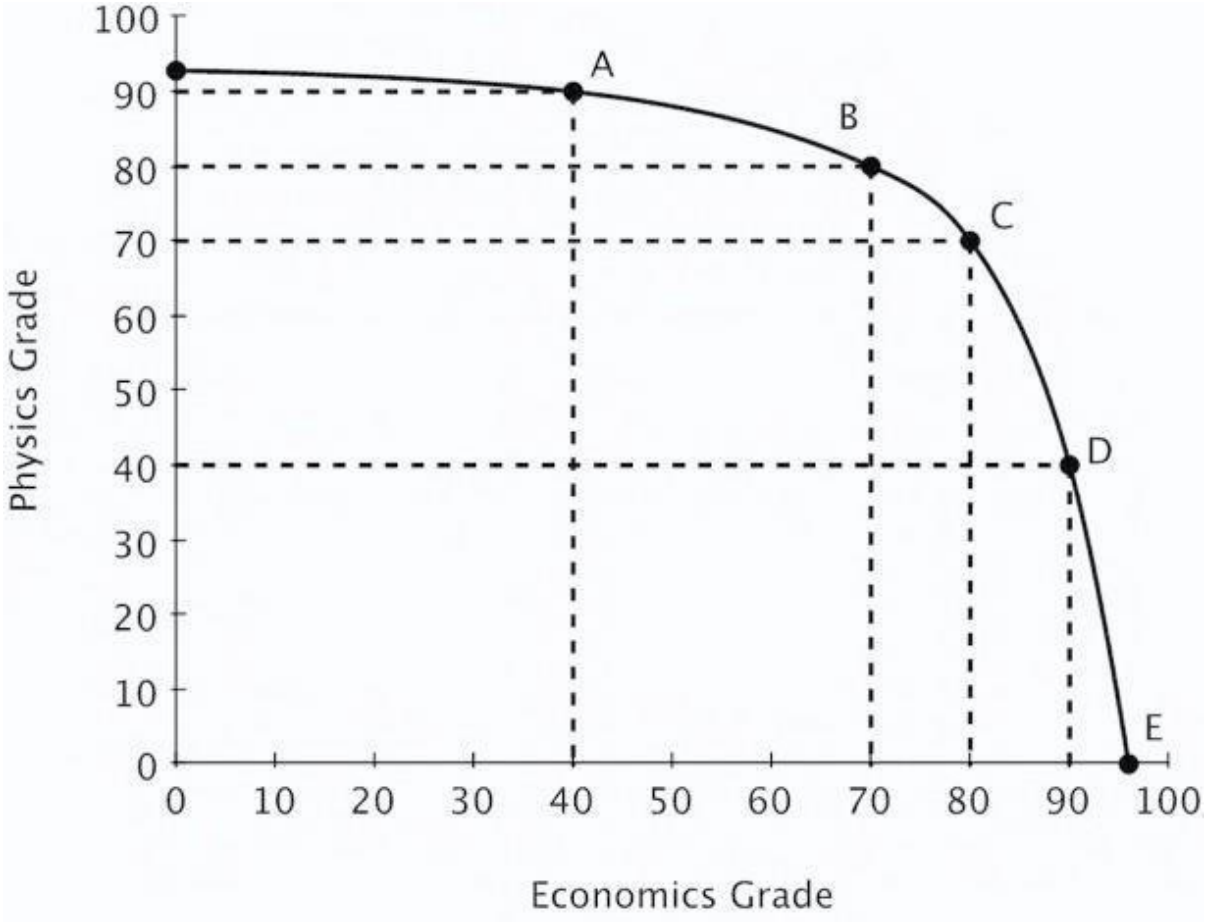
124. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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 increase in
B. more than the increase in
C. more than the decrease in
D. less than the decrease in

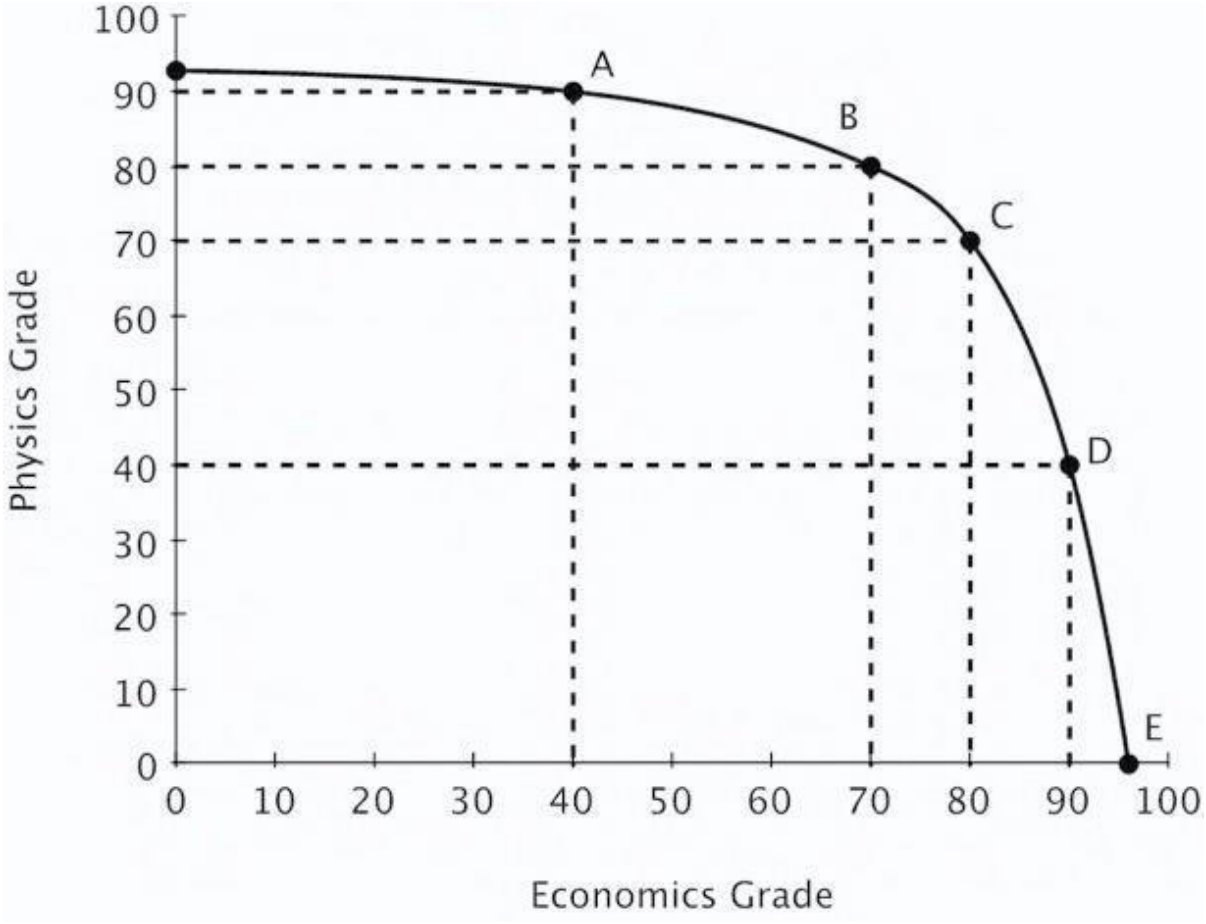
125. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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

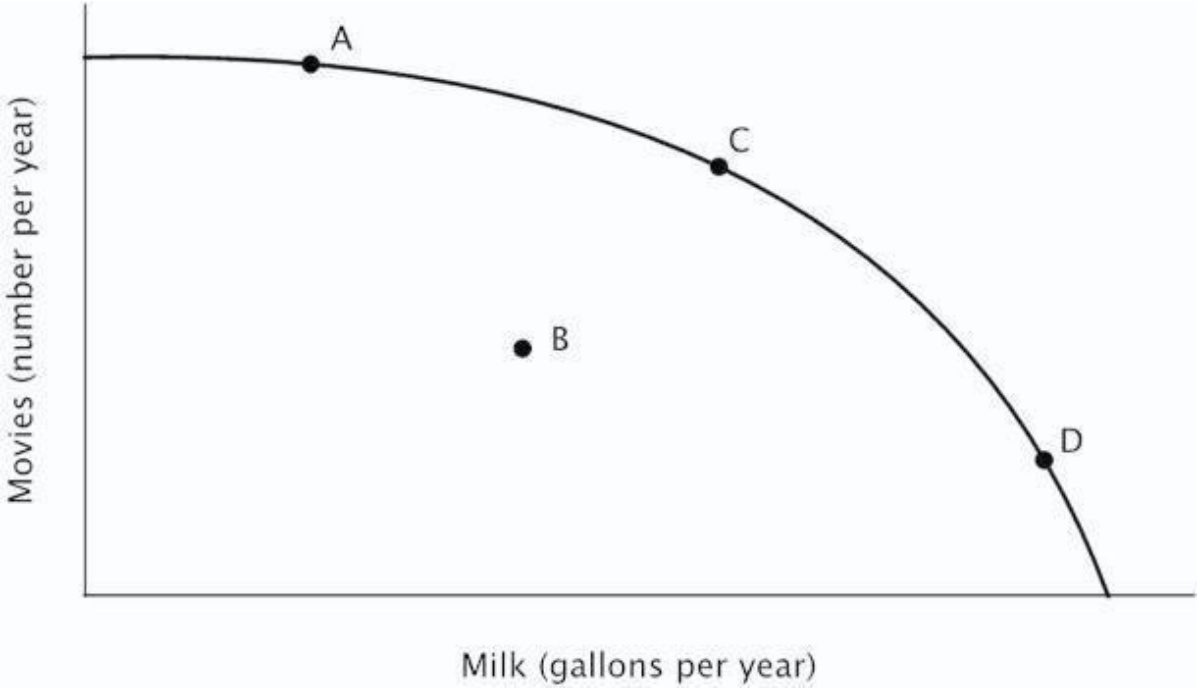
126. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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_____.

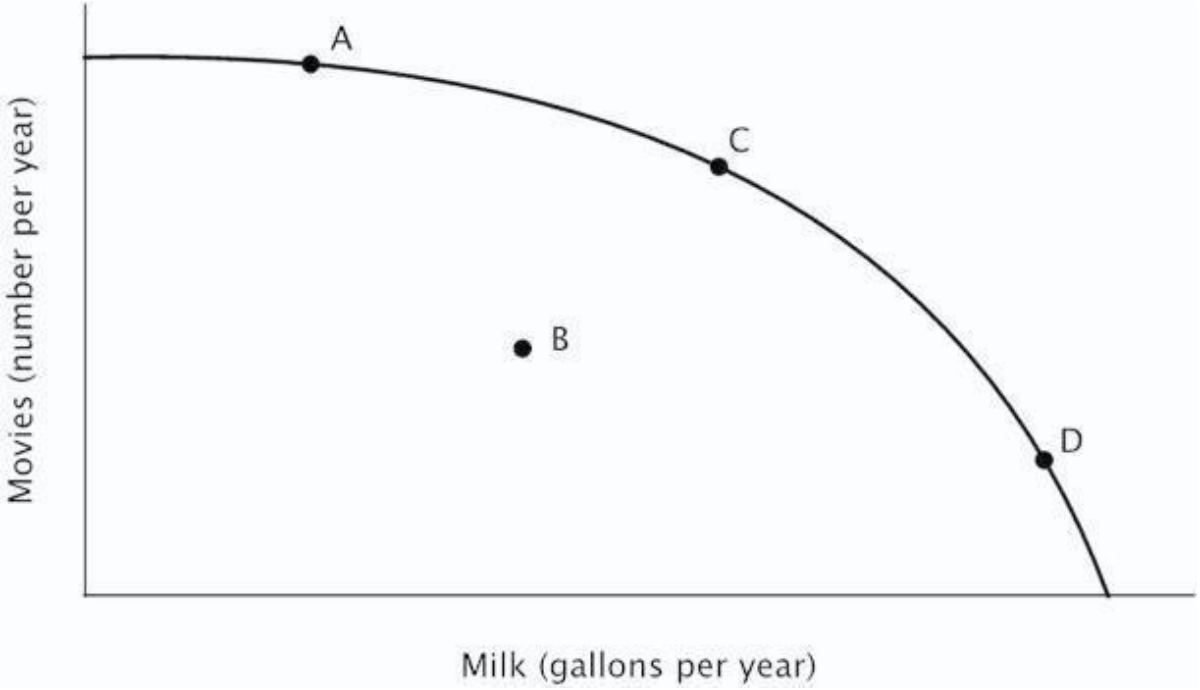
A. unattainable
B. attainable
C. efficient
D. inefficient

127. Refer to the figure below. For the nation whose PPC is shown, it must be true that:



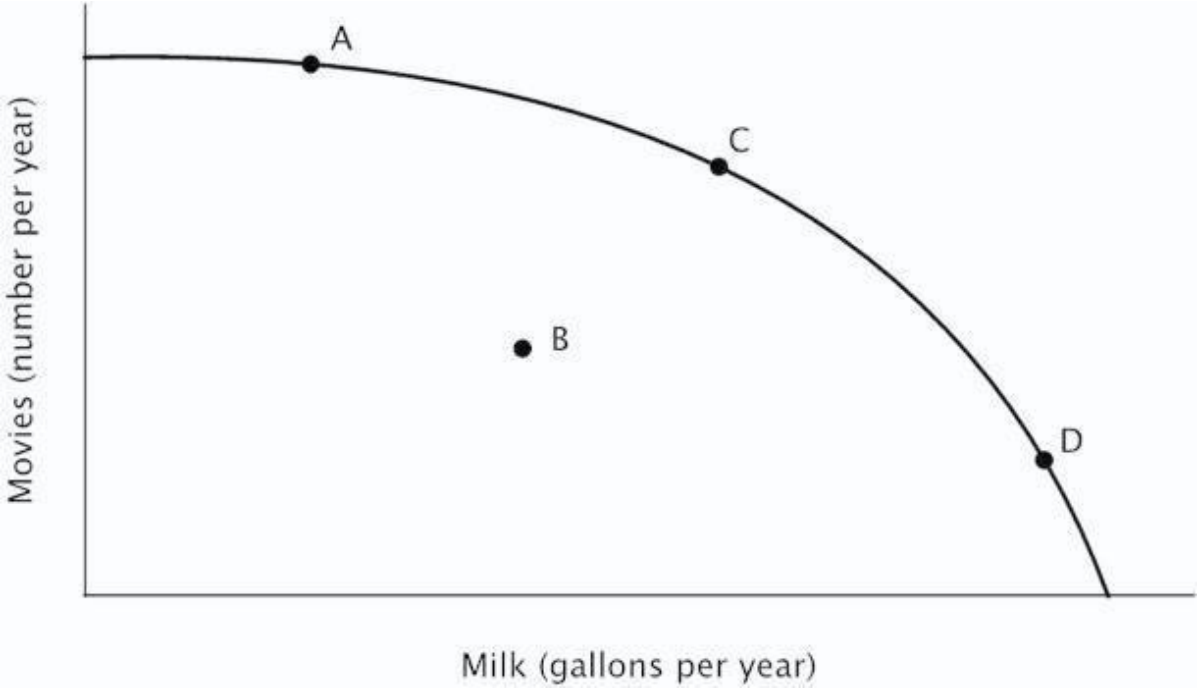

A. the nation's productive resources are better•suited to making milk than to making movies.
B. the nation's productive resources are better•suited to making movies than to making milk.
C. some of the nation's productive resources are better•suited to making milk, and some are better•suited to making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

128. Refer to the figure below. At point *D*, the opportunity cost of making milk is:



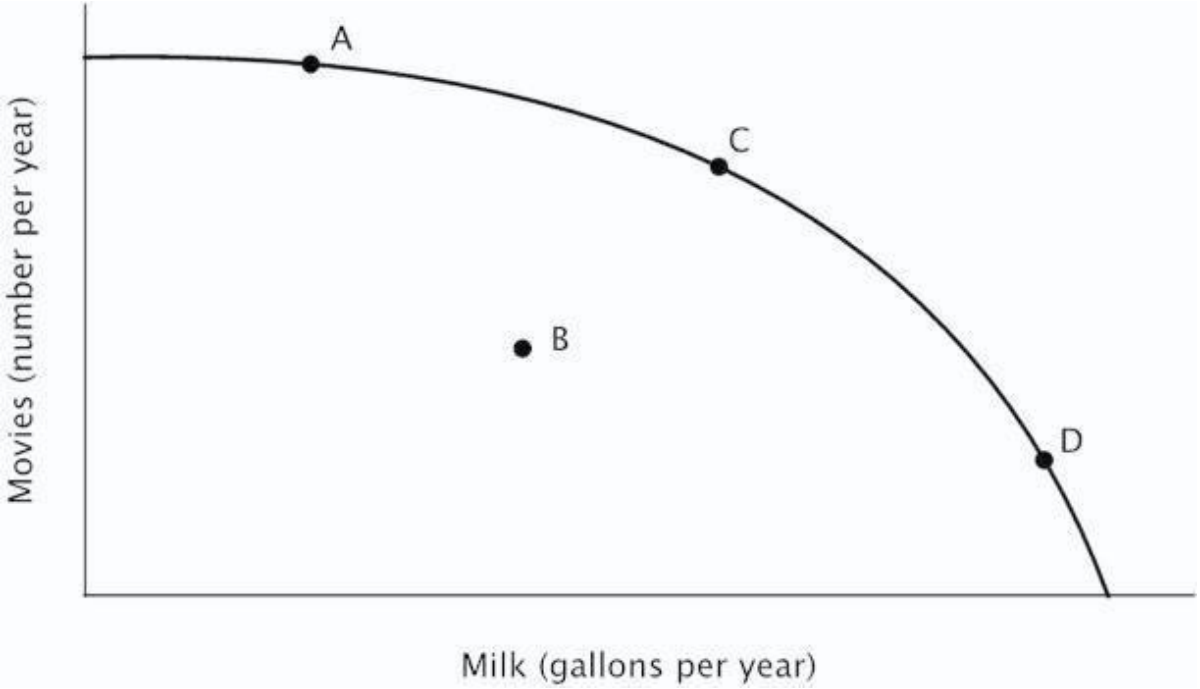

A. low because the economy is specializing in making milk.
B. high because productive resources that are better•suited to making movies *are not* being used to make milk.
C. high because productive resources that are better•suited to making movies *are* being used to make milk.
D. high because the economy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

129. Refer to the figure below. This economy would be operating at point *B* if:



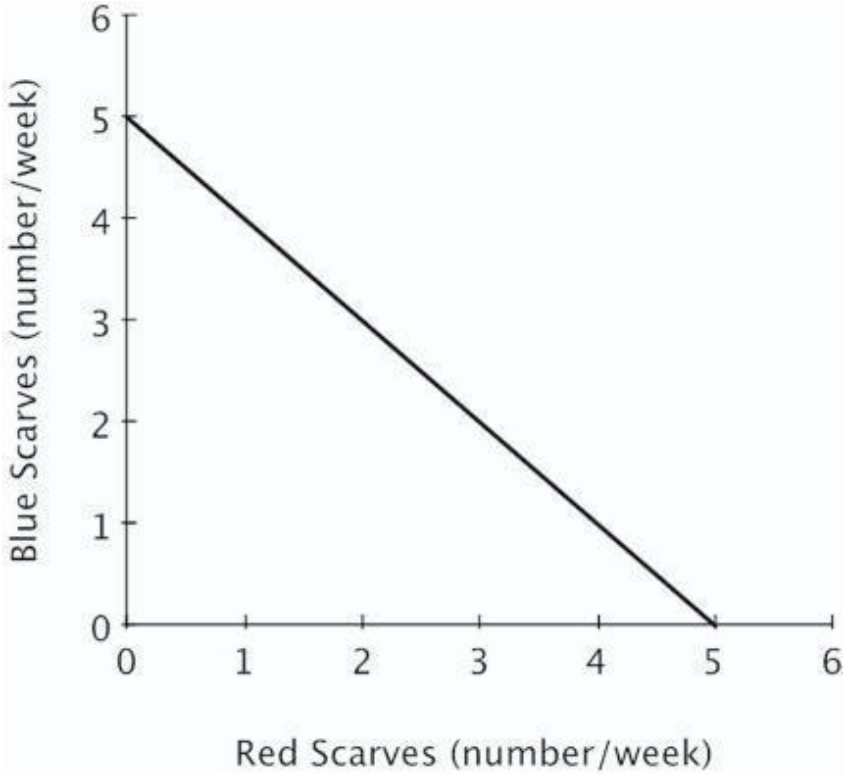

A. it was operating efficiently.
B. the opportunity cost of making milk were higher than the opportunity cost of making movies.
C. the opportunity cost of making movies were higher than the opportunity cost of making milk.
D. resources that are better•suited to making movies were being used to make milk,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

130. Refer to the figure below. If this economy were currently operating at point *D*, then in order to make more movies:




A. the first productive resources to switch to making movies should be those with the lowest opportunity cost of making milk.
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 point D is already efficient.
D. 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.

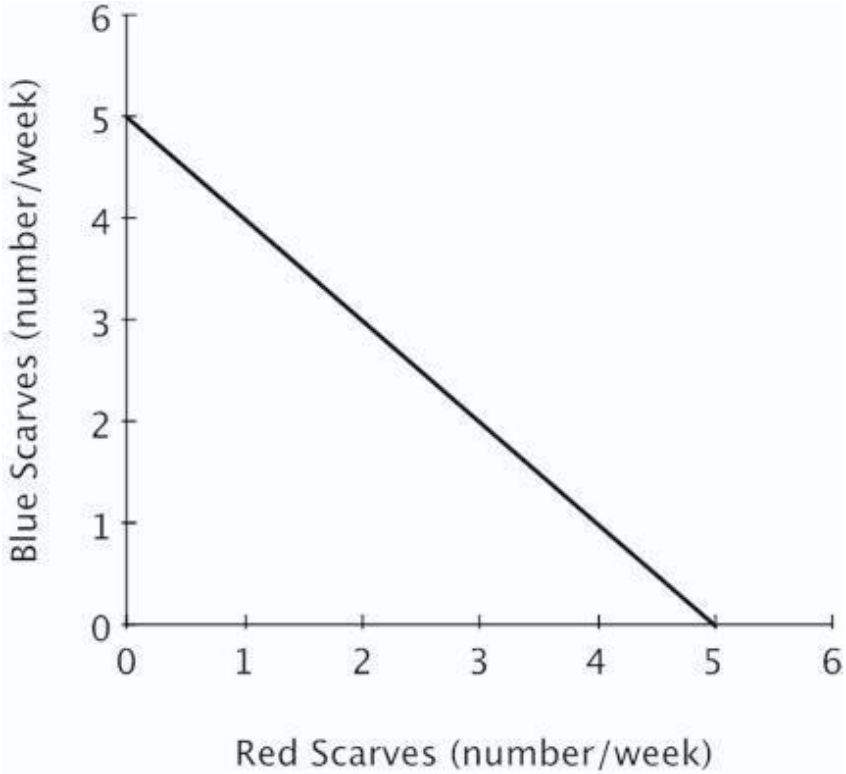
131. The figure below shows Avery's weekly production possibilities curve for scarves.




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

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

132. The figure below shows Avery's weekly production possibilities curve for scarves.




Avery's PPC would shift outward if she:

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

133. Economic growth can result from a(n):

A. increase in the amount of productive resources.
B. increase in number of the minimum wage jobs.
C. increase in the amount of consumer goods produced.
D. decrease in the number of workers available.

134. Which of the following is NOT a reason why there are gains to specialization?

A. It eliminates many of the costs of switching from one task to another.
B. It further improves skills through experience and practice.
C. It increases the amount productive resources in the economy.
D. It allows individuals to concentrate on the activities in which they have a comparative advantage.

135. An increase in an economy's productive resources will lead the production possibilities curve to:

A. shift inward.
B. shift outward.
C. become flatter.
D. stay the same.

136. Suppose that Nepal invests less in new factories and equipment than does the United States. This will likely cause:

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. The U.S.'s production possibilities curve to shift outward faster than Nepal's.
D. Nepal's production possibilities curve to shift inward faster than the U.S.'s.

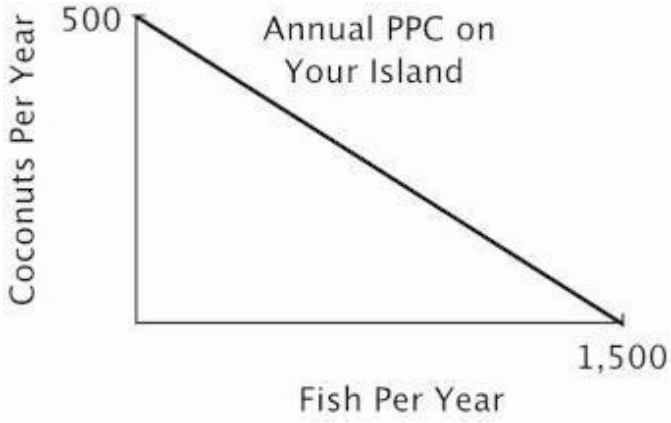
137. If a nation restricts imports, it will:

A. benefit each individual citizen in that nation.
B. increase the total value of goods and services produced in that nation.
C. decrease the total value of goods and services produced in that nation.
D. harm each individual citizen in that nation.

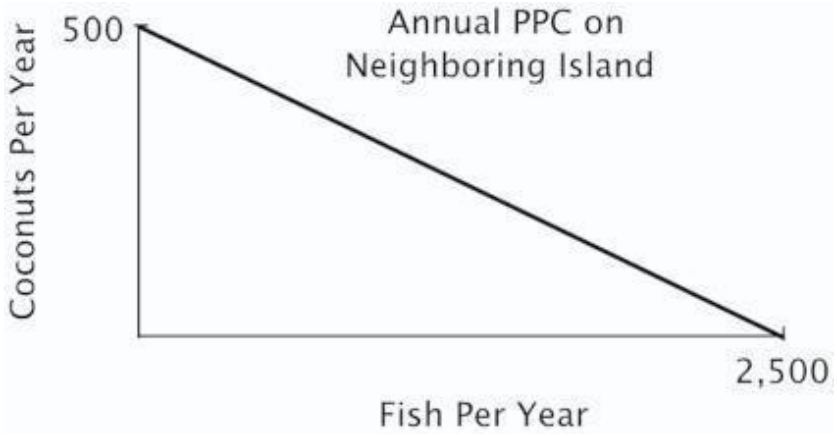
138. Regarding specialization, it is generally true that:

A. more specialization is always better.
B. less specialization is always better.
C. specialization imposes costs as well as benefits.
D. more specialization is always worse.

139. You are the Minister of Trade for a small island country with the following annual PPC:



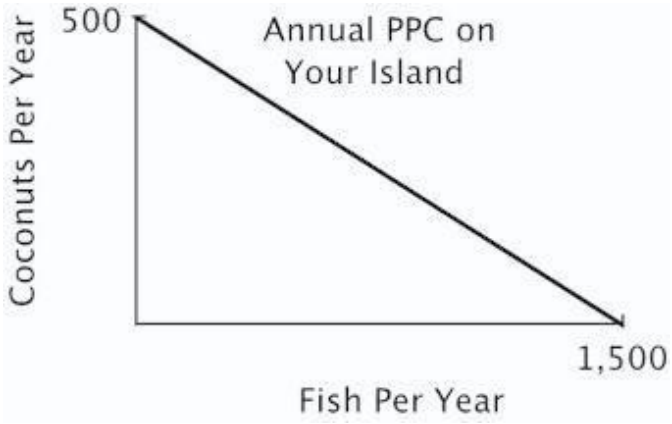

You are negotiating a trade agreement with a neighboring island with the following annual PPC:



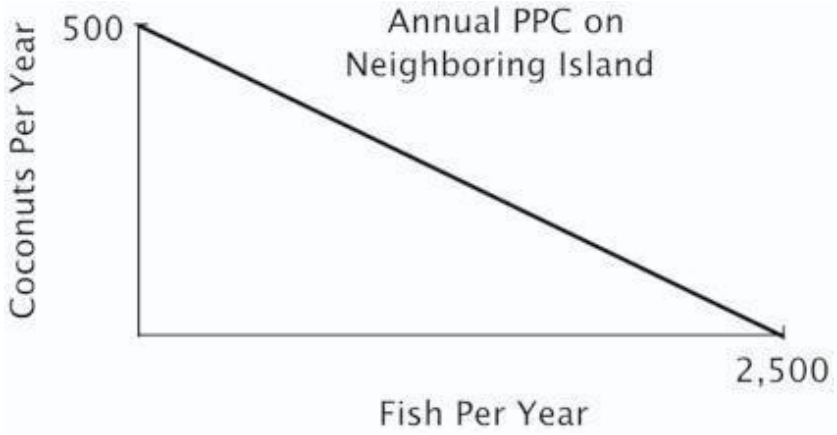

As soon as you see the other island's PPC, you realize there are:

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

140. You are the Minister of Trade for a small island country with the following annual PPC:



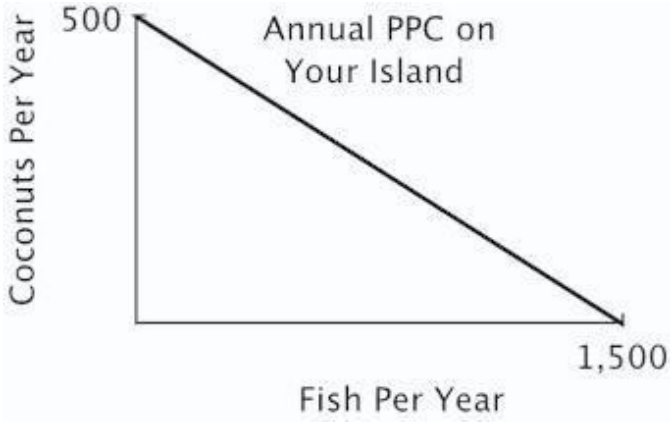

You are negotiating a trade agreement with a neighboring island with the following annual PPC:



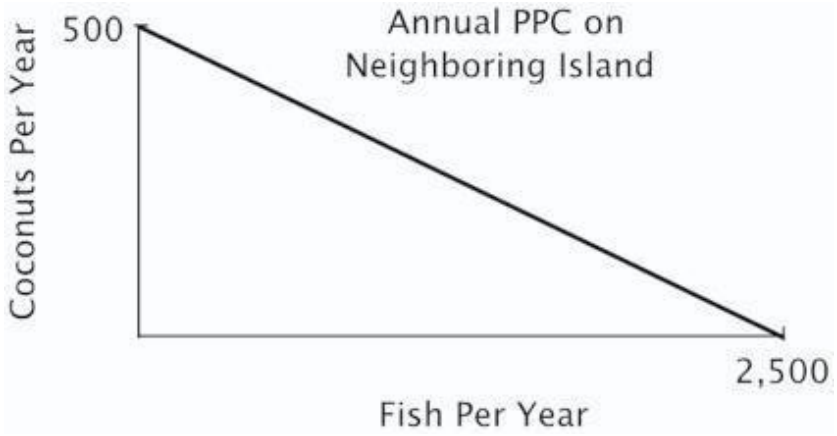

If the other island's delegate offers to give you 2 fish for every 1 coconut you give them, you will:

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

141. You are the Minister of Trade for a small island country with the following annual PPC:



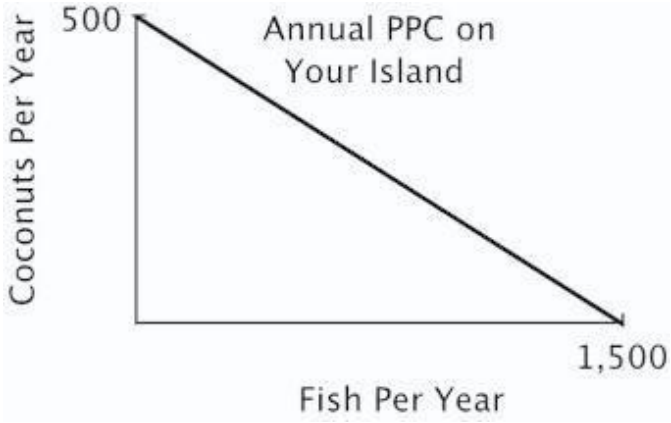

You are negotiating a trade agreement with a neighboring island with the following annual PPC:



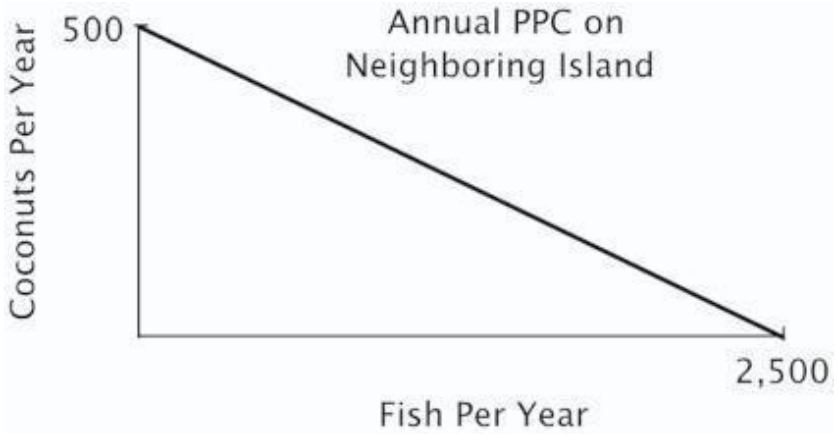

What's the minimum number of fish you would be willing to accept in exchange for a coconut?

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

142. You are the Minister of Trade for a small island country with the following annual PPC:



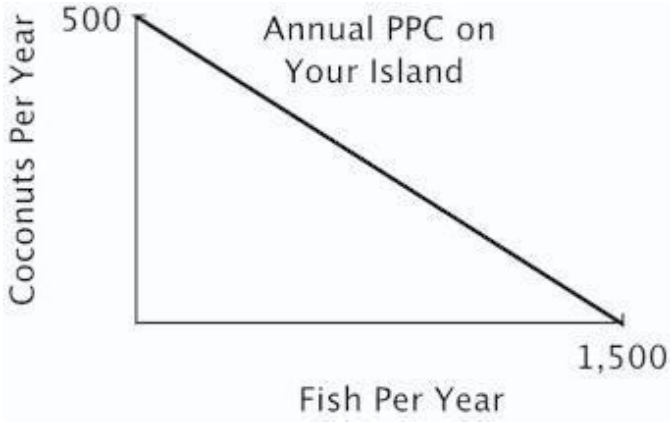

You are negotiating a trade agreement with a neighboring island with the following annual PPC:



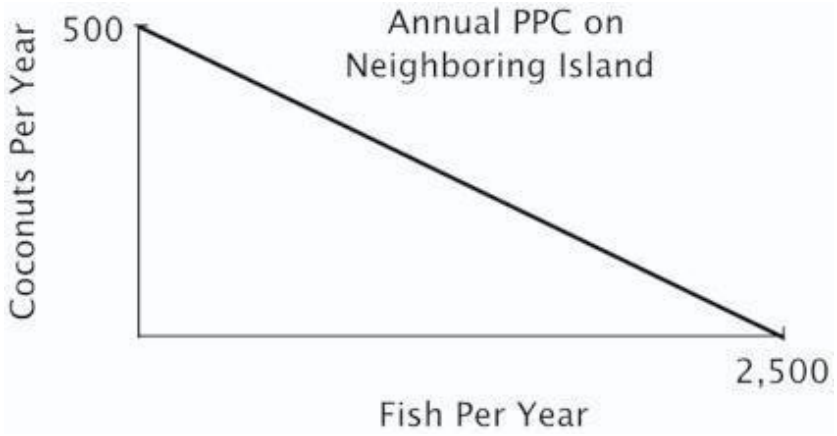

If you offer to give the other island 1 coconut for every 4 fish they give you, then they will:

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

143. You are the Minister of Trade for a small island country with the following annual PPC:



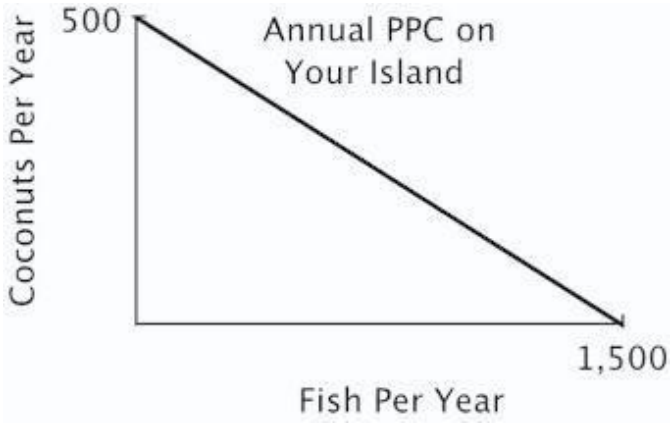

You are negotiating a trade agreement with a neighboring island with the following annual PPC:



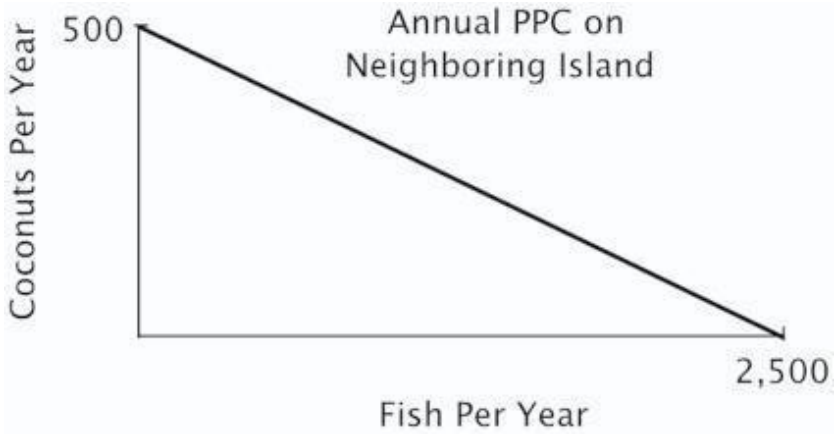

Both islands specialize exclusively in the product for which they have a comparative advantage. You have agreed to give 350 coconuts to the other island in exchange for 1,300 fish. After the trade, your island has a total of_____coconuts and_____fish.

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

144. You are the Minister of Trade for a small island country with the following annual PPC:




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. 850; 1,200
B. 500; 1,200
C. 350; 1,500
D. 350; 1,200

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

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

146. As the differences in opportunity costs between the U.S. and its trading partners increase, the potential gains from specialization and trade_____.

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

147. One reason there is political opposition to international trade is that:

A. the potential gains from specialization and trade are small.
B. trade does not increase the total value of goods and services produced by a nation.
C. the differences in opportunity costs between countries are small.
D. not everyone benefits from trade.

148. One concern regarding the North American Free Trade Agreement (NAFTA) was that it would lead:

A. the total value of goods and services produced by the United States to fall.
B. wages in Mexico to rise.
C. highly skilled workers in the United States to lose their jobs.
D. unskilled workers in the United States to lose their jobs.

149. When a nation reduces the barriers to international trade:

A. each individual citizen becomes better off.
B. each individual citizen becomes worse off.
C. the total value of all goods and services produced by the nation falls.
D. the total value of all goods and serviced produced by the nation rises.

150. The benefits to specialization are even greater when two trading partners have:

A. absolute advantages in producing the same goods.
B. similar consumption preferences.
C. very similar opportunity costs.
D. large differences in opportunity costs.

151. According to the textbook, the evidence indicates that NAFTA has:

A. reduced the wages of skilled workers in the United States.
B. reduced the employment of unskilled workers in the United States significantly.
C. stopped illegal immigration from Mexico.
D. not significantly reduced the employment of unskilled workers in the United States.

152. According to the textbook, NAFTA was expected to help which country exploit its comparative advantage in the production of goods made by unskilled labor?

A. Canada
B. Cuba
C. Mexico
D. The U.S.A.

153. Outsourcing is a term increasingly used to refer to the act of:

A. hiring illegal immigrants.
B. importing raw materials into the United States from other countries.
C. exporting final goods to other countries.
D. replacing relatively expensive American workers with low•wage workers overseas.

154. The fundamental reason firms outsource is that:

A. low•wage workers in other countries are more productive than are U.S. workers.
B. hiring low•wage workers overseas reduces firms' costs.
C. outsourcing increases employment overseas.
D. U.S. workers cannot perform the tasks performed by workers in other countries.

155. When a U.S. firm engages in outsourcing, it benefits_____and harms_____.

A. the firm; the U.S. consumers of the firm's products
B. the U.S. consumers of the firm's products; the firm
C. the U.S. consumers of the firm's products; the firm's U.S. employees
D. the U.S. consumers of the firm's products; the firm's foreign employees

156. All else equal, the jobs that are the least likely to be outsourced are those that:

A. do not involve face•to•face contact.
B. can be done by a computer.
C. require face•to•face communication.
D. can be broken down into series of well•defined steps.

157. Which of the following jobs is least likely to be outsourced?

A. Flipping hamburgers
B. Technical assistance over the phone for your computer
C. Transcription of physicians' records
D. Software design

# KEY

1. An individual has an absolute advantage in producing pizzas if that individual:

A. has a lower opportunity cost of producing pizzas than anyone else.
B. can produce more pizzas in a given amount of time than anyone else.
C. has a higher opportunity cost of producing pizzas than anyone else.
D. charges the lowest price for pizzas.

Absolute advantage means being able to produce more in a given time period.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

2. If Al has an absolute advantage over Beth in preparing meals, then:

A. it takes Al more time to prepare a meal than Beth.
B. the problem of scarcity applies to Beth but not to Al.
C. Al's opportunity cost of preparing a meal is lower than is Beth's.
D. Al can prepare more meals in a given time period than Beth.

Absolute advantage means being able to produce more in a given time period.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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:

A. Les has a comparative advantage in producing pants.
B. Les has an absolute advantage in producing pants.
C. Eva has a comparative advantage in producing pants.
D. Les has both comparative and absolute advantage in producing pants.

Absolute advantage means being able to produce more in a given time period.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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.

A. comparative
B. absolute
C. relative
D. natural

Absolute advantage means being able to produce more in a given time period.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

5. If you have a comparative advantage in a particular task, then:

A. you are better at it than other people.
B. you give up more to accomplish that task than do others.
C. you give up less to accomplish that task than do others.
D. you have specialized in that task, while others have not.

Comparative advantage means having a lower opportunity cost.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

6. Larry has a comparative advantage over his classmates in writing term papers if he:

A. can write term papers faster than his classmates.
B. has an absolute advantage in writing term papers.
C. always earns an A on his term papers.
D. has a lower opportunity cost of writing term papers than his classmates.

Comparative advantage means having a lower opportunity cost.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

Comparative advantage means having a lower opportunity cost.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

8. Which of the following statements is true?

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

Comparative advantage and absolute advantage differ: you can have both at the same time, but you can also have one but not the other.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

9. If Jane can produce 3 pairs of shoes per hour, while Bob can produce 2, then_____has a(n)_____advantage in producing shoes.

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

Absolute advantage means being able to produce more in a given time period.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

10. Refer to the table below. According to the table, Martha has the absolute advantage in:

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

11. Refer to the table below. According to the table, Julia has the absolute advantage in:

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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. 4/3 of a cake.
C. 8 cakes.
D. 80 cakes.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

16. Refer to the table above._____has the comparative advantage in making pies and_____the comparative advantage in making cakes.

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

A. Martha; Martha
B. Julia; Julia
C. Martha; Julia
D. Julia; Martha

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

17. Refer to the table below. Based on their comparative advantage, Martha should specialize in_____while Julia should specialize in_____.

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

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

*AACSB: Analytic*
*Blooms: Evaluate*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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?

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

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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?

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

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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?

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

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

21. Suppose it takes Paul 3 hours to bake a cake and 2 hours to move 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?

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

For Paul, in the time it takes him to bake a cake, he could have mowed the lawn 1.5 times, and the time it takes him to move the lawn, he could have made 2/3 of a cake. For Tom, in the time it takes him to bake a cake, he could have mowed the lawn 2 times, and in the time it takes him to mow the lawn, he could have baked 1/2 of a cake. Thus, Paul has a comparative advantage in baking cakes (because $1.5 < 2$), and Tom has a comparative advantage in mowing the lawn (because $1/2 < 2/3$). Tom has an absolute advantage in both tasks since he can do each more quickly than Tom.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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?

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 and absolute advantage in pies.
D. Lewis has a comparative advantage in pies, and Cathy has an absolute advantage in pies.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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?

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

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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?

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

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

25. Refer to the table below. According to the table, Corey has the absolute advantage in:

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

26. Refer to the table below. According to the table, Pat has the absolute advantage in:

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

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

*AACSB: Reflective Thinking*
*Blooms: Apply*
*Blooms: Understand*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

31. Refer to the table below._____has the comparative advantage in making pizza, and_____ has the comparative advantage in delivering pizza.

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

A. Corey; Corey
B. Pat; Pat
C. Pat; Corey
D. Corey; Pat

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

32. Refer to the table below. Based on their comparative advantages, Pat should specialize in_____, and Corey should specialize in_____.

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

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

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

Which of the following is true?

A. Lou has both an absolute advantage and a comparative advantage over Alex in both tasks.
B. Alex has a comparative advantage over Lou in cleaning.
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.

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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. Alex would do all of the cleaning, while Lou would do all the cooking.
C. Lou would do all of the cleaning and all of the cooking.
D. Lou would do all of the cleaning, while Alex would do all of the cooking.

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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. 4; 4
B. 1; 4/5
C. 1; 5/4
D. 3; 5

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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. Joe; Joe
B. Larry; Ralph
C. Ralph; Larry
D. Larry; Joe

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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. 1/2 of a car.
C. 1 car.
D. 2 cars.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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. 1/3 of a car.
C. 3 cars.
D. 1/4 of a car.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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; greater
B. greater; less
C. less; less
D. greater; greater

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

| | 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. Joe; Ralph B.
Ralph; Larry C.
Larry; Ralph D.
Larry; Joe

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

42. The textbook notes that the last time a major league batter hit .400 was in 1941. This is because:

A. the average quality of batters has fallen.
B. the league imposes harsh penalties for steroid use.
C. specialization by pitchers, infielders, and outfielders has made it harder for batters to hit.
D. baseball diamonds have become larger.

Baseball players are most specialized now than in the past. It's hard to hit a .400 against a specialist pitcher.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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:

A. There are no gains to specialization and trade for Ginger.
B. There are no gains to specialization and trade for Maryann.
C. Maryann should specialize in the activity for which she has a comparative advantage.
D. Ginger should specialize in the activity for which she has an absolute advantage.

Even if one person has an absolute advantage over the other in both activities, they will collectively accomplish more if each specializes in the activity for which she has a comparative advantage.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

44. In general, individuals and nations should specialize in producing those goods for which they have a(n):

A. absolute advantage.
B. comparative advantage.
C. absolutely comparative advantage.
D. absolute advantage and a comparative advantage.

The Principle of Comparative Advantage states that people should specialize in the activities for which their opportunity cost is the lowest (that is, the activities in which they have a comparative advantage).

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

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

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

The Principle of Comparative Advantage states that people should specialize in the activities for which their opportunity cost is the lowest.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

46. A country is most likely to have a comparative advantage in the production of cars if:

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

One source of comparative advantage is large endowments of natural resources.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

47. The United States generally has a comparative advantage in the development of technology because it has:

A. large amounts of natural resources.
B. a disproportionate share of the world's best research universities.
C. the greatest need for new technology.
D. patent laws, which no other country has.

The Unites States has a disproportionate share of the world's leading research universities where technology is developed and scientists are trained.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

48. The emergence of English as the de facto world language has_____a comparative advantage in the production of books, movies and popular music:

A. given English•speaking countries
B. given non•English•speaking countries
C. had no effect on which country has
D. given all countries

The emergence of English as the de facto world language has given English•speaking countries a comparative advantage in language•based production.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

49. The United States was unable to maintain its dominance in the production of televisions because:

A. the highly technical skills necessary to produce televisions are greater in other countries.
B. the raw materials necessary to build televisions became scarce in the United States.
C. the product designs evolved too rapidly for engineers in the United States to keep up.
D. automated techniques allowed production to be outsourced to countries with less•skilled workers.

When television production required highly•paid and highly•skilled workers, the United States had a comparative advantage in producing televisions, but once production became automated, less•skilled workers in low•wage countries could produce televisions at a lower cost.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage.*
*Topic: Exchange and Opportunity Cost*

50. 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(n):

A. production possibilities curve.
B. consumption possibilities curve.
C. production function.
D. supply curve.

The production possibilities curve describes the maximum amount of one good that can be produced for every possible amount produced of another good.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

51. The production possibilities curve shows:

A. the minimum production of one good 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. the maximum production of one good for every possible production level of the other good.
D. how increasing the production of one good allows production of the other good to also rise.

The production possibilities curve describes the maximum amount of one good that can be produced for every possible level of production of the other good.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

52. Points that lie outside the production possibilities curve are_____, and points that lie inside the production possibilities curve are_____.

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

Points that lie outside the production possibilities curve cannot be produced with currently available resources, while those that lie inside the production possibilities curve can be produced with currently available resources.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

53. Points that lie beneath the production possibilities curve are:

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

Points that lie beneath the production possibilities curve are attainable because they can be produced with currently available resources, but they are inefficient because it is possible to increase the production of one good without a reduction in the production of the other.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

54. 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:

A. inefficient point.
B. efficient point.
C. unattainable point.
D. undesirable point.

By definition, an efficient point is any combination of goods for which currently available resources do not allow an increase in the production of one good without a reduction in the production of some other good.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

55. 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:

A. inefficient point.
B. efficient point.
C. unattainable point.
D. ideal point.

By definition, an inefficient point is any combination of goods for which currently available resources enable an increase in the production of one good without a reduction in the production of some other good.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

56. The downward slope of the production possibilities curve illustrates the:

A. Scarcity Principle.
B. Cost•Benefit Principle.
C. Incentive Principle.
D. Principle of Comparative Advantage.

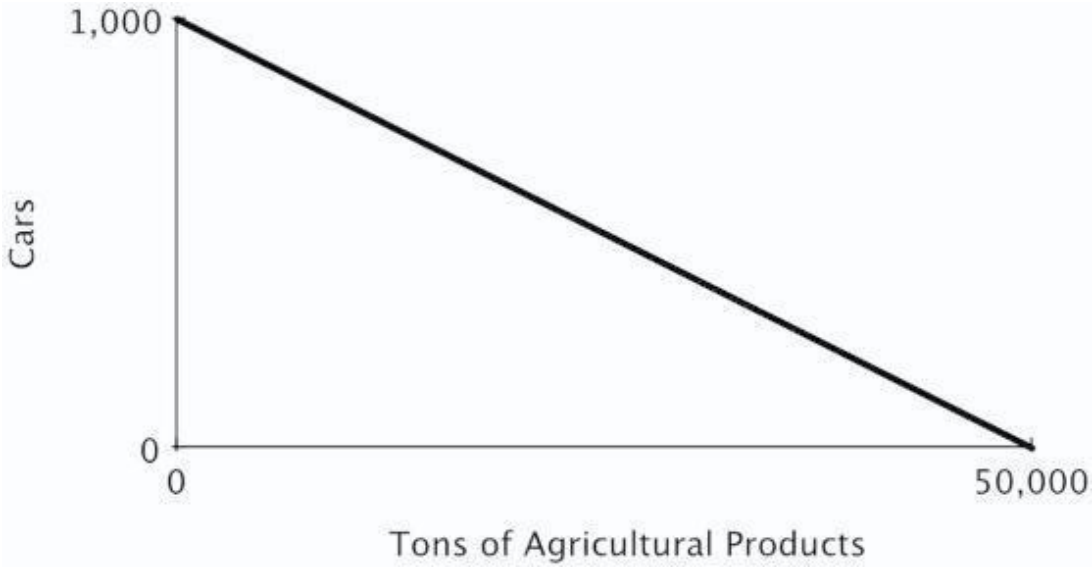
The downward slope of the production possibilities curve shows that having more of one good means having less of the other.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

57. The figure below shows the production possibilities curve for the island of Genovia:




The opportunity cost of producing a car in Genovia is:

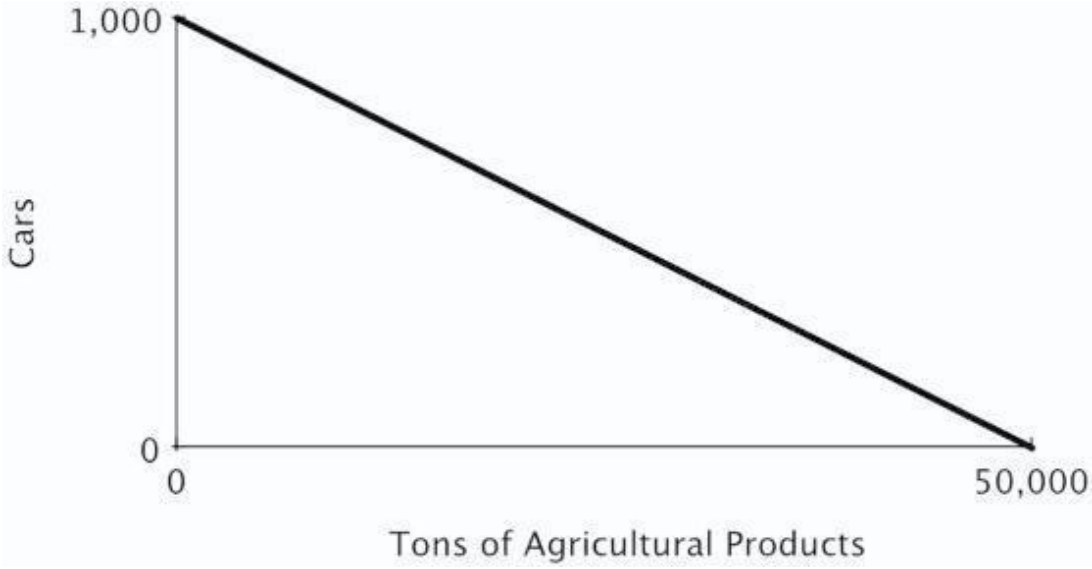
A. 5,000 tons of agricultural products.
B. 500 tons of agricultural products.
C. 5 tons of agricultural products.
D. 50 tons of agricultural products.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

58. The figure below shows the production possibilities curve for the island of Genovia:




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

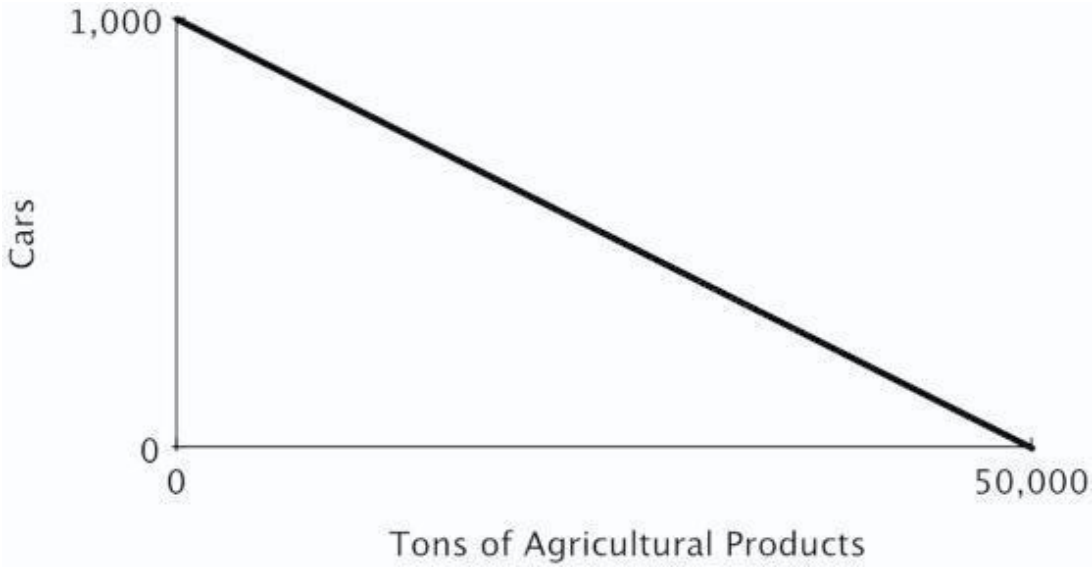
A. 1,000 cars.
B. 1 car.
C. 1/5 of a car.
D. 1/50 of a car.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

59. The figure below shows the production possibilities curve for the island of Genovia:




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

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

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*
*Topic: Comparative Advantage and Production Possibilities*

60. The slope of a production possibilities curve is_____because_____.

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

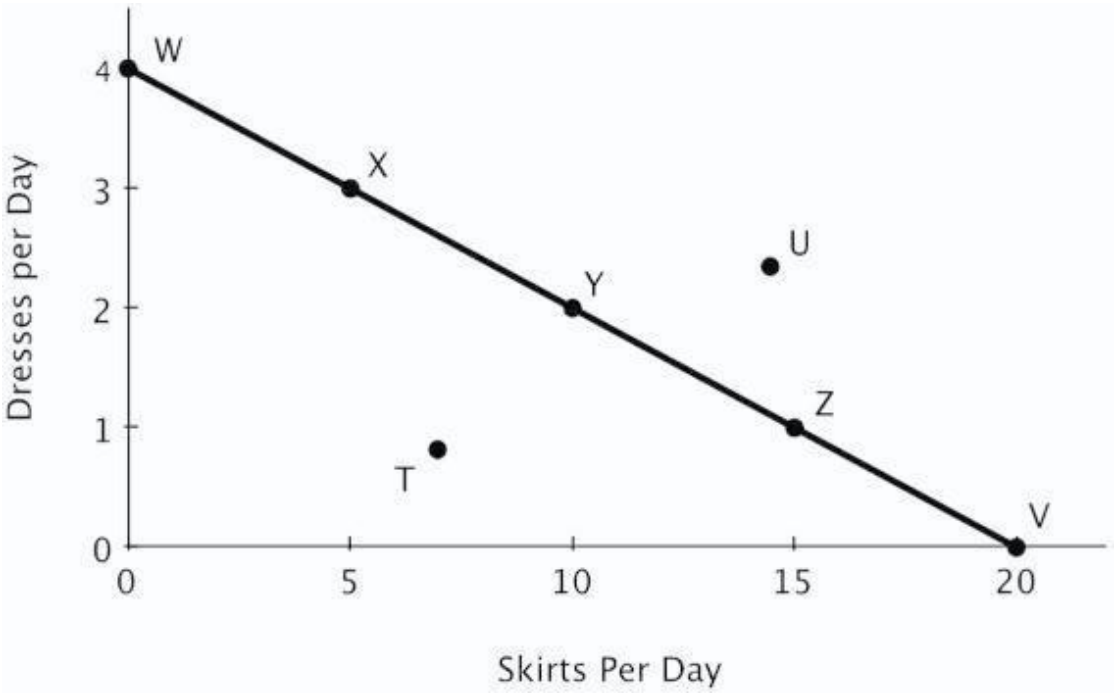
The downward slope of the production possibilities curve shows that having more of one good means having less of the other.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

61. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




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

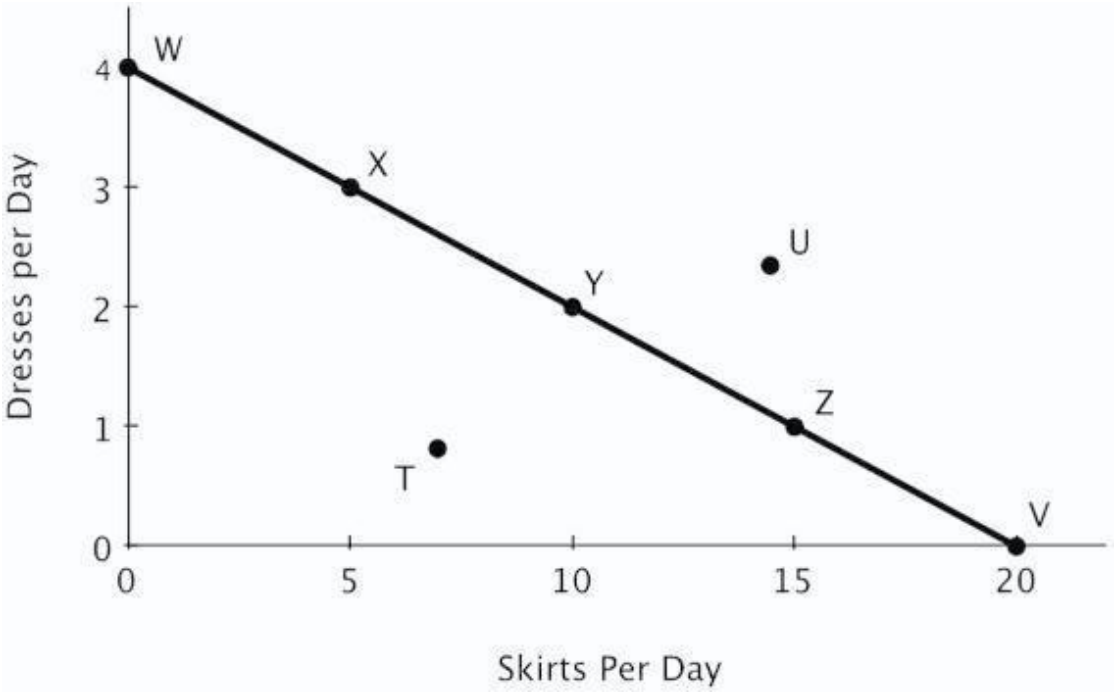
A. *U*
B. *T*
C. *V*
D. *W*

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

62. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




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

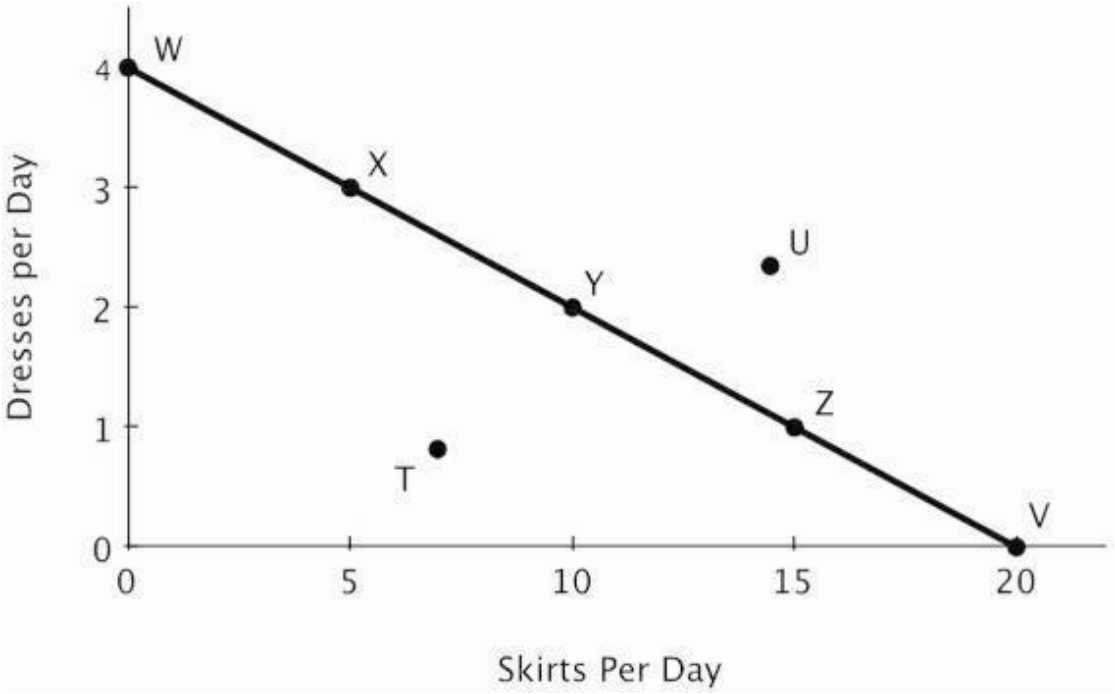
A. *U*
B. *T*
C. *V*
D. *Z*

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

63. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Point *U* is:

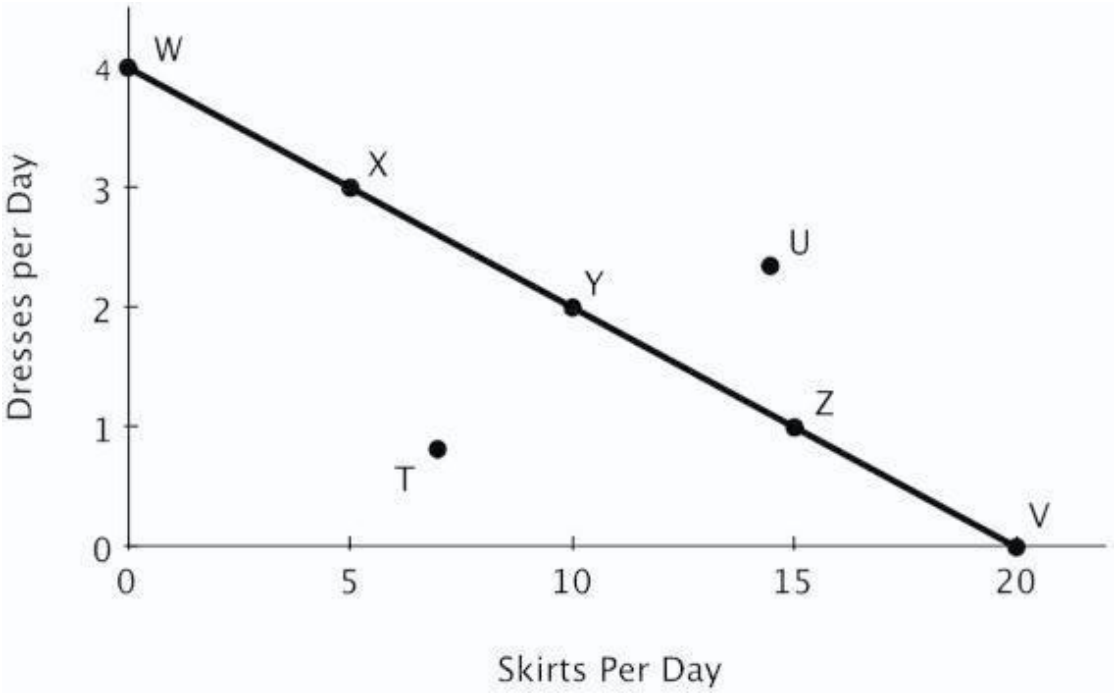
A. attainable.
B. efficient.
C. unattainable.
D. inefficient.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

64. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Of the labeled points, only_____are attainable.

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

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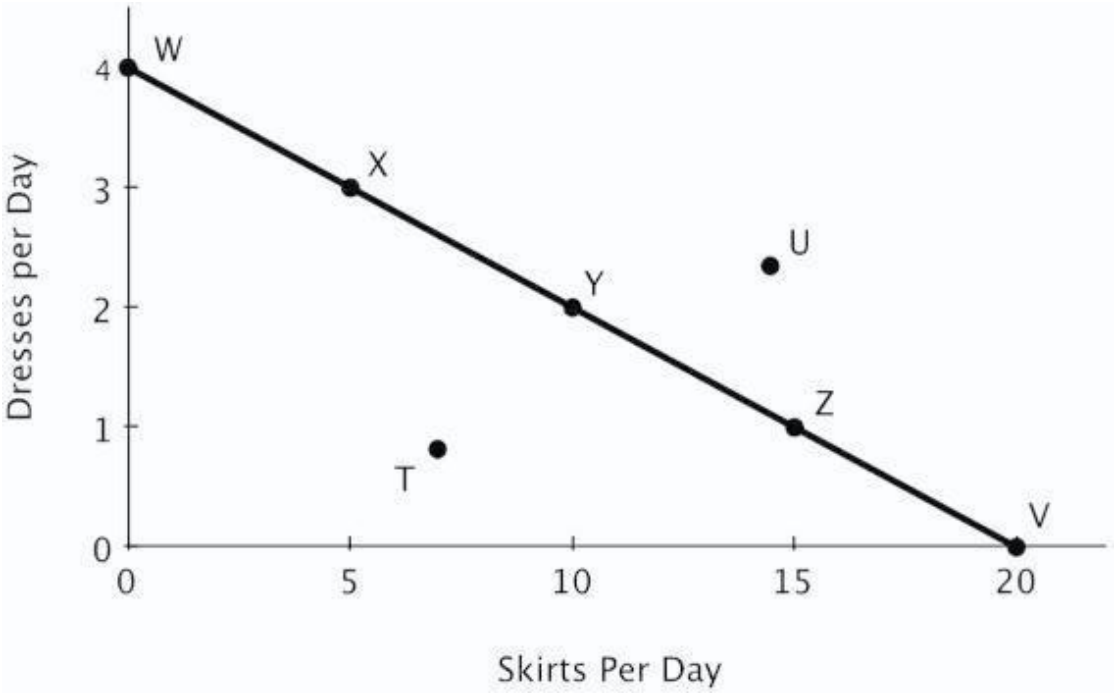



Of the labeled points, only_____are efficient.

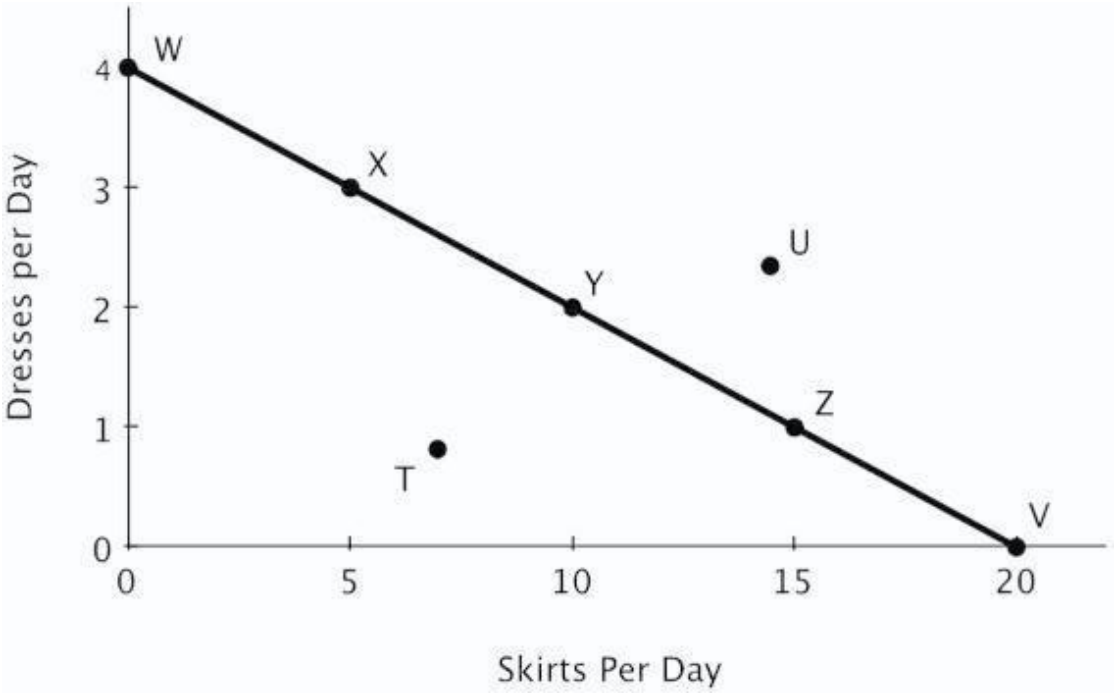
*A.* *T* and *U*
*B.* *X*, *Y*, and *Z*
*C.* *W*, *X*, *Y*, *Z*, and *V*
*D.* *W*, *X*, *Y*, *Z*, *V*, and *T*

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

66. The figure below shows Becky's daily production possibilities curve for dresses and skirts.




Point *T* is:

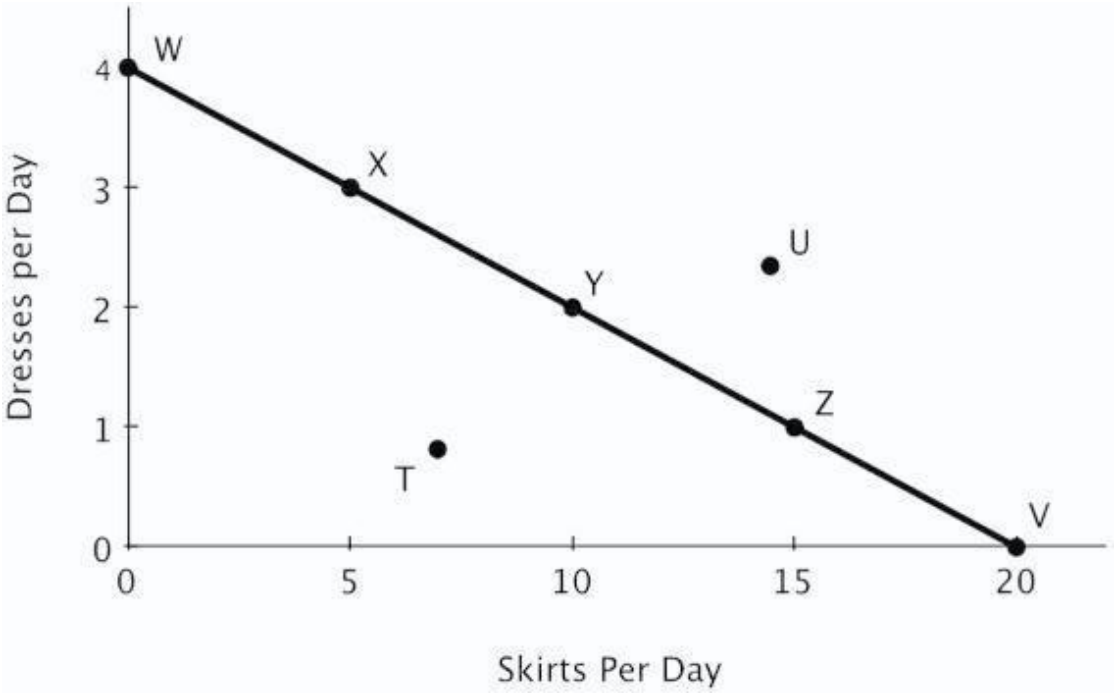
A. attainable
B. efficient
C. both attainable and efficient
D. neither attainable nor efficient

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

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




Point *Y* is_____, and point *V* is_____.

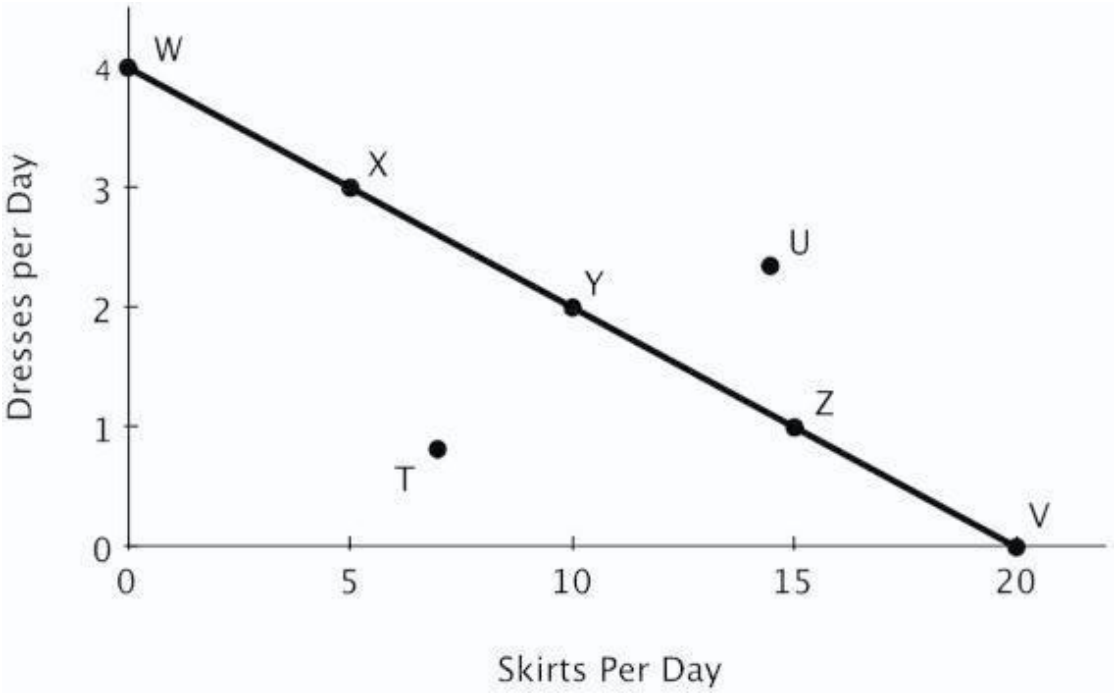
A. efficient; inefficient
B. inefficient; efficient
C. efficient; efficient
D. inefficient; inefficient

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

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




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

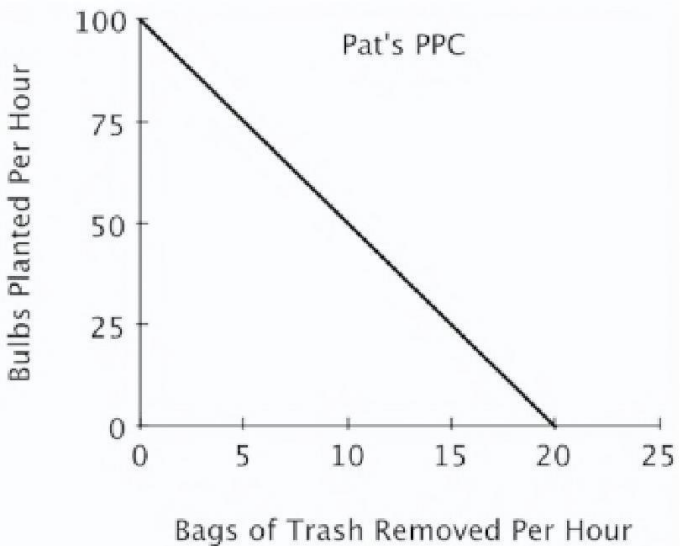
A. more dresses and more skirts are produced.
B. more skirts and fewer dresses are produced.
C. more dresses and fewer skirts are produced.
D. fewer skirts and fewer dresses are produced.

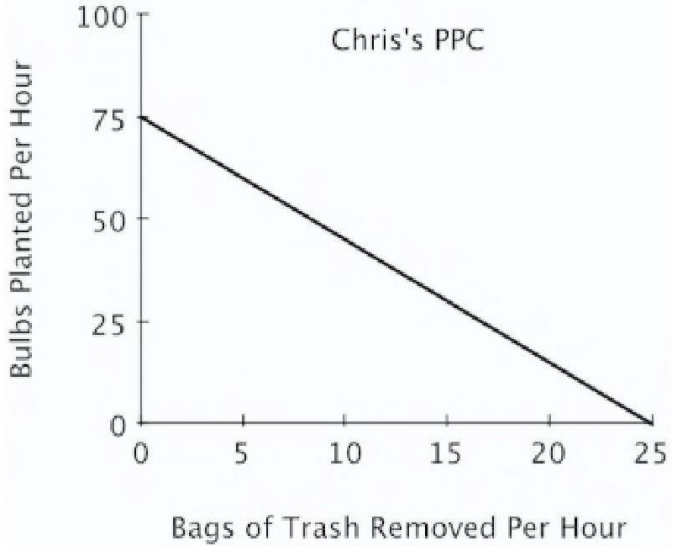
*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

69. Refer to the figure below. For Pat, the opportunity cost of removing one bag of trash is planting:



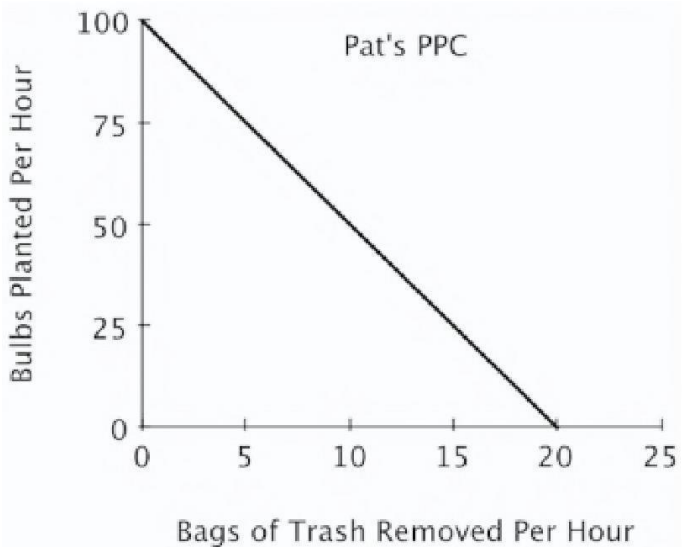




A. 100 bulbs.
B. 5 bulbs.
C. 1/100 of a bulb.
D. 1/5 of a bulb.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

70. Refer to the figure below. For Pat, the opportunity cost of planting one bulb is removing:

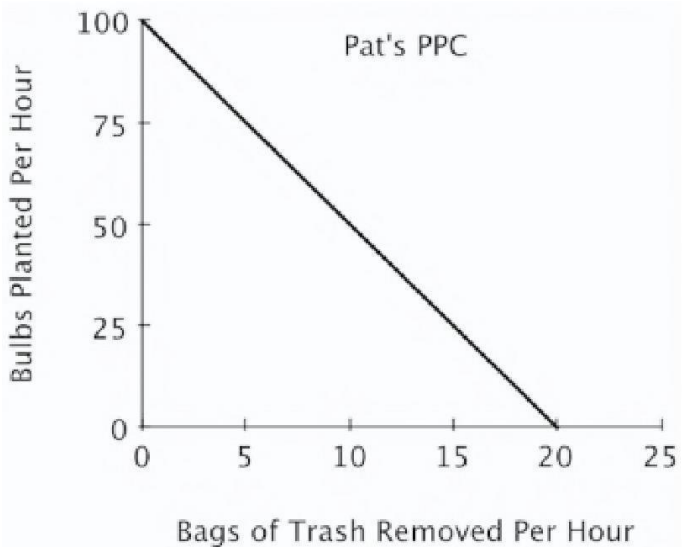


A. 20 bags of trash.
B. 5 bags of trash.
C. 1/20 of a bag of trash.
D. 1/5 of a bag of trash.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

71. Refer to the figure below. For Chris, the opportunity cost of removing one bag of trash is planting:

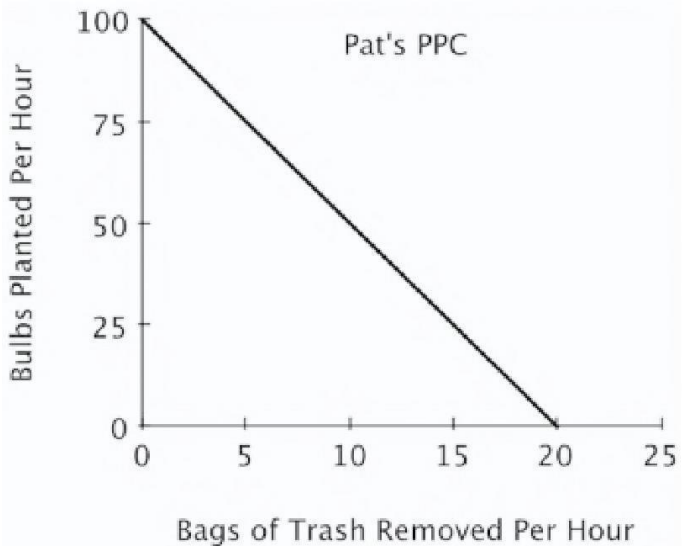


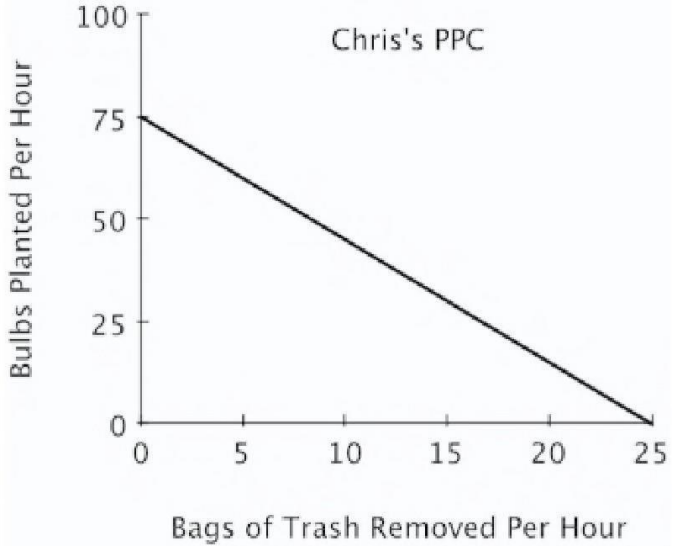
A. 25 bulbs.
B. 1/25 of a bulb.
C. 3 bulbs.
D. 1/3 of a bulb.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

72. Refer to the figure below. For Chris, the opportunity cost of planting one bulb is removing:



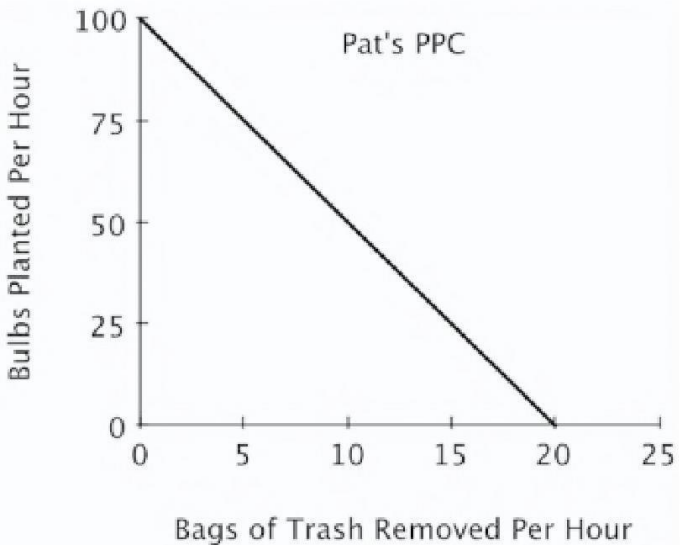



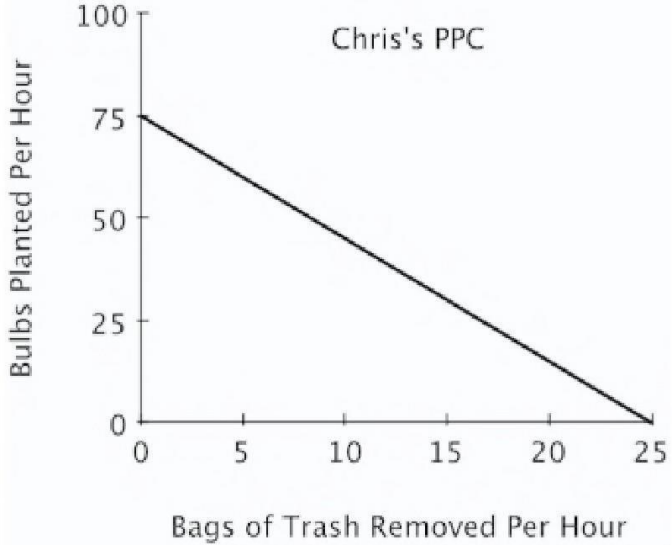

A. 25 bags of trash.
B. 1/25 of a bag of trash.
C. 3 bags of trash.
D. 1/3 of a bag of trash.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

73. Refer to the figure below. If Pat and Chris were to specialize in the task in which each has a comparative advantage:



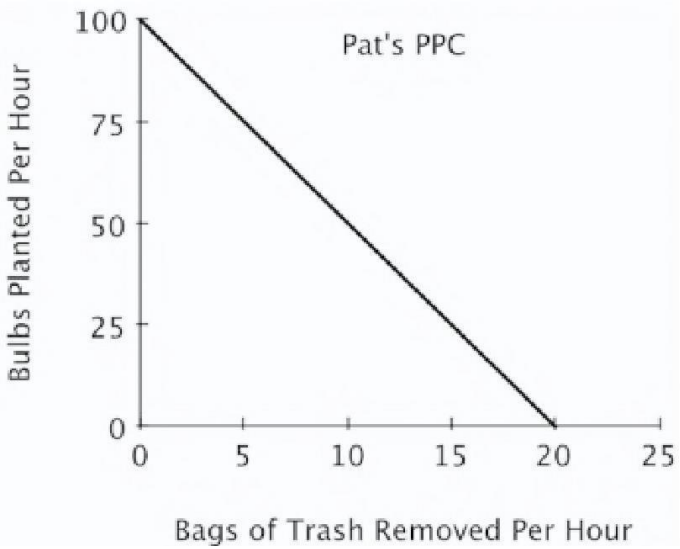



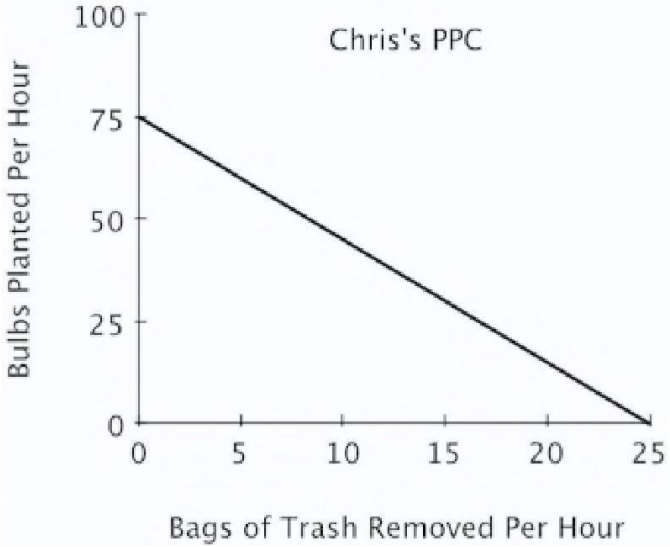

A. Chris would plant bulbs and Pat would remove trash.
B. Chris would remove trash and Pat would plant bulbs.
C. Pat and Chris would each spend half of their time each task.
D. both Pat and Chris would plant bulbs because they both have an absolute advantage in that task.

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

74. Refer to the figure below. If Pat and Chris each spend half their time on each task, then:




A. the outcome will be efficient.
B. 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.
C. 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.
D. the outcome will be unattainable.

*AACSB: Analytic*
*Blooms: Evaluate*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*
*Topic: Comparative Advantage and Production Possibilities*

75. On a graph of a production possibilities curve, if a point is attainable, then it:

A. must be efficient.
B. might or might not be efficient.
C. is efficient only if it does not exhaust all currently available resources.
D. must completely exhaust all currently available resources.

Points along and beneath the production possibilities curve are attainable, but only points along the curve are efficient.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

76. Any combination of goods that can be produced with currently available resources is an:

A. attainable point.
B. efficient point.
C. inefficient point.
D. attainable and efficient point.

Attainable points are defined as any combination of goods that can be produced using currently available resources.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

77. On a graph of a production possibilities curve, an inefficient point is:

A. necessarily an attainable point.
B. not necessarily an attainable point.
C. necessarily an unattainable point.
D. possibly an unattainable point.

Inefficient points can be produced using currently available resources.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

78. Consider a graph of a production possibilities curve. If a producer is operating at an inefficient point, then that producer:

A. cannot produce more of one good without giving up some of the other good.
B. can produce more of one good without producing less of the other good.
C. must be at an unattainable point on the production possibilities curve.
D. must be specializing in activities for which it has a comparative advantage.

Inefficient points lie below the production possibilities curve, so it is possible to produce more of one good without producing less of the other good.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

79. Points that lie below the production possibilities curve are inefficient because:

A. more of one good could be produced without producing less of the other.
B. producing more of one good means producing less of the other.
C. producers face scarcity.
D. too many goods are being produced.

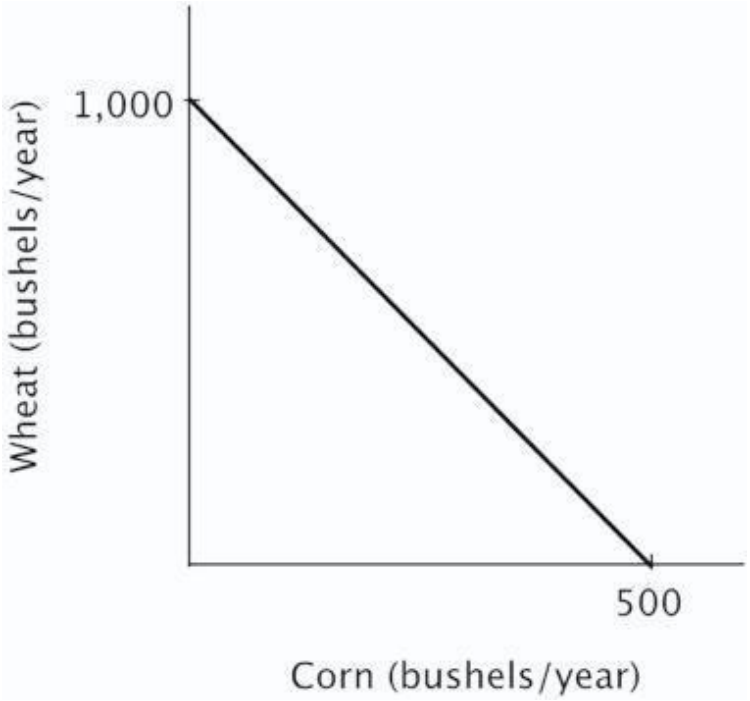
Inefficient points lie below the production possibilities curve, so it is possible to produce more of one good without producing less of the other.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

80. Refer to the figure below. Growing 1,000 bushels of wheat and no bushels of corn each year is:



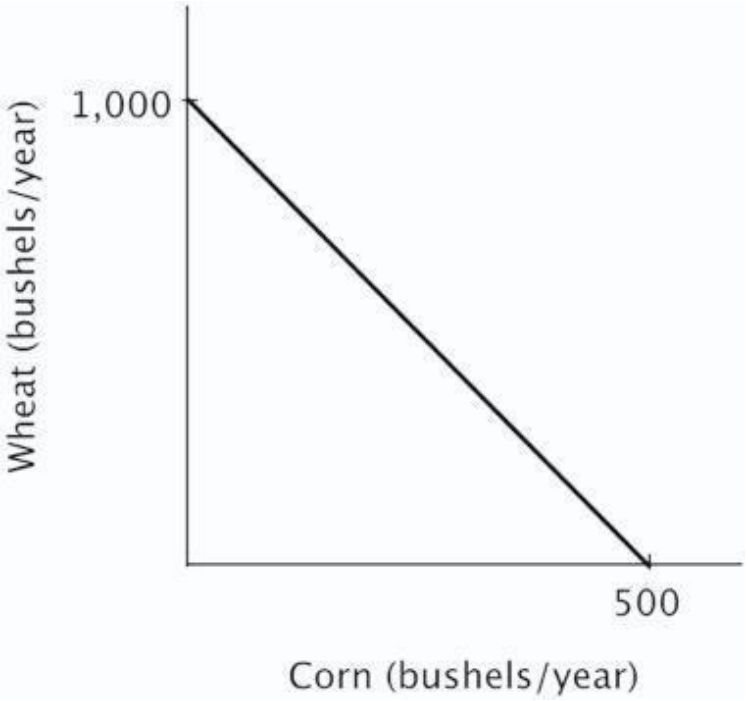

A. inefficient and unattainable.
B. inefficient but attainable.
C. efficient but unattainable.
D. efficient and attainable.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

81. Refer to the figure below. It is efficient for this farmer to:

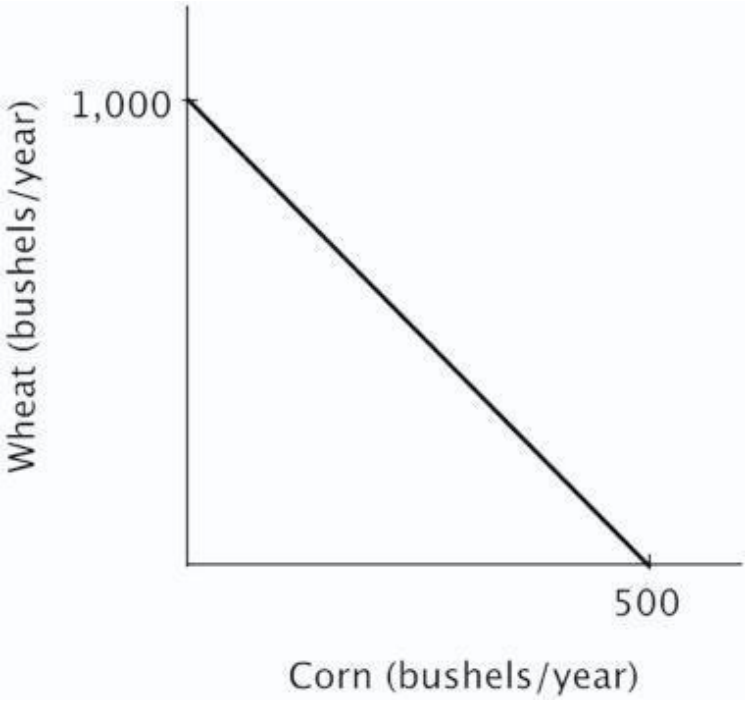



A. grow 500 bushels of wheat and 500 bushels of corn.
B. grow 250 bushels of wheat and 500 bushels of corn.
C. grow 500 bushels of wheat and 250 bushels of corn.
D. grow 1000 bushels of wheat and 500 bushels of corn.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

82. Refer to the figure below. The opportunity cost of producing one bushel of corn is:

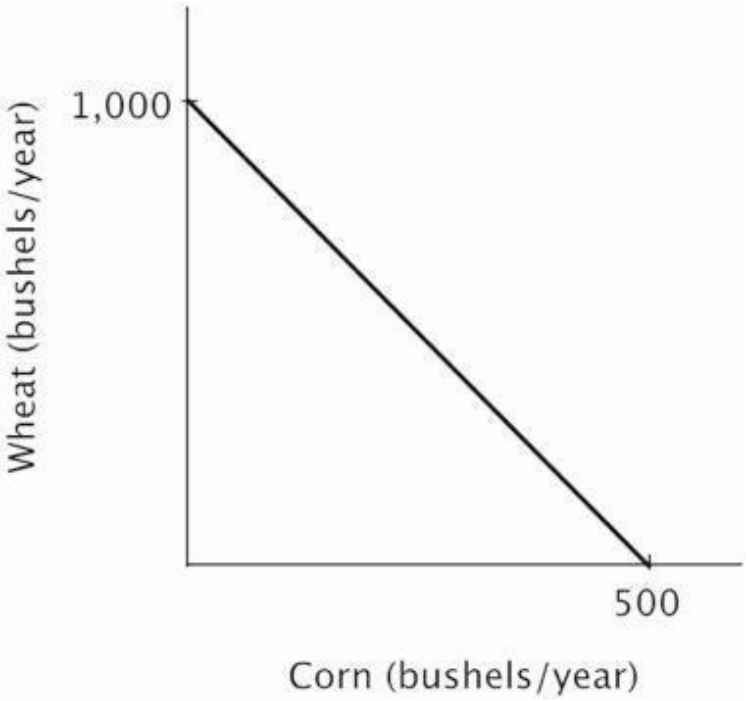



A. 2 bushels of wheat.
B. ½ of a bushel of wheat.
C. 500 bushels of wheat.
D. 250 bushels of wheat.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

83. Refer to the figure below. The opportunity cost of producing one bushel of wheat is:




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

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

84. If a given production combination is known to be attainable, then it:

A. must be on the production possibilities curve.
B. must be an inefficient point.
C. must be an efficient point.
D. could be either an inefficient or efficient point.

Attainable points are those that lie on or below the production possibilities curve. Points on the curve are efficient; points below the curve are inefficient.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

85. If a given production combination is efficient, then it must be:

A. above the production possibilities curve.
B. on the production possibilities curve.
C. either an attainable or unattainable point.
D. below the production possibilities curve.

Points on the production possibilities curve are efficient.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

86. Working efficiently, Jordan can write 3 essays and outline 4 chapters each week. It must be true that:

A. 6 essays and 0 chapter outlines would be unattainable.
B. 2 essays and 3 chapter outlines would be efficient.
C. 3 essays and 5 chapter outlines would be unattainable.
D. 4 essays and 3 chapter outlines would be both attainable and efficient.

If a point is efficient, then it is impossible to have more of one activity without giving up some of the other. So, Jordan cannot increase the number of outlined chapters to 5 while still writing 3 essays.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

87. 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:

A. 6
B. 4
C. 3
D. 1/3

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

88. 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:

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

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

89. Generally, on a linear two•good production possibilities curve, the opportunity cost of the good measured on the vertical axis is:

A. one minus 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. the negative of the opportunity cost of the good measured on the horizontal axis.

The absolute value of the slope of the production possibilities curve gives you the opportunity cost of the good measured on the horizontal axis, and the reciprocal of the absolute value of the slope of the production possibilities curve gives you the opportunity cost the good measured on the vertical axis.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

90. If a linear, two-good production possibilities curve has a slope of –2, then:

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

The absolute value of the slope of the production possibilities curve gives you the opportunity cost of the good measured on the horizontal axis, and the reciprocal of the absolute value of the slope of the production possibilities curve gives you the opportunity cost the good measured on the vertical axis.

*AACSB: Analytic Accessibility: Keyboard Navigation Blooms: Analyze Difficulty: 03 Hard*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

91. The idea that tradeoffs have to be made when resources are scarce is reflected in the fact that:

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

The downward slope of the production possibilities curve captures the idea that because resources are limited, having more of one good means having less of the other.

*AACSB: Reflective Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

92. In a two•person, two•good economy, the gains to specialization will be larger when:

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

The greater are the differences between individuals in their opportunity costs, the greater are the gains to specialization.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

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

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

The Principle of Increasing Opportunity Cost stats that in expanding the production of any good, we should first employ those resources that have the lowest opportunity cost, and only afterwards turn to resources with higher opportunity costs.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

94. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. 0.10 computers; 0.05 computers
B. 10 computers; 20 computers
C. 1 computer; 0.5 computers
D. 0.6 computers; 1.2 computers

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

95. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. 6.
C. 16.
D. 10.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

96. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. 1 hour on computers; 40 minutes on computers and 20 minutes on calculators
B. 1 hour on computers; 20 minutes on computers and 40 minutes on calculators
C. 30 minutes on each; 30 minutes on each
D. 45 minutes on computers and 15 on calculators; 1 hour on calculators

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

97. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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 on each; 30 minutes on each
B. 48 minutes on computers and 12 minutes on calculators; 1 hour on calculators
C. 1 hour on calculators; 10 minutes on computers and 50 minutes on calculators
D. 12 minutes on computers and 48 minutes on calculators; 1 hour on calculators

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

98. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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 computers; split his time between computers and calculators
C. split his time between computers and calculators; produce only computers
D. produce only calculators; produce only computers

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*
*Topic: Comparative Advantage and Production Possibilities*

99. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. split his time between computers and calculators; produce only calculators
B. produce only calculators; split his time between computers and calculators
C. produce only calculators; produce only computers
D. produce only computers; produce only calculators

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*
*Topic: Comparative Advantage and Production Possibilities*

100. Smith and Jones comprise a two•person economy. Their hourly rates of production are shown below.

| | 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. Smith; absolute advantage is larger
B. Jones; absolute advantage is smaller
C. Jones; opportunity costs are lower
D. Smith; opportunity costs are lower

*AACSB: Analytic*
*Blooms: Evaluate*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*
*Topic: Comparative Advantage and Production Possibilities*

101. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

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

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

102. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

| | 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. 0 tons per day.
B. 3 tons per day.
C. 4 tons per day.
D. 5 tons per day.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

103. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

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

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

104. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

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

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

105. Earth Movers & Shakers operates 3 iron ore mines. The table below 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.

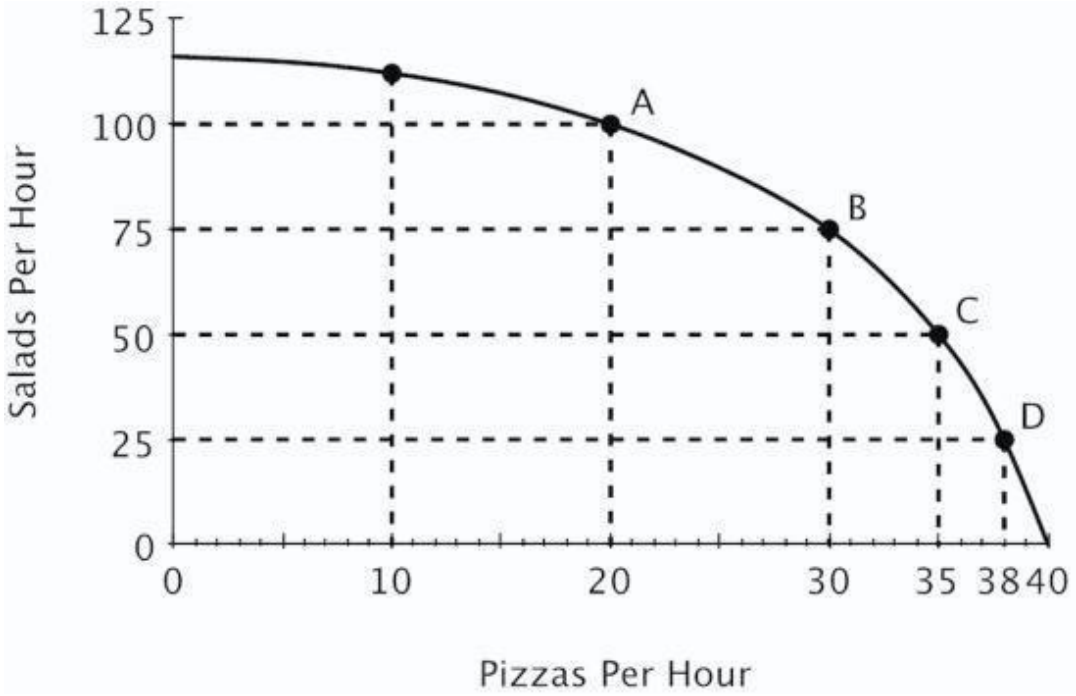
| | Total Tons Per Day | Number of Miners |
|---|---|---|
| Mother Lode | 100 | 25 |
| Scraping Bottom | 30 | 10 |
| Middle Drift | 75 | 15 |

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

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*
*Topic: Comparative Advantage and Production Possibilities*

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



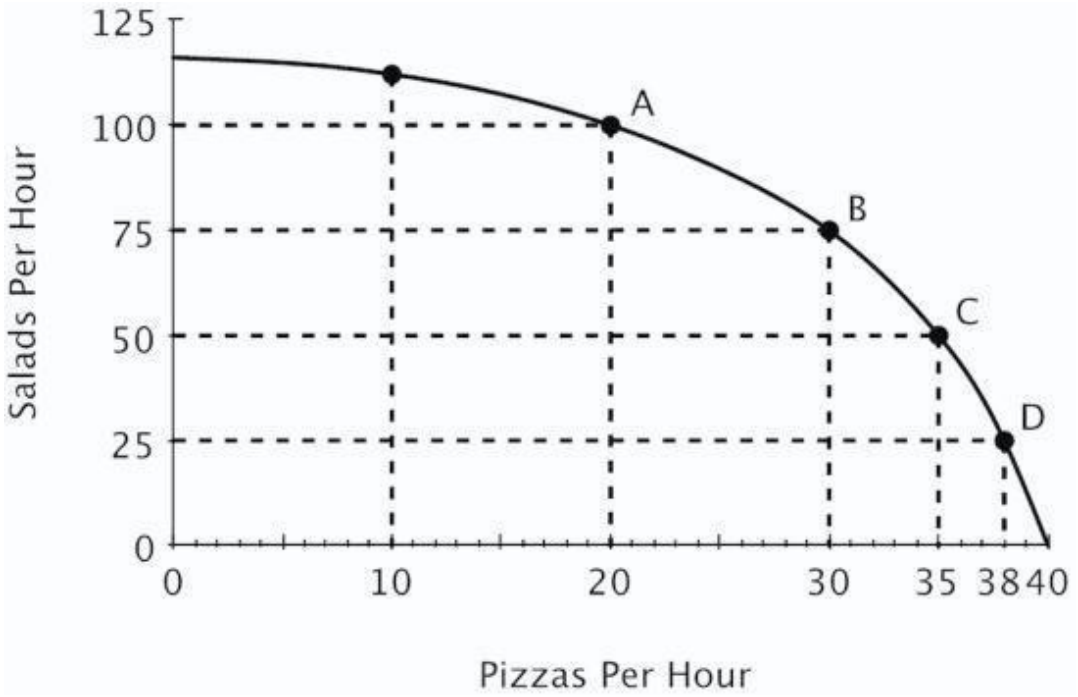

A. 0
B. 10
C. 20
D. 30

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

107. Refer to the figure below. Relative to point *B*, at point *C* this restaurant is:



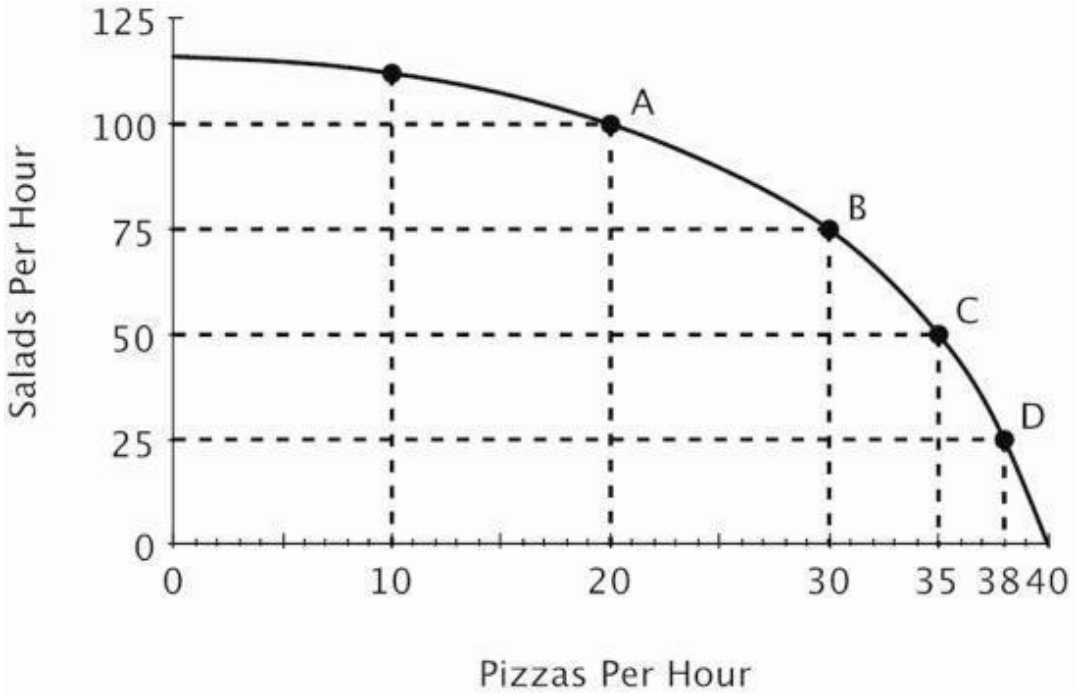

A. making more pizzas and more salads.
B. making more pizzas and fewer salads.
C. making fewer pizzas and more salads.
D. operating more efficiently.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

108. Refer to the figure below. Moving from point *C* to point *B*, the opportunity cost of 25 more salads is:



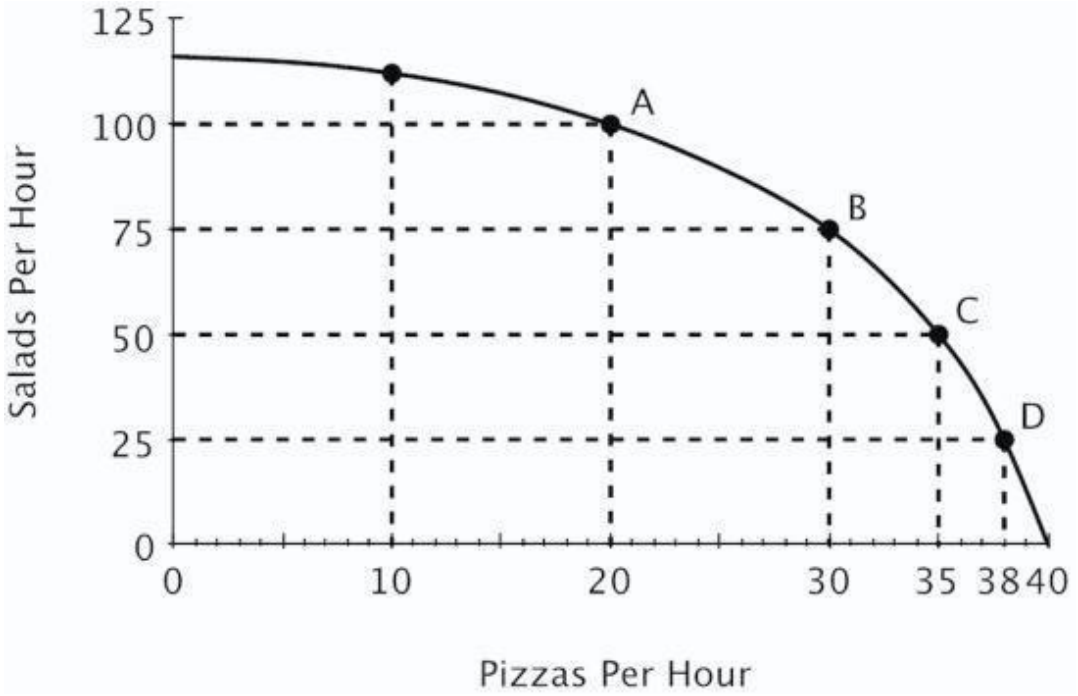

A. 5 pizzas.
B. 10 pizzas.
C. 15 pizzas.
D. 30 pizzas.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

109. Refer to the figure below. Moving from point *B* to point *A*, the opportunity cost of 25 more salads is:



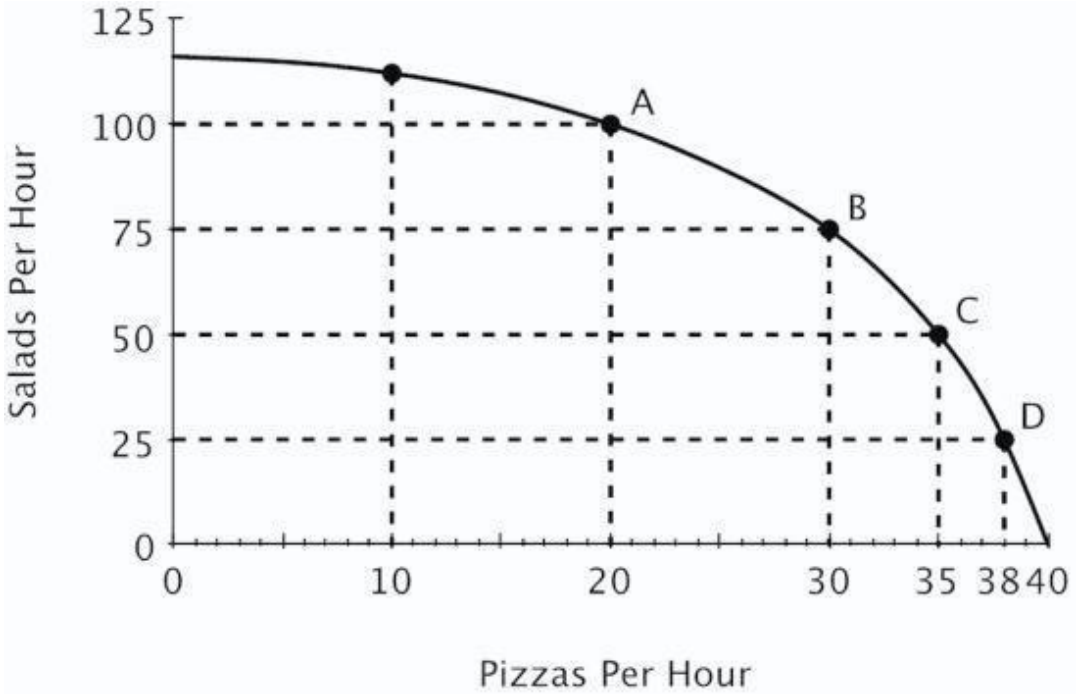

A. 5 pizzas. B. 10 pizzas. C. 15 pizzas. D. 20 pizzas.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

110. Refer to the figure below. The opportunity cost of making an additional salad:



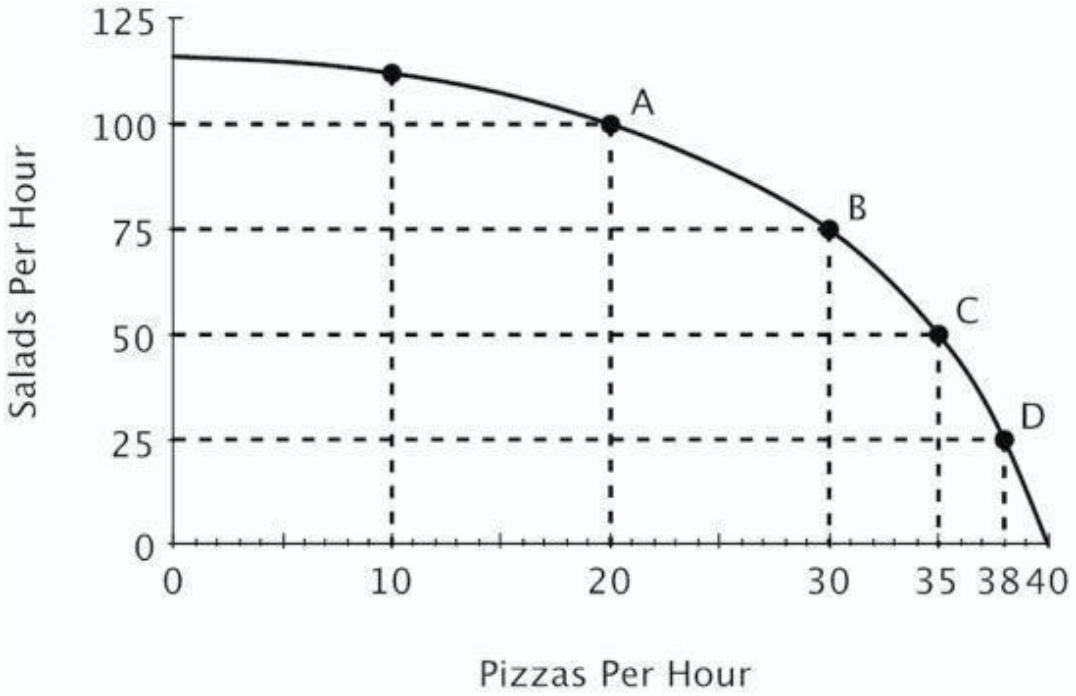

A. remains constant regardless of how many salads are made.
B. increases as the number of salads increases.
C. decreases as the number of pizzas decreases.
D. decreases as the number of salads increases.

*AACSB: Analytic*
*Blooms: Analyze*
*Blooms: Understand*
*Difficulty: 03 Hard*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

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

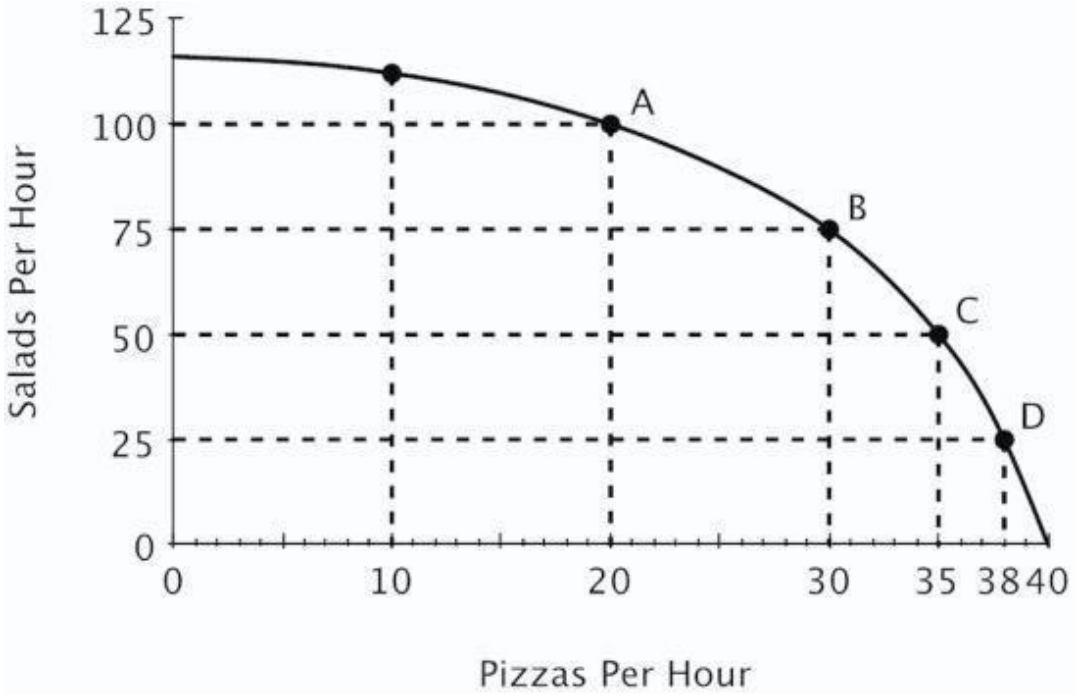



A. It has to give up exactly 25 salads.
B. It has to give up more than 12.5 salads.
C. It has to give up exactly 12.5 salads.
D. It has to give up fewer than 12.5 salads.

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

112. Refer to the figure below. As the production of pizza increases, the opportunity cost of producing pizza:



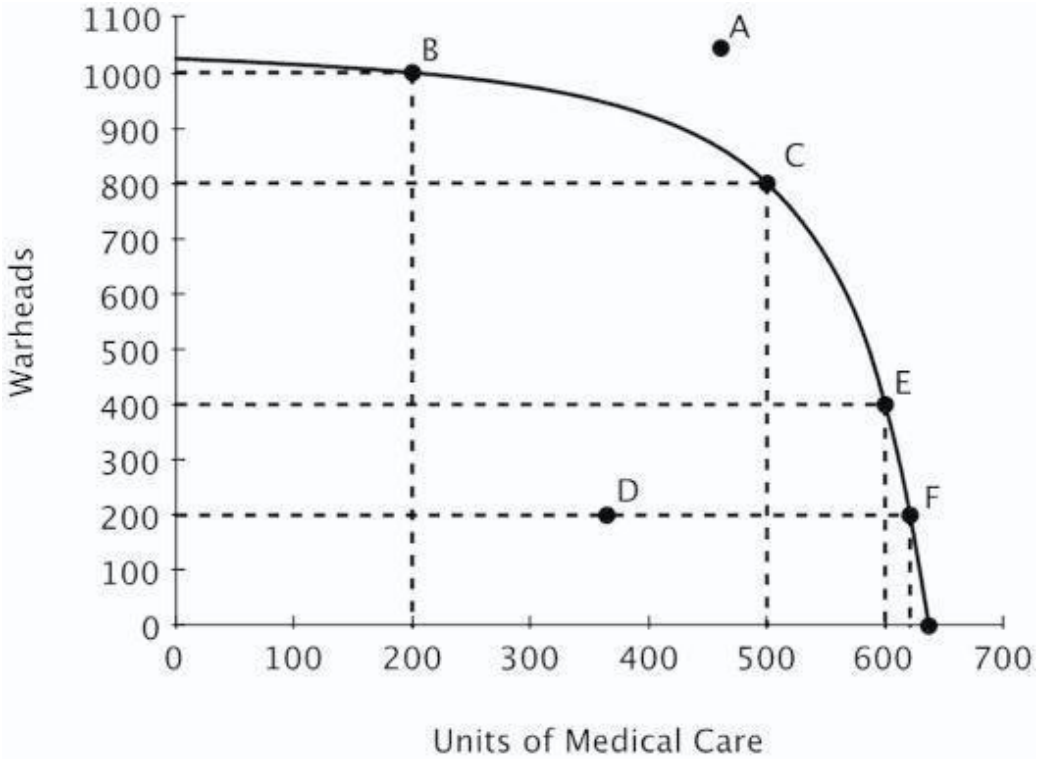

A. doesn't change.
B. decreases.
C. increases.
D. become negative.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

113. Refer to the figure below. Which of the following is true?



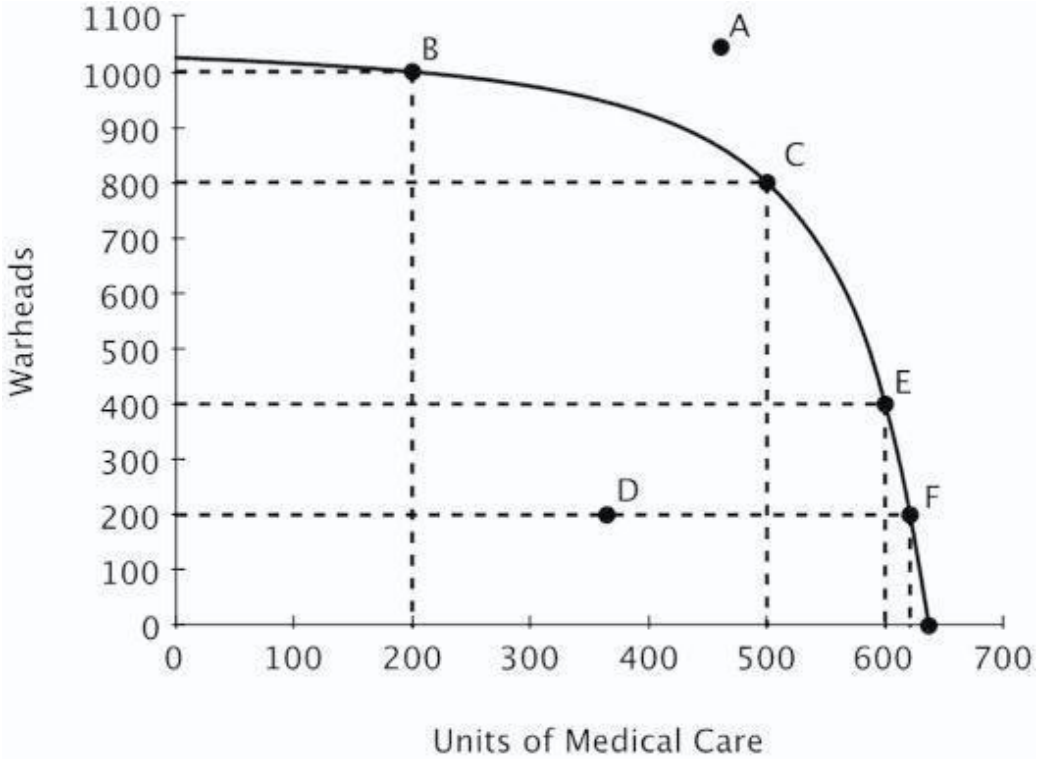

A. Point *A* is efficient because it is farthest from the origin.
B. Point *D* is efficient because it requires using the fewest resources.
C. Point *F* is the most efficient because medical care is the highest there.
D. Points *B*, *C*, *E* and *F* are efficient.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

114. Refer to the figure below. Suppose that the government requires that resources be used efficiently. Which of the following would the government definitely not allow?

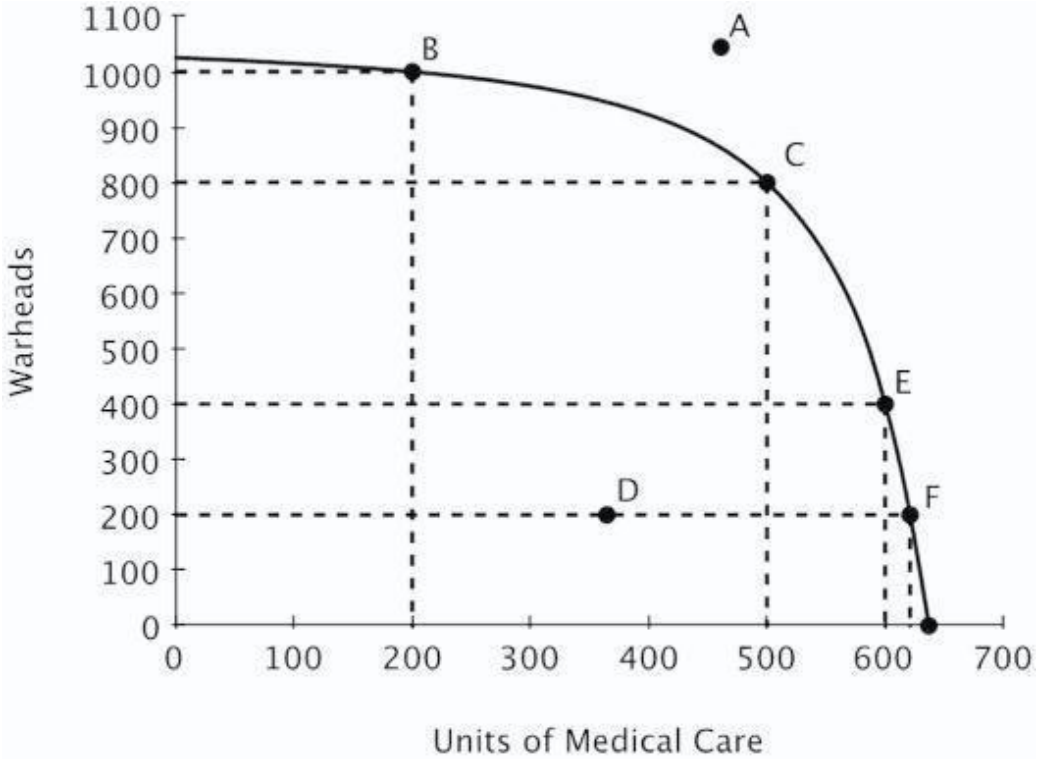



A. Specialization in warhead production.
B. Specialization in medical care production.
C. Production at any point other than *C*.
D. Production at point *D*.

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

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

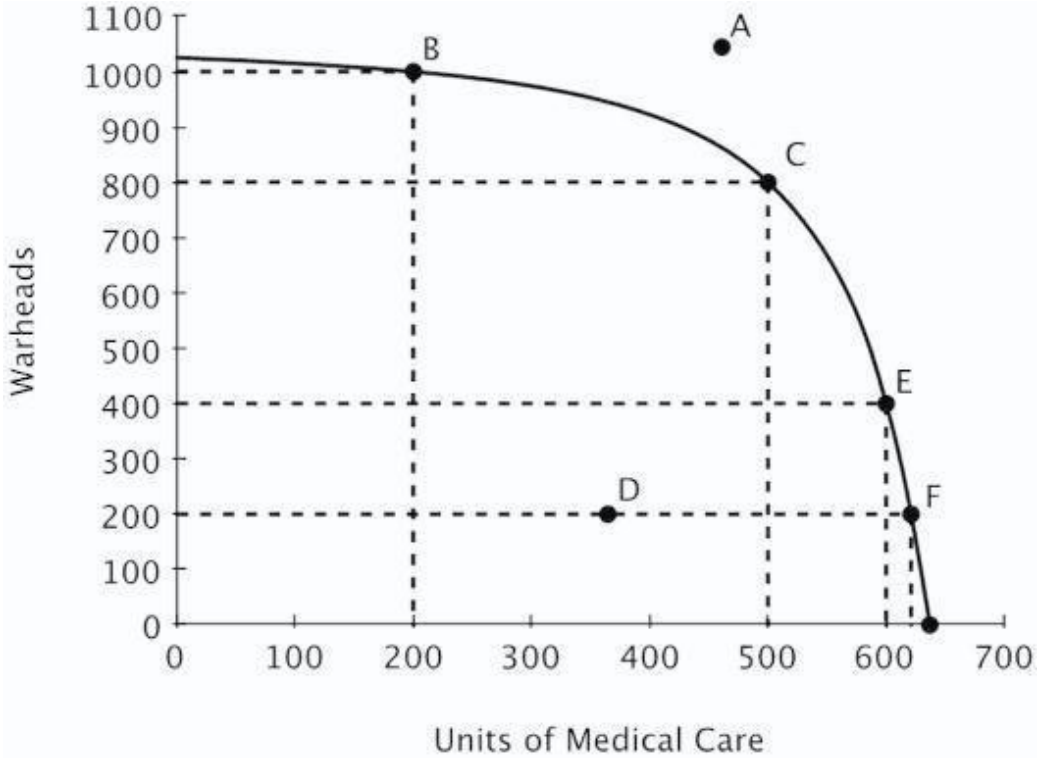



A. 800 warheads.
B. 400 warheads.
C. 200 warheads.
D. 100 warheads.

*AACSB: Analytic*
*Blooms: Apply Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

116. Refer to the figure below. 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.




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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

117. Production possibilities curves for large economies are generally bow•shaped because:

A. specialization gives some producers a comparative advantage.
B. opportunity costs tend to decrease with increases in production.
C. opportunity costs tend to increase with increases in production.
D. as more resources are used to produce a good, those resources become less expensive.

When a production possibilities curve is bow•shaped, this reflects increasing opportunity costs. Increasing opportunity costs arise in large economies because, when expanding production, resources with the lowest opportunity cost should be used first.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

118. The Principle of Increasing Opportunity Costs states that:

A. productive people do the hardest tasks first.
B. when increasing production, resources with the lowest opportunity costs should be used first.
C. when increasing production, resources with the lowest opportunity costs should be used last.
D. opportunity costs increase when too little is produced.

This principle is also known as the Low•Hanging•Fruit Principle: take advantage of your least•cost opportunities first.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Remember*
*Difficulty: 01 Easy*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

119. 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:

A. Mary has an absolute advantage in gardening.
B. Joe has a comparative advantage in walking the dog.
C. Mary's opportunity cost of walking the dog is lower than Joe's.
D. Joe experiences increasing opportunity costs when he gardens, but not when he walks the dog.

Everyone does best when each person specializes in the activity in which he or she has a comparative advantage.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

120. The benefits of specialization can be used to explain why:

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

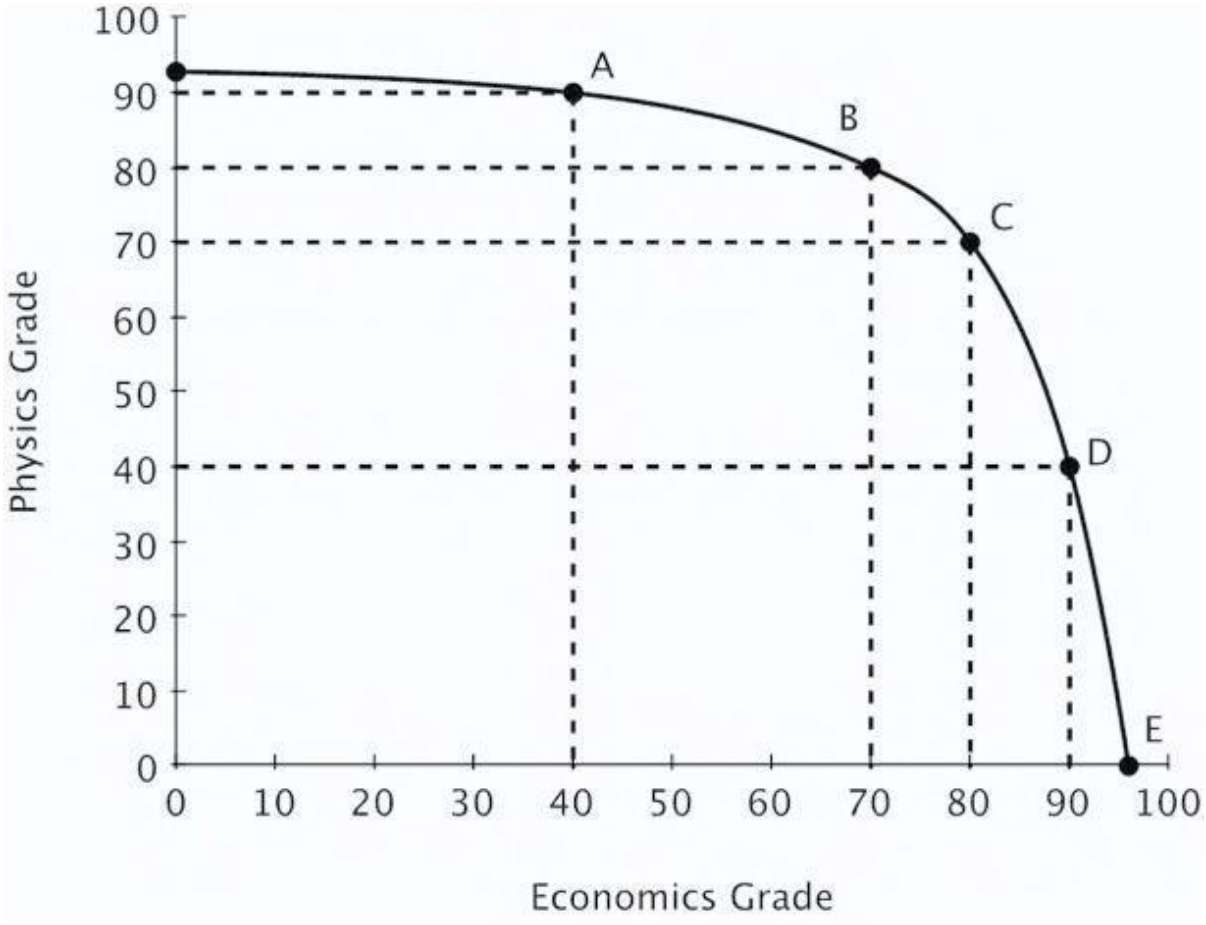
Specialization allows two parties with different opportunity costs to benefit from trade because by specializing they can increase their combined output.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard*
*Navigation Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

121. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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?

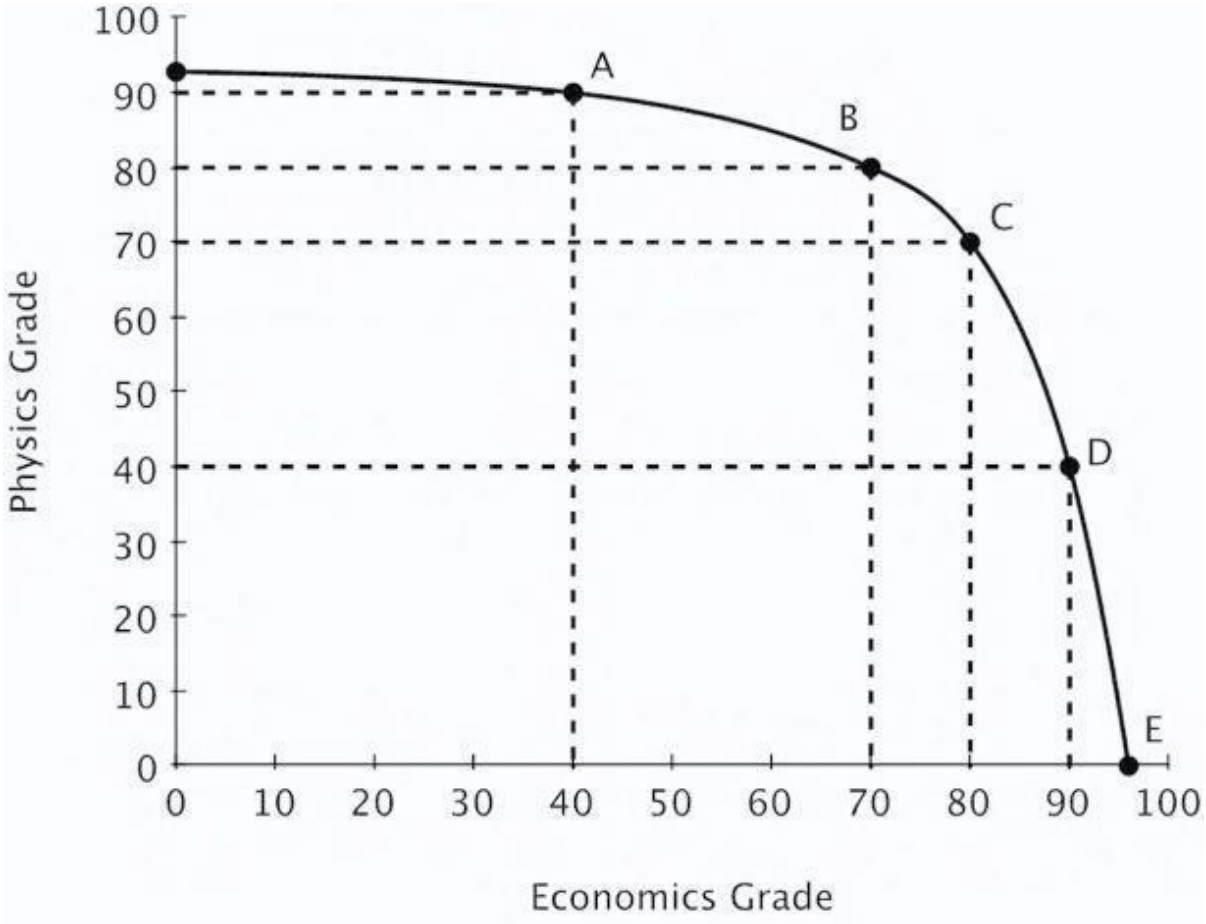
A. Moe can pass both classes.
B. Moe can pass economics, but only if he fails physics.
C. Moe can pass physics, but only if he fails economics.
D. Moe could earn an A in economics and still pass physics.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

122. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




Which of the following is true?

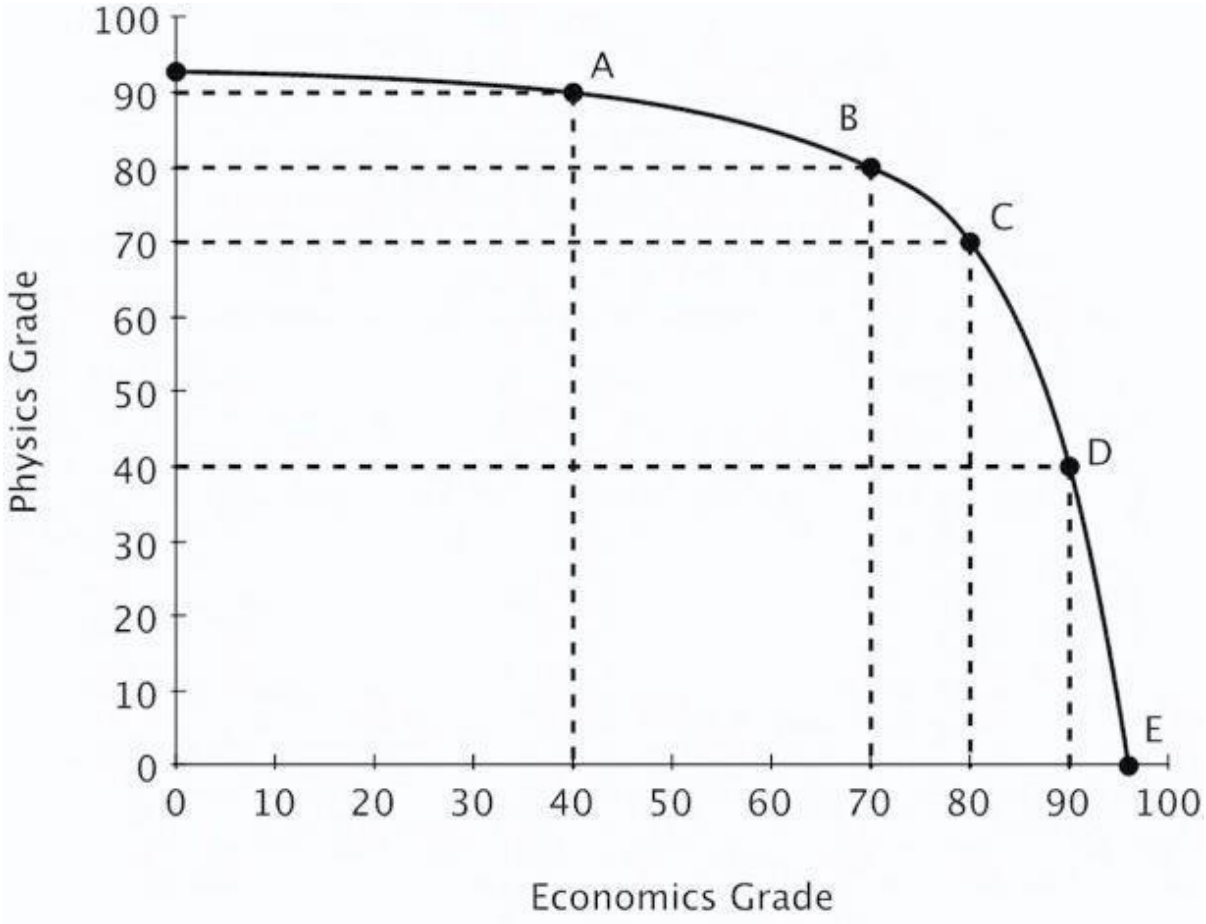
A. Moe has a comparative advantage in physics.
B. Moe's opportunity cost of studying for each subject is increasing.
C. Moe has a comparative advantage in economics.
D. Moe has an absolute advantage in economics.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

123. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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

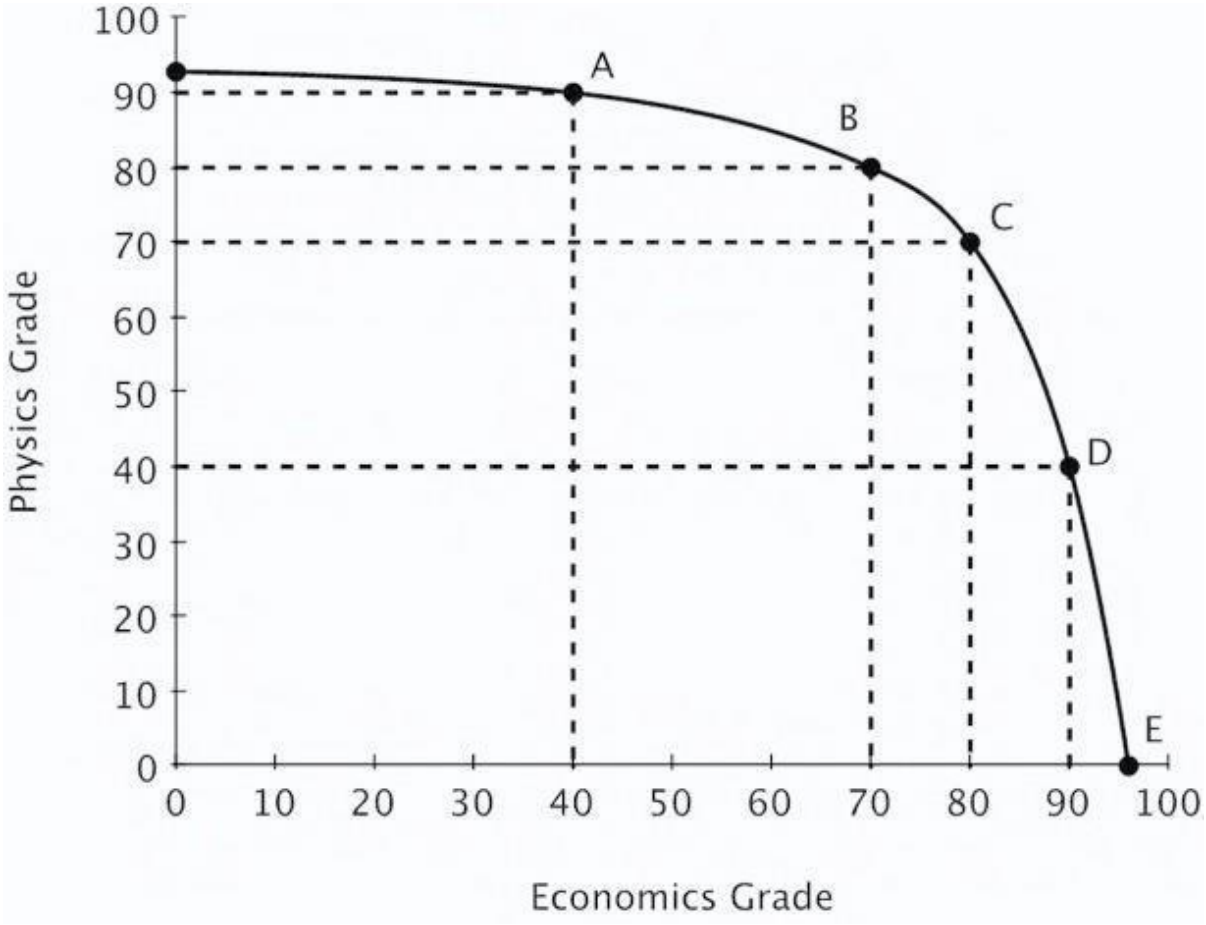
A. is inefficient.
B. has a lower opportunity cost than moving from an 80 to a 90.
C. is unattainable.
D. has a higher opportunity cost than moving from an 80 to a 90.

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

124. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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

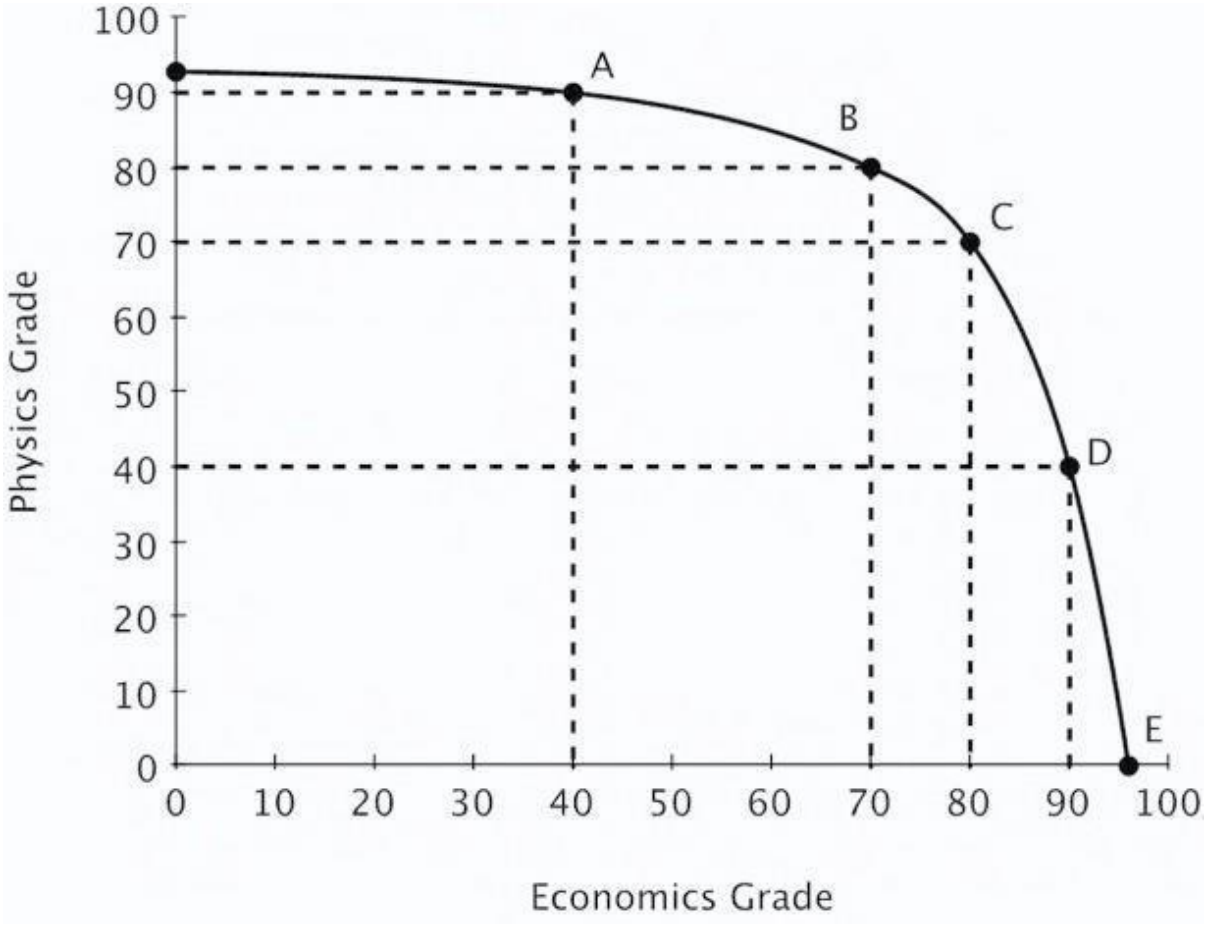
A. less than the increase in
B. more than the increase in
C. more than the decrease in
D. less than the decrease in

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

125. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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

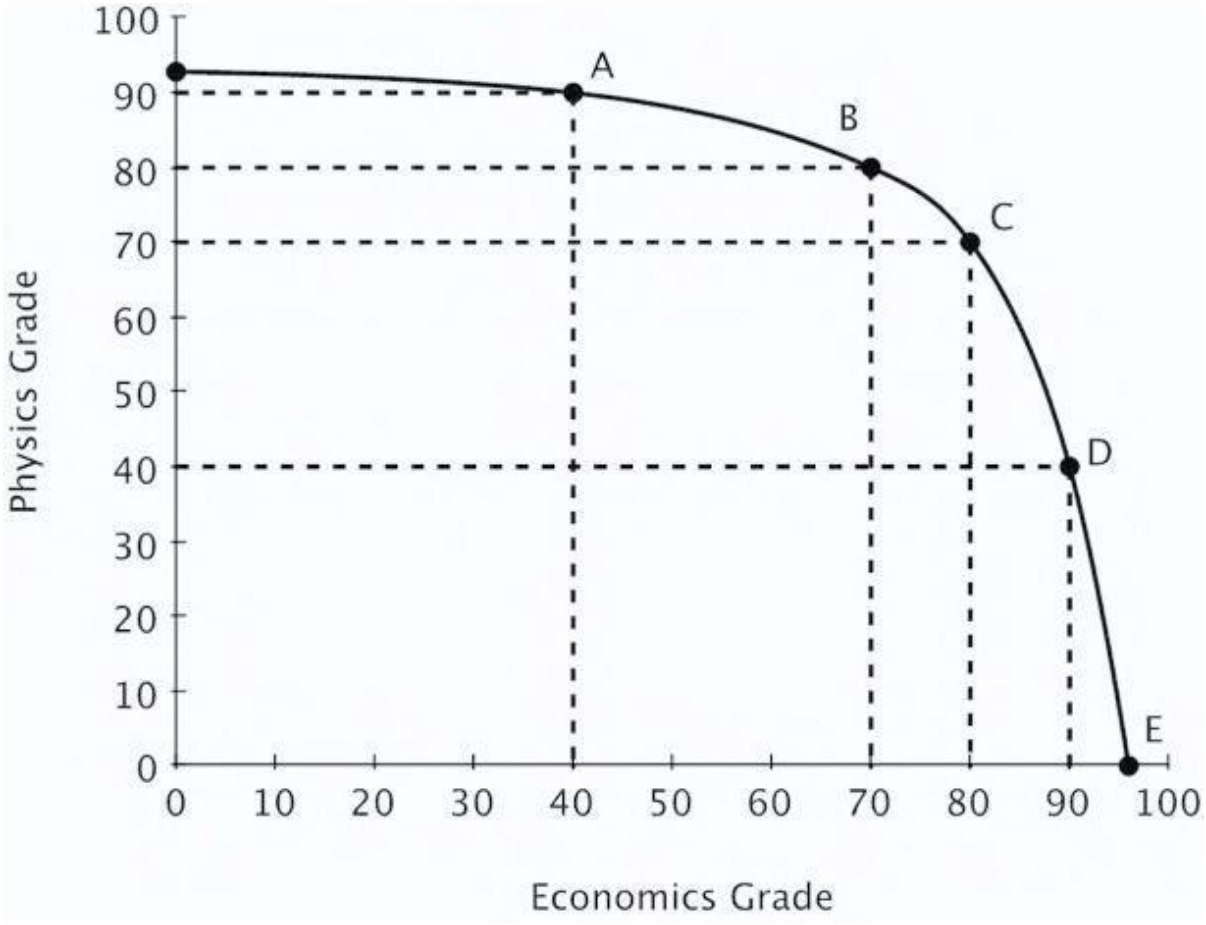
A. lower than the opportunity cost of going from 80 to 90 in economics.
B. higher than the opportunity cost of going from 80 to 90 in economics.
C. lower than the opportunity cost of going from 80 to 90 in physics.
D. the same as the opportunity cost of going from 70 to 80 in physics.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

126. Moe divides his time between studying Physics and studying Economics. His production possibilities curve for his final grade in each class is shown below.




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_____.

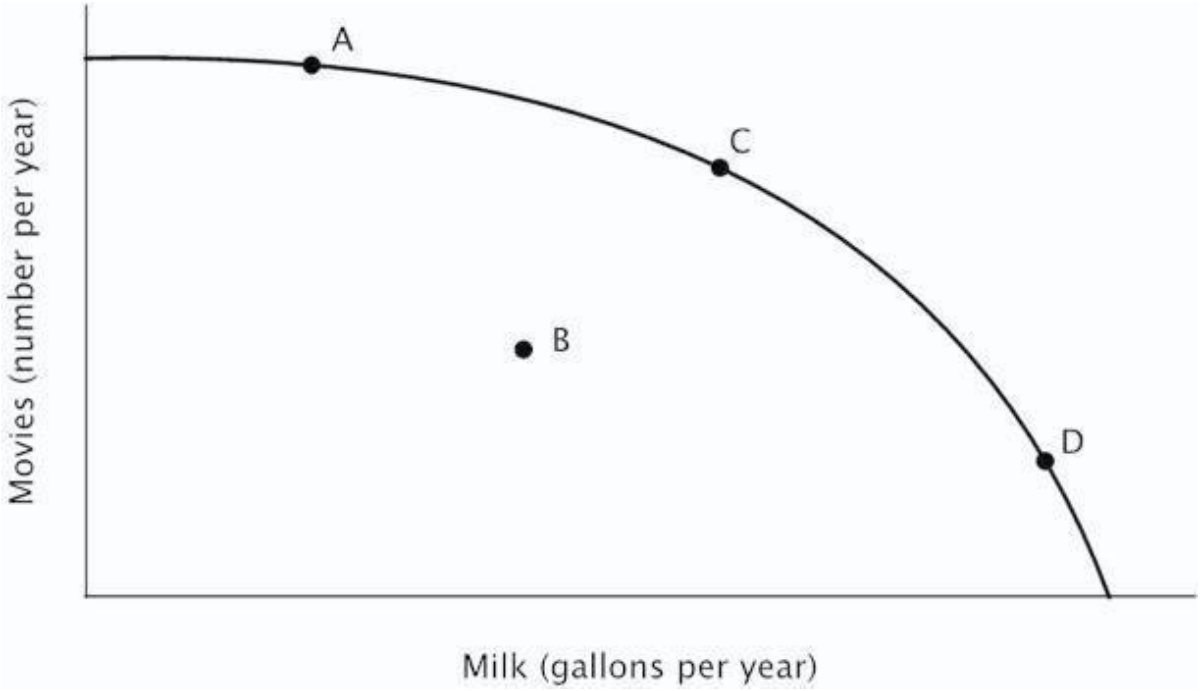
A. unattainable
B. attainable
C. efficient
D. inefficient

*AACSB: Reflective Thinking*

*Blooms: Understand*
*Difficulty: 02 Medium Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

127. Refer to the figure below. For the nation whose PPC is shown, it must be true that:

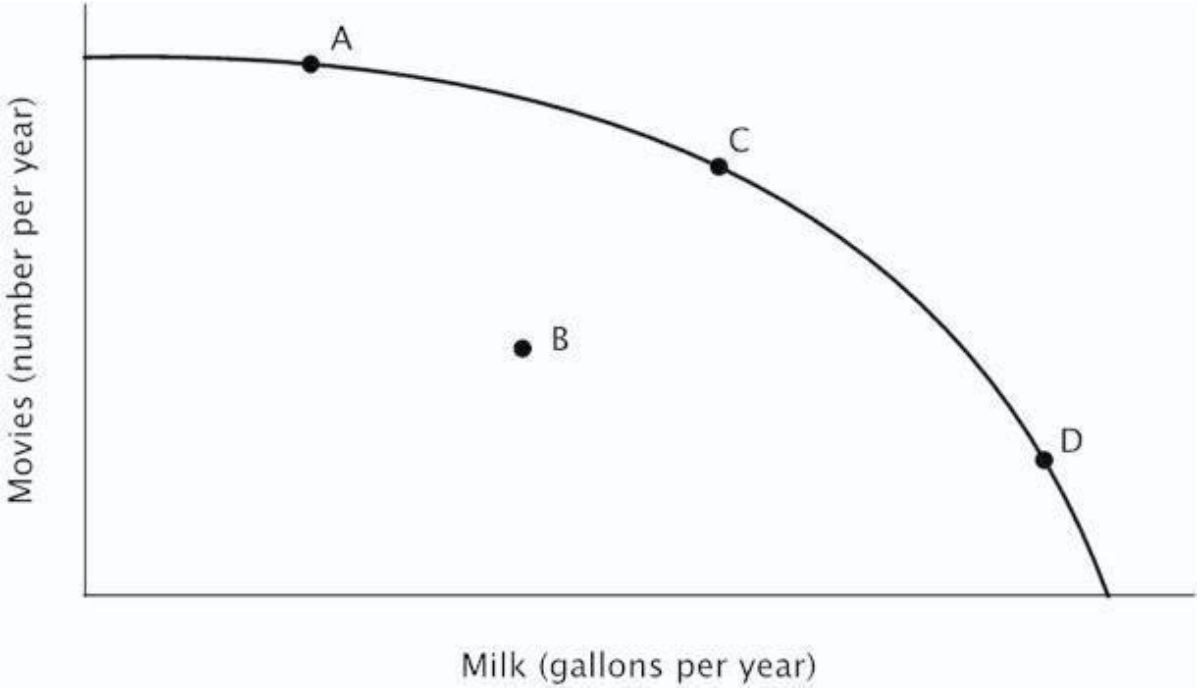



A. the nation's productive resources are better•suited to making milk than to making movies.
B. the nation's productive resources are better•suited to making movies than to making milk.
C. some of the nation's productive resources are better•suited to making milk, and some are better•suited to making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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

128. Refer to the figure below. At point *D*, the opportunity cost of making milk is:

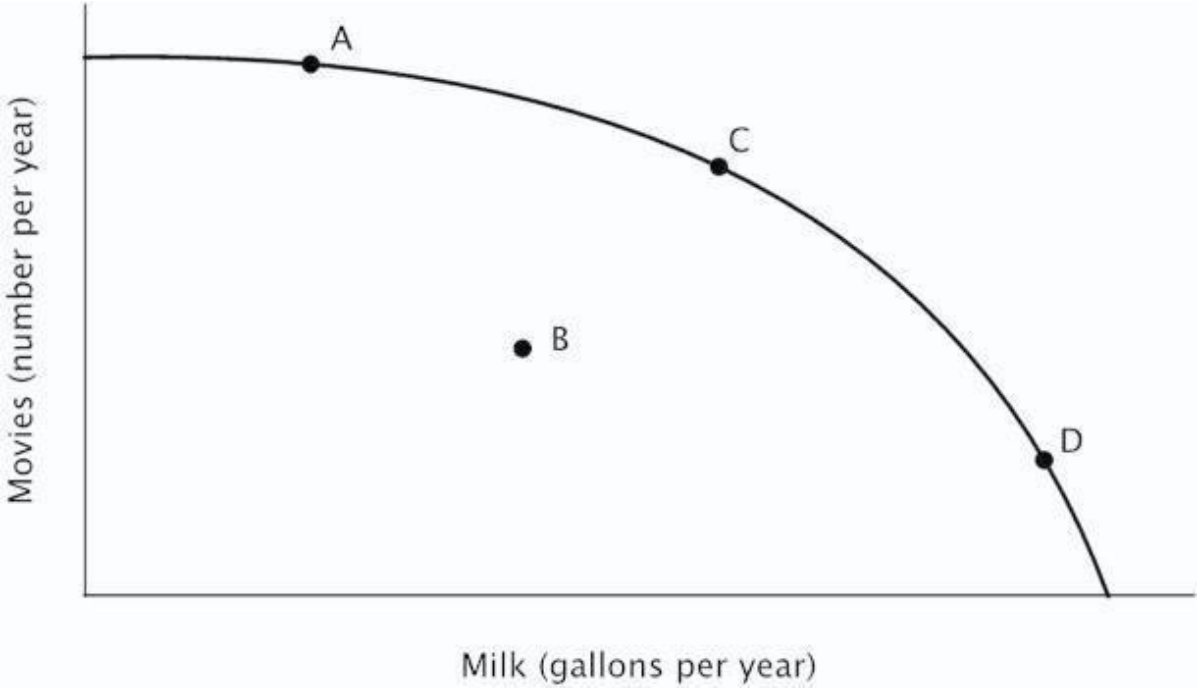



A. low because the economy is specializing in making milk.
B. high because productive resources that are better•suited to making movies *are not* being used to make milk.
C. high because productive resources that are better•suited to making movies *are* being used to make milk.
D. high because the economy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

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

129. Refer to the figure below. This economy would be operating at point *B* if:



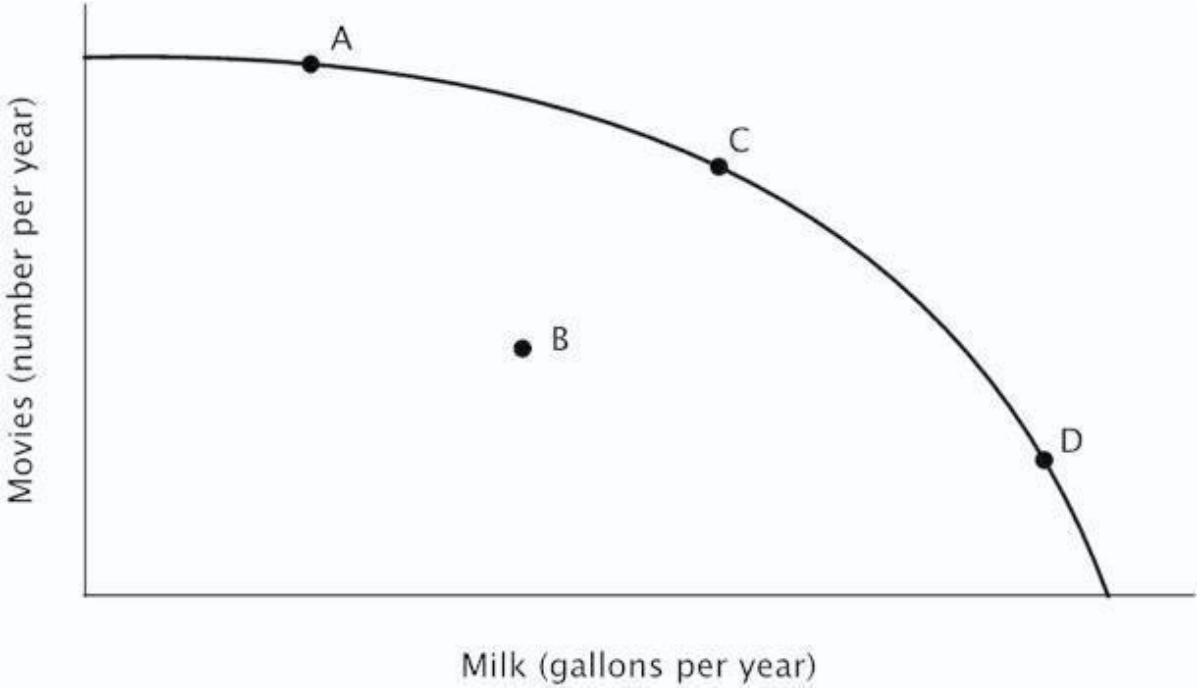

A. it was operating efficiently.
B. the opportunity cost of making milk were higher than the opportunity cost of making movies.
C. the opportunity cost of making movies were higher than the opportunity cost of making milk.
D. resources that are better•suited to making movies were being used to make milk,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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

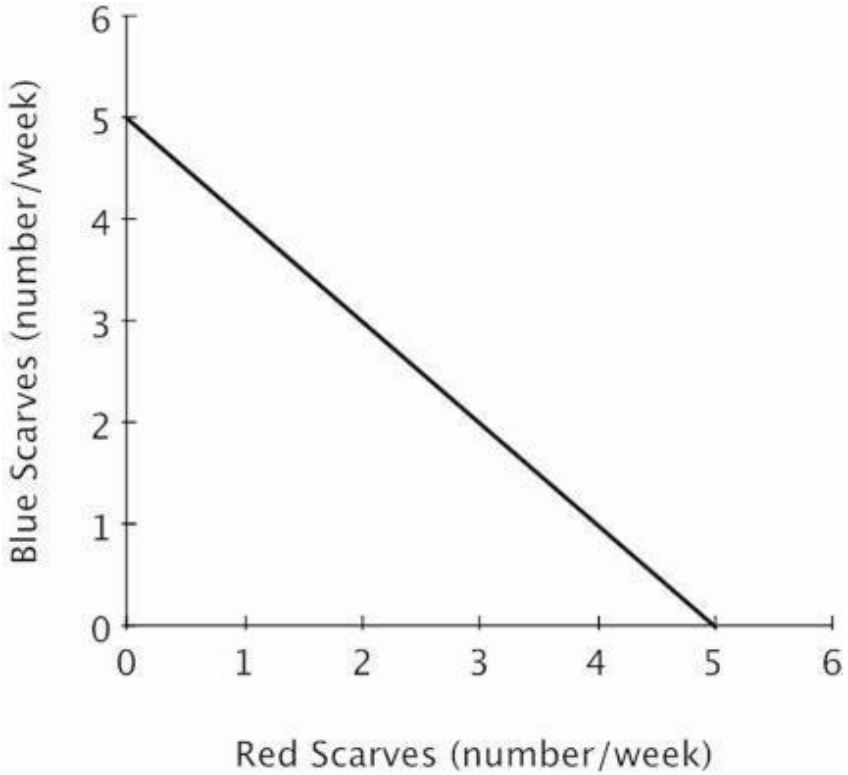
130. Refer to the figure below. If this economy were currently operating at point *D*, then in order to make more movies:




A. the first productive resources to switch to making movies should be those with the lowest opportunity cost of making milk.
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 point D is already efficient.
D. 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.

*AACSB: Analytic*
*Blooms: Evaluate*
*Difficulty: 03 Hard Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*
*Topic: Comparative Advantage and Production Possibilities*

131. The figure below shows Avery's weekly production possibilities curve for scarves.




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

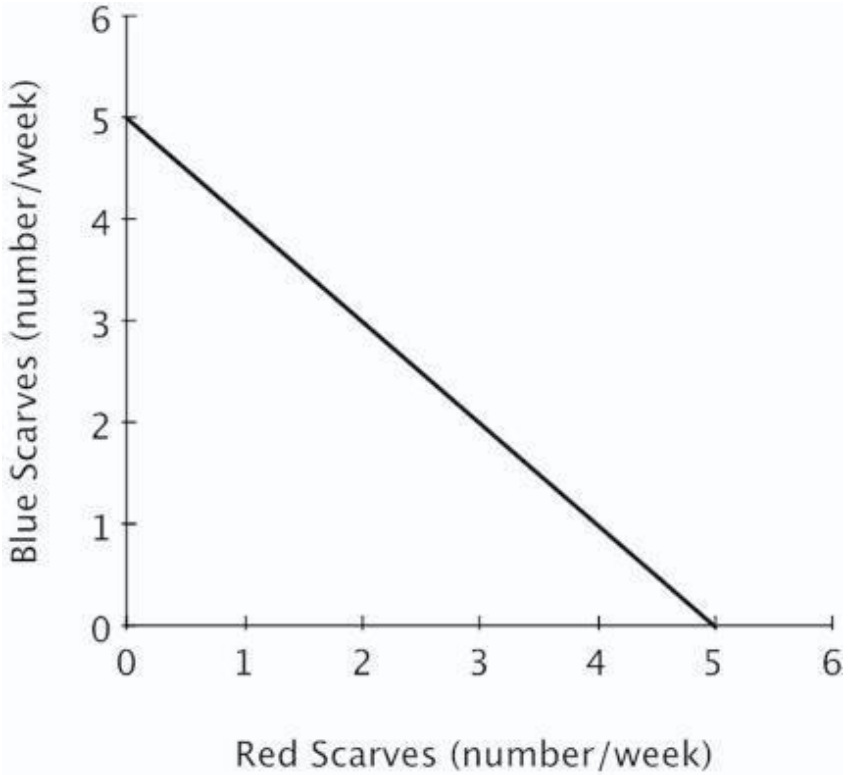
A. decreasing.
B. increasing.
C. 1 blue scarf.
D. zero.

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*

*Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging•Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.*

*Topic: Comparative Advantage and Production Possibilities*

132. The figure below shows Avery's weekly production possibilities curve for scarves.




Avery's PPC would shift outward if she:

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

*AACSB: Reflective Thinking*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•03 Identify factors that shift the menu of production possibilities.*
*Topic: Factors That Shift the Economy's Production Possibilities Curve*

133. Economic growth can result from a(n):

A. increase in the amount of productive resources.
B. increase in number of the minimum wage jobs.
C. increase in the amount of consumer goods produced.
D. decrease in the number of workers available.

An increase productive resources will shift the PPC outward.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•03 Identify factors that shift the menu of production possibilities.*
*Topic: Factors That Shift the Economy's Production Possibilities Curve*

134. Which of the following is NOT a reason why there are gains to specialization?

A. It eliminates many of the costs of switching from one task to another.
B. It further improves skills through experience and practice.
C. It increases the amount productive resources in the economy.
D. It allows individuals to concentrate on the activities in which they have a comparative advantage.

Specialization does not increase the amount of productive resources; it simply enables those resources to be used more efficiently.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•03 Identify factors that shift the menu of production possibilities.*
*Topic: Factors That Shift the Economy's Production Possibilities Curve*

135. An increase in an economy's productive resources will lead the production possibilities curve to:

A. shift inward.
B. shift outward.
C. become flatter.
D. stay the same.

An increase in an economy's productive resources makes it possible to increase the production of all goods, leading the PPC to shift outward.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•03 Identify factors that shift the menu of production possibilities.*
*Topic: Factors That Shift the Economy's Production Possibilities Curve*

136. Suppose that Nepal invests less in new factories and equipment than does the United States. This will likely cause:

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. The U.S.'s production possibilities curve to shift outward faster than Nepal's.
D. Nepal's production possibilities curve to shift inward faster than the U.S.'s.

Investment in technology and productive resources shifts the PPC outward.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•03 Identify factors that shift the menu of production possibilities.*
*Topic: Factors That Shift the Economy's Production Possibilities Curve*

137. If a nation restricts imports, it will:

A. benefit each individual citizen in that nation.
B. increase the total value of goods and services produced in that nation.
C. decrease the total value of goods and services produced in that nation.
D. harm each individual citizen in that nation.

Restricting imports lowers the total value of goods and services produced by a nation, but individual citizens could be better or worse off.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•03 Identify factors that shift the menu of production possibilities.*
*Topic: Factors That Shift the Economy's Production Possibilities Curve*

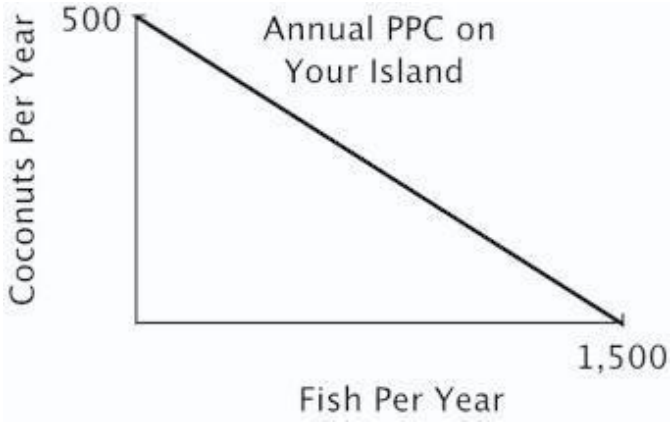
138. Regarding specialization, it is generally true that:

A. more specialization is always better.
B. less specialization is always better.
C. specialization imposes costs as well as benefits.
D. more specialization is always worse.

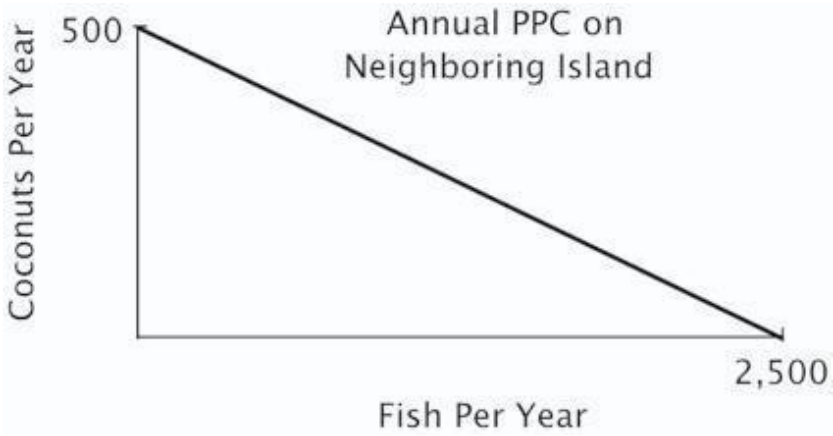
Specialization reduces variety which some workers enjoy.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•03 Identify factors that shift the menu of production possibilities.*
*Topic: Factors That Shift the Economy's Production Possibilities Curve*

139. You are the Minister of Trade for a small island country with the following annual PPC:




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



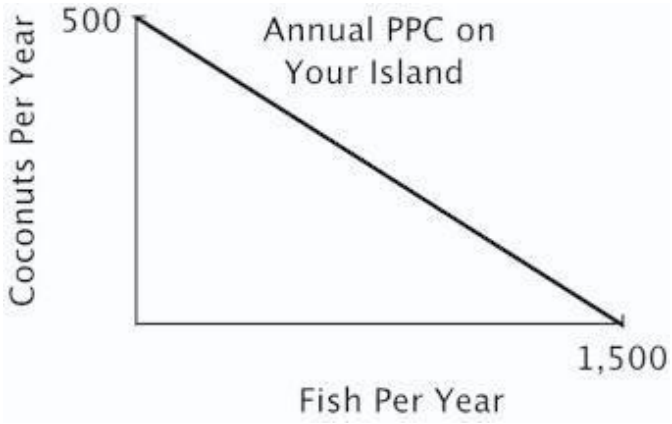

As soon as you see the other island's PPC, you realize there are:

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

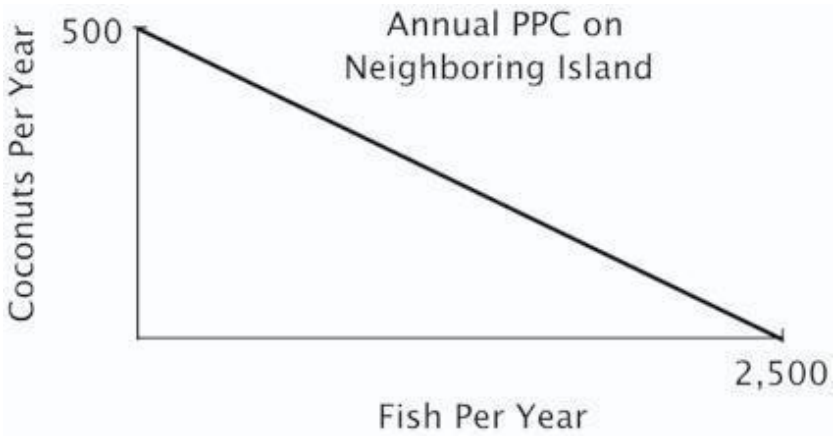
*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*

*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

140. You are the Minister of Trade for a small island country with the following annual PPC:




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

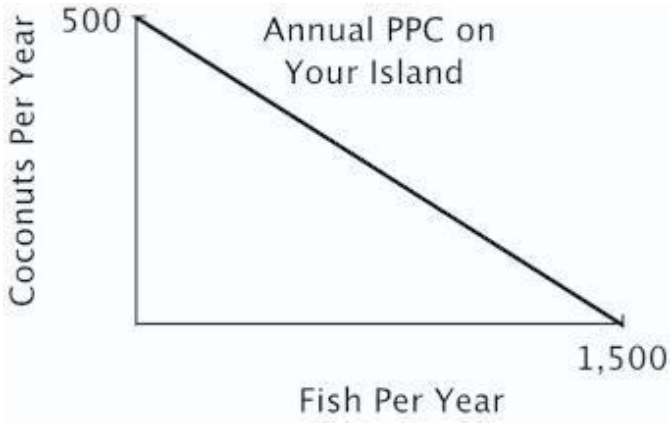



If the other island's delegate offers to give you 2 fish for every 1 coconut you give them, you will:

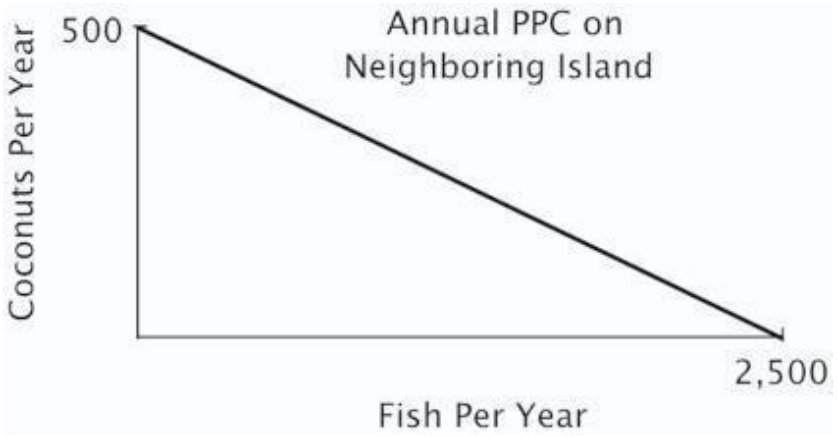
A. accept their offer because you do not have the comparative advantage in fish.
B. refuse their offer because the opportunity cost to you of a coconut is more than 2 fish.
C. accept their offer because you do not have an absolute advantage in fish.
D. refuse their offer because the opportunity cost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

*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

141. You are the Minister of Trade for a small island country with the following annual PPC:




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



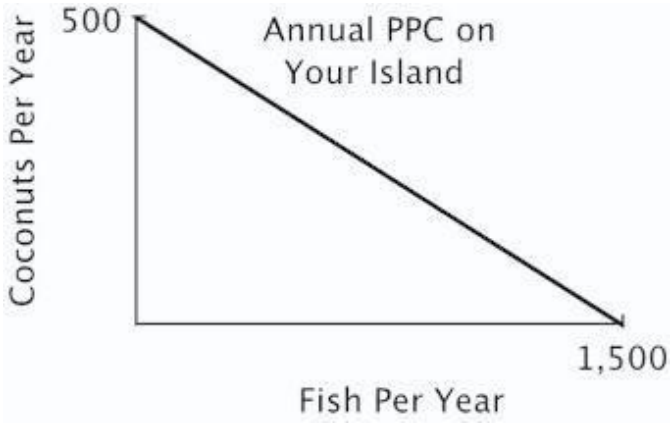

What's the minimum number of fish you would be willing to accept in exchange for a coconut?

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

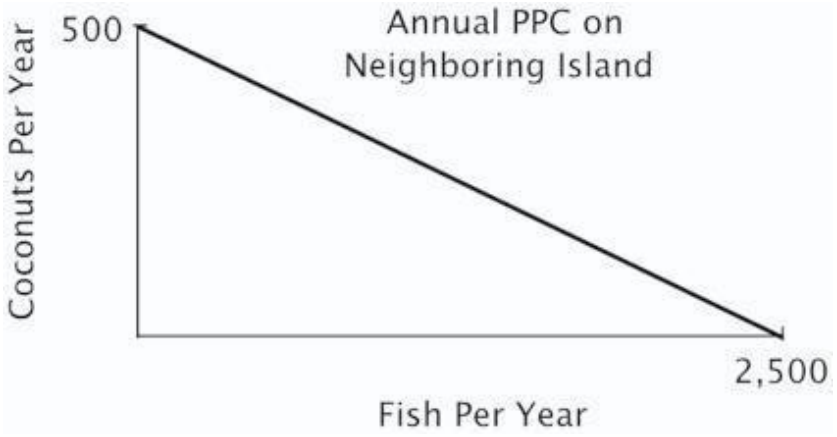
*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*

*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

142. You are the Minister of Trade for a small island country with the following annual PPC:




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



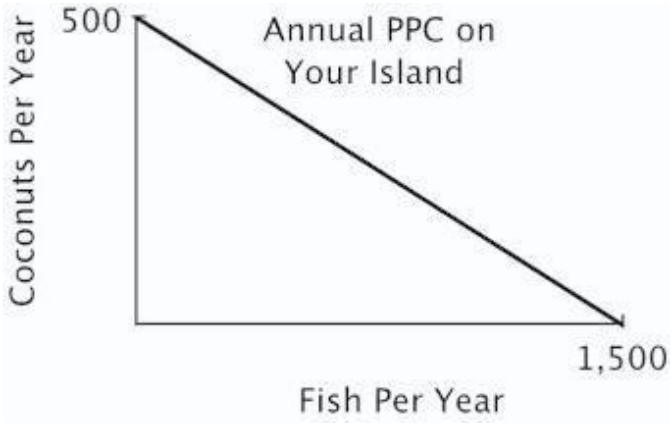

If you offer to give the other island 1 coconut for every 4 fish they give you, then they will:

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

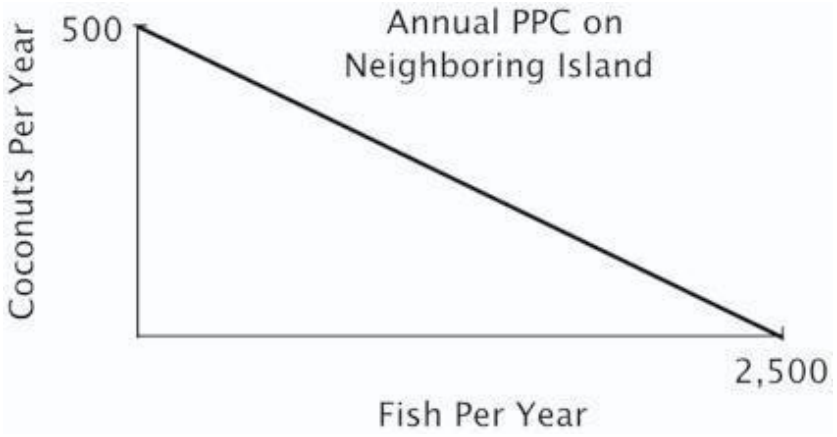
*AACSB: Analytic*
*Blooms: Analyze*
*Difficulty: 03 Hard*

*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

143. You are the Minister of Trade for a small island country with the following annual PPC:




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



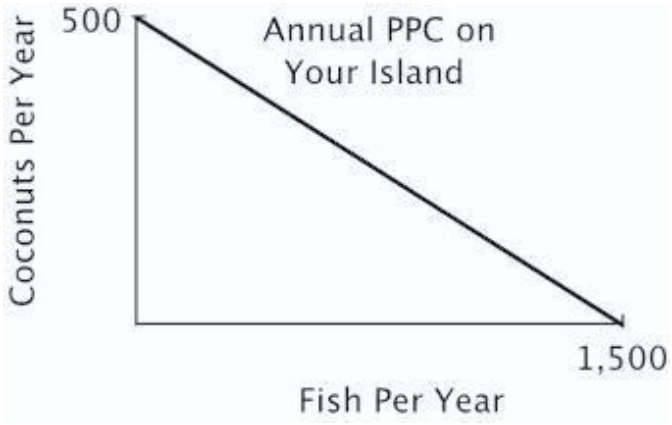

Both islands specialize exclusively in the product for which they have a comparative advantage. You have agreed to give 350 coconuts to the other island in exchange for 1,300 fish. After the trade, your island has a total of_____coconuts and_____fish.

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

*AACSB: Analytic*

*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

144. You are the Minister of Trade for a small island country with the following annual PPC:

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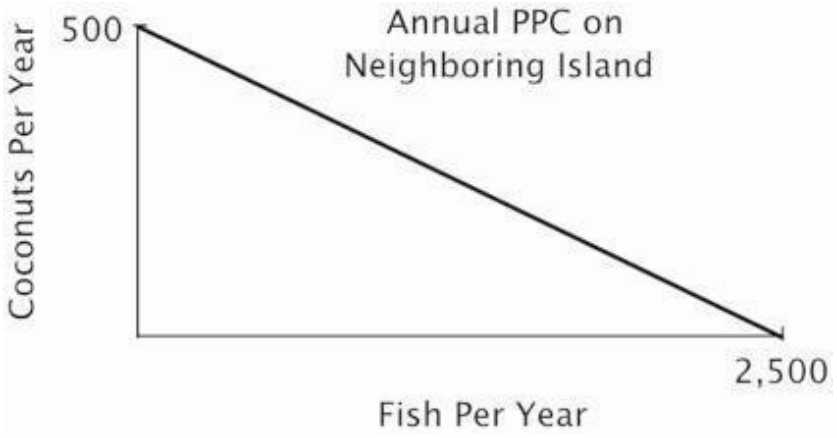


Both islands specialize exclusively in the product for which they have a comparative advantage. You have agreed to give 350 coconuts to the other island in exchange for 1,300 fish. After the trade the other island has a total of_____ coconuts and _____fish.

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

*AACSB: Analytic*

*Blooms: Analyze*
*Difficulty: 03 Hard*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

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

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

As long as each country has a comparative advantage in the production of at least one good that the other country wants, there are benefits to trade.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Blooms: Evaluate*
*Difficulty: 03 Hard*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

146. As the differences in opportunity costs between the U.S. and its trading partners increase, the potential gains from specialization and trade_____.

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

The gains from specialization and trade grow with increases in the opportunity costs between trading partners.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

147. One reason there is political opposition to international trade is that:

A. the potential gains from specialization and trade are small.
B. trade does not increase the total value of goods and services produced by a nation.
C. the differences in opportunity costs between countries are small.
D. not everyone benefits from trade.

Although trade increases the total value of goods and services produced by a nation, trade does not necessarily benefit each individual citizen.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

148. One concern regarding the North American Free Trade Agreement (NAFTA) was that it would lead:

A. the total value of goods and services produced by the United States to fall.
B. wages in Mexico to rise.
C. highly skilled workers in the United States to lose their jobs.
D. unskilled workers in the United States to lose their jobs.

Since Mexico has a comparative advantage in the production of goods made by unskilled workers, many Americans feared that NAFTA would lead unskilled workers in the United States to lose their jobs to workers in Mexico.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

149. When a nation reduces the barriers to international trade:

A. each individual citizen becomes better off.
B. each individual citizen becomes worse off.
C. the total value of all goods and services produced by the nation falls.
D. the total value of all goods and serviced produced by the nation rises.

While reducing barriers to trade increases total value of all goods and services produced by a nation, it does not guarantee that each individual citizen will be better off.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

150. The benefits to specialization are even greater when two trading partners have:

A. absolute advantages in producing the same goods.
B. similar consumption preferences.
C. very similar opportunity costs.
D. large differences in opportunity costs.

Greater difference in opportunity costs yields greater benefits from trade.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

151. According to the textbook, the evidence indicates that NAFTA has:

E. reduced the wages of skilled workers in the United States.
F. reduced the employment of unskilled workers in the United States significantly.
G. stopped illegal immigration from Mexico.
D. not significantly reduced the employment of unskilled workers in the United States.

Most studies have failed to detect significant overall job loss due to NAFTA.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Difficulty: 02 Medium*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

152. According to the textbook, NAFTA was expected to help which country exploit its comparative advantage in the production of goods made by unskilled labor?

A. Canada
B. Cuba
C. Mexico
D. The U.S.A.

NAFTA was expected to help Mexico exploit its comparative advantage in production of goods made by unskilled labor.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

153. Outsourcing is a term increasingly used to refer to the act of:

A. hiring illegal immigrants.
B. importing raw materials into the United States from other countries.
C. exporting final goods to other countries.
D. replacing relatively expensive American workers with low•wage workers overseas.

Outsourcing has come to mean replacing highly paid American workers with cheaper workers overseas.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

154. The fundamental reason firms outsource is that:

A. low•wage workers in other countries are more productive than are U.S. workers.
B. hiring low•wage workers overseas reduces firms' costs.
C. outsourcing increases employment overseas.
D. U.S. workers cannot perform the tasks performed by workers in other countries.

Companies outsource because hiring low•wage workers overseas reduces their production costs.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

155. When a U.S. firm engages in outsourcing, it benefits_____and harms_____.

A. the firm; the U.S. consumers of the firm's products
B. the U.S. consumers of the firm's products; the firm
C. the U.S. consumers of the firm's products; the firm's U.S. employees
D. the U.S. consumers of the firm's products; the firm's foreign employees

Outsourcing benefits U.S. consumers, who enjoy lower prices, but harms the firm's domestic workers, who may lose their jobs.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

156. All else equal, the jobs that are the least likely to be outsourced are those that:

A. do not involve face•to•face contact.
B. can be done by a computer.
C. require face•to•face communication.
D. can be broken down into series of well•defined steps.

Some jobs are less susceptible to outsourcing than others, including those that do not require face•to•face communication.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: 01 Easy*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
*Topic: Comparative Advantage and International Trade*

157. Which of the following jobs is least likely to be outsourced?

A. Flipping hamburgers
B. Technical assistance over the phone for your computer
C. Transcription of physicians' records
D. Software design

Flipping hamburgers requires on•site labor.

*AACSB: Reflective Thinking*
*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: 02 Medium*
*Learning Objective: 02•04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.*
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# Summary

| *Category* | *# of Questions* |
|---|---|
| AACSB: Analytic | 52 |
| AACSB: Reflective Thinking | 105 |
| Accessibility: Keyboard Navigation | 68 |
| Blooms: Analyze | 30 |
| Blooms: Apply | 17 |
| Blooms: Evaluate | 5 |
| Blooms: Remember | 29 |
| Blooms: Understand | 77 |
| Difficulty: 01 Easy | 29 |
| Difficulty: 02 Medium | 76 |
| Difficulty: 03 Hard | 52 |
| Learning Objective: 02•01 Explain and apply the Principle of Comparative Advantage. | 49 |
| Learning Objective: 02•02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low•Hanging• Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage. | 82 |
| Learning Objective: 02•03 Identify factors that shift the menu of production possibilities. | 7 |
| Learning Objective: 02• 04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others. | 19 |
| Topic: Comparative Advantage and International Trade | 19 |
| Topic: Comparative Advantage and Production Possibilities | 82 |
| Topic: Exchange and Opportunity Cost | 49 |
| Topic: Factors That Shift the Economy's Production Possibilities Curve | 7 |