c2

Student: _____

1. To say that an individual possesses an absolute advantage in the production of software means that he

   A. has a lower opportunity cost of producing software.
   B. can produce more, and/or higher quality, software in a given amount of time.
   C. was the first to create the software.
   D. charges the lowest price for software.
   E. has the most capital.

2. If Leslie can produce two pairs of pants in an hour while Eva can make one pair in an hour, then

   A. Leslie has a comparative advantage.
   B. Eva has an absolute advantage.
   C. Leslie has an absolute advantage.
   D. Eva has a comparative advantage.
   E. Leslie has a comparative disadvantage.

3. If a nation can produce a good more quickly than any other nation, that nation has a(n)

   A. comparative advantage.
   B. total advantage.
   C. relative advantage.
   D. absolute advantage.
   E. need to trade.

4. To say some person has a comparative advantage in the writing of an economics textbook means that

   A. she can write a textbook faster than anyone else.
   B. she has the best word processing technology.
   C. her book will have more features.
   D. her book will be the easiest to read.
   E. she has a low opportunity cost of writing an economics textbook.

5. If a person has the lowest opportunity cost of producing a particular good, that person has a(n)

   A. comparative advantage.
   B. absolute advantage.
   C. comparative and absolute advantage.
   D. absolute advantage and a possible comparative advantage.
   E. relative advantage.

6. Which of the following statements is always true?

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

7. If Jane can produce 3 pairs of shoes hourly, while Bob can produce 2, then one can infer that the _____ advantage belongs to _____.

A. absolute; Bob

B. comparative; Jane

C. comparative; Bob

D. comparative; both of them

E. absolute; Jane

8. If everyone had the same opportunity cost of producing a particular good, then

A. everyone would have the same absolute advantage.

B. no one would have an absolute advantage.

C. everyone would have the same comparative advantage.

D. the absolute advantage would be the same for everyone but the comparative advantage would vary.

E. the absolute and comparative advantage would be the same for everyone.

	Shoes per hour	Pants per hour
Jenny	3	2
Sam	4	3

9. According to data, Jenny has an absolute advantage in

A. the production of shoes.

B. neither shoe nor pants production.

C. the production of pants.

D. both shoe and pants production.

E. pants and possibly shoe production.

10. Sam possesses an absolute advantage in

    A. the production of shoes.
    B. neither shoe nor pants production.
    C. the production of pants.
    D. both shoe and pants production.
    E. pants and possibly shoe production.

11. Jenny's opportunity cost of producing an extra pair of pants is

    A. 1 pair of shoes.
    B. 2/3 pairs of shoes.
    C. 3/2 pairs of shoes.
    D. 2 pairs of shoes.
    E. 3 pairs of shoes.

12. Jenny's opportunity cost of producing an extra pair of shoes is

    A. 1/3 pairs of pants.
    B. 1/2 pairs of pants.
    C. 2/3 pairs of pants.
    D. 1 pair of pants.
    E. 3/2 pairs of pants.

13. Sam's opportunity cost of producing an extra pair of pants is

    A. 1 pair of shoes.
    B. 5/4 pairs of shoes.
    C. 4/5 pairs of shoes.
    D. 4/3 pairs of shoes.
    E. 3/2 pairs of shoes.

14. Sam's opportunity cost of producing an extra pair of shoes is

    A. 3/4 pairs of pants.
    B. 4/5 pairs of pants.
    C. 1 pair of pants.
    D. 5/4 pairs of pants.
    E. 4/3 pairs of pants.

15. The comparative advantage for shoes belongs to _____ and the comparative advantage for pants belongs to _____.

    A. Sam; Jenny
    B. Sam; Sam
    C. Jenny; Sam
    D. Jenny; Jenny
    E. both; Sam

16. Based on their comparative advantages, Sam should specialize in producing _____ while Jenny should specialize in producing _____.

A. shoes; pants
B. both; neither
C. neither; both
D. pants; shoes
E. pants; pants

17. Application of the Principle of Comparative Advantage leads to

A. greater and greater specialization of labour and other factors of production.
B. reduced specialization of labour.
C. societies where everyone can do a little of everything.
D. lower total output.
E. misallocation of resources.

18. In general, individuals should specialize in producing those goods for which they have a(n)

A. absolute advantage.
B. comparative advantage.
C. absolutely comparative advantage.
D. absolute and comparative advantage.
E. comparatively absolute advantage.

19. In general, individuals should specialize in producing those goods for which they

A. can produce more quickly than others.
B. can produce less quickly than others.
C. have the lowest opportunity cost compared to others.
D. have the highest opportunity cost compared to others.
E. have an average opportunity cost.

20. Under certain assumptions, the model of comparative advantage predicts that maximum output can be achieved if each person produces goods or services where

A. all factors of production are used in equal amounts.
B. the most equitable distribution is created.
C. the government intervenes the least.
D. firms maximize their revenues
E. he or she has the lowest opportunity cost.

21. The reason a family doctor would send one of his patients to a surgeon to remove a tumour is because the surgeon has

A. an absolute advantage in providing treatment.
B. a comparative advantage in providing treatment due to inborn talent and training.
C. a comparative advantage in providing treatment due to cultural differences.
D. an arrangement with the family doctor to share the fees for unnecessary surgeries.
E. a better bedside manner.

Employee	Electric Guitars Per Hour	Acoustic Guitars Per Hour
Mark	16	1
Glenn	8	8
Dennis	2	14

22. The absolute advantage for electric guitars belongs to _____; for acoustic guitars, it belongs to _____.

A. Mark; Dennis
B. Mark; Glenn
C. Glenn; Dennis
D. Dennis; Mark
E. Dennis; Glenn

23. The opportunity cost of an extra acoustic guitar for Mark is

A. 0.0625 fewer electric guitars.
B. 8 fewer electric guitars.
C. 16 fewer electric guitars.
D. 20 fewer electric guitars.
E. 30 fewer electric guitars.

24. The opportunity cost of an extra acoustic guitar for Glenn is

A. 0.8 fewer electric guitars.
B. 7 fewer electric guitars.
C. 0.14 more electric guitars.
D. equal to Glenn's opportunity cost of an extra electric guitar.
E. 8 fewer electric guitars.

25. Jane can produce 50 pizzas or 100 hamburgers per day, while Sam can produce 30 pizzas or 90 hamburgers per day. Jane has an absolute advantage in the production of

A. pizzas, but not hamburgers, and has a comparative advantage in the production of pizzas.
B. hamburgers, but not pizzas, and has a comparative advantage in the production of hamburgers.
C. hamburgers and pizzas, as well as a comparative advantage in the production of hamburgers.
D. hamburgers and pizzas, as well as a comparative advantage in the production of pizzas.
E. hamburgers and pizzas, as well as a comparative advantage in the production of hamburgers and pizzas.

26. When each individual concentrates on performing the tasks and producing the goods for which she or he has the lowest opportunity cost, they are producing in accordance with the Principle of

A. Increasing Opportunity Cost.
B. Decreasing Opportunity Cost.
C. Comparative Advantage.
D. Scarcity.
E. Low-Hanging Fruit.

27. Having a comparative advantage in a particular task means that you

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

Lou and Alex live together and share household chores. They like to cook some meals ahead and eat leftovers. Suppose that in one hour Lou and Alex can do the following:

	Alex	Lou
Whole Hour Cleaning	3 rooms	5 rooms
Whole Hour Cooking	3 meals	4 meals
½ hour, Each Activity	1.5 rooms; 1.5 meals	2.5 rooms; 2 meals

28. Which of the following is true?

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

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

C. Alex has a comparative advantage over Lou in cleaning.

D. Lou has a comparative advantage over Alex in cleaning.

E. Neither Alex nor Lou has a comparative advantage.

29. Alex and Lou have worked out an efficient arrangement. Under that arrangement,

A. Alex and Lou each spend a half hour on cooking and a half hour on cleaning.

B. Alex spends all of his time on cleaning, while Lou does all the cooking.

C. Lou does all of the cleaning and half of the cooking.

D. Lou spends all of his time on cleaning, while Alex does all the cooking

E. Lou does all of the cooking and half of the cleaning.

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

A. 1; 4/5
B. 1; 5/4
C. 1.5; 2.5
D. 5/3; 4/3
E. 3; 5

31. Yolanda can produce 2 dresses or 4 shirts in 8 hours of work, while Sandra can produce 3 dresses or 7 shirts in the same amount of time. Yolanda has a(n):

A. absolute advantage in producing dresses and shirts, and a comparative advantage in producing dresses, while Sandra has a comparative advantage in producing shirts.
B. comparative advantage in producing shirts, while Sandra has an absolute advantage in producing dresses and shirts, and a comparative advantage in producing dresses.
C. comparative advantage in producing dresses, while Sandra has an absolute advantage in producing dresses and shirts, and a comparative advantage in producing shirts.
D. absolute advantage in producing dresses and shirts, and a comparative advantage in producing shirts, while Sandra has a comparative advantage in producing dresses.
E. absolute advantage and a comparative advantage in producing dresses and shirts.

32. 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 termed a(n)

A. production possibilities curve.
B. consumption possibilities curve.
C. production impossibilities curve.
D. comparative advantage curve.
E. absolute advantage curve.

33. The production possibilities curve shows

A. the relationship between inputs and output.
B. the minimum amount of one good that can be produced for every possible production level of the other good.
C. a positive relationship.
D. the maximum production of one good for every possible production level of the other good.
E. how increasing the production of one good allows production of the other good to also increase.

34. The slope of the production possibilities curve must be

A. constant.
B. positive.
C. decreasing.
D. increasing.
E. negative.

35. The slope of any production possibilities curve is _____ because _____.

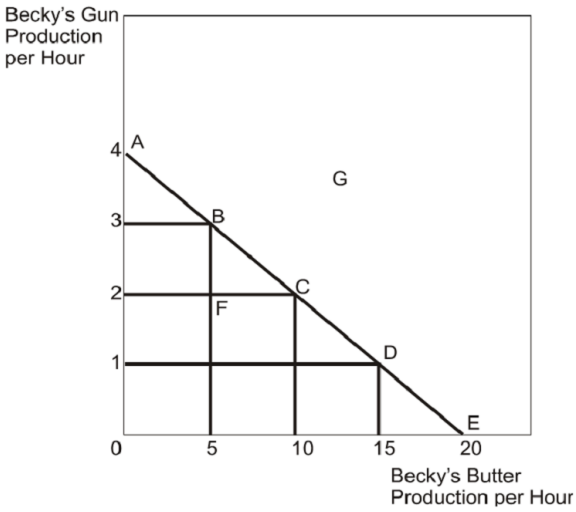
A. negative; production of one of the two goods is always insufficient

B. negative; to produce more of one good means less production of the other

C. constant; the trade-off in production never changes

D. positive; to produce more of one good means more production of the other

E. positive; to produce more of one good means less production of the other



36. Becky's maximum production of guns per hour is represented by point

A. G.

B. F.

C. E.

D. C.

E. A.

37. Becky's maximum production of butter per hour is represented by point

A. G.

B. F.

C. E.

D. C.

E. A.

38. Point G is a(n) _____ point in relation to the production possibilities curve.

A. attainable

B. efficient

C. unattainable

D. inefficient

E. inefficient and attainable

39. Of the labelled points, _____ are attainable.

A. F and G

B. B, C, and D

C. A, C, and E

D. A, B, C, D, E, and F

E. A, B, C, D, and E

40. Of the labelled points, _____ are efficient.

A. F and G

B. B, C, and D

C. A, C, and E

D. A, B, C, D, E, and F

E. A, B, C, D, and E

41. Point F is _____ while point G is _____.

A. unattainable; inefficient

B. inefficient; unattainable

C. inefficient; inefficient

D. efficient; inefficient

E. efficient; unattainable

42. Becky's opportunity cost of producing one gun is

A. 20 hours.

B. 4 hours.

C. 20 units of butter.

D. 15 units of butter.

E. 5 units of butter.

43. As Becky produces more and more butter, she finds that

A. she has to give up increasing amounts of guns for each additional unit of butter.
B. she has to give up decreasing amounts of guns for each additional unit of butter.
C. she has to give up the same amount of guns for each additional unit of butter.
D. she does not have to give up any guns for each additional unit of butter.
E. she has to give up four guns for one last unit of butter.

44. Which of the following statements best describes the given production possibilities curve?

A. The market price of butter must be higher than the market price for guns.
B. The market price of guns must be higher than the market price for butter.
C. It is more profitable for Becky to produce guns than butter.
D. It is more profitable for Becky to produce butter than guns.
E. The opportunity cost for one additional gun is always constant.

45. Which of the following statements best describe the given production possibilities curve?

A. Consumers prefer butter to guns.
B. Consumers prefer guns to butter.
C. Consumers like guns as much as they like butter.
D. Becky prefers to produce butter rather than guns.
E. Becky is able to produce guns and/or butter.

46. The opportunity cost to Becky of producing 20 units of butter is

A. one gun.
B. one hour.
C. one hour and four guns.
D. four guns.
E. either one hour or four guns.

47. Which of the following statements is **true**?

A. An unattainable point is inefficient.
B. An efficient point may or may not be attainable.
C. An inefficient point must be unattainable.
D. An efficient point must be attainable.
E. An attainable point must be efficient.

48. Any combination of goods that can be produced with currently available resources defines a(n)

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

49. An inefficient point is

A. necessarily an attainable point.

B. may be an attainable point.

C. necessarily an unattainable point.

D. possibly an unattainable point.

E. one that uses too many resources.

The following table describes Buffy's abilities to produce either weapons or food each hour.

Weapons Per Hour	Food Units Per Hour
6	0
4	6
2	12
0	18

50. If weapons were on the vertical axis and food on the horizontal, the y-intercept would be _____ and the x-intercept would be _____.

A. 6; 0

B. 0; 18

C. 6; 18

D. 0; 0

E. 24; 12

51. The data indicate that it takes Buffy _____ minutes to produce a weapon and _____ minutes to produce a unit of food.

A. 3.33; 10

B. 10; 3.33

C. 6; 18

D. 1; 33.3

E. 100; 0.333

52. The opportunity cost of an extra unit of food is

A. 0.333 fewer weapons.

B. 3.33 fewer weapons.

C. 33.3 fewer weapons.

D. fewer weapons but the exact number cannot be calculated.

E. 18 fewer weapons.

53. The absolute value of the slope of Buffy's production possibilities curve (with weapons on the vertical axis) is

A. 4.

B. 3.

C. 6.

D. 2.

E. 0.333.

54. Buffy's production possibilities curve has a _____ slope because producing 6 extra units of food means _____ weapons can be produced.

A. positive; two more
B. negative; two fewer
C. negative; three fewer
D. negative; six fewer
E. negative; 0.333 fewer

55. The fundamental reason that a production possibilities curve has a negative slope is that

A. workers are inefficient.
B. resources are of low quality.
C. resources are fixed and therefore trade-offs must be made.
D. it has empirical support but why it is so is still a mystery.
E. comparative advantage exists.

56. The equation for Cartman's production possibilities curve is A = 13 - 0.5B, where A and B are the only two goods he can produce. The opportunity cost to Cartman of producing an extra unit of B is

A. 26 units of A.
B. 12.5 units of A.
C. 6.5 units of A.
D. 2 units of A.
E. 0.5 units of A.

57. The equation for Cartman's production possibilities curve is A = 13 - 0.5B, where A and B are the only two goods he can produce. The slope of Cartman's production possibilities curve is _____ and quantifies _____.

A. -0.5; the change in A for a one-unit change in B

B. 0.5; the change in A for a one-unit change in B

C. -0.5; the change in B for a one-unit change in A

D. 0.5; the change in B for a one-unit change in A

E. -2; the change in A for a one-unit change in B

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

Good	Smith	Jones
Computers	10	6
Calculators	100	120

58. The opportunity cost of an extra calculator for Smith is _____ and for Jones it is _____.

A. 0.10 computers; 0.05 computers

B. 10 computers; 6 computers

C. 1 computer; 0.5 computers

D. 0.6 computers; 1.2 computers

E. 0.05 computers; 0.10 computers

59. Based on the data, Smith has a(n) _____ advantage in _____ while Jones has a(n) _____ advantage in _____.

A. comparative; calculators; absolute; calculators
B. absolute; calculators; absolute; computers
C. absolute; computers; comparative; computers
D. comparative; computers; comparative; calculators
E. comparative; calculators; comparative; calculators

60. By coordinating their production decisions, the maximum number of computers Smith and Jones can produce is

A. 120.
B. 100.
C. 16.
D. 10.
E. 6.

61. Suppose Smith and Jones begin at the point of producing 16 computers and 0 calculators in one hour. If they wish to produce 14 computers and 40 calculators in one hour, then Smith will spend _____ and Jones will 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
E. 1 hour on computers; 50 minutes on computers and 10 minutes on calculators

62. Suppose Smith and Jones begin at the point of producing 0 computers and 220 calculators in one hour. If they wish to produce 2 computers and 200 calculators in one hour, then Smith will spend _____ and Jones will 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. 6 minutes on computers and 54 minutes on calculators; 10 minutes on computers and 50 minutes on calculators.
E. 12 minutes on computers and 48 minutes on calculators; 1 hour on calculators.

63. For any efficient point with at least 10 computers and less than 120 calculators, Smith will _____ and Jones will _____.

A. only produce computers; only produce calculators
B. only produce computers; split his time between computers and calculators
C. split his time between computers and calculators; only produce computers
D. evenly divide his time between the two; evenly divide his time between the two
E. only produce calculators; only produce computers

64. For any efficient point with less than 10 computers and more than 120 calculators, Smith will _____ and Jones will _____.

A. split his time between the two; only produce calculators
B. split his time between the two; split his time between the two
C. only produce calculators; only produce computers
D. only produce computers; only produce calculators
E. evenly divide his time between the two; evenly divide his time between the two

65. In a two-person, two-good economy, the benefits of labour specialization will be larger when

A. one person has an absolute advantage in both goods.
B. neither person has an absolute advantage.
C. both persons have identical absolute advantages.
D. the difference in their respective opportunity costs is large.
E. the difference in their respective opportunity costs is small.

66. Suppose that Penn's opportunity cost of producing an extra Pepsi is 3 cheeseburgers while Teller's opportunity cost is 0.14 cheeseburgers. One could predict that

A. Penn must have an absolute advantage in producing cheeseburgers.
B. Teller must have an absolute advantage in producing Pepsis.
C. they have little to gain from specialization and coordinating production.
D. Teller has a comparative advantage in cheeseburger production.
E. they have potentially much to gain from specialization and coordinating production.

67. Joe has an absolute advantage in producing goods X and Y compared to Ted. Moreover, they have the same opportunity costs. One can predict that the gains from coordinating production and specialization is

A. zero.
B. small.
C. large.
D. negative.
E. indeterminate.

68. The production possibilities curve is

A. the boundary that divides all production combinations into efficient ones and inefficient ones.
B. a graph illustrating the production combinations society would like to choose.
C. the boundary that divides all production combinations into attainable ones and unattainable ones.
D. a convex (bowed into the origin) curve illustrating production trade-offs.
E. the boundary that divides all production combinations into good ones and bad ones.

69. Teddy's production possibilities curve for goods M and N is described by the following equation: M = 21 - 3N, where M is the quantity of good M produced and N is the quantity of good N produced. The maximum quantity of M that Teddy can produce is

A. 63.
B. 21.
C. 14.
D. 7.
E. 0.

70. Teddy's production possibilities curve for goods M and N is described by the following equation: M = 21 - 3N, where M is the quantity of good M produced and N is the quantity of good N produced. The maximum quantity of N that Teddy can produce is

A. 63.
B. 21.
C. 14.
D. 7.
E. 0.

71. Teddy's production possibilities curve for goods M and N is described by the following equation: M = 21 - 3N, where M is the quantity of good M produced and N is the quantity of good N produced. The slope of Teddy's production possibilities curve, when M is on the vertical axis, is

A. -3.
B. 3.
C. -0.333.
D. 0.333.
E. 0.0333.

72. Joan can produce a maximum of 14 units of good Y and a maximum of 21 units of good X. If Y is on the vertical axis, the equation for her production possibilities curve is

A. X = 14 - 0.67Y.
B. Y = 21 - 14X.
C. Y = 14 - 0.67X.
D. Y =14 - 1.5X.
E. X = 14 - 1.5Y.

73. Jerry's production possibilities curve for goods W and Z is W = 20 - 2Z, where W is the quantity of good W produced and Z is the quantity of good Z produced. The combination of W and Z (14, 3) is a(n) _____ point.

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

74. Jerry's production possibilities curve for goods W and Z is W = 20 - 2Z, where W is the quantity of good W produced and Z is the quantity of good Z produced. The combination of W and Z (11, 5) is a(n) _____ point.

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

75. If a given production combination is known to be attainable, then it must be

A. on the production possibilities curve.
B. beyond the production possibilities curve.
C. an efficient point.
D. an inefficient point.
E. either an inefficient or efficient point.

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

A. beyond the production possibilities curve.
B. possible to expand production of one good without lowering the amount of the other.
C. on the production possibilities curve.
D. either an attainable or unattainable point.
E. the best combination out of all possible combinations.

77. In one hour, Juan can produce 8 chairs or 2 tables. If chairs are on the vertical axis, the slope of his production possibilities curve is

A. 0.25.
B. -0.25.
C. 4.
D. -4.
E. -2.

78. In one 8-hour workday, Hector can produce 25 court appeals or 5 new lawsuits. If appeals are on the vertical axis, the slope of his production possibilities curve is

A. -5.
B. 5.
C. -2.
D. 0.2.
E. -1.

79. Joe's opportunity cost of producing body piercings is 3 tattoos, while Sam's is 0.75 tattoos. The Principle of Increasing Opportunity Cost would indicate that, to produce more and more body piercings,

A. Joe would be used first, followed by Sam.
B. Sam would always be used.
C. Sam would be used first and then Joe.
D. the sequencing of Sam and Joe is irrelevant.
E. Joe would always be used.

	Jugs of Moonshine Per Hour	Bales of Hemp Per Hour
Bobby Jo	9	3
Mary Lou	2	7

80. Bobby Jo's opportunity cost of an extra bale of hemp is _____ and Mary Lou's is _____.

A. 0.33 fewer jugs of moonshine; 0.29 fewer jugs of moonshine

B. 3 fewer jugs of moonshine; 3.5 fewer jugs of moonshine

C. 3 fewer jugs of moonshine; 0.29 fewer jugs of moonshine

D. 0.33 fewer jugs of moonshine; 3.5 fewer jugs of moonshine

E. 27 fewer jugs of moonshine; 14 fewer jugs of moonshine

81. Because Bobby Jo and Mary Lou have _____ opportunity costs, they can experience _____ from specialization.

A. identical; a gain

B. unequal; a gain

C. unequal; no gain

D. equal; no gain

E. unequal; a loss

82. Production possibilities curves are downward sloping, reflecting the principle of

A. scarcity.

B. comparative advantage.

C. increasing opportunity cost.

D. absolute advantage.

E. low-hanging fruit.

83. Maria can produce 100 pounds of tomatoes or 25 pounds of squash in her garden each summer, while Tonya can produce 50 pounds of tomatoes or 25 pounds of squash. If the production possibilities curves are drawn with tomatoes on the vertical axis and squash on the horizontal axis, then the absolute values of the slope of Maria's and Tonya's production possibilities curves, respectively, are

A. 1/4 and 1/2.
B. 1/2 and 1/4.
C. 4 and 2.
D. 2 and 4.
E. 100 and 50.

84. A point on Joseph's production possibilities curve represents 6 music CDs and 2 videos produced in a week. A combination of 4 music CDs and 2 videos is an

A. efficient and attainable point.
B. efficient but not attainable point.
C. attainable and inefficient point.
D. unattainable point.
E. unattainable and inefficient point.

85. The slope of an individual's production possibilities curve

A. decreases as more units of a particular good are produced.
B. is negative and constant along the entire curve.
C. is positive and constant along the entire curve.
D. varies as the amount of output changes.
E. is the same for all individuals.

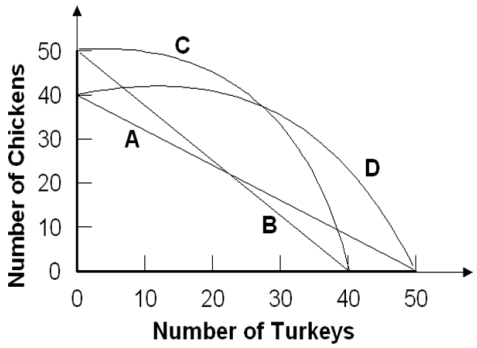
86. Point A on a production possibilities curve, where bicycles are on the vertical axis and tricycles on the horizontal axis, represents a combination of 10 bicycles and 4 tricycles, and point B represents 6 bicycles and 6 tricycles. The absolute value of the slope of the production possibilities curve between points A and B equals

A. 2.
B. 4.
C. ½.
D. ¼.
E. 6.

87. When individuals or groups specialize in producing those goods for which they have a comparative advantage and exchange those goods with one another,

A. those with an absolute advantage will gain the most, while those without an absolute advantage will lose.
B. those with a comparative advantage will gain the most, while those without a comparative advantage will lose.
C. total production will be greater than it would be without specialization, but would be the greatest if they produced those goods in which they only have an absolute advantage.
D. total production will be less than it would be without specialization.
E. total production will be the greatest that they can achieve given the available resources.

88. Refer to the diagram below. Suppose that the opportunity cost of producing 8 chickens is always 10 turkeys. Given this, the relevant production possibility curve must be



A. A.

B. B.

C. C.

D. D.

E. not depicted on the graph.

89. If you move from a point on the production possibilities curve to a point inside the production possibilities curve, it follows that

A. efficiency is increased because more of each good is produced.

B. efficiency is increased because more of one good is produced.

C. efficiency is increased, even if less of each good is produced.

D. efficiency is reduced.

E. efficiency remains same.

90. Given the production possibility tables for First and Second Bakeries presented below, what must be true?

First Bakery		Second Bakery	
Cookies	Pies	Cookies	Pies
0	30	0	20
10	24	10	16
20	18	20	12
30	12	30	8
40	6	40	4
50	0	50	0

A. First Bakery has a comparative advantage in the production of both goods.

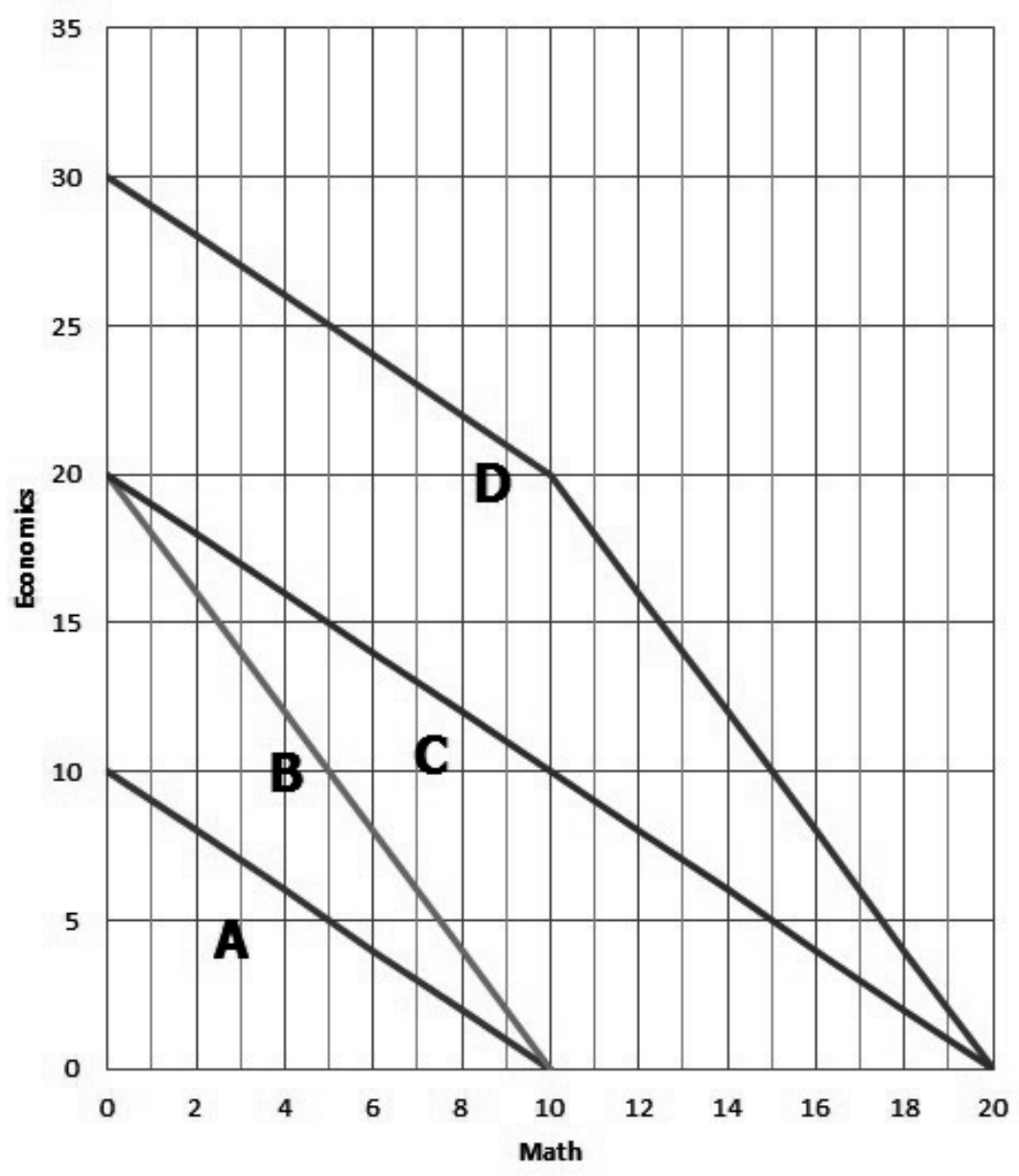
B. Second Bakery has a comparative advantage in the production of pies.

C. First Bakery has a comparative advantage in the production of pies.

D. Neither bakery has a comparative advantage.

E. Neither bakery has an absolute advantage.

91. Refer to the graph below. Given Mary and Paul's production possibilities tables for answering economics and math problems, which curve represents their combined production possibilities curve if they take advantage of their comparative advantages?



Mary		Paul	
Economics	Math	Economics	Math
10	0	20	0
8	2	16	2
6	4	12	4
4	6	8	6
2	8	4	8
0	10	0	10

A. A

B. B

C. C

D. D

E. Not shown.

92. When productive activity is organized according to comparative advantage,

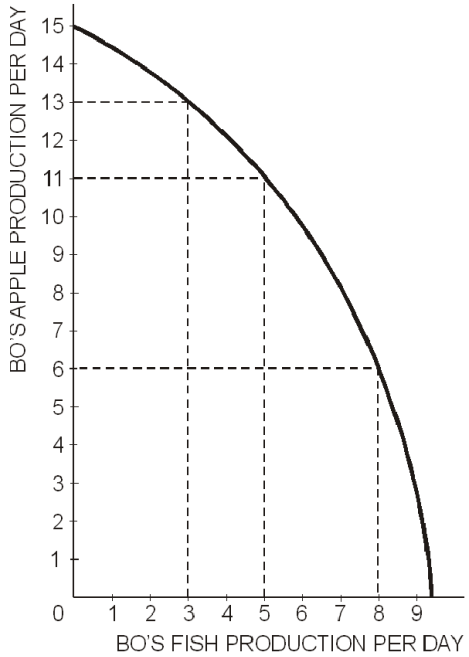
A. there is a decrease in the amount of goods and services that an economy can gain from its resources.

B. there is an increase in the amount of goods and services that an economy can gain from its resources.

C. there is no change in the amount of goods and services that an economy can gain from its resources.

D. the amount of goods and services that an economy can gain from its resources may increase or decrease.

E. there is a decrease in the quality of the goods and services produced in the economy.



93. As Bo increases her production of apples from 6 units to 12 units, she finds that

A. she has to give up increasing amounts of fish for each additional unit of apples.
B. she has to give up smaller amounts of fish for each additional unit of apples.
C. she has to give up the same amount of fish for each additional unit of apples.
D. she does not have to give up fish for each additional unit of apples.
E. she has to give up all her fish.

94. Which of the following statement is most appropriate for the given production possibilities curve?

A. There is an increasing opportunity cost as Bo produces more fish.
B. There is an increasing opportunity cost as Bo produces less fish.
C. The opportunity cost for fish production is constant.
D. The opportunity cost for apple production is constant.
E. The opportunity cost for both fish and apple production is constant.

95. Which of the following statements is the most appropriate?

A. The opportunity cost in terms of apples decreases as more and more fish are produced.
B. Bo prefers apples to fish.
C. Bo prefers fish to apples.
D. The existing resources are less and less suitable to fish production as more fish are produced.
E. Bo will produce relatively more apples than fish.

96. The Principle of Increasing Opportunity Cost indicates that the proper sequence of resource usage to expand production is to

A. randomly choose the resources.
B. start with the highest opportunity cost resource and progress to the lowest opportunity cost resources.
C. start with a lower opportunity cost resource, then a higher cost one, then a lower cost, etc.
D. start with the lowest opportunity cost resource and proceed to the highest opportunity cost resources.
E. start with the average opportunity cost resource and progress to lower opportunity cost resources.

97. A country's production possibilities curve is concave to the origin (i.e., bowed out from the origin) because

A. of the principle of scarcity.
B. the production of one good is expanded by first employing those resources with an absolute advantage.
C. the production of one good is expanded by first employing those resources with the lowest opportunity cost.
D. there is a trade off that requires a decrease in the production of one good in order to increase the production of the other good.
E. of the principle of absolute advantage.

98. As one progresses from a one-person economy to a large, multi-person economy, the shape of production possibilities curve changes from

A. downward sloping to upwards sloping.
B. linear to convex (bowed into the origin).
C. concave (bowed out from the origin) to linear.
D. convex (bowed into the origin) to concave (bowed out from the origin).
E. linear to concave (bowed out from the origin).

99. A concave (bowed out from the origin) production possibilities curve would indicate

A. decreasing opportunity costs.
B. that the slope is getting smaller in absolute value.
C. a large economy with many workers.
D. a small economy with a handful of workers.
E. constant opportunity costs.

Employee	Electric Guitars Per Hour	Acoustic Guitars Per Hour
Mark	16	1
Glenn	8	8
Dennis	2	14

100. Suppose the guitar store received a rush order for 26 electric guitars. The efficient allocation of labour resources would be to have _____ work on electric guitars.

A. all three employees
B. Mark and Glenn
C. only Mark
D. Glenn and Dennis
E. only Dennis

101. If all three employees were initially working on electric guitars, but one acoustic guitar needed to be built, _____ should be assigned the task.

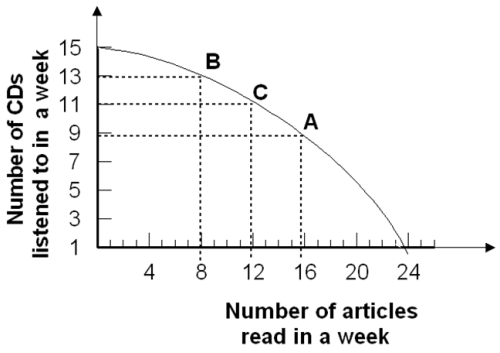
A. Glenn or Dennis
B. Mark or Glenn
C. Mark
D. Glenn
E. Dennis

102. As the store moves from producing only electric guitars to only acoustic guitars, the sequence of workers will be _____ first, then _____ and finally _____.

A. Mark; Dennis; Glenn
B. Dennis; Glenn; Mark
C. Glenn; Dennis; Mark
D. Mark; Glenn; Dennis
E. Dennis; Mark; Glenn

103. If the production possibilities curve is smoothly bowed out (concave to the origin), the underlying economy is probably a

A. single-person model.
B. two-person model.
C. half-person model.
D. three-person model.
E. multi-person model.



104. Refer to the graph above. Given Vineetstan's production possibility curve of listening to CDs or reading magazine articles in one week, when moving from point A to point B, the opportunity cost of listening to each CD in terms of reading articles is

A. ½ article.

B. 1 article.

C. 2 articles.

D. 3 articles.

E. 4 articles.

105. Refer to the graph above. Given Vineetstan's production possibility curve, when moving from point B to point C the opportunity cost of reading articles in terms of listening to CDs is

A. ½ CD.

B. 2 CDs.

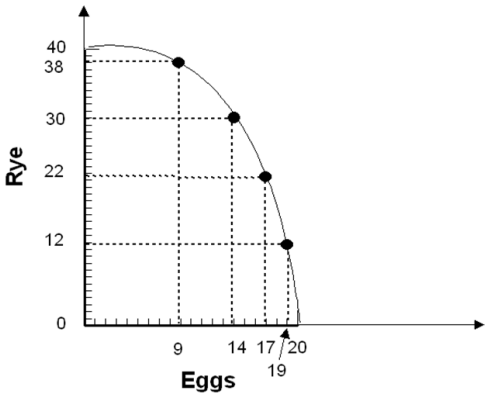
C. ⅔ CD.

D. 3 CDs.

E. 4 CDs.

106. In a two-person economy, Little Joe can trap a maximum of 6 rabbits or catch 10 fish a week, while his father can trap 12 rabbits or catch 15 fish per week. If their family wants to consume 20 fish per week while maximizing their joint production,

A. the father should specialize in producing only fish, and Little Joe should produce both fish and rabbits.
B. Little Joe should specialize in producing only fish, and his father should produce both fish and rabbits.
C. Little Joe should specialize in producing fish, and his father should produce rabbits.
D. Little Joe should specialize in producing only rabbits, and his father should produce fish.
E. each should produce both fish and rabbits.



107. Refer to the graph above. The graph indicates that, as more eggs are produced, the opportunity cost of producing eggs

A. increases
B. remains constant.
C. decreases.
D. is not defined.
E. is zero.

108. Refer to the graph above. The graph indicates that, as more rye is produced, the opportunity cost of producing rye

A. increases.
B. remains constant.
C. decreases.
D. eventually becomes infinite.
E. is zero.

109. If there were decreasing opportunity costs, then the slope of the production possibilities curve would be

A. increasing as one moves down the curve.
B. constant as one moves down the curve.
C. decreasing as one moves down the curve.
D. positive.
E. infinite.

110. If an economy takes advantage of the comparative advantage of some resources over others, the slope of its production possibilities curve is likely to be

A. negative and constant.
B. positive and constant.
C. negative, but not constant.
D. positive, but not constant.
E. zero.

111. The principle of comparative advantage states that specialization increases productivity, but the principle of increasing opportunity costs states that when you increase production of a single good you must use increasingly costly resources. These two principles

A. are evidence that economic theory is internally inconsistent.
B. are an example of the difference between abstract models and the real world.
C. cannot be true at the same time.
D. together account for the outward bow shape of production possibility curves.
E. explain the circular flow of income.

112. An existing comparative advantage can be increased by specialization because

A. less production time is used by switching from one task to another.
B. repetition results in boredom.
C. the variety of tasks will rise.
D. small tasks will be merged into larger tasks.
E. workers will start shirking their tasks.

113. Which of the following statements is NOT true about specialization?

A. Total economic output is larger.
B. Worker skills are better matched with tasks.
C. Specialization focuses experience and increases the comparative advantage.
D. The variety of tasks associated with a particular job grows over time.
E. Down time due to switching tasks is lessened.

114.In general, it is 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.

E. less specialization is always worse.

115.The major cost, or penalty, imposed by increasing specialization is

A. excessive workloads.

B. reduced variation in work tasks.

C. reduced variety in the types of jobs.

D. increased worker vulnerability to being fired.

E. being good at many jobs, but not an expert in any of them.

116.While there exists the potential for specialization to go too far, it is equally true that

A. these fears are overstated by the media.

B. any work is mind numbing and distasteful.

C. failure to specialize has significant costs.

D. less specialization means higher wages.

E. less specialization would improve conversation at parties.

117.The psychological cost of specialization is likely to affect

A. all workers to the same degree.
B. very few workers.
C. a factory worker less than a brain surgeon.
D. a factory worker more than a brain surgeon.
E. a factory worker and a brain surgeon equally.

118.For a nation that finds it has a comparative advantage in producing good Z, it is likely that the size of the comparative advantage will

A. decline due to competition.
B. grow as production experience increases.
C. remain constant.
D. decline as production experience increases.
E. change in unpredictable ways.

119.At the most basic level, the benefit of specialization is

A. greater total output.
B. greater interest in work.
C. less job related stress.
D. less diversity in output.
E. less detailed knowledge.

120. Suppose that a further increase in specialization allows a country to increase total output by 10% but, afterward, it was discovered that work absenteeism increased by 30%. This is likely an example of

A. modern production.
B. too much specialization.
C. too little specialization.
D. inefficiencies caused by labour unions.
E. worker laziness.

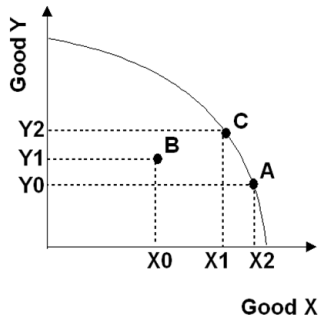
121. Specialization of labour not only results in the ability to produce a larger quantity of goods due to innate differences in people's skills, but also in

A. rigidly segmenting work.
B. switching back and forth among numerous tasks.
C. breaking a task down into mind-numbing repetitive tasks.
D. deepening skills through practice and experience.
E. eliminating the need to train and educate the workers to perform different tasks.

122. Increased specialization in the production of goods

A. always increases economic surplus.
B. never increases economic surplus.
C. has benefits, but no costs.
D. has costs, but no benefits.
E. has costs and benefits.

123.Refer to the graph below. As you move from point B to point A,



A. efficiency is increased because we have more of good X.

B. efficiency is decreased because we have less of good Y.

C. efficiency is increased because the economy's productive resources are employed more effectively.

D. the change in efficiency is unclear.

E. efficiency is unchanged.

124.Which of the following factors will NOT cause a production possibilities curve to shift away from the origin?

A. New, improved technology.

B. Access to additional productive resources.

C. Easier access to university education.

D. Enforcement of compulsory retirement at age 60, for all workers.

E. Increased expenditure on capital goods.

125. Which of the following factors will cause the production possibilities curve to shift away from the origin?

A. Enforcement of compulsory retirement at age 60, for all workers.

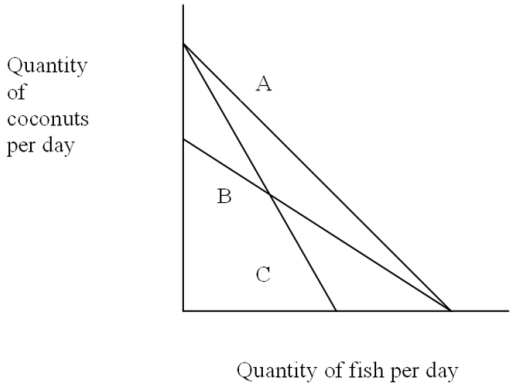
B. The termination of all work on Albertan oil sands projects.

C. A doubling of all university fees.

D. New, improved technology.

E. Increased interest rates, which cause a decrease in expenditure on capital goods.

Jon is currently stranded, alone, on a desert island; he is a one-person economy. His principle food-gathering activities are collecting coconuts and catching fish. Depending on the circumstances, he may be functioning on the production possibilities curve A, B or C in the following diagram.



126. If Jon is functioning on production possibilities curve A, but then he loses the piece of metal he has fashioned into a fishing hook, his production possibilities curve would

A. not change.

B. shift to curve C.

C. either shift to curve B or curve C.

D. shift to curve B.

E. shift to a position not shown in the diagram.

127. If Jon is functioning on production possibilities curve A, but then he breaks the long pole he has been using to knock the coconuts out of the palm trees, his production possibilities curve would

A. not change.
B. shift to curve C.
C. either shift to curve B or curve C.
D. shift to curve B.
E. shift to a position not shown in the diagram.

128. If Jon is functioning on production possibilities curve C, then he finds a fishing rod washed up on the beach, it is likely his production possibilities curve would

A. not change.
B. shift to curve B.
C. either shift to curve A or curve B.
D. shift to curve A.
E. shift to a position not shown in the diagram.

129. If Jon is functioning on production possibilities curve B, then a storm passes over the island, blowing all the coconuts out of the palm trees, it is likely that his production possibilities curve would

A. not change.
B. shift to curve C.
C. either shift to curve A or C.
D. shift to curve A.
E. shift to a position not shown in the diagram.

130. A reduction in the length of the workday would cause the production possibilities curve to

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

131. Good W is on the vertical axis and good Z is on the horizontal axis of a production possibilities curve. A technological innovation that improved labour's productivity for W but had zero effect on labour's productivity for Z would cause the production possibilities curve to

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unknowable way.

132. Good W is on the vertical axis and good Z is on the horizontal axis of a production possibilities curve. An increase in the amount of training received only by workers producing good Z would cause the production possibilities curve to

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

133. An influx of immigrants would cause the production possibilities curve to

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

134. The introduction of compulsory retirement for all workers at age 60 would cause the production possibilities curve to

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

135. An increase in the amount spent on new factories and equipment would cause the production possibilities curve to

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

136. The introduction of new and more productive technology into the workplace will generally cause the production possibilities curve to

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

137. Specialization of labour leads to

A. gains in absolute efficiency only.
B. gains in the relative efficiency of each worker only.
C. gains in both absolute efficiency and in the relative efficiency of each worker.
D. no gains in efficiency.
E. a reduction in efficiency.

138. An isolated economy has _____ possibilities for specialization when compared to the possibilities available to an easily accessible economy.

A. fewer
B. more
C. the same number of
D. no
E. an indeterminate number of

139.An isolated economy

A. is less likely than an easily accessible economy to take advantage of specialization.
B. is more likely than an easily accessible economy to take advantage of specialization.
C. is equally likely to take advantage of specialization when compared to an easily accessible economy.
D. would gain no advantage from specialization.
E. has easy access to large markets.

140.Economic growth can generally be represented by _____ the production possibilities curve.

A. an inward shift of
B. an unpredictable change in
C. no change in
D. either an inward or an outward shift of
E. an outward shift of

141.When it is impossible to reorganize economic resources so that at least one person is better off while nobody is worse off, we have attained

A. allocative efficiency.
B. productive efficiency.
C. absolute advantage
D. comparative advantage.
E. a point outside the production possibilities curve.

142.When an economy is operating on its production possibilities curve, it is always

A. both productively efficient and allocatively efficient.
B. productively efficient but may not be allocatively efficient.
C. allocatively efficient but may not be productively efficient.
D. experiencing growth.
E. increasing its standard of living.

143.Every point on the production possibilities curve is

A. allocatively efficient.
B. productively efficient.
C. equally desirable.
D. an optimal level of output.
E. attainable even when we have some unemployed resources.

144.In terms of the production possibilities curve, productive efficiency is represented by

A. a rightward shift in the PPC.
B. a leftward shift in the PPC.
C. all points on the PPC.
D. all points inside the PPC.
E. all points outside the PPC.

145.A circular flow diagram of an economy shows that

A. individuals tend to be highly specialized.

B. households earn wages and salaries for their labour supplied to the firms.

C. households buy goods and services from firms.

D. firms use the labour they hire to produce goods and services.

E. All of these.

146.Which of the following statements illustrates that the idea of comparative advantage is embedded in the circular flow diagram?

A. Households spend money on durable and non durable goods.

B. Households are composed of individuals.

C. The total dollar value of expenditures should equal the dollar value of incomes.

D. Wages and salaries represent a major percentage of the firms' expenditures.

E. Firms use the labour they hire to produce goods and services, which they sell to households.

147.One of the major characteristics of the circular flow in our economy is

A. the production possibility curve.

B. market prices.

C. opportunity cost.

D. specialization and exchange.

E. absolute advantage.

c2 Key

1. *(p. 32)* To say that an individual possesses an absolute advantage in the production of software means that he

A. has a lower opportunity cost of producing software.
B. can produce more, and/or higher quality, software in a given amount of time.
C. was the first to create the software.
D. charges the lowest price for software.
E. has the most capital.

Chapter - Chapter 02 #1
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Word Problem

2. *(p. 32)* If Leslie can produce two pairs of pants in an hour while Eva can make one pair in an hour, then

A. Leslie has a comparative advantage.
B. Eva has an absolute advantage.
C. Leslie has an absolute advantage.
D. Eva has a comparative advantage.
E. Leslie has a comparative disadvantage.

Chapter - Chapter 02 #2
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application

Type: Word Problem

3. If a nation can produce a good more quickly than any other nation, that nation has a(n)
(p. 32)

A. comparative advantage.
B. total advantage.
C. relative advantage.
D. absolute advantage.
E. need to trade.

Chapter - Chapter 02 #3
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Word Problem

4. To say some person has a comparative advantage in the writing of an economics textbook means that
(p. 32)

A. she can write a textbook faster than anyone else.
B. she has the best word processing technology.
C. her book will have more features.
D. her book will be the easiest to read.
E. she has a low opportunity cost of writing an economics textbook.

Chapter - Chapter 02 #4
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

5. If a person has the lowest opportunity cost of producing a particular good, that person has a(n)
(p. 32)

A. comparative advantage.
B. absolute advantage.
C. comparative and absolute advantage.
D. absolute advantage and a possible comparative advantage.
E. relative advantage.

Chapter - Chapter 02 #5
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

6. Which of the following statements is always true?
(p. 32)

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

Chapter - Chapter 02 #6
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Comprehension
Type: Word Problem

7. If Jane can produce 3 pairs of shoes hourly, while Bob can produce 2, then one can infer that the _____ advantage belongs to _____.
(p. 32)

A. absolute; Bob
B. comparative; Jane
C. comparative; Bob
D. comparative; both of them
E. absolute; Jane

Chapter - Chapter 02 #7
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Word Problem

8. If everyone had the same opportunity cost of producing a particular good, then
(p. 32)

A. everyone would have the same absolute advantage.
B. no one would have an absolute advantage.
C. everyone would have the same comparative advantage.
D. the absolute advantage would be the same for everyone but the comparative advantage would vary.
E. the absolute and comparative advantage would be the same for everyone.

Chapter - Chapter 02 #8
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

	Shoes per hour	Pants per hour
Jenny	3	2
Sam	4	3

9. According to data, Jenny has an absolute advantage in

(p. 32)

A. the production of shoes.

B. neither shoe nor pants production.

C. the production of pants.

D. both shoe and pants production.

E. pants and possibly shoe production.

Chapter - Chapter 02 #9
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Data Analysis

10. Sam possesses an absolute advantage in

(p. 32)

A. the production of shoes.

B. neither shoe nor pants production.

C. the production of pants.

D. both shoe and pants production.

E. pants and possibly shoe production.

Chapter - Chapter 02 #10
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Data Analysis

11. Jenny's opportunity cost of producing an extra pair of pants is

(p. 32)

A. 1 pair of shoes.

B. 2/3 pairs of shoes.

C. 3/2 pairs of shoes.

D. 2 pairs of shoes.

E. 3 pairs of shoes.

Chapter - Chapter 02 #11
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

12. Jenny's opportunity cost of producing an extra pair of shoes is

(p. 32)

A. 1/3 pairs of pants.

B. 1/2 pairs of pants.

C. 2/3 pairs of pants.

D. 1 pair of pants.

E. 3/2 pairs of pants.

Chapter - Chapter 02 #12
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

13. Sam's opportunity cost of producing an extra pair of pants is

(p. 32)

A. 1 pair of shoes.

B. 5/4 pairs of shoes.

C. 4/5 pairs of shoes.

D. 4/3 pairs of shoes.

E. 3/2 pairs of shoes.

Chapter - Chapter 02 #13
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

14. Sam's opportunity cost of producing an extra pair of shoes is

(p. 32)

A. 3/4 pairs of pants.

B. 4/5 pairs of pants.

C. 1 pair of pants.

D. 5/4 pairs of pants.

E. 4/3 pairs of pants.

Chapter - Chapter 02 #14
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

15. The comparative advantage for shoes belongs to _____ and the comparative advantage for pants belongs to _____. *(p. 32)*

A. Sam; Jenny

B. Sam; Sam

C. Jenny; Sam

D. Jenny; Jenny

E. both; Sam

Chapter - Chapter 02 #15
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Data Analysis

16. Based on their comparative advantages, Sam should specialize in producing _____ while Jenny should specialize in producing _____. *(p. 32)*

A. shoes; pants

B. both; neither

C. neither; both

D. pants; shoes

E. pants; pants

Chapter - Chapter 02 #16
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Data Analysis

17. Application of the Principle of Comparative Advantage leads to

(p. 32)

A. greater and greater specialization of labour and other factors of production.

B. reduced specialization of labour.

C. societies where everyone can do a little of everything.

D. lower total output.

E. misallocation of resources.

Chapter - Chapter 02 #17
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Comprehension
Type: Word Problem

18. In general, individuals should specialize in producing those goods for which they have a(n)

(p. 32)

A. absolute advantage.

B. comparative advantage.

C. absolutely comparative advantage.

D. absolute and comparative advantage.

E. comparatively absolute advantage.

Chapter - Chapter 02 #18
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Comprehension
Type: Word Problem

19. In general, individuals should specialize in producing those goods for which they
(p. 32)

A. can produce more quickly than others.
B. can produce less quickly than others.
C. have the lowest opportunity cost compared to others.
D. have the highest opportunity cost compared to others.
E. have an average opportunity cost.

Chapter - Chapter 02 #19
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Word Problem

20. Under certain assumptions, the model of comparative advantage predicts that maximum output can be achieved if each person produces goods or services where
(p. 32)

A. all factors of production are used in equal amounts.
B. the most equitable distribution is created.
C. the government intervenes the least.
D. firms maximize their revenues
E. he or she has the lowest opportunity cost.

Chapter - Chapter 02 #20
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Word Problem

21. The reason a family doctor would send one of his patients to a surgeon to remove a tumour is because the surgeon has

(p. 32)

A. an absolute advantage in providing treatment.

B. a comparative advantage in providing treatment due to inborn talent and training.

C. a comparative advantage in providing treatment due to cultural differences.

D. an arrangement with the family doctor to share the fees for unnecessary surgeries.

E. a better bedside manner.

Chapter - Chapter 02 #21

Difficulty: Medium

Gradable: automatic

Learning Objective: 02-01 Explain the principle of comparative advantage

Level of Learning: Application

Type: Word Problem

Employee	Electric Guitars Per Hour	Acoustic Guitars Per Hour
Mark	16	1
Glenn	8	8
Dennis	2	14

Chapter - Chapter 02

22. The absolute advantage for electric guitars belongs to _____; for acoustic guitars, it belongs to _____.

(p. 32)

A. Mark; Dennis

B. Mark; Glenn

C. Glenn; Dennis

D. Dennis; Mark

E. Dennis; Glenn

Chapter - Chapter 02 #22

Difficulty: Medium

Gradable: automatic

Learning Objective: 02-01 Explain the principle of comparative advantage

Level of Learning: Application

Type: Calculation

23. The opportunity cost of an extra acoustic guitar for Mark is

(p. 32)

A. 0.0625 fewer electric guitars.

B. 8 fewer electric guitars.

C. 16 fewer electric guitars.

D. 20 fewer electric guitars.

E. 30 fewer electric guitars.

Chapter - Chapter 02 #23

Difficulty: Difficult

Gradable: automatic

Learning Objective: 02-01 Explain the principle of comparative advantage

Level of Learning: Application

Type: Calculation

24. The opportunity cost of an extra acoustic guitar for Glenn is

(p. 32)

A. 0.8 fewer electric guitars.

B. 7 fewer electric guitars.

C. 0.14 more electric guitars.

D. equal to Glenn's opportunity cost of an extra electric guitar.

E. 8 fewer electric guitars.

Chapter - Chapter 02 #24

Difficulty: Difficult

Gradable: automatic

Learning Objective: 02-01 Explain the principle of comparative advantage

Level of Learning: Application

Type: Calculation

25. *(p. 32)* Jane can produce 50 pizzas or 100 hamburgers per day, while Sam can produce 30 pizzas or 90 hamburgers per day. Jane has an absolute advantage in the production of

A. pizzas, but not hamburgers, and has a comparative advantage in the production of pizzas.
B. hamburgers, but not pizzas, and has a comparative advantage in the production of hamburgers.
C. hamburgers and pizzas, as well as a comparative advantage in the production of hamburgers.
D. hamburgers and pizzas, as well as a comparative advantage in the production of pizzas.
E. hamburgers and pizzas, as well as a comparative advantage in the production of hamburgers and pizzas.

Chapter - Chapter 02 #25
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Calculation

26. *(p. 32)* When each individual concentrates on performing the tasks and producing the goods for which she or he has the lowest opportunity cost, they are producing in accordance with the Principle of

A. Increasing Opportunity Cost.
B. Decreasing Opportunity Cost.
C. Comparative Advantage.
D. Scarcity.
E. Low-Hanging Fruit.

Chapter - Chapter 02 #26
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension

Type: Word Problem

27. Having a comparative advantage in a particular task means that you

(p. 32)

A. are better at it than other people.

B. give up more to accomplish that task than do others.

C. give up less to accomplish that task than do others.

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

E. have more resources than others.

Chapter - Chapter 02 #27

Difficulty: Medium

Gradable: automatic

Learning Objective: 02-01 Explain the principle of comparative advantage

Level of Learning: Comprehension

Type: Word Problem

Lou and Alex live together and share household chores. They like to cook some meals ahead and eat leftovers. Suppose that in one hour Lou and Alex can do the following:

	Alex	Lou
Whole Hour Cleaning	3 rooms	5 rooms
Whole Hour Cooking	3 meals	4 meals
½ hour, Each Activity	1.5 rooms; 1.5 meals	2.5 rooms; 2 meals

Chapter - Chapter 02

28. Which of the following is true?

(p. 32)

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

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

C. Alex has a comparative advantage over Lou in cleaning.

D. Lou has a comparative advantage over Alex in cleaning.

E. Neither Alex nor Lou has a comparative advantage.

Chapter - Chapter 02 #28

Difficulty: Easy

Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Data Analysis

29. Alex and Lou have worked out an efficient arrangement. Under that arrangement,
(p. 32)

A. Alex and Lou each spend a half hour on cooking and a half hour on cleaning.
B. Alex spends all of his time on cleaning, while Lou does all the cooking.
C. Lou does all of the cleaning and half of the cooking.
D. Lou spends all of his time on cleaning, while Alex does all the cooking
E. Lou does all of the cooking and half of the cleaning.

Chapter - Chapter 02 #29
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Data Analysis

30. For Alex, the opportunity cost of cleaning one room is _____ meal(s); for Lou the opportunity cost of cleaning one room is _____ meal(s).
(p. 32)

A. 1; 4/5
B. 1; 5/4
C. 1.5; 2.5
D. 5/3; 4/3
E. 3; 5

Chapter - Chapter 02 #30
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

31. *(p. 32)* Yolanda can produce 2 dresses or 4 shirts in 8 hours of work, while Sandra can produce 3 dresses or 7 shirts in the same amount of time. Yolanda has a(n):

A. absolute advantage in producing dresses and shirts, and a comparative advantage in producing dresses, while Sandra has a comparative advantage in producing shirts.
B. comparative advantage in producing shirts, while Sandra has an absolute advantage in producing dresses and shirts, and a comparative advantage in producing dresses.
C. comparative advantage in producing dresses, while Sandra has an absolute advantage in producing dresses and shirts, and a comparative advantage in producing shirts.
D. absolute advantage in producing dresses and shirts, and a comparative advantage in producing shirts, while Sandra has a comparative advantage in producing dresses.
E. absolute advantage and a comparative advantage in producing dresses and shirts.

Chapter - Chapter 02 #31
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-01 Explain the principle of comparative advantage
Level of Learning: Application
Type: Data Analysis

32. *(p. 32)* 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 termed a(n)

A. production possibilities curve.
B. consumption possibilities curve.
C. production impossibilities curve.
D. comparative advantage curve.
E. absolute advantage curve.

Chapter - Chapter 02 #32
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Knowledge

Type: Word Problem

33. The production possibilities curve shows

(p. 32)

A. the relationship between inputs and output.
B. the minimum amount of one good that can be produced for every possible production level of the other good.
C. a positive relationship.
D. the maximum production of one good for every possible production level of the other good.
E. how increasing the production of one good allows production of the other good to also increase.

Chapter - Chapter 02 #33
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Knowledge
Type: Word Problem

34. The slope of the production possibilities curve must be

(p. 32)

A. constant.
B. positive.
C. decreasing.
D. increasing.
E. negative.

Chapter - Chapter 02 #34
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Word Problem

35. The slope of any production possibilities curve is _____ because _____.

(p. 32)

A. negative; production of one of the two goods is always insufficient

B. negative; to produce more of one good means less production of the other

C. constant; the trade-off in production never changes

D. positive; to produce more of one good means more production of the other

E. positive; to produce more of one good means less production of the other

Chapter - Chapter 02 #35

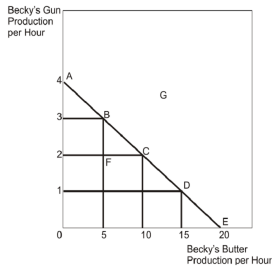
Difficulty: Difficult

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Comprehension

Type: Word Problem



Chapter - Chapter 02

36. Becky's maximum production of guns per hour is represented by point

(p. 32)

A. G.

B. F.

C. E.

D. C.

E. A.

Chapter - Chapter 02 #36

Difficulty: Easy

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Graphica

37. Becky's maximum production of butter per hour is represented by point

(p. 32)

A. G.

B. F.

C. E.

D. C.

E. A.

Chapter - Chapter 02 #37

Difficulty: Easy

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Graphica

38. Point G is a(n) _____ point in relation to the production possibilities curve.

(p. 32)

A. attainable

B. efficient

C. unattainable

D. inefficient

E. inefficient and attainable

Chapter - Chapter 02 #38

Difficulty: Medium

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Graphica

39. Of the labelled points, _____ are attainable.

(p. 32)

A. F and G

B. B, C, and D

C. A, C, and E

D. A, B, C, D, E, and F

E. A, B, C, D, and E

Chapter - Chapter 02 #39

Difficulty: Medium

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Graphica

40. Of the labelled points, _____ are efficient.

(p. 32)

A. F and G

B. B, C, and D

C. A, C, and E

D. A, B, C, D, E, and F

E. A, B, C, D, and E

Chapter - Chapter 02 #40

Difficulty: Medium

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Graphica

41. Point F is _____ while point G is _____.

(p. 32)

A. unattainable; inefficient

B. inefficient; unattainable

C. inefficient; inefficient

D. efficient; inefficient

E. efficient; unattainable

Chapter - Chapter 02 #41
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Graphica

42. Becky's opportunity cost of producing one gun is

(p. 32)

A. 20 hours.

B. 4 hours.

C. 20 units of butter.

D. 15 units of butter.

E. 5 units of butter.

Chapter - Chapter 02 #42
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Graphica

43. As Becky produces more and more butter, she finds that

(p. 32)

A. she has to give up increasing amounts of guns for each additional unit of butter.

B. she has to give up decreasing amounts of guns for each additional unit of butter.

C. she has to give up the same amount of guns for each additional unit of butter.

D. she does not have to give up any guns for each additional unit of butter.

E. she has to give up four guns for one last unit of butter.

Chapter - Chapter 02 #43
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Graphical

44. Which of the following statements best describes the given production possibilities curve?

(p. 32)

A. The market price of butter must be higher than the market price for guns.

B. The market price of guns must be higher than the market price for butter.

C. It is more profitable for Becky to produce guns than butter.

D. It is more profitable for Becky to produce butter than guns.

E. The opportunity cost for one additional gun is always constant.

Chapter - Chapter 02 #44
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Graphical

45. Which of the following statements best describe the given production possibilities curve?

(p. 32)

A. Consumers prefer butter to guns.

B. Consumers prefer guns to butter.

C. Consumers like guns as much as they like butter.

D. Becky prefers to produce butter rather than guns.

E. Becky is able to produce guns and/or butter.

Chapter - Chapter 02 #45
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Graphica

46. The opportunity cost to Becky of producing 20 units of butter is

(p. 32)

A. one gun.

B. one hour.

C. one hour and four guns.

D. four guns.

E. either one hour or four guns.

Chapter - Chapter 02 #46
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Graphica

47. Which of the following statements is **true**?

(p. 32)

A. An unattainable point is inefficient.

B. An efficient point may or may not be attainable.

C. An inefficient point must be unattainable.

D. An efficient point must be attainable.

E. An attainable point must be efficient.

Chapter - Chapter 02 #47
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

48. Any combination of goods that can be produced with currently available resources defines a(n)

(p. 32)

A. unattainable point.

B. efficient point.

C. inefficient point.

D. attainable and efficient point.

E. attainable point.

Chapter - Chapter 02 #48
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Knowledge
Type: Word Problem

49. An inefficient point is

(p. 32)

A. necessarily an attainable point.

B. may be an attainable point.

C. necessarily an unattainable point.

D. possibly an unattainable point.

E. one that uses too many resources.

Chapter - Chapter 02 #49

Difficulty: Easy

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Comprehension

Type: Word Problem

The following table describes Buffy's abilities to produce either weapons or food each hour.

Weapons Per Hour	Food Units Per Hour
6	0
4	6
2	12
0	18

Chapter - Chapter 02

50. If weapons were on the vertical axis and food on the horizontal, the y-intercept would be _____ and the x-intercept would be _____.
(p. 32)

A. 6; 0

B. 0; 18

C. 6; 18

D. 0; 0

E. 24; 12

Chapter - Chapter 02 #50
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

51. The data indicate that it takes Buffy _____ minutes to produce a weapon and _____ minutes to produce a unit of food.
(p. 32)

A. 3.33; 10

B. 10; 3.33

C. 6; 18

D. 1; 33.3

E. 100; 0.333

Chapter - Chapter 02 #51
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

52. The opportunity cost of an extra unit of food is

(p. 32)

A. 0.333 fewer weapons.

B. 3.33 fewer weapons.

C. 33.3 fewer weapons.

D. fewer weapons but the exact number cannot be calculated.

E. 18 fewer weapons.

Chapter - Chapter 02 #52
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

53. The absolute value of the slope of Buffy's production possibilities curve (with weapons on the vertical axis) is

(p. 32)

A. 4.

B. 3.

C. 6.

D. 2.

E. 0.333.

Chapter - Chapter 02 #53
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

54. Buffy's production possibilities curve has a _____ slope because producing 6 extra units of food means _____ weapons can be produced. *(p. 32)*

A. positive; two more

B. negative; two fewer

C. negative; three fewer

D. negative; six fewer

E. negative; 0.333 fewer

Chapter - Chapter 02 #54
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

55. The fundamental reason that a production possibilities curve has a negative slope is that *(p. 32)*

A. workers are inefficient.

B. resources are of low quality.

C. resources are fixed and therefore trade-offs must be made.

D. it has empirical support but why it is so is still a mystery.

E. comparative advantage exists.

Chapter - Chapter 02 #55
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Word Problem

56. *(p. 32)* The equation for Cartman's production possibilities curve is A = 13 - 0.5B, where A and B are the only two goods he can produce. The opportunity cost to Cartman of producing an extra unit of B is

A. 26 units of A.
B. 12.5 units of A.
C. 6.5 units of A.
D. 2 units of A.
E. 0.5 units of A.

Chapter - Chapter 02 #56
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

57. *(p. 32)* The equation for Cartman's production possibilities curve is A = 13 - 0.5B, where A and B are the only two goods he can produce. The slope of Cartman's production possibilities curve is _____ and quantifies _____.

A. -0.5; the change in A for a one-unit change in B
B. 0.5; the change in A for a one-unit change in B
C. -0.5; the change in B for a one-unit change in A
D. 0.5; the change in B for a one-unit change in A
E. -2; the change in A for a one-unit change in B

Chapter - Chapter 02 #57
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

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

Good	Smith	Jones
Computers	10	6
Calculators	100	120

Chapter - Chapter 02

58. The opportunity cost of an extra calculator for Smith is _____ and for Jones it is _____. *(p. 32)*

A. 0.10 computers; 0.05 computers

B. 10 computers; 6 computers

C. 1 computer; 0.5 computers

D. 0.6 computers; 1.2 computers

E. 0.05 computers; 0.10 computers

Chapter - Chapter 02 #58
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

59. Based on the data, Smith has a(n) _____ advantage in _____ while Jones has a(n) _____ advantage in _____.
(p. 32)

A. comparative; calculators; absolute; calculators
B. absolute; calculators; absolute; computers
C. absolute; computers; comparative; computers
D. comparative; computers; comparative; calculators
E. comparative; calculators; comparative; calculators

Chapter - Chapter 02 #59
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

60. By coordinating their production decisions, the maximum number of computers Smith and Jones can produce is
(p. 32)

A. 120.
B. 100.
C. 16.
D. 10.
E. 6.

Chapter - Chapter 02 #60
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

61. *(p. 32)* Suppose Smith and Jones begin at the point of producing 16 computers and 0 calculators in one hour. If they wish to produce 14 computers and 40 calculators in one hour, then Smith will spend _____ and Jones will 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
E. 1 hour on computers; 50 minutes on computers and 10 minutes on calculators

Chapter - Chapter 02 #61
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

62. *(p. 32)* Suppose Smith and Jones begin at the point of producing 0 computers and 220 calculators in one hour. If they wish to produce 2 computers and 200 calculators in one hour, then Smith will spend _____ and Jones will 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. 6 minutes on computers and 54 minutes on calculators; 10 minutes on computers and 50 minutes on calculators.
E. 12 minutes on computers and 48 minutes on calculators; 1 hour on calculators.

Chapter - Chapter 02 #62
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

63. For any efficient point with at least 10 computers and less than 120 calculators, Smith will _____ and Jones will _____.
(p. 32)

A. only produce computers; only produce calculators
B. only produce computers; split his time between computers and calculators
C. split his time between computers and calculators; only produce computers
D. evenly divide his time between the two; evenly divide his time between the two
E. only produce calculators; only produce computers

Chapter - Chapter 02 #63
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

64. For any efficient point with less than 10 computers and more than 120 calculators, Smith will _____ and Jones will _____.
(p. 32)

A. split his time between the two; only produce calculators
B. split his time between the two; split his time between the two
C. only produce calculators; only produce computers
D. only produce computers; only produce calculators
E. evenly divide his time between the two; evenly divide his time between the two

Chapter - Chapter 02 #64
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

65. In a two-person, two-good economy, the benefits of labour specialization will be larger when

(p. 32)

A. one person has an absolute advantage in both goods.

B. neither person has an absolute advantage.

C. both persons have identical absolute advantages.

D. the difference in their respective opportunity costs is large.

E. the difference in their respective opportunity costs is small.

Chapter - Chapter 02 #65
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

66. Suppose that Penn's opportunity cost of producing an extra Pepsi is 3 cheeseburgers while Teller's opportunity cost is 0.14 cheeseburgers. One could predict that

(p. 32)

A. Penn must have an absolute advantage in producing cheeseburgers.

B. Teller must have an absolute advantage in producing Pepsis.

C. they have little to gain from specialization and coordinating production.

D. Teller has a comparative advantage in cheeseburger production.

E. they have potentially much to gain from specialization and coordinating production.

Chapter - Chapter 02 #66
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Data Analysis

67. Joe has an absolute advantage in producing goods X and Y compared to Ted. Moreover, they have the same opportunity costs. One can predict that the gains from coordinating production and specialization is

(p. 32)

A. zero.
B. small.
C. large.
D. negative.
E. indeterminate.

Chapter - Chapter 02 #67
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

68. The production possibilities curve is

(p. 32)

A. the boundary that divides all production combinations into efficient ones and inefficient ones.
B. a graph illustrating the production combinations society would like to choose.
C. the boundary that divides all production combinations into attainable ones and unattainable ones.
D. a convex (bowed into the origin) curve illustrating production trade-offs.
E. the boundary that divides all production combinations into good ones and bad ones.

Chapter - Chapter 02 #68
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Knowledge
Type: Word Problem

69. *(p. 32)* Teddy's production possibilities curve for goods M and N is described by the following equation: M = 21 - 3N, where M is the quantity of good M produced and N is the quantity of good N produced. The maximum quantity of M that Teddy can produce is

A. 63.

B. 21.

C. 14.

D. 7.

E. 0.

Chapter - Chapter 02 #69
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

70. *(p. 32)* Teddy's production possibilities curve for goods M and N is described by the following equation: M = 21 - 3N, where M is the quantity of good M produced and N is the quantity of good N produced. The maximum quantity of N that Teddy can produce is

A. 63.

B. 21.

C. 14.

D. 7.

E. 0.

Chapter - Chapter 02 #70
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

71. *(p. 32)* Teddy's production possibilities curve for goods M and N is described by the following equation: M = 21 - 3N, where M is the quantity of good M produced and N is the quantity of good N produced. The slope of Teddy's production possibilities curve, when M is on the vertical axis, is

A. -3.
B. 3.
C. -0.333.
D. 0.333.
E. 0.0333.

Chapter - Chapter 02 #71
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

72. *(p. 32)* Joan can produce a maximum of 14 units of good Y and a maximum of 21 units of good X. If Y is on the vertical axis, the equation for her production possibilities curve is

A. X = 14 - 0.67Y.
B. Y = 21 - 14X.
C. Y = 14 - 0.67X.
D. Y =14 - 1.5X.
E. X = 14 - 1.5Y.

Chapter - Chapter 02 #72
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

73. *(p. 32)* Jerry's production possibilities curve for goods W and Z is W = 20 - 2Z, where W is the quantity of good W produced and Z is the quantity of good Z produced. The combination of W and Z (14, 3) is a(n) _____ point.

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

Chapter - Chapter 02 #73
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

74. *(p. 32)* Jerry's production possibilities curve for goods W and Z is W = 20 - 2Z, where W is the quantity of good W produced and Z is the quantity of good Z produced. The combination of W and Z (11, 5) is a(n) _____ point.

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

Chapter - Chapter 02 #74
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

75. If a given production combination is known to be attainable, then it must be

(p. 32)

A. on the production possibilities curve.

B. beyond the production possibilities curve.

C. an efficient point.

D. an inefficient point.

E. either an inefficient or efficient point.

Chapter - Chapter 02 #75
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Word Problem

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

(p. 32)

A. beyond the production possibilities curve.

B. possible to expand production of one good without lowering the amount of the other.

C. on the production possibilities curve.

D. either an attainable or unattainable point.

E. the best combination out of all possible combinations.

Chapter - Chapter 02 #76
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Word Problem

77. In one hour, Juan can produce 8 chairs or 2 tables. If chairs are on the vertical axis, the slope of his production possibilities curve is *(p. 32)*

A. 0.25.

B. -0.25.

C. 4.

D. -4.

E. -2.

Chapter - Chapter 02 #77
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

78. In one 8-hour workday, Hector can produce 25 court appeals or 5 new lawsuits. If appeals are on the vertical axis, the slope of his production possibilities curve is *(p. 32)*

A. -5.

B. 5.

C. -2.

D. 0.2.

E. -1.

Chapter - Chapter 02 #78
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

79. Joe's opportunity cost of producing body piercings is 3 tattoos, while Sam's is 0.75 tattoos.
(p. 32) The Principle of Increasing Opportunity Cost would indicate that, to produce more and more body piercings,

A. Joe would be used first, followed by Sam.
B. Sam would always be used.
C. Sam would be used first and then Joe.
D. the sequencing of Sam and Joe is irrelevant.
E. Joe would always be used.

Chapter - Chapter 02 #79
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Data Analysis

	Jugs of Moonshine Per Hour	Bales of Hemp Per Hour
Bobby Jo	9	3
Mary Lou	2	7

Chapter - Chapter 02

80. Bobby Jo's opportunity cost of an extra bale of hemp is _____ and Mary Lou's is _____.
(p. 32)

A. 0.33 fewer jugs of moonshine; 0.29 fewer jugs of moonshine
B. 3 fewer jugs of moonshine; 3.5 fewer jugs of moonshine
C. 3 fewer jugs of moonshine; 0.29 fewer jugs of moonshine
D. 0.33 fewer jugs of moonshine; 3.5 fewer jugs of moonshine
E. 27 fewer jugs of moonshine; 14 fewer jugs of moonshine

Chapter - Chapter 02 #80
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

81. Because Bobby Jo and Mary Lou have _____ opportunity costs, they can experience _____ from specialization.
(p. 32)

A. identical; a gain
B. unequal; a gain
C. unequal; no gain
D. equal; no gain
E. unequal; a loss

Chapter - Chapter 02 #81
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

82. Production possibilities curves are downward sloping, reflecting the principle of

(p. 32)

A. scarcity.

B. comparative advantage.

C. increasing opportunity cost.

D. absolute advantage.

E. low-hanging fruit.

Chapter - Chapter 02 #82
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Comprehension
Type: Word Problem

83. Maria can produce 100 pounds of tomatoes or 25 pounds of squash in her garden each summer, while Tonya can produce 50 pounds of tomatoes or 25 pounds of squash. If the production possibilities curves are drawn with tomatoes on the vertical axis and squash on the horizontal axis, then the absolute values of the slope of Maria's and Tonya's production possibilities curves, respectively, are

(p. 32)

A. 1/4 and 1/2.

B. 1/2 and 1/4.

C. 4 and 2.

D. 2 and 4.

E. 100 and 50.

Chapter - Chapter 02 #83
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

84. A point on Joseph's production possibilities curve represents 6 music CDs and 2 videos produced in a week. A combination of 4 music CDs and 2 videos is an *(p. 32)*

A. efficient and attainable point.

B. efficient but not attainable point.

C. attainable and inefficient point.

D. unattainable point.

E. unattainable and inefficient point.

Chapter - Chapter 02 #84
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Data Analysis

85. The slope of an individual's production possibilities curve *(p. 32)*

A. decreases as more units of a particular good are produced.

B. is negative and constant along the entire curve.

C. is positive and constant along the entire curve.

D. varies as the amount of output changes.

E. is the same for all individuals.

Chapter - Chapter 02 #85
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

86. *(p. 32)* Point A on a production possibilities curve, where bicycles are on the vertical axis and tricycles on the horizontal axis, represents a combination of 10 bicycles and 4 tricycles, and point B represents 6 bicycles and 6 tricycles. The absolute value of the slope of the production possibilities curve between points A and B equals

A. 2.
B. 4.
C. ½.
D. ¼.
E. 6.

Chapter - Chapter 02 #86
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Calculation

87. *(p. 32)* When individuals or groups specialize in producing those goods for which they have a comparative advantage and exchange those goods with one another,

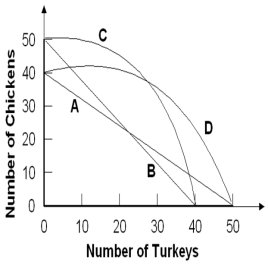
A. those with an absolute advantage will gain the most, while those without an absolute advantage will lose.
B. those with a comparative advantage will gain the most, while those without a comparative advantage will lose.
C. total production will be greater than it would be without specialization, but would be the greatest if they produced those goods in which they only have an absolute advantage.
D. total production will be less than it would be without specialization.
E. total production will be the greatest that they can achieve given the available resources.

Chapter - Chapter 02 #87
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Word Problem

88. *(p. 32)* Refer to the diagram below. Suppose that the opportunity cost of producing 8 chickens is always 10 turkeys. Given this, the relevant production possibility curve must be



A. A.

B. B.

C. C.

D. D.

E. not depicted on the graph.

Chapter - Chapter 02 #88

Difficulty: Difficult

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Graphical

89. *(p. 32)* If you move from a point on the production possibilities curve to a point inside the production possibilities curve, it follows that

A. efficiency is increased because more of each good is produced.

B. efficiency is increased because more of one good is produced.

C. efficiency is increased, even if less of each good is produced.

D. efficiency is reduced.

E. efficiency remains same.

Chapter - Chapter 02 #89
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage
Level of Learning: Application
Type: Word Problem

90. *(p. 32)* Given the production possibility tables for First and Second Bakeries presented below, what must be true?

First Bakery		Second Bakery	
Cookies	Pies	Cookies	Pies
0	30	0	20
10	24	10	16
20	18	20	12
30	12	30	8
40	6	40	4
50	0	50	0

A. First Bakery has a comparative advantage in the production of both goods.

B. Second Bakery has a comparative advantage in the production of pies.

C. First Bakery has a comparative advantage in the production of pies.

D. Neither bakery has a comparative advantage.

E. Neither bakery has an absolute advantage.

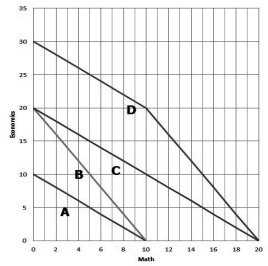
Chapter - Chapter 02 #90
Difficulty: Difficult
Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Data Analysis

91. *(p. 32)* Refer to the graph below. Given Mary and Paul's production possibilities tables for answering economics and math problems, which curve represents their combined production possibilities curve if they take advantage of their comparative advantages?



Mary		Paul	
Economics	Math	Economics	Math
10	0	20	0
8	2	16	2
6	4	12	4
4	6	8	6
2	8	4	8
0	10	0	10

A. A

B. B

C. C

D. D

E. Not shown.

Chapter - Chapter 02 #91

Difficulty: Difficult

Gradable: automatic

Learning Objective: 02-02 Demonstrate the relationship between opportunity cost and comparative advantage

Level of Learning: Application

Type: Graphical

92. When productive activity is organized according to comparative advantage,

(p. 40)

A. there is a decrease in the amount of goods and services that an economy can gain from its resources.

B. there is an increase in the amount of goods and services that an economy can gain from its resources.

C. there is no change in the amount of goods and services that an economy can gain from its resources.

D. the amount of goods and services that an economy can gain from its resources may increase or decrease.

E. there is a decrease in the quality of the goods and services produced in the economy.

Chapter - Chapter 02 #92

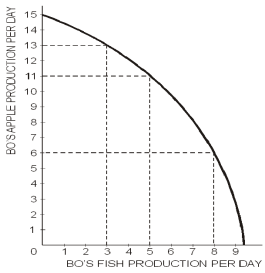
Difficulty: Medium

Gradable: automatic

Learning Objective: 02-03 Explain the principle of increasing opportunity costs

Level of Learning: Application

Type: Word Problem



Chapter - Chapter 02

93. As Bo increases her production of apples from 6 units to 12 units, she finds that
(p. 40)

A. she has to give up increasing amounts of fish for each additional unit of apples.
B. she has to give up smaller amounts of fish for each additional unit of apples.
C. she has to give up the same amount of fish for each additional unit of apples.
D. she does not have to give up fish for each additional unit of apples.
E. she has to give up all her fish.

Chapter - Chapter 02 #93
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-03 Explain the principle of increasing opportunity costs
Level of Learning: Comprehension
Type: Graphica

94. Which of the following statement is most appropriate for the given production possibilities curve?
(p. 40)

A. There is an increasing opportunity cost as Bo produces more fish.
B. There is an increasing opportunity cost as Bo produces less fish.
C. The opportunity cost for fish production is constant.
D. The opportunity cost for apple production is constant.
E. The opportunity cost for both fish and apple production is constant.

Chapter - Chapter 02 #94
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-03 Explain the principle of increasing opportunity costs
Level of Learning: Comprehension
Type: Graphica

95. Which of the following statements is the most appropriate?

(p. 40)

A. The opportunity cost in terms of apples decreases as more and more fish are produced.

B. Bo prefers apples to fish.

C. Bo prefers fish to apples.

D. The existing resources are less and less suitable to fish production as more fish are produced.

E. Bo will produce relatively more apples than fish.

Chapter - Chapter 02 #95
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-03 Explain the principle of increasing opportunity costs
Level of Learning: Comprehension
Type: Graphical

96. The Principle of Increasing Opportunity Cost indicates that the proper sequence of resource usage to expand production is to

(p. 40)

A. randomly choose the resources.

B. start with the highest opportunity cost resource and progress to the lowest opportunity cost resources.

C. start with a lower opportunity cost resource, then a higher cost one, then a lower cost, etc.

D. start with the lowest opportunity cost resource and proceed to the highest opportunity cost resources.

E. start with the average opportunity cost resource and progress to lower opportunity cost resources.

Chapter - Chapter 02 #96
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-03 Explain the principle of increasing opportunity costs
Level of Learning: Application
Type: Word Problem

97. A country's production possibilities curve is concave to the origin (i.e., bowed out from the origin) because *(p. 40)*

A. of the principle of scarcity.
B. the production of one good is expanded by first employing those resources with an absolute advantage.
C. the production of one good is expanded by first employing those resources with the lowest opportunity cost.
D. there is a trade off that requires a decrease in the production of one good in order to increase the production of the other good.
E. of the principle of absolute advantage.

Chapter - Chapter 02 #97
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-03 Explain the principle of increasing opportunity costs
Level of Learning: Application
Type: Word Problem

98. As one progresses from a one-person economy to a large, multi-person economy, the shape of production possibilities curve changes from *(p. 40)*

A. downward sloping to upwards sloping.
B. linear to convex (bowed into the origin).
C. concave (bowed out from the origin) to linear.
D. convex (bowed into the origin) to concave (bowed out from the origin).
E. linear to concave (bowed out from the origin).

Chapter - Chapter 02 #98
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Word Problem

99. A concave (bowed out from the origin) production possibilities curve would indicate

(p. 40)

A. decreasing opportunity costs.

B. that the slope is getting smaller in absolute value.

C. a large economy with many workers.

D. a small economy with a handful of workers.

E. constant opportunity costs.

Chapter - Chapter 02 #99

Difficulty: Easy

Gradable: automatic

Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined

Level of Learning: Comprehension

Type: Word Problem

Employee	Electric Guitars Per Hour	Acoustic Guitars Per Hour
Mark	16	1
Glenn	8	8
Dennis	2	14

Chapter - Chapter 02

100. Suppose the guitar store received a rush order for 26 electric guitars. The efficient allocation of labour resources would be to have _____ work on electric guitars.

(p. 40)

A. all three employees

B. Mark and Glenn

C. only Mark

D. Glenn and Dennis

E. only Dennis

Chapter - Chapter 02 #100

Difficulty: Medium

Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Calculation

101. *(p. 40)* If all three employees were initially working on electric guitars, but one acoustic guitar needed to be built, _____ should be assigned the task.

A. Glenn or Dennis
B. Mark or Glenn
C. Mark
D. Glenn
E. Dennis

Chapter - Chapter 02 #101
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Calculation

102. *(p. 40)* As the store moves from producing only electric guitars to only acoustic guitars, the sequence of workers will be _____ first, then _____ and finally _____.

A. Mark; Dennis; Glenn
B. Dennis; Glenn; Mark
C. Glenn; Dennis; Mark
D. Mark; Glenn; Dennis
E. Dennis; Mark; Glenn

Chapter - Chapter 02 #102
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Calculation

103. If the production possibilities curve is smoothly bowed out (concave to the origin), the underlying economy is probably a

(p. 40)

A. single-person model.

B. two-person model.

C. half-person model.

D. three-person model.

E. multi-person model.

Chapter - Chapter 02 #103

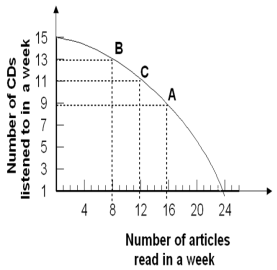
Difficulty: Easy

Gradable: automatic

Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined

Level of Learning: Comprehension

Type: Word Problem



Chapter - Chapter 02

104. *(p. 40)* Refer to the graph above. Given Vineetstan's production possibility curve of listening to CDs or reading magazine articles in one week, when moving from point A to point B, the opportunity cost of listening to each CD in terms of reading articles is

A. ½ article.
B. 1 article.
C. 2 articles.
D. 3 articles.
E. 4 articles.

Chapter - Chapter 02 #104
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Graphica

105. *(p. 40)* Refer to the graph above. Given Vineetstan's production possibility curve, when moving from point B to point C the opportunity cost of reading articles in terms of listening to CDs is

A. ½ CD.
B. 2 CDs.
C. ⅔ CD.
D. 3 CDs.
E. 4 CDs.

Chapter - Chapter 02 #105
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Graphica

106. *(p. 40)* In a two-person economy, Little Joe can trap a maximum of 6 rabbits or catch 10 fish a week, while his father can trap 12 rabbits or catch 15 fish per week. If their family wants to consume 20 fish per week while maximizing their joint production,

A. the father should specialize in producing only fish, and Little Joe should produce both fish and rabbits.

B. Little Joe should specialize in producing only fish, and his father should produce both fish and rabbits.

C. Little Joe should specialize in producing fish, and his father should produce rabbits.

D. Little Joe should specialize in producing only rabbits, and his father should produce fish.

E. each should produce both fish and rabbits.

Chapter - Chapter 02 #106

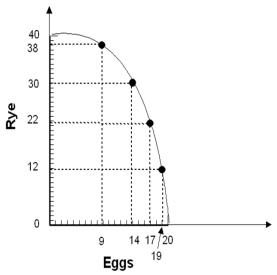
Difficulty: Difficult

Gradable: automatic

Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined

Level of Learning: Application

Type: Calculation



Chapter - Chapter 02

107. Refer to the graph above. The graph indicates that, as more eggs are produced, the opportunity cost of producing eggs *(p. 40)*

A. increases
B. remains constant.
C. decreases.
D. is not defined.
E. is zero.

Chapter - Chapter 02 #107
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Graphical

108. Refer to the graph above. The graph indicates that, as more rye is produced, the opportunity cost of producing rye *(p. 40)*

A. increases.
B. remains constant.
C. decreases.
D. eventually becomes infinite.
E. is zero.

Chapter - Chapter 02 #108
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Graphical

109. If there were decreasing opportunity costs, then the slope of the production possibilities curve would be *(p. 40)*

A. increasing as one moves down the curve.

B. constant as one moves down the curve.

C. decreasing as one moves down the curve.

D. positive.

E. infinite.

Chapter - Chapter 02 #109
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Word Problem

110. If an economy takes advantage of the comparative advantage of some resources over others, the slope of its production possibilities curve is likely to be *(p. 40)*

A. negative and constant.

B. positive and constant.

C. negative, but not constant.

D. positive, but not constant.

E. zero.

Chapter - Chapter 02 #110
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Application
Type: Word Problem

111. The principle of comparative advantage states that specialization increases productivity, but the principle of increasing opportunity costs states that when you increase production of a single good you must use increasingly costly resources. These two principles

(p. 40)

A. are evidence that economic theory is internally inconsistent.
B. are an example of the difference between abstract models and the real world.
C. cannot be true at the same time.
D. together account for the outward bow shape of production possibility curves.
E. explain the circular flow of income.

Chapter - Chapter 02 #111
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-04 Explain how the menu of goods and services produced by an economy is determined
Level of Learning: Comprehension
Type: Word Problem

112. An existing comparative advantage can be increased by specialization because

(p. 42)

A. less production time is used by switching from one task to another.
B. repetition results in boredom.
C. the variety of tasks will rise.
D. small tasks will be merged into larger tasks.
E. workers will start shirking their tasks.

Chapter - Chapter 02 #112
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

113. Which of the following statements is **NOT** true about specialization?

(p. 42)

A. Total economic output is larger.

B. Worker skills are better matched with tasks.

C. Specialization focuses experience and increases the comparative advantage.

D. The variety of tasks associated with a particular job grows over time.

E. Down time due to switching tasks is lessened.

Chapter - Chapter 02 #113
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

114. In general, it is true that

(p. 42)

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.

E. less specialization is always worse.

Chapter - Chapter 02 #114
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

115. The major cost, or penalty, imposed by increasing specialization is

(p. 42)

A. excessive workloads.

B. reduced variation in work tasks.

C. reduced variety in the types of jobs.

D. increased worker vulnerability to being fired.

E. being good at many jobs, but not an expert in any of them.

Chapter - Chapter 02 #115
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

116. While there exists the potential for specialization to go too far, it is equally true that

(p. 42)

A. these fears are overstated by the media.

B. any work is mind numbing and distasteful.

C. failure to specialize has significant costs.

D. less specialization means higher wages.

E. less specialization would improve conversation at parties.

Chapter - Chapter 02 #116
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

117. The psychological cost of specialization is likely to affect

(p. 42)

A. all workers to the same degree.

B. very few workers.

C. a factory worker less than a brain surgeon.

D. a factory worker more than a brain surgeon.

E. a factory worker and a brain surgeon equally.

Chapter - Chapter 02 #117
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

118. For a nation that finds it has a comparative advantage in producing good Z, it is likely that the size of the comparative advantage will

(p. 42)

A. decline due to competition.

B. grow as production experience increases.

C. remain constant.

D. decline as production experience increases.

E. change in unpredictable ways.

Chapter - Chapter 02 #118
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

119. At the most basic level, the benefit of specialization is

(p. 42)

A. greater total output.

B. greater interest in work.

C. less job related stress.

D. less diversity in output.

E. less detailed knowledge.

Chapter - Chapter 02 #119
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

120. Suppose that a further increase in specialization allows a country to increase total output by 10% but, afterward, it was discovered that work absenteeism increased by 30%. This is likely an example of

(p. 42)

A. modern production.

B. too much specialization.

C. too little specialization.

D. inefficiencies caused by labour unions.

E. worker laziness.

Chapter - Chapter 02 #120
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

121. Specialization of labour not only results in the ability to produce a larger quantity of goods due to innate differences in people's skills, but also in
(p. 42)

A. rigidly segmenting work.
B. switching back and forth among numerous tasks.
C. breaking a task down into mind-numbing repetitive tasks.
D. deepening skills through practice and experience.
E. eliminating the need to train and educate the workers to perform different tasks.

Chapter - Chapter 02 #121
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

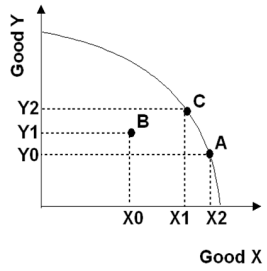
122. Increased specialization in the production of goods
(p. 42)

A. always increases economic surplus.
B. never increases economic surplus.
C. has benefits, but no costs.
D. has costs, but no benefits.
E. has costs and benefits.

Chapter - Chapter 02 #122
Difficulty: Easy
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

123. Refer to the graph below. As you move from point B to point A,

(p. 42)



A. efficiency is increased because we have more of good X.

B. efficiency is decreased because we have less of good Y.

C. efficiency is increased because the economy's productive resources are employed more effectively.

D. the change in efficiency is unclear.

E. efficiency is unchanged.

Chapter - Chapter 02 #123
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Graphica

124. Which of the following factors will NOT cause a production possibilities curve to shift away from the origin?

(p. 42)

A. New, improved technology.

B. Access to additional productive resources.

C. Easier access to university education.

D. Enforcement of compulsory retirement at age 60, for all workers.

E. Increased expenditure on capital goods.

Chapter - Chapter 02 #124
Difficulty: Medium
Gradable: automatic

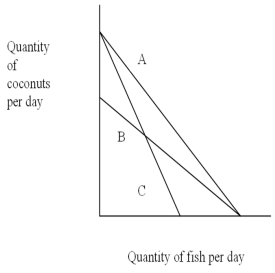
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

125. *(p. 42)* Which of the following factors will cause the production possibilities curve to shift away from the origin?

A. Enforcement of compulsory retirement at age 60, for all workers.
B. The termination of all work on Albertan oil sands projects.
C. A doubling of all university fees.
D. New, improved technology.
E. Increased interest rates, which cause a decrease in expenditure on capital goods.

Chapter - Chapter 02 #125
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Word Problem

Jon is currently stranded, alone, on a desert island; he is a one-person economy. His principle food-gathering activities are collecting coconuts and catching fish. Depending on the circumstances, he may be functioning on the production possibilities curve A, B or C in the following diagram.



126. If Jon is functioning on production possibilities curve A, but then he loses the piece of metal he has fashioned into a fishing hook, his production possibilities curve would *(p. 42)*

A. not change.

B. shift to curve C.

C. either shift to curve B or curve C.

D. shift to curve B.

E. shift to a position not shown in the diagram.

Chapter - Chapter 02 #126
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Graphica

127. If Jon is functioning on production possibilities curve A, but then he breaks the long pole he has been using to knock the coconuts out of the palm trees, his production possibilities curve would *(p. 42)*

A. not change.

B. shift to curve C.

C. either shift to curve B or curve C.

D. shift to curve B.

E. shift to a position not shown in the diagram.

Chapter - Chapter 02 #127
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Graphica

128. *(p. 42)* If Jon is functioning on production possibilities curve C, then he finds a fishing rod washed up on the beach, it is likely his production possibilities curve would

A. not change.
B. shift to curve B.
C. either shift to curve A or curve B.
D. shift to curve A.
E. shift to a position not shown in the diagram.

Chapter - Chapter 02 #128
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Graphical

129. *(p. 42)* If Jon is functioning on production possibilities curve B, then a storm passes over the island, blowing all the coconuts out of the palm trees, it is likely that his production possibilities curve would

A. not change.
B. shift to curve C.
C. either shift to curve A or C.
D. shift to curve A.
E. shift to a position not shown in the diagram.

Chapter - Chapter 02 #129
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Comprehension
Type: Graphical

130. A reduction in the length of the workday would cause the production possibilities curve to
(p. 42)

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

Chapter - Chapter 02 #130
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

131. Good W is on the vertical axis and good Z is on the horizontal axis of a production possibilities curve. A technological innovation that improved labour's productivity for W but had zero effect on labour's productivity for Z would cause the production possibilities curve to
(p. 42)

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unknowable way.

Chapter - Chapter 02 #131
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

132. Good W is on the vertical axis and good Z is on the horizontal axis of a production possibilities curve. An increase in the amount of training received only by workers producing good Z would cause the production possibilities curve to

(p. 42)

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

Chapter - Chapter 02 #132
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

133. An influx of immigrants would cause the production possibilities curve to

(p. 42)

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

Chapter - Chapter 02 #133
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

134. The introduction of compulsory retirement for all workers at age 60 would cause the production possibilities curve to *(p. 42)*

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

Chapter - Chapter 02 #134
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

135. An increase in the amount spent on new factories and equipment would cause the production possibilities curve to *(p. 42)*

A. become steeper.
B. shift away from the origin.
C. become flatter.
D. shift towards the origin.
E. change in an unpredictable way.

Chapter - Chapter 02 #135
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

136. The introduction of new and more productive technology into the workplace will generally cause the production possibilities curve to *(p. 42)*

A. become steeper.

B. shift away from the origin.

C. become flatter.

D. shift towards the origin.

E. change in an unpredictable way.

Chapter - Chapter 02 #136
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

137. Specialization of labour leads to *(p. 42)*

A. gains in absolute efficiency only.

B. gains in the relative efficiency of each worker only.

C. gains in both absolute efficiency and in the relative efficiency of each worker.

D. no gains in efficiency.

E. a reduction in efficiency.

Chapter - Chapter 02 #137
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

138. An isolated economy has _____ possibilities for specialization when compared to the possibilities available to an easily accessible economy.
(p. 42)

A. fewer
B. more
C. the same number of
D. no
E. an indeterminate number of

Chapter - Chapter 02 #138
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

139. An isolated economy
(p. 42)

A. is less likely than an easily accessible economy to take advantage of specialization.
B. is more likely than an easily accessible economy to take advantage of specialization.
C. is equally likely to take advantage of specialization when compared to an easily accessible economy.
D. would gain no advantage from specialization.
E. has easy access to large markets.

Chapter - Chapter 02 #139
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

140. Economic growth can generally be represented by _____ the production possibilities curve. *(p. 42)*

A. an inward shift of
B. an unpredictable change in
C. no change in
D. either an inward or an outward shift of
E. an outward shift of

Chapter - Chapter 02 #140
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Application
Type: Word Problem

141. When it is impossible to reorganize economic resources so that at least one person is better off while nobody is worse off, we have attained *(p. 42)*

A. allocative efficiency.
B. productive efficiency.
C. absolute advantage
D. comparative advantage.
E. a point outside the production possibilities curve.

Chapter - Chapter 02 #141
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Knowledge
Type: Word Problem

142. When an economy is operating on its production possibilities curve, it is always

(p. 42)

A. both productively efficient and allocatively efficient.

B. productively efficient but may not be allocatively efficient.

C. allocatively efficient but may not be productively efficient.

D. experiencing growth.

E. increasing its standard of living.

Chapter - Chapter 02 #142
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Knowledge
Type: Word Problem

143. Every point on the production possibilities curve is

(p. 42)

A. allocatively efficient.

B. productively efficient.

C. equally desirable.

D. an optimal level of output.

E. attainable even when we have some unemployed resources.

Chapter - Chapter 02 #143
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Knowledge
Type: Word Problem

144. In terms of the production possibilities curve, productive efficiency is represented by

(p. 42)

A. a rightward shift in the PPC.

B. a leftward shift in the PPC.

C. all points on the PPC.

D. all points inside the PPC.

E. all points outside the PPC.

Chapter - Chapter 02 #144
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-05 Identify factors that change an economys menu of goods and services
Level of Learning: Knowledge
Type: Word Problem

145. A circular flow diagram of an economy shows that

(p. 45)

A. individuals tend to be highly specialized.

B. households earn wages and salaries for their labour supplied to the firms.

C. households buy goods and services from firms.

D. firms use the labour they hire to produce goods and services.

E. All of these.

Chapter - Chapter 02 #145
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-06 Describe transactions of goods and services as a circular flow of income and expenditures in an economy
Level of Learning: Comprehension
Type: Word Problem

146. Which of the following statements illustrates that the idea of comparative advantage is embedded in the circular flow diagram?
(p. 45)

A. Households spend money on durable and non durable goods.
B. Households are composed of individuals.
C. The total dollar value of expenditures should equal the dollar value of incomes.
D. Wages and salaries represent a major percentage of the firms' expenditures.
E. Firms use the labour they hire to produce goods and services, which they sell to households.

Chapter - Chapter 02 #146
Difficulty: Difficult
Gradable: automatic
Learning Objective: 02-06 Describe transactions of goods and services as a circular flow of income and expenditures in an economy
Level of Learning: Comprehension
Type: Word Problem

147. One of the major characteristics of the circular flow in our economy is
(p. 45)

A. the production possibility curve.
B. market prices.
C. opportunity cost.
D. specialization and exchange.
E. absolute advantage.

Chapter - Chapter 02 #147
Difficulty: Medium
Gradable: automatic
Learning Objective: 02-06 Describe transactions of goods and services as a circular flow of income and expenditures in an economy
Level of Learning: Comprehension
Type: Word Problem

c2 Summary

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