Chapter 02

Specialization and Exchange

Multiple Choice Questions

1. The invisible hand refers to:

   A. the coordination that occurs from everyone working in their own self-interest.

   B. the coordination that occurs from a government agency finding efficiencies.

   C. the coordination that occurs from everyone working for the overall good of society.

   D. the coordination that occurs from a government coordinating economic activity.

2. The concepts of specialization and gains from trade explain:

   A. international trade.

   B. why globalization has expanded recently.

   C. consumer decisions.

   D. both international trade and the choices individuals make.

3. The concept of the invisible hand was first introduced to economics by:

   A. David Ricardo.

   B. Adam Smith.

   C. Thomas Malthus.

   D. Milton Friedman.

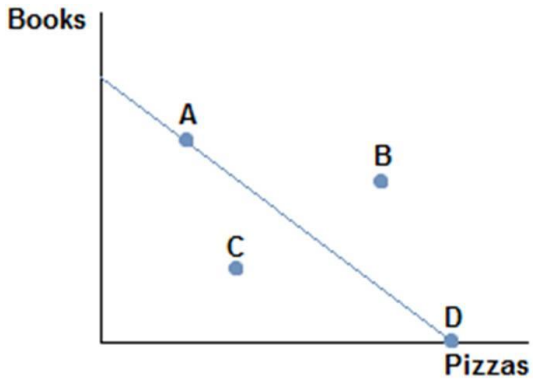
4. A production possibilities frontier is a line or curve that:

   A. shows all the possible combinations of outputs that can be produced using all available resources.

   B. shows what can be produced when all available resources are efficiently used.

   C. shows the best combinations of outputs that can be produced using all available resources.

   D. explains why societies make the choices they do.

5. 

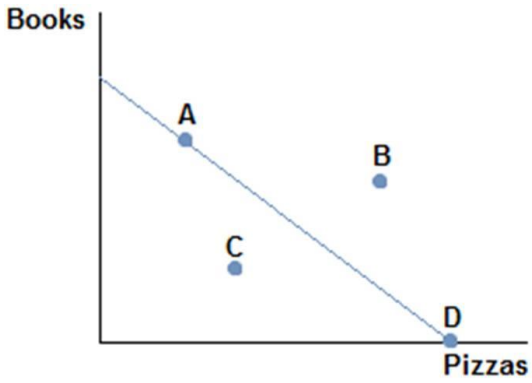
Consider the production possibilities frontier displayed in the figure shown. The fact that the line slopes downward displays which economic concept?

A. Production possibilities

B. Trade-offs

C. Specialization

D. Efficiency

6. 

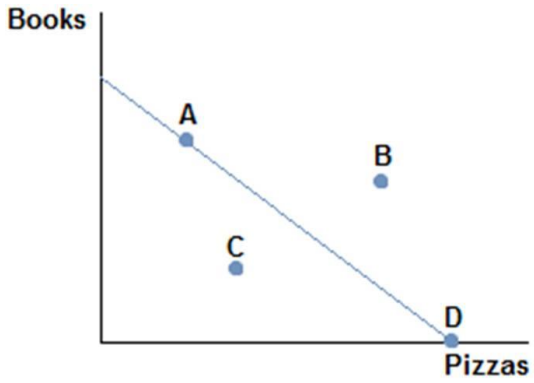
Consider the production possibilities frontier displayed in the figure shown. A society faced with this curve could choose to produce:

A. A, B, or D.

B. A, B, or C.

C. A, D, or C.

D. B, C, or D.

7. 

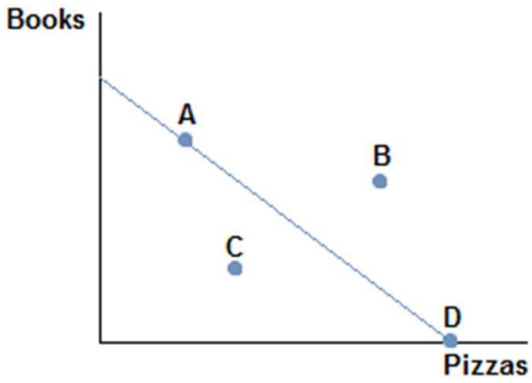
Consider the production possibilities frontier displayed in the figure shown. Which points are efficient and attainable with existing resources?

A. Only point B.

B. Only point A.

C. Points A and D.

D. Points A, C, and D.

8. 

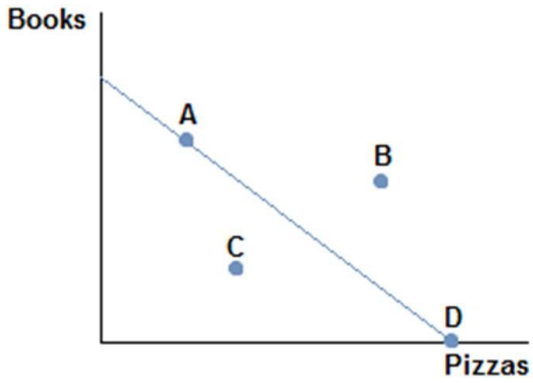
Consider the production possibilities frontier displayed in the figure shown. A society faced with this curve:

A. cannot obtain point B.

B. can only obtain point C.

C. can only obtain point D or point A.

D. cannot obtain point C.

9. 

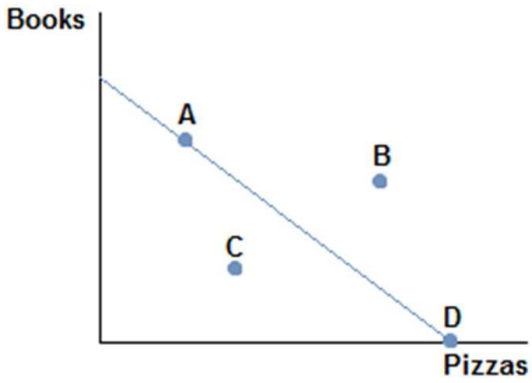
Consider the production possibilities frontier displayed in the figure shown. Which of the following statements is true?

A. Producing at point D would be inefficient.

B. Producing at point C would be inefficient.

C. Producing at point B would be inefficient.

D. Producing at point A would be inefficient.

10. 

Consider the production possibilities frontier displayed in the figure shown. Which of the following statements is true?

A. Producing at point A is the best choice, because some of both items are made.

B. Producing at point D would be inefficient, since no books would be produced.

C. Producing at point C is the best choice, because it's closest to the middle.

D. Producing at point B is impossible.

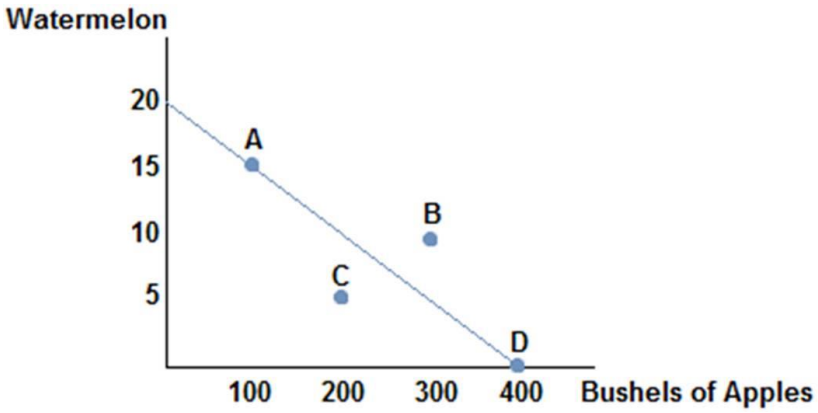
11. The slope of a production possibilities frontier measures:

A. the opportunity cost of producing one good in terms of the other.

B. the trade-off inherent in the production of one good versus the other.

C. how much of one good that must be given up in order to produce the other.

D. All of these statements are true.

12. 

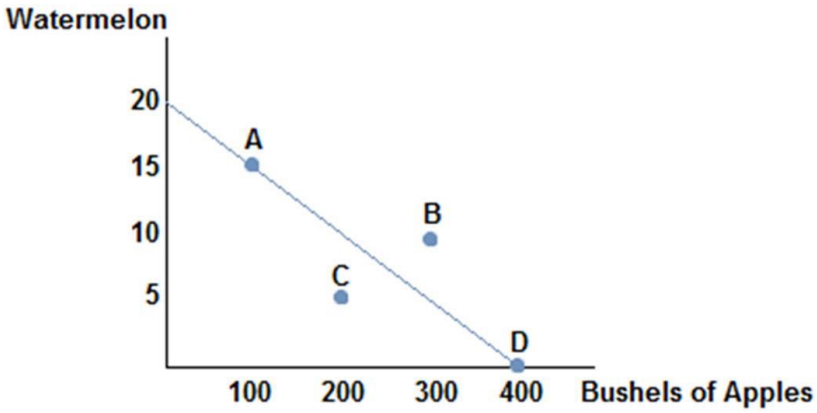
Consider the production possibilities frontier displayed in the figure shown. A society will choose to produce:

A. at point C because it is the safest.

B. at point D because it is the most apples they can produce.

C. at point A because it is always best to produce some of each good.

D. None of these statements is necessarily true.

13. 

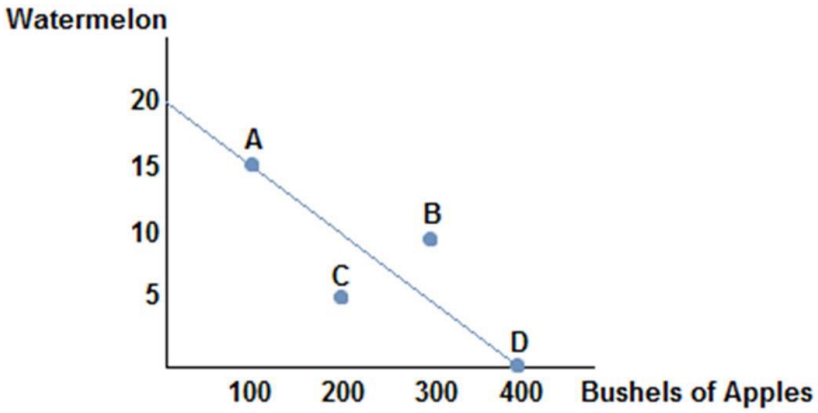
Consider the production possibilities frontier displayed in the figure shown. The opportunity cost of a bushel of apples is:

A. 15/100.

B. 20/400.

C. 5/200.

D. 10/300.

14. 

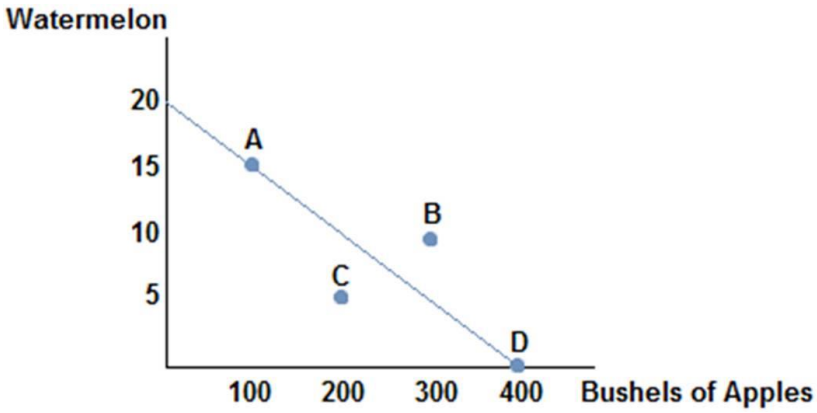
Consider the production possibilities frontier displayed in the figure shown. The opportunity cost of one watermelon is:

A. 10 bushels of apples.

B. 20 bushels of apples.

C. 30 bushels of apples.

D. 40 bushels of apples.

15. 

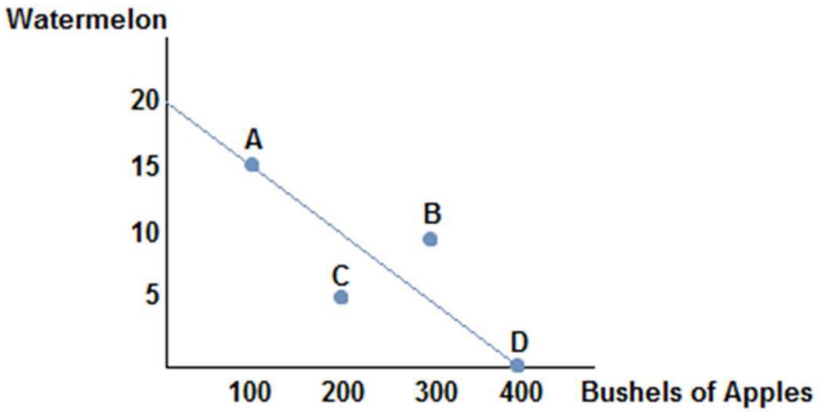
Consider the production possibilities frontier displayed in the figure shown. If this society chooses to produce 200 bushels of apples:

A. they can produce no more than 20 watermelons.

B. they can produce no more than 15 watermelons.

C. they can produce no more than 10 watermelons.

D. they can produce no more than 5 watermelons.

16. 

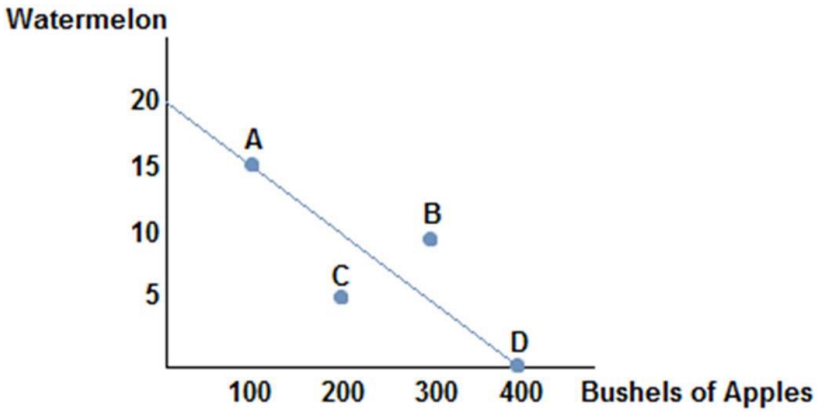
Consider the production possibilities frontier displayed in the figure shown. Which of the following combinations could be produced?

A. (20 watermelons, 400 bushels of apples)

B. (15 watermelons, 100 bushels of apples)

C. (10 watermelons, 300 bushels of apples)

D. (10 watermelons, 400 bushels of apples)

17. 

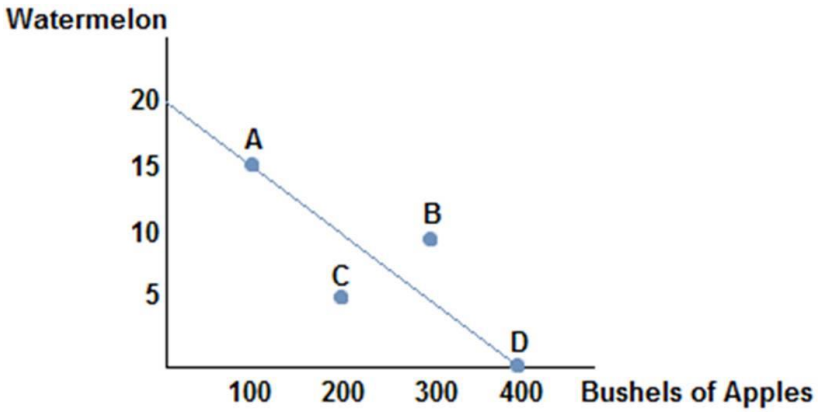
Consider the production possibilities frontier displayed in the figure shown. Which of the following combinations could **not** be produced?

A. (20 watermelons, 400 bushels of apples)

B. (15 watermelons, 100 bushels of apples)

C. (10 watermelons, 150 bushels of apples)

D. (0 watermelons, 400 bushels of apples)

18. 

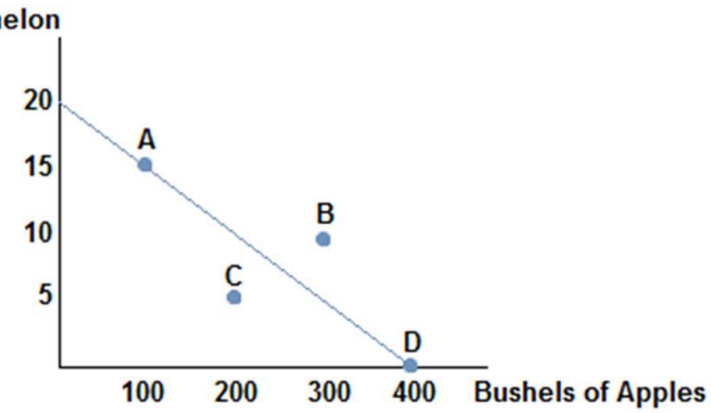
Consider the production possibilities frontier displayed in the figure shown. If this society chooses to produce 15 watermelons:

A. they can produce no more than 400 bushels of apples.

B. they can produce no more than 300 bushels of apples.

C. they can produce no more than 200 bushels of apples.

D. they can produce no more than 100 bushels of apples.

19. 

Consider the production possibilities frontier displayed in the figure shown. Which of the following statements is true?

A. The opportunity cost of one watermelon will decrease as more watermelons are produced.

B. The opportunity cost of one watermelon is constant.

C. The opportunity cost of one watermelon will increase as more watermelons are produced.

D. The opportunity cost of one watermelon is very low at point C.

20. If we consider the reality that each worker has different skills, then the production possibilities frontier:

A. would have a convex shape.

B. would have a concave shape.

C. would be a straight line.

D. would shift outward.

21. If we consider the reality that each worker has different skills, then the production possibilities frontier:

A. would display a constant opportunity cost of a good as more of that good is produced.

B. would display a decreasing opportunity cost of a good as more of that good is produced.

C. would display an increasing opportunity cost of a good as more of that good is produced.

D. cannot be drawn, as too many variables would need to be taken into consideration.

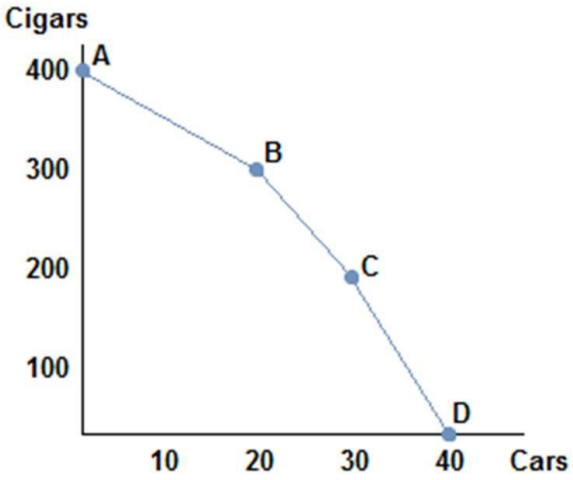
22. A more realistic production possibilities curve:

A. is more convex than one assuming constant opportunity costs.

B. is more convex than one assuming increasing opportunity costs.

C. is more concave than one assuming constant opportunity costs.

D. is straighter than one assuming constant opportunity costs.

23. 

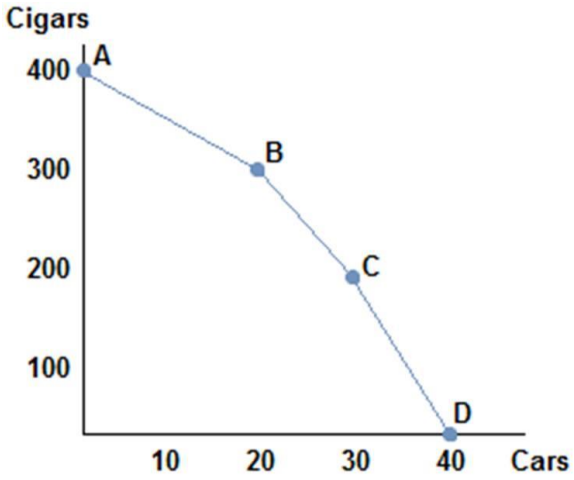
Consider the production possibilities frontier in the figure shown. As more and more cars are produced:

A. the opportunity cost of cars decreases.

B. the opportunity cost of cars stays the same.

C. the opportunity cost of cars increases.

D. the opportunity costs of cars decreases then increases.

24. 

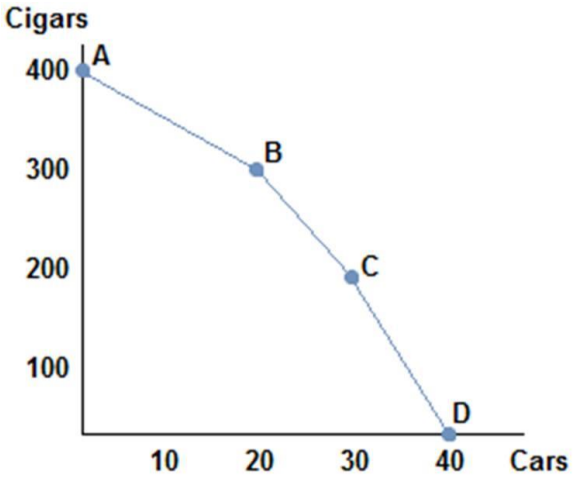
Consider the production possibilities frontier in the figure shown. As more and more cigars are produced:

A. the opportunity cost of cars decreases.

B. the opportunity cost of cars stays the same.

C. the opportunity cost of cars increases.

D. the opportunity costs of cars decreases then increases.

25. 

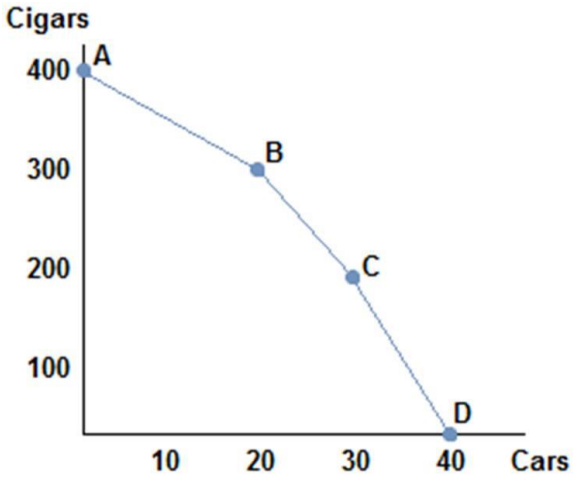
Consider the production possibilities frontier in the figure shown. The opportunity cost of moving from point A to point B:

A. is 5 cars per cigar.

B. is 10 cars per cigar.

C. is 5 cigars per car.

D. is 10 cigars per car.

26. 

Consider the production possibilities frontier in the figure shown. The opportunity cost of cars when moving from point B to point C:

A. is greater than the opportunity cost of cars when moving from point A to point B.

B. is less than the opportunity cost of cars when moving from point A to point B.

C. is greater than the opportunity cost of cars when moving from any other two points.

D. None of these statements is true.

27. Choosing to produce at any point within a production possibilities frontier:

A. is inefficient, meaning the society would not be using all its available resources in their best possible use.

B. is efficient, meaning the society would be using all its available resources in their best possible use.

C. is unobtainable, meaning the society cannot produce that combination of goods.

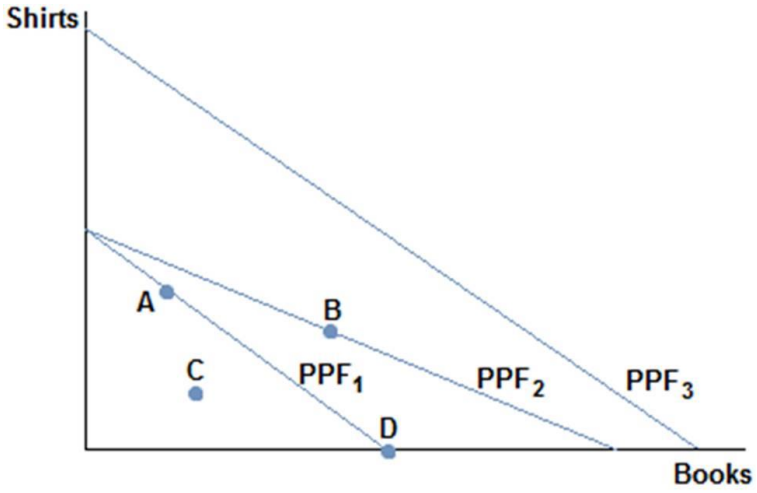
D. is efficient, meaning the society would be using all its available resources, though not in their best use.

28. The production possibilities frontier:

A. can show all possible combinations of goods, but not tell us which society should choose.
B. can show all possible combinations of goods, and which society should choose.
C. cannot show all possible combinations of goods because society is typically inefficient.
D. can show us which possible combinations of goods society should choose, but cannot tell us which points will be inefficient.

29. If society were to experience an increase in its available resources:

A. its production possibilities frontier would shift out.
B. its production possibilities frontier would shift in.
C. its production possibilities frontier would not move, but society could change its production choice.
D. its production possibilities frontier would become convex.

30. 

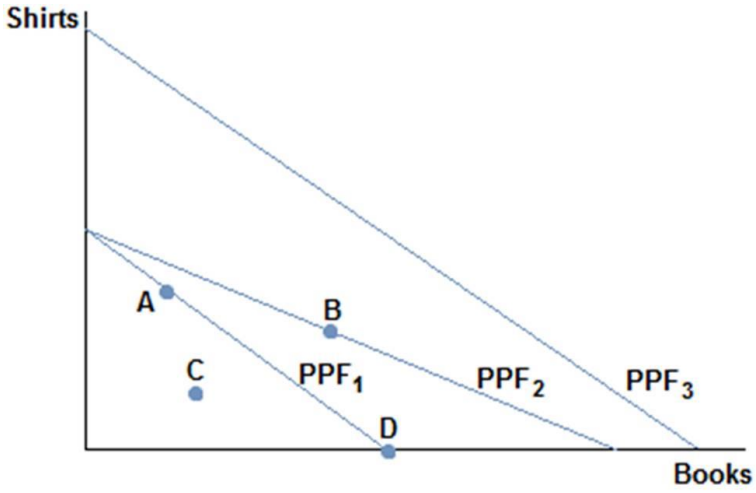
Consider a society facing the production possibilities curves in the figure shown. What is the most likely cause of a society moving from PPF_1 to PPF_2?

A. More workers

B. Better printing press technology

C. A desire to read more books

D. Better sewing technology

31. 

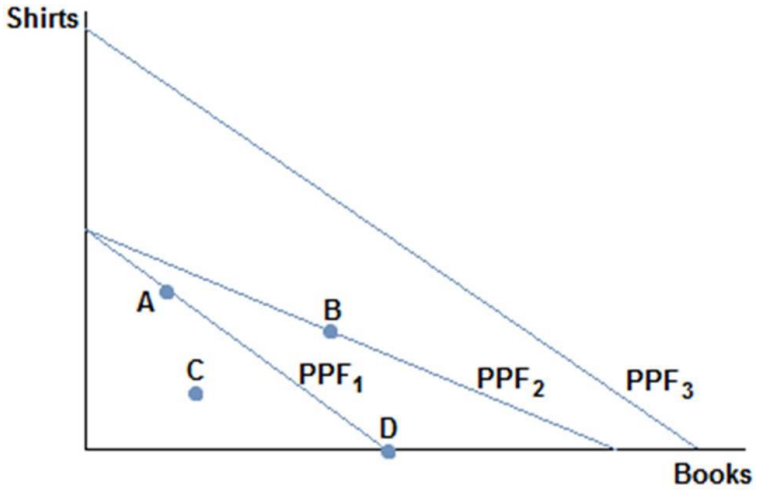
Consider a society facing the production possibilities curves in the figure shown. What is the most likely cause of a society moving from PPF_1 to PPF_3?

A. More workers

B. Better printing press technology

C. A desire to read more books

D. Better sewing technology

32. 

Consider a society facing the production possibilities curves in the figure shown. What is the most likely cause of a society moving from PPF_3 to PPF_1?

A. A tornado

B. More people

C. A desire to read more books

D. Better sewing technology

33. An increase in productivity as a result of a new technology would cause the production possibilities frontier to:

A. shift in.

B. shift out.

C. not move until society chose to move it.

D. become more meaningful in policy decisions.

34. Hurricane Katrina destroyed much of New Orleans and other parts of the South. Which of the following statements is true?

A. The hurricane caused the production possibilities frontier of the United States to shift in.
B. The hurricane caused the production possibilities to increase, since it created a lot of work to rebuild the city and surrounding areas.
C. The hurricane caused the production possibilities frontier of the United States to shift out.
D. None of these statements is true.

35. Trade:

A. increases total production, which can benefit everyone involved.
B. increases total production, which benefits only the more wealthy nation.
C. decreases total production across nations, but increases it for some.
D. decreases total production across nations, but benefits everyone because they are individually more productive.

36. Trade:

A. only benefits the stronger nation.
B. only benefits the weaker nation.
C. can benefit everyone involved.
D. can only benefit one party of the trade, but we cannot say which without more information.

37. Trade:

A. involves a winner and a loser.

B. often hurts both parties in the long run.

C. is a zero sum proposition.

D. can benefit both parties.

38. If a wealthy nation like the United States trades with a poorer, less developed nation like Cambodia, then it is likely true that:

A. the United States is taking advantage of Cambodia and is the only beneficiary to the trade.

B. Cambodia is pressured to enter trade and not benefiting at all.

C. both the United States and Cambodia can benefit from trading.

D. the United States is being charitable and not benefiting from the trade at all.

39. Suppose that, given the same number of workers, the United States can produce five times as many computers or 10 times as many airplanes as Mexico. Which of the following statements is true?

A. The United States has an absolute advantage in the production of computers, and Mexico has an absolute advantage in the production of airplanes.

B. The United States has an absolute advantage in the production of airplanes, and Mexico has an absolute advantage in the production of computers.

C. The United States has an absolute advantage in the production of both airplanes and computers.

D. Mexico has an absolute advantage in the production of both airplanes and computers.

40. Suppose that, given the same number of workers, the United States can produce two times as many TVs or 20 times as many potatoes as Chile. Which of the following statements is true?

A. Chile should trade with the United States for potatoes because the United States has an absolute advantage in the production of potatoes.
B. Chile should trade with the United States for TVs because the United States has an absolute advantage in the production of potatoes.
C. The United States can benefit from trading TVs but not potatoes with Chile.
D. None of these statements is necessarily true.

41. If a country possesses the absolute advantage in the production of one good:

A. then it must also possess the absolute advantage in the production of the other good.
B. then it must also possess the comparative advantage in the production of that good.
C. then it must also possess the comparative advantage in the production of the other good.
D. it can produce more of that good given the same resources.

42. Suppose that only two goods are produced in an economy. If a country possesses the comparative advantage in the production of one good:

A. then it must also possess the comparative advantage in the production of the other good.
B. then it must also possess the absolute advantage in the production of that good.
C. then it cannot also possess the comparative advantage in the production of the other good.
D. then it cannot also possess the absolute advantage in the production of that good.

43. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Which of the following statements is true?

A. The United States has the absolute advantage in the production of both shoes and apples.
B. Canada has the absolute advantage in the production of both shoes and apples.
C. The United States has the absolute advantage in the production of shoes and Canada has the absolute advantage in the production of apples.
D. Canada has the absolute advantage in the production of shoes and the United States has the absolute advantage in the production of apples.

44. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Which of the following statements is true?

A. The United States has an absolute advantage and comparative advantage in the production of shoes.
B. The United States has an absolute advantage and comparative advantage in the production of apples.
C. The United States has an absolute advantage in the production of both goods, and comparative advantage in the production of neither.
D. The United States has an absolute advantage in the production of both goods, and comparative advantage in the production of both.

45. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Which of the following statements is true?

A. The United States has a comparative advantage in the production of shoes.
B. Canada has a comparative advantage in the production of shoes.
C. Comparative advantage doesn't exist in this scenario.
D. Both countries have a comparative advantage in the production of shoes.

46. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The United States should:

A. produce both goods, since they have an absolute advantage in both goods, and not trade.
B. produce only shoes, since they have a comparative advantage in the production of shoes, and not trade.
C. produce apples, since they have a comparative advantage in the production of apples, and not trade.
D. produce apples, since they have a comparative advantage in the production of apples, and trade for shoes.

47. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost of one pair of shoes for the United States is _____, while the opportunity cost of one pair of shoes for Canada is _____.

A. 5 apples; 2 apples

B. $^1/_5$ apple; ½ apple

C. 2,000 apples; 200 apples

D. 100 apples; 20 apples

48. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost for the United States is:

A. 5 apples for each pair of shoes.

B. 5 pairs of shoes for each apple.

C. $^1/_5$ apple for each pair of shoes.

D. 1 pair of shoes for every 2 apples.

49. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost for Canada is:

A. 2 apples for each pair of shoes.

B. 2 pairs of shoes for each apple.

C. ½ apple for each pair of shoes.

D. ½ pair of shoes for every 2 apples.

50. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost of a pair of shoes is _____ for the United States than Canada, so Canada has the _____ advantage in shoe production.

A. higher; comparative

B. lower; comparative

C. higher; absolute

D. lower; absolute

51. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Canada has the _____ opportunity cost of a pair of shoes than the United States, so: _____.

A. higher; Canada should specialize in shoe production

B. lower; Canada should specialize in apple production

C. higher; Canada should specialize in apple production

D. lower; Canada should specialize in shoe production

52. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. The opportunity cost of one pair of gloves is:

A. 6 radishes for the United States and 2 radishes for Bangladesh.

B. 60 radishes for the United States and 20 radishes for Bangladesh.

C. 1/6 radishes for the United States and ½ radishes for Bangladesh.

D. 6,000 radishes for the United States and 2,000 radishes for Bangladesh.

53. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Using the concept of absolute advantage, which of the following statements is true?

A. The United States has the absolute advantage in the production of both gloves and radishes.
B. The United States does not have the absolute advantage in the production of either gloves or radishes.
C. The United States has the absolute advantage in the production of gloves, but not radishes.
D. The United States has the absolute advantage in the production of radishes, but not gloves.

54. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Using the concepts of absolute and comparative advantage, we can say that:

A. the United States has the comparative advantage in the production of both gloves and radishes.
B. the United States has the comparative advantage in neither the production of gloves nor radishes.
C. the United States has the comparative advantage in the production of gloves only.
D. the United States has the comparative advantage in the production of radishes only.

55. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Using the concepts of advantage and trade, we can say that:

A. the opportunity cost of one pair of gloves is lower for the United States than Bangladesh, therefore the United States has a comparative advantage in glove production.
B. the opportunity cost of one pair of gloves is higher for the United States than Bangladesh, therefore the United States has a comparative advantage in radish production.
C. the opportunity cost of one pair of gloves is the same for both the United States and Bangladesh, therefore no comparative advantage exists.
D. the opportunity cost of one pair of gloves is the same for both the United States and Bangladesh, therefore they both have the comparative advantage in glove production.

56. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Which of the following statements is true?

A. Bangladesh should specialize in glove production since it possesses the comparative advantage in glove production.
B. Bangladesh should specialize in radish production since it possesses the comparative advantage in radish production.
C. Bangladesh should only produce gloves since it has the absolute advantage in glove production.
D. Bangladesh should only produce radishes since it has the absolute advantage in radish production.

57. Suppose an American worker can make 100 chairs or catch 1,000 fish per day. A Chilean worker, on the other hand, can produce 40 chairs or catch 400 fish per day. Which of the following statements is true?

A. The United States has the comparative advantage in chair production.
B. Chile has the comparative advantage in chair production.
C. Both the United States and Chile have a comparative advantage in chair production.
D. Neither the United States nor Chile has a comparative advantage in chair production.

58. Suppose an American worker can make 100 chairs or catch 1000 fish per day. A Chilean worker, on the other hand, can produce 40 chairs or catch 400 fish per day. The United States possesses a(n) _____ advantage in chair production, but not a(n) _____ advantage in fish production.

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

59. Suppose an American worker can make 100 chairs or catch 1,000 fish per day. A Chilean worker, on the other hand, can produce 40 chairs or catch 400 fish per day. The United States has an absolute advantage in the production of both fish and chairs. This means that:

A. the United States should produce both goods and not trade with Chile.
B. the United States should produce only fish and trade with Chile to get chairs.
C. the United States should take advantage of Chile by trading with them.
D. the United States can produce more fish and chairs than Chile, given the same amount of workers.

60. When a producer has the ability to produce a good or service at a lower opportunity cost than others, economists say the producer:

A. has an absolute advantage at producing that good.

B. has a comparative advantage at producing that good.

C. has no reason to trade with others.

D. is efficient.

61. When a producer has a comparative advantage at producing a good, it means the producer:

A. can produce more of that good than others with the same number of workers.

B. has the ability to produce a good or service at a lower opportunity cost than others.

C. has no reason to trade with others.

D. is efficient.

62. When a producer has an absolute advantage at producing a good, it means the producer:

A. can produce more of that good than others with the same number of workers.

B. has the ability to produce a good or service at a lower opportunity cost than others.

C. has no reason to trade with others.

D. is less efficient than other producers.

63. When a producer is acting efficiently:

A. they are producing at a point on their production possibilities frontier.

B. they are producing at a point on or under their production possibilities frontier.

C. they are producing only one good.

D. they are producing the good in which they have a comparative advantage.

64. When a country is acting efficiently:

A. it is producing at a point on or below their production possibilities frontier.
B. it is getting the most output by using all its available resources.
C. it has unemployed workers.
D. it is able to reach a point beyond its production possibilities frontier.

65. The United States and Canada trade hockey skates and apple pie. The United States has an absolute and a comparative advantage in the production of apple pie, therefore:

A. Canada must have the comparative advantage in the production of skates.
B. Canada must have the absolute advantage in the production of skates.
C. Canada must have the absolute and comparative advantage in the production of skates.
D. the United States must have the comparative advantage in the production of skates, too.

66. Which of the following statements about absolute and comparative advantage is true?

A. A country may have a comparative advantage but not an absolute advantage in the production of a good.
B. A country must have the comparative advantage in the production of at least one good.
C. A country may have the absolute advantage in the production of all goods.
D. All of these statements are true.

67. A country that specializes:

A. spends all of its resources producing a particular good.

B. spends all of its resources producing those goods it has an absolute advantage in producing.

C. spends all of its resources producing only what other countries need.

D. spends all of its resources producing what it can make more of than anyone else.

68. When two countries specialize and trade with one another:

A. total production remains unchanged, but consumption rises.

B. total production increases, but only if comparative advantage exists.

C. total production may increase, depending on trade relations.

D. total production and consumption remain unchanged.

69. People choose to specialize because:

A. it can lead to more consumption than being self-sufficient.

B. it can lead to consumption beyond the production possibilities frontier.

C. it allows people to acquire goods at a lower opportunity cost.

D. All of these statements are true.

70. The improvement in outcomes that occurs when specialized producers exchange goods and services is called:

A. the gains from trade.

B. absolute advantage.

C. comparative advantage.

D. specialization.

71. People will choose to specialize and trade if:

A. they can acquire the goods they want at a lower cost than it will cost them to make the good themselves.
B. they can acquire the goods they want at a higher cost than it will cost them to make the good themselves.
C. they can acquire the goods they want from someone who is willing to trade with them.
D. they can acquire the goods they want from a capitalistic system of exchange.

72. People often choose to specialize and trade because:

A. it allows them to enjoy more goods than they can create on their own.
B. they can consume a bundle of goods beyond their own production possibilities.
C. it allows them to get to a point beyond their own production possibilities frontier.
D. All of these statements are true.

73. Two countries will choose to specialize and trade only if:

A. the terms of trade fall between their opportunity costs for producing the goods on their own.
B. the opportunity costs are the same between the two nations.
C. the opportunity costs are astronomically high for producing the goods on their own.
D. one country possesses the absolute advantage in both goods, but the comparative advantage in only one good.

74. When a country loses its comparative advantage in the production of a good:

A. it should stop trading and become self-sufficient.

B. it will gain the comparative advantage in the production of another good.

C. it will become a loser in trade in the long run.

D. it will still have the absolute advantage in the production of the good.

75. If France is capable of producing either cheese or wine or some combination of those two products, then:

A. France should produce the one it is more efficient at producing.

B. France should produce the one for which it has a lower opportunity cost.

C. France should produce the one for which is has a higher opportunity cost.

D. France should remain self-sufficient if it has the absolute advantage in the production of both.

76. If Spain is capable of producing either tapas or soccer balls or some combination of those two products, then:

A. Spain should produce the good it has an absolute advantage in producing.

B. Spain should produce the good it has a comparative advantage in producing.

C. Spain should remain self-sufficient if it can produce both efficiently.

D. Spain should trade only if it possesses the absolute advantage in the production of both goods.

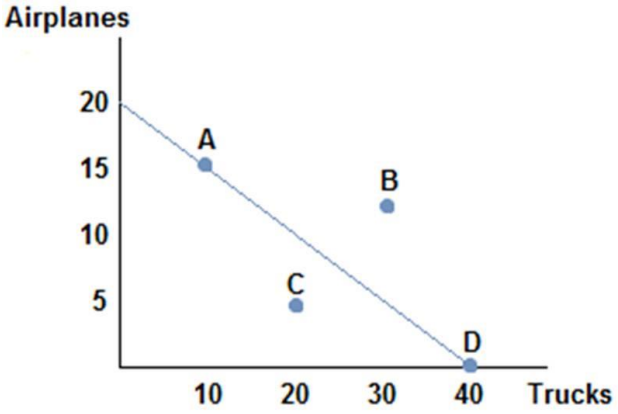
77. Assume for Germany that the opportunity cost to produce a jet is 50 cars. Some possible combinations of output for Germany could be:

A. (1,000 jets, 5,000 cars) and (900 jets, 10,000 cars).

B. (1,000 jets, 5,000 cars) and (900 jets, 15,000 cars).

C. (2,500 jets, 2,000 cars) and (2,300 jets, 20,000 cars).

D. (2,500 jets, 2,000 cars) and (2,300 jets, 3,000 cars).

78. 

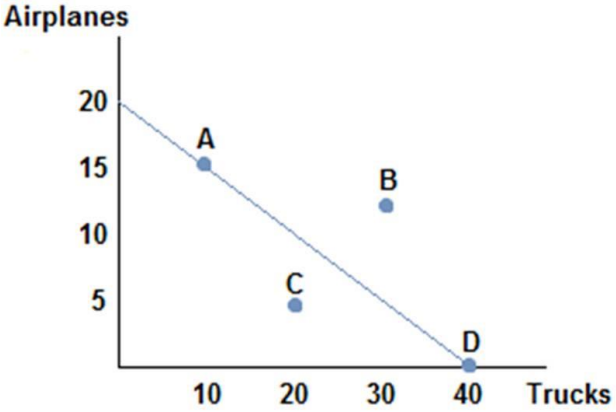
Suppose the figure shown represents the production possibilities frontier for Country A. Country B offers to trade four trucks for every airplane. Assuming Country A specializes in airplane production, which of the following combination of goods could Country A consume?

A. (15 airplanes, 20 trucks)

B. (10 airplanes, 20 trucks)

C. (10 airplanes, 30 trucks)

D. (5 airplanes, 20 trucks)

79. 

Suppose the figure shown represents the production possibilities frontier for Country A. Which of the following combination of goods could Country A consume?

A. (15 airplanes, 15 trucks)

B. (10 airplanes, 25 trucks)

C. (10 airplanes, 30 trucks)

D. (5 airplanes, 30 trucks)

80. Suppose England has a comparative advantage over the United States in producing tea. If this is true, then:

A. England should produce more tea than it needs and sell the rest to the United States.

B. England should produce a small amount of tea and buy the rest of the tea it wants from the United States.

C. England should not produce tea, and should instead buy it all from the United States.

D. the United States has nothing to gain from buying tea from England.

81. A country's newest ruler has decided the country will become self-sufficient and ceases trade with the rest of the world. The likely outcome of this action will be that the country's citizen's will be:

A. forced to consume less than before if they possessed a comparative advantage in the production of a good.
B. better off than before if they possess an absolute advantage in the production of a good.
C. better off than before only if they have the absolute advantage in the production of most goods they consume.
D. better off than before only if they have the comparative advantage in the goods they consume.

82. Economic theory states that losing comparative advantage in one good means creating a comparative advantage in another. This suggests that:

A. those who experience the transition may find it difficult in the short run.
B. it can be seen as a success in the long run.
C. outsourcing can be good overall for a society.
D. All of these statements are true.

83. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country A could potentially make would be:

A. (1,000 iPods, 500 tablets).
B. (500 iPods, 500 tablets).
C. (500 iPods, 250 tablets).
D. (750 iPods, 150 tablets).

84. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country A could potentially make would be:

A. (500 iPods, 500 tablets).
B. (500 iPods, 400 tablets).
C. (500 iPods, 300 tablets).
D. (500 iPods, 200 tablets).

85. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country A could not make would be:

A. (500 iPods, 150 tablets).
B. (500 iPods, 200 tablets).
C. (500 iPods, 250 tablets).
D. (500 iPods, 300 tablets).

86. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country A would be working efficiently if they were producing:

A. (500 iPods, 100 tablets).
B. (500 iPods, 150 tablets).
C. (500 iPods, 200 tablets).
D. (500 iPods, 250 tablets).

87. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country B could potentially make would be:

A. (400 iPods, 2,000 tablets).
B. (300 iPods, 500 tablets).
C. (200 iPods, 1,500 tablets).
D. (100 iPods, 2,000 tablets).

88. Suppose that a worker in Econia can make either 10 iPods or 5 tablets each year. Econia has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country B could potentially make would be:

A. (400 iPods, 2,000 tablets).
B. (200 iPods, 1,500 tablets).
C. (300 iPods, 450 tablets).
D. (400 iPods, 1 tablet).

89. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country B could not make would be:

A. (400 iPods, 250 tablets).
B. (300 iPods, 500 tablets).
C. (200 iPods, 750 tablets).
D. (100 iPods, 1,000 tablets).

90. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country B would be working efficiently if they were producing:

A. (200 iPods, 1,750 tablets).
B. (200 iPods, 1,500 tablets).
C. (200 iPods, 1,000 tablets).
D. (200 iPods, 750 tablets).

91. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country B has the comparative advantage in the production of:

A. iPods only.
B. tablets only.
C. both iPods and tablets.
D. neither iPods or tablets.

92. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country A has the absolute advantage in the production of:

A. iPods only.
B. tablets only.
C. both iPods and tablets.
D. neither iPods or tablets.

93. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country B has the _____ advantage in the production of tablets, which means they should specialize in _____.

A. comparative; tablets
B. absolute; tablets
C. comparative; iPods
D. absolute; iPods

94. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Suppose Country B's population of workers increased to 600. Now we can say:

A. Country B now possesses the absolute advantage in the production of both goods.
B. Country B now possesses the absolute advantage in tablets only.
C. Country B now has the comparative advantage in iPod production.
D. Country B has no need to trade now.

95. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Suppose Country B's population of workers increased to 600. Which of the following statements is now true?

A. Country B's production possibilities curve has rotated out from the x-axis.
B. Country B's production possibilities curve has shifted straight out.
C. Country B's production possibilities curve has shifted straight in.
D. Country B's production possibilities are now more limited because of crowding.

96. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Which of the following is true?

A. Country B should produce tablets and Country A should produce iPods, and they could benefit from trade.
B. Country B should produce iPods and Country A should produce tablets, and they could benefit from trade.
C. Neither country can benefit from trade since no comparative advantage exists.
D. Because Country B has the absolute advantage tablets, they should specialize in the production of tablets.

97. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Which of the following is true?

A. The opportunity cost of 1 iPod in Country A is 2 tablets.
B. The opportunity cost of 1 tablet in Country A is 2 iPods.
C. The opportunity cost of tablets is lower in Country A than Country B.
D. The opportunity cost of 1 iPod in Country B is 2 tablets.

98. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The opportunity cost of one tomato in Country A is:

A. 100 bananas.
B. 20 bananas.
C. 5 bananas.
D. 4 bananas.

99. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The opportunity cost of one tomato in Country B is:

A. 108 bananas.

B. 18 bananas.

C. 6 bananas.

D. 3 bananas.

100. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The opportunity cost of one tomato is:

A. lower in Country A than Country B.

B. higher in Country A than Country B.

C. the same in both countries.

D. impossible to calculate without more information.

101. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Country B has:

A. an absolute advantage in the production of bananas, but not tomatoes.

B. an absolute advantage in the production of both bananas and tomatoes.

C. an absolute advantage in the production of tomatoes, but not bananas.

D. an absolute advantage in neither good.

102. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Two possible consumption bundles that Country A could produce are:

A. (5,000 bananas, 1,000 tomatoes) and (1,000 bananas, 5,000 tomatoes)
B. (5,000 bananas, 0 tomatoes) and (2,500 bananas, 500 tomatoes)
C. (2,500 bananas, 500 tomatoes) and (1,250 bananas, 800 tomatoes)
D. (2,500 bananas, 750 tomatoes) and (1,250 bananas, 750 tomatoes)

103. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Two possible consumption bundles that Country B could produce are:

A. (7.200 bananas, 2,400 tomatoes) and (3,600 bananas, 1,200 tomatoes)
B. (7.200 bananas, 0 tomatoes) and (4,000 bananas, 1,200 tomatoes)
C. (3.600 bananas, 1,200 tomatoes) and (1,800 bananas, 1,600 tomatoes)
D. (1.800 bananas, 1,800 tomatoes) and (900 bananas, 2,000 tomatoes)

104. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. For a worker in Country B, the trade-off to making one tomato is:

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

105. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. For a worker in Country A, the trade-off of making one tomato is:

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

106. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The workers in Country A should specialize in _____ because they possess the _____ in the production of that good.

A. bananas; comparative advantage
B. tomatoes; comparative advantage
C. bananas; absolute advantage
D. tomatoes; absolute advantage

107. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The workers in Country B will benefit from trade if they:

A. specialize in bananas because they have a comparative advantage in banana production.
B. specialize in tomatoes because their opportunity cost of tomatoes is higher than Country A's.
C. specialize in tomatoes because their opportunity cost of tomatoes is lower than Country A's.
D. specialize in bananas because they have an absolute advantage in banana production.

108. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Suppose Country B decides to specialize in tomatoes, and Country A specializes in bananas. What terms of trade would both countries agree to?

A. One tomato for one banana

B. One tomato for two bananas

C. One tomato for four bananas

D. One tomato for six bananas

109. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Suppose Country A specializes in bananas, and Country B specializes in tomatoes. The limits to the terms of trade that Country A would find acceptable are:

A. Country A will give no more than 5 bananas for each tomato.

B. Country A will give no less than 5 bananas for each tomato.

C. Country A will give no more than 1 tomato for every 5 bananas.

D. Country A will give no less than 1 tomato for every 5 bananas.

110. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Suppose Country A specializes in bananas, and Country B specializes in tomatoes. The limits to the terms of trade that Country B would find acceptable are:

A. Country B will accept no more than 3 bananas for each tomato.

B. Country B will accept no less than 3 bananas for each tomato.

C. Country B will accept no more than 1 tomato for every 3 bananas.

D. Country B will accept no less than 1 tomato for every 3 bananas.

111. What drives a country's limits to acceptable terms of trade?

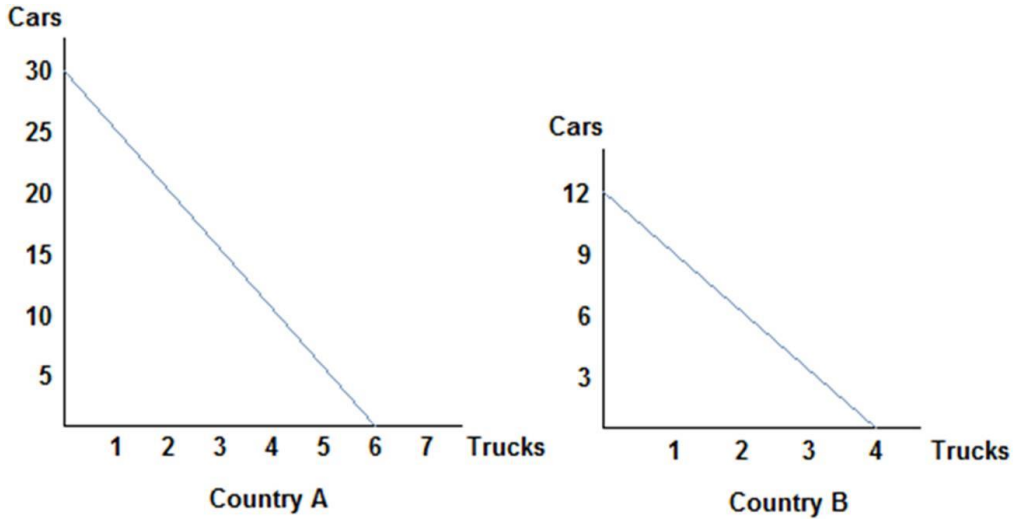
A. Their opportunity costs

B. Whether they possess the absolute advantage in the production of a good

C. Both of these statements are true.

D. Neither of these statements is true.

112.



Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Which of the following statements is true?

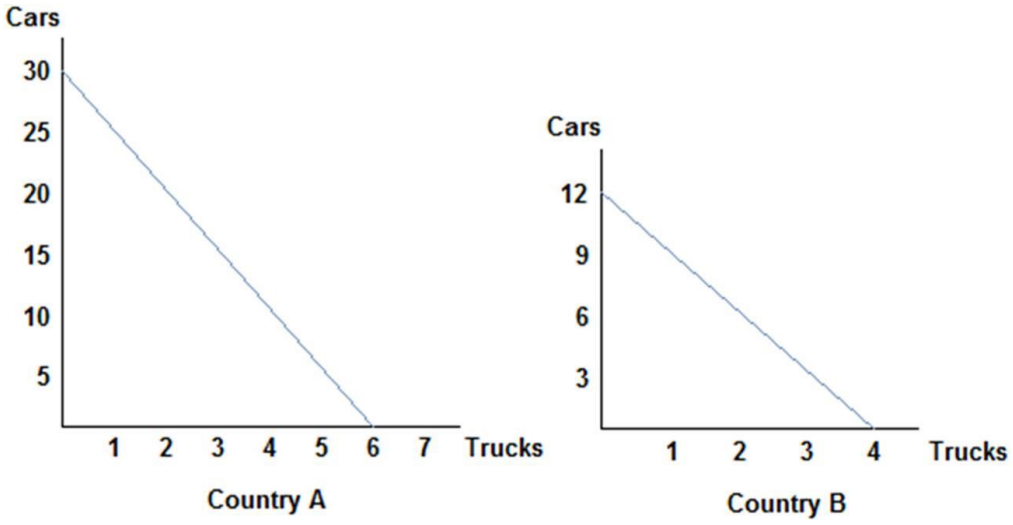
A. The opportunity cost of a truck in Country A is 30 cars.

B. The opportunity cost of a truck in Country A is 6 trucks.

C. The opportunity cost of 6 trucks in Country A is 30 cars.

D. The opportunity cost of a truck in Country A is 3 cars.

113.



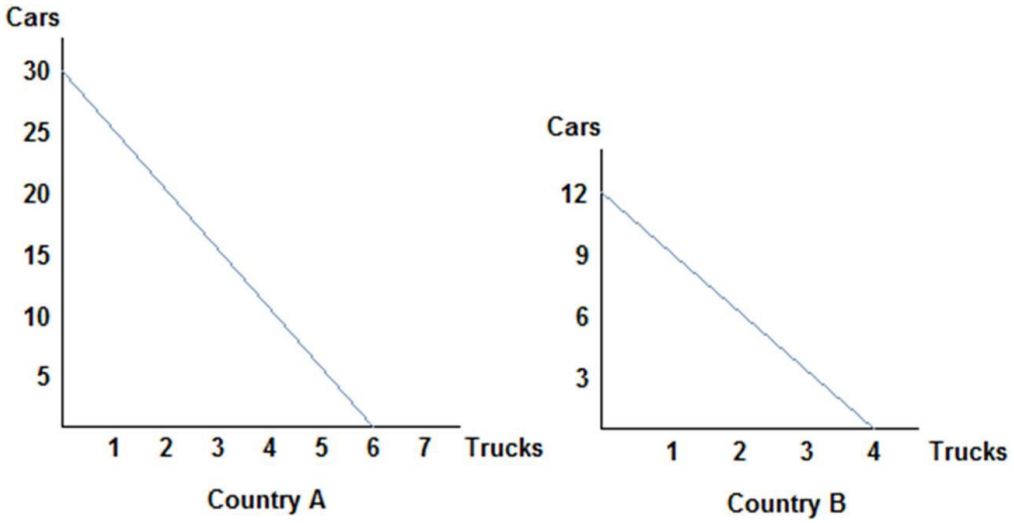
Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Which of the following statements is true?

A. The opportunity cost of a truck in Country B is 12 cars.

B. The opportunity cost of a truck in Country B is 4 trucks.

C. The opportunity cost of 6 trucks in Country B is 9 cars.

D. The opportunity cost of a truck in Country B is 3 cars.

114. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Which of the following statements can be said of Country A?

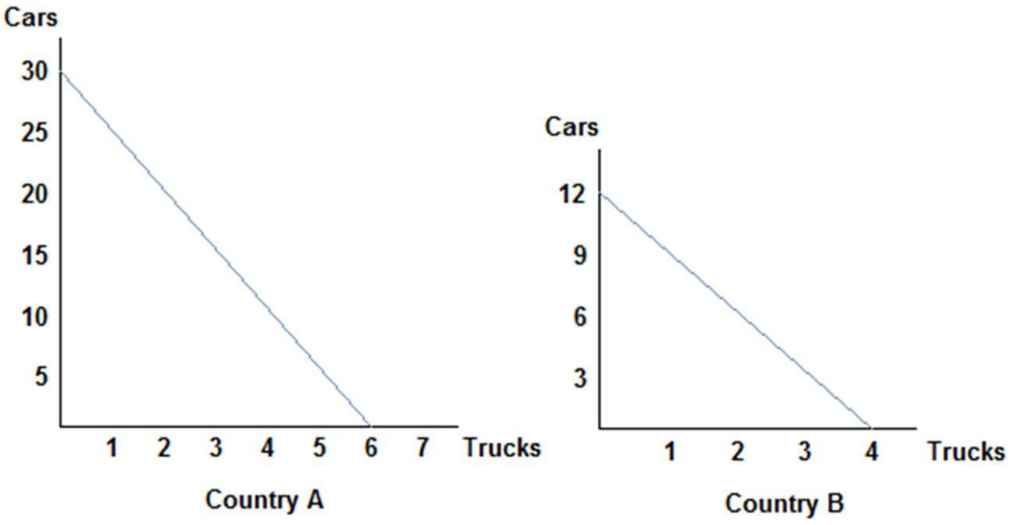
A. Country A has the comparative advantage in car production only.

B. Country A has the comparative advantage in truck production only.

C. Country A has the comparative advantage in car and truck production.

D. Country A does not possess the comparative advantage in either good.

115.



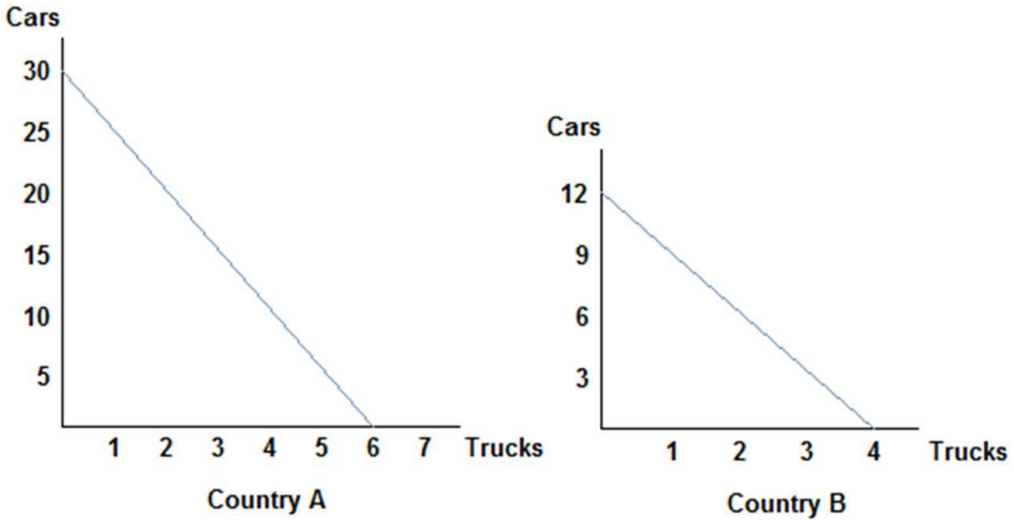
Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Assuming both countries have the same amount of resources available to them, which of the following statements is true?

A. Country A has an absolute advantage in the production of cars, and Country B has the absolute advantage in the production of trucks.

B. Country A has an absolute advantage in the production of trucks, and Country B has the absolute advantage in the production of cars.

C. Country A has the absolute advantage in the production of cars and trucks.

D. Country A has the absolute advantage in neither the production of cars nor trucks.

116. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. After examining each country's production possibilities curves, it is clear that:

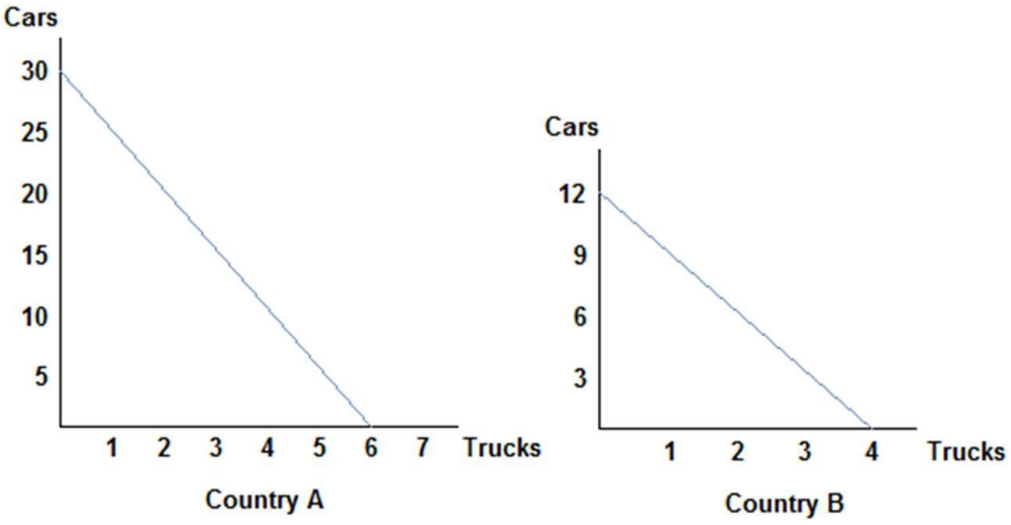
A. neither will benefit from trade.

B. both can benefit from trade because absolute advantage exists.

C. both can benefit from trade because comparative advantage exists.

D. only Country A will benefit from trade.

117.



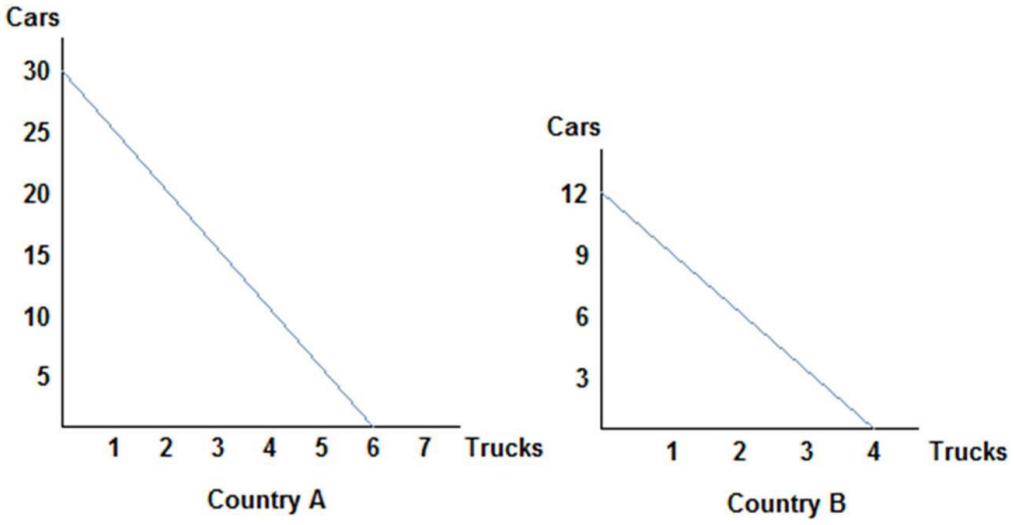
Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. After comparing each country's production possibilities curves, it is clear that:

A. Country A should specialize in cars and Country B should specialize in trucks, and both will benefit from trade.

B. Country A should specialize in trucks and Country B should specialize in cars, and both will benefit from trade.

C. Country A will not benefit from trade.

D. Country B will lose by trading with Country A.

118. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. After examining the production possibilities of each country, we can surmise that:

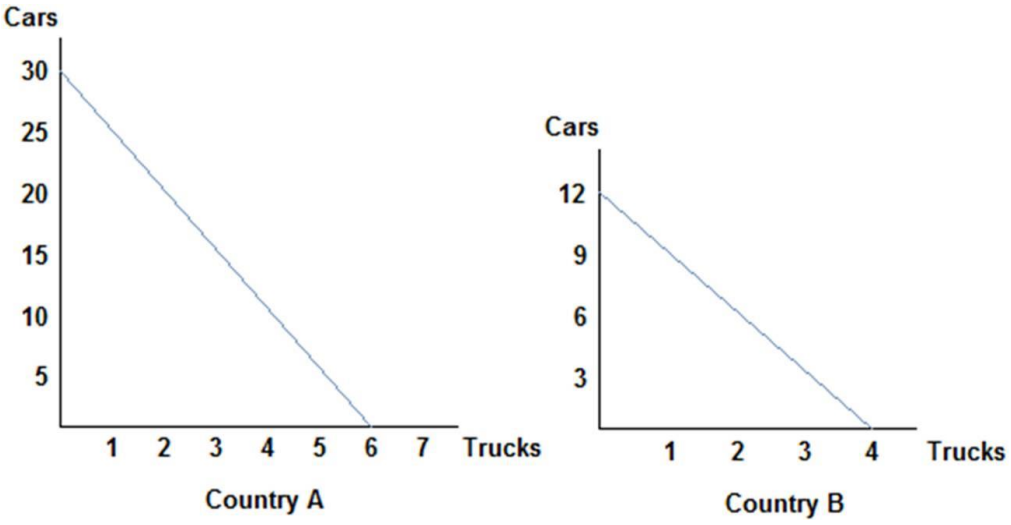
A. Country A's opportunity cost of a car is lower than that of Country B, and so they should specialize in cars and trade.

B. Country A's opportunity cost of a car is higher than that of Country B, and so they should specialize in cars and trade.

C. Country A's opportunity cost of a car is the same as that of Country B, and so they will not benefit from trade.

D. Country A's opportunity cost of a car does not determine a country's decision to trade; it is absolute advantage that drives that decision.

119.



Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Considering both country's production possibilities frontiers, we know that:

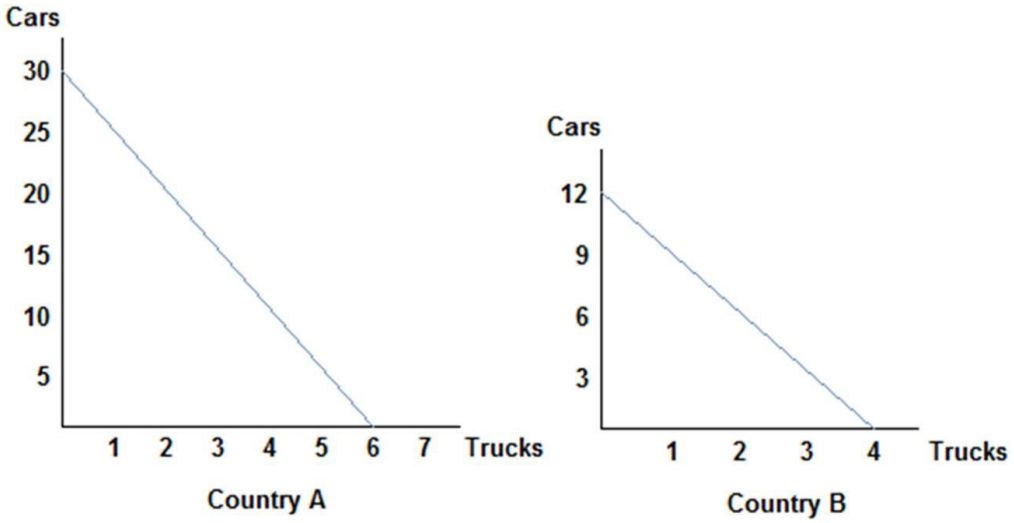
A. they will both agree to terms of trade of one truck to two cars.

B. they will both agree to terms of trade of one truck to four cars.

C. they will both agree to terms of trade of one truck to six cars.

D. they will both agree to terms of trade of one truck to eight cars.

120.



Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Considering both country's production possibilities frontiers, we can guess that:

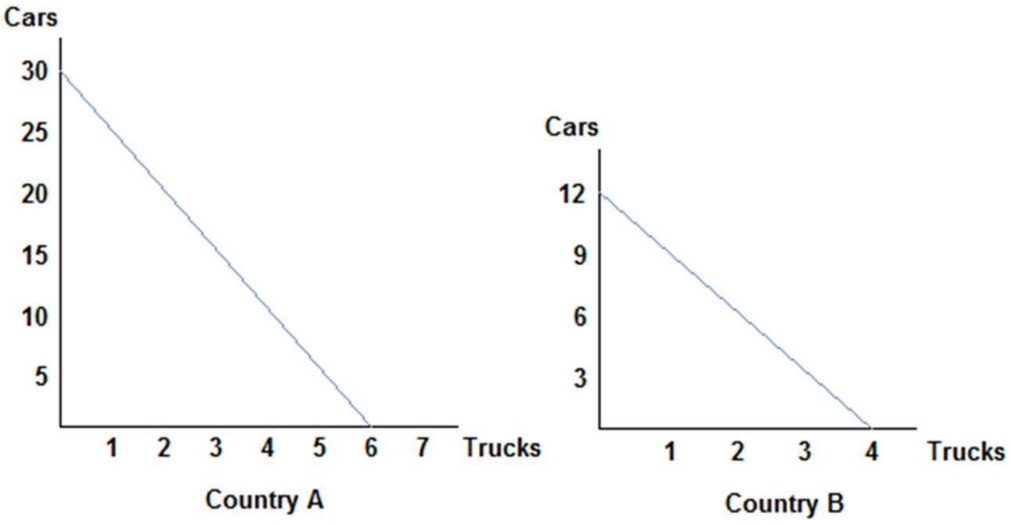
A. Country A will specialize in trucks, and be willing to accept no less than 5 cars for each truck.

B. Country A will specialize in cars, and be willing to give no more than 5 cars for each truck.

C. Country A will specialize in trucks, and be willing to accept no more than 5 cars for each truck.

D. Country A will specialize in cars, and be willing to give no less than 5 cars for each truck.

121.



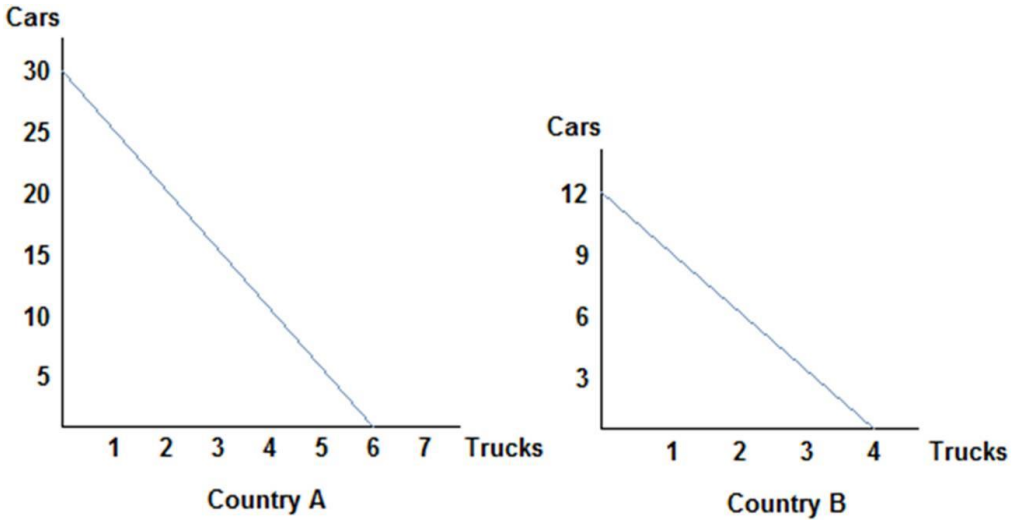
Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Considering both country's production possibilities frontiers, we can conclude that:

A. Country B will specialize in trucks, and be willing to accept no less than 3 cars for each truck.

B. Country B will specialize in cars, and be willing to give no more than 3 cars for each truck.

C. Country B will specialize in trucks, and be willing to accept no more than 3 cars for each truck.

D. Country B will specialize in cars, and be willing to give no less than 3 cars for each truck.

122. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. If Country A were to divide its resources equally, it could produce:

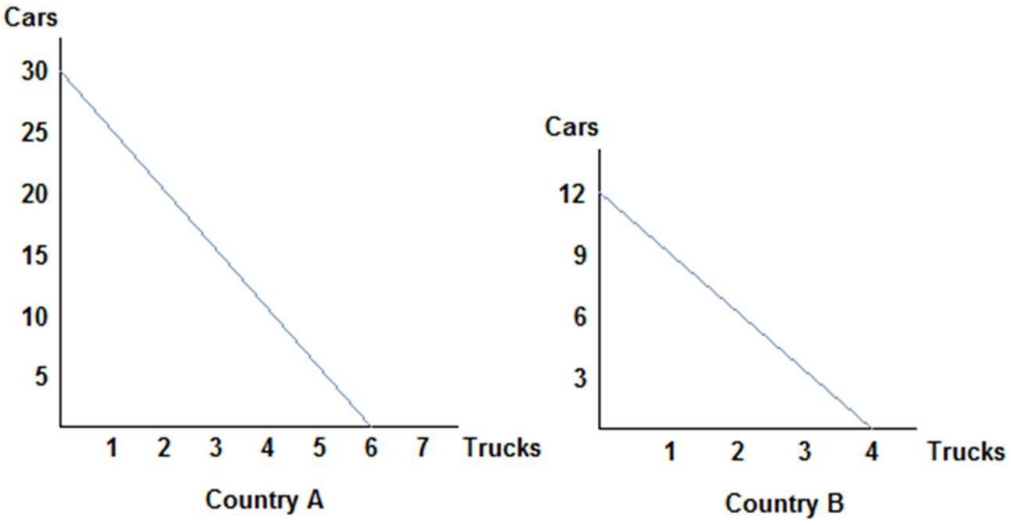
A. 30 cars and 6 trucks.

B. 25 cars and 5 trucks.

C. 15 cars and 3 trucks.

D. 10 cars and 4 trucks.

123.



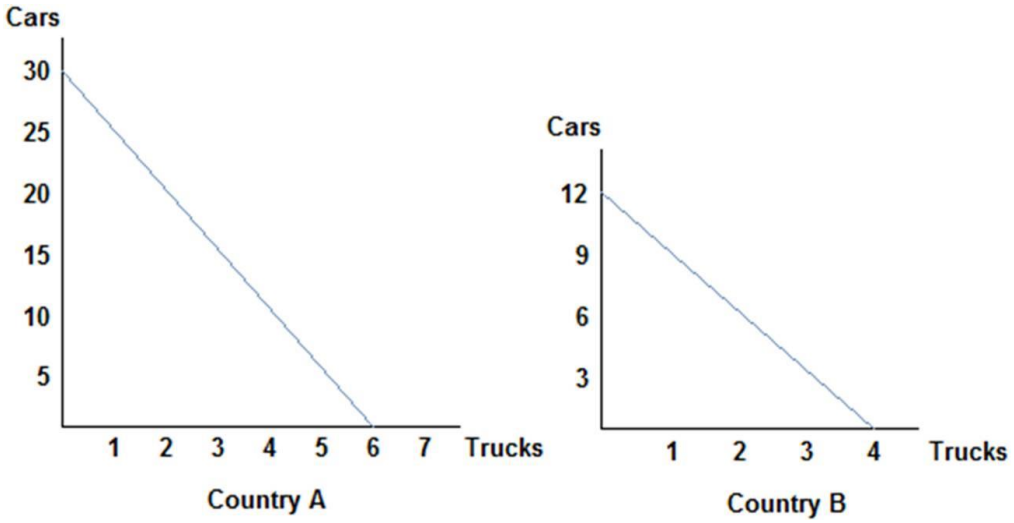
Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. The slope of Country A's production possibilities frontier:

A. measures the opportunity cost of trucks in terms of cars.

B. measures the trade off workers in Country A must face when deciding how to allocate resources.

C. is constant because the opportunity cost remains constant.

D. All of these statements are true.

124. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. The slope of Country A's production possibilities frontier is _____, and Country B's is _____.

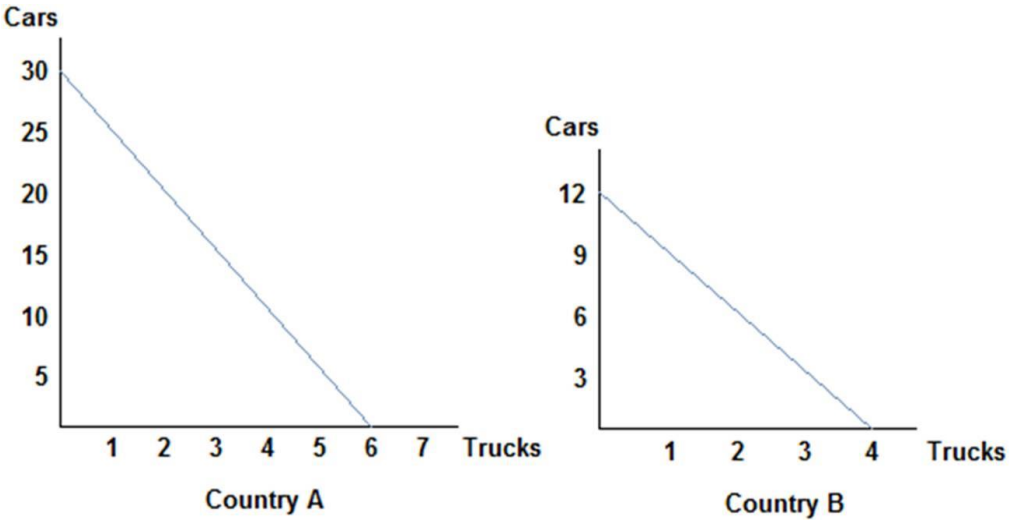
A. -5; -3

B. -30; -3

C. -1/5; -1/3

D. 1/5; 1/3

125.



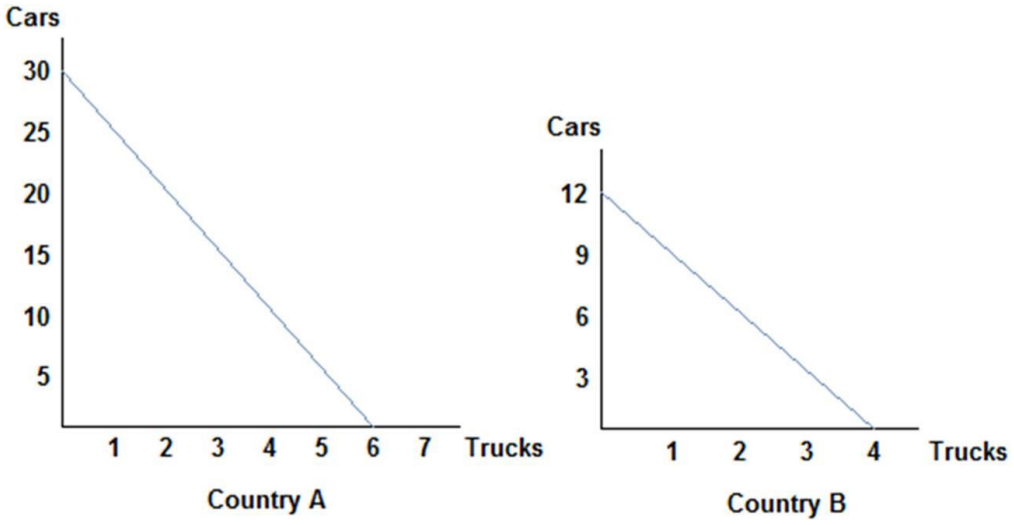
Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Country A has the comparative advantage in:

A. cars and Country B has the comparative advantage in trucks.

B. trucks and Country B has the comparative advantage in cars.

C. cars and trucks.

D. neither cars nor trucks.

126. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. One of the reasons why Country A and Country B are not realistic representations of actual countries is:

A. the production possibilities curves are straight lines; realistic ones would be concave.

B. they only represent the production of two goods.

C. they do not account for political pressures.

D. All of these statements are true.

127. If the opportunity cost of producing corn is lower for Ohio than Iowa, then:

A. Iowa should specialize in corn production.

B. Iowa has the comparative advantage in corn production.

C. Iowa should export corn to Ohio.

D. Ohio has the comparative advantage in corn production.

128. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. At the end of the day, Tom could have:

A. either 16 traps and 4 bombs, or 8 traps and 2 bombs.

B. either 8 traps and 2 bombs, or 4 traps and 6 bombs.

C. either 8 traps and 2 bombs, or 4 traps and 4 bombs.

D. either 12 traps and 3 bombs, or 8 traps and 3 bombs.

129. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. At the end of the day, Jerry could have produced:

A. 14 traps and 7 bombs.

B. 12 traps and 6 bombs.

C. 10 traps and 5 bombs.

D. 6 traps and 4 bombs.

130. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. At the end of the day, if Jerry was efficient with his resources, he could have produced:

A. 12 traps and 0 bombs.

B. 10 traps and 2 bombs.

C. 8 traps and 2 bombs.

D. 6 traps and 2 bombs.

131. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. For Tom, the opportunity cost of building a bomb is _____ traps set.

A. 16

B. 12

C. 8

D. 4

132. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. For Jerry, the opportunity cost of building a bomb is _____ traps set.

A. 14

B. 7

C. 4

D. 2

133. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. After looking at the production possibilities for both Tom and Jerry, we can surmise that:

A. Tom has the absolute advantage in the production of both traps and bombs.

B. Jerry has the absolute advantage in the production of both traps and bombs.

C. Tom has the absolute advantage in the production of traps and Jerry has the absolute advantage in bomb production.

D. Tom has the absolute advantage in the production of bombs and Jerry has the absolute advantage in trap production.

134. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. After looking at the production possibilities for both Tom and Jerry, we can conclude that:

A. Tom has the comparative advantage in trap production.

B. Jerry has the comparative advantage in trap production.

C. Tom has the comparative advantage in bomb production.

D. No comparative advantage exists.

135. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. The opportunity cost of one bomb is _____ for Tom and _____ for Jerry. Therefore Tom should specialize in _____.

A. 4 traps; 2 traps; traps

B. 16 traps; 14 traps; traps

C. 4 traps; 2 traps; bombs

D. 16 traps; 14 traps; bombs

136. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. Because Tom has a _____ opportunity cost for one bomb compared to Jerry, we know Tom has _____.

A. higher; the comparative advantage in bomb production

B. lower; the comparative advantage in bomb production

C. similar; no advantage in production of either good

D. higher; the comparative advantage in trap production

137. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. Jerry has a comparative advantage in:

A. trap production because he has the lower opportunity cost of a trap.

B. trap production because he has the higher opportunity cost of a trap.

C. bomb production because he has the lower opportunity cost of a bomb.

D. bomb production because he has the higher opportunity cost of a bomb.

138. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. Based on their production possibilities frontiers, Tom and Jerry:

A. can both benefit from trade because absolute advantage exists.

B. can both benefit from trade because comparative advantage exists.

C. cannot benefit from trade because Tom has the absolute advantage in both goods.

D. will not decide to trade because no comparative advantage exists.

139. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. If Tom divides his time evenly between activities, and acts efficiently, he will produce:

A. 16 traps and 4 bombs.

B. 12 traps and 3 bombs.

C. 8 traps and 2 bombs.

D. 4 traps and 3 bombs.

140. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. If Tom decides to specialize in setting traps, he would agree to which terms of trade with Jerry?

A. Tom is willing to give no more than 4 traps for each bomb.

B. Tom is willing to give no more than 4 bombs for each trap.

C. Tom is willing to accept no more than 4 bombs for each trap.

D. Tom is willing to accept no less than 4 traps for each bomb.

141. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. If Jerry decides to specialize in building bombs, what are the limits to his terms of trade?

A. Jerry will accept no less than 7 traps for each bomb.

B. Jerry will accept no less than 2 traps for each bomb.

C. Jerry will accept no less than 7 bombs for each trap.

D. Jerry will accept no less than 2 bombs for each trap.

142. The concepts of comparative advantage, specialization, and trade form a compelling argument in favor of:

A. free trade.

B. protectionism.

C. self-sufficiency.

D. only exporting, never importing goods.

143. Barbie and Ken are married. Barbie stays home and cares for the children, while Ken spends his day at work earning money to support the household. Economists might conclude:

A. Barbie has a higher opportunity cost of caring for the children compared to Ken, and therefore chooses to specialize in childcare.
B. Ken has a lower opportunity cost of caring for the children compared to Barbie, and therefore chooses to let Barbie specialize in childcare while he works.
C. Ken has the comparative advantage in caring for the children, while Barbie has it in earning money.
D. Barbie has the comparative advantage in caring for the children, and so the family benefits by Barbie staying home and Ken earning money at work.

144. The concepts of comparative advantage, specialization, and trade:

A. can be useful in explaining why countries import and export certain goods.
B. can be useful in explaining why individuals typically work at one job, and buy the other goods and services they need.
C. can be useful in explaining why we allow ourselves to be interdependent on others.
D. All of the statements are true.

Chapter 02 Specialization and Exchange Answer Key

Multiple Choice Questions

1. The invisible hand refers to:

A. the coordination that occurs from everyone working in their own self-interest.
B. the coordination that occurs from a government agency finding efficiencies.
C. the coordination that occurs from everyone working for the overall good of society.
D. the coordination that occurs from a government coordinating economic activity.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Invisible Hand

2. The concepts of specialization and gains from trade explain:

A. international trade.
B. why globalization has expanded recently.
C. consumer decisions.
D. both international trade and the choices individuals make.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Gains from Trade

3. The concept of the invisible hand was first introduced to economics by:

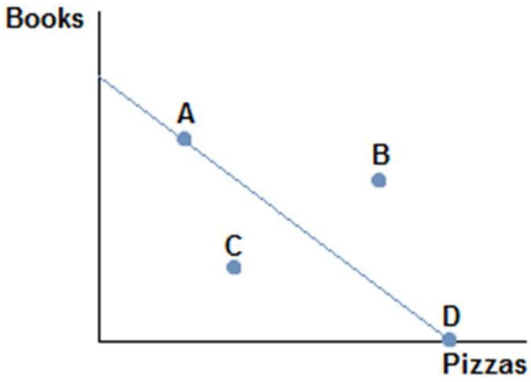
A. David Ricardo.
B. Adam Smith.
C. Thomas Malthus.
D. Milton Friedman.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Invisible Hand

4. A production possibilities frontier is a line or curve that:

A. shows all the possible combinations of outputs that can be produced using all available resources.
B. shows what can be produced when all available resources are efficiently used.
C. shows the best combinations of outputs that can be produced using all available resources.
D. explains why societies make the choices they do.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

5. 

Consider the production possibilities frontier displayed in the figure shown. The fact that the line slopes downward displays which economic concept?

A. Production possibilities

B. Trade-offs

C. Specialization

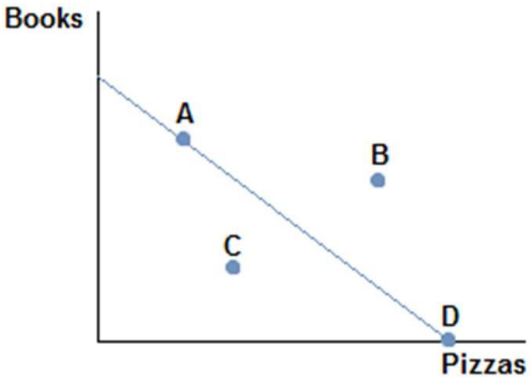
D. Efficiency

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

6. 

Consider the production possibilities frontier displayed in the figure shown. A society faced with this curve could choose to produce:

A. A, B, or D.

B. A, B, or C.

C. A, D, or C.

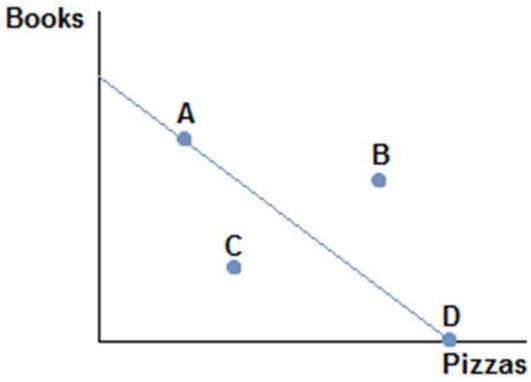
D. B, C, or D.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

7. 

Consider the production possibilities frontier displayed in the figure shown. Which points are efficient and attainable with existing resources?

A. Only point B.

B. Only point A.

C. Points A and D.

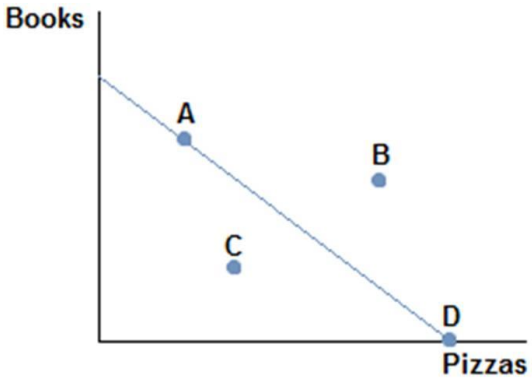
D. Points A, C, and D.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

8. 

Consider the production possibilities frontier displayed in the figure shown. A society faced with this curve:

A. cannot obtain point B.

B. can only obtain point C.

C. can only obtain point D or point A.

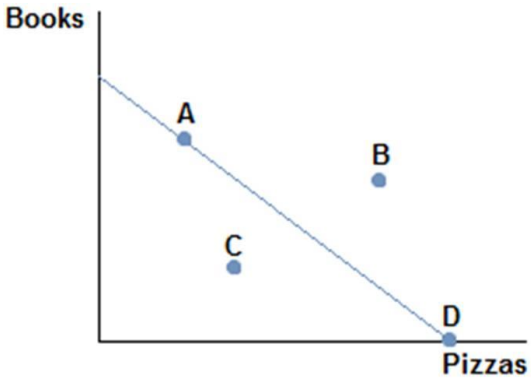
D. cannot obtain point C.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

9. 

Consider the production possibilities frontier displayed in the figure shown. Which of the following statements is true?

A. Producing at point D would be inefficient.

B. Producing at point C would be inefficient.

C. Producing at point B would be inefficient.

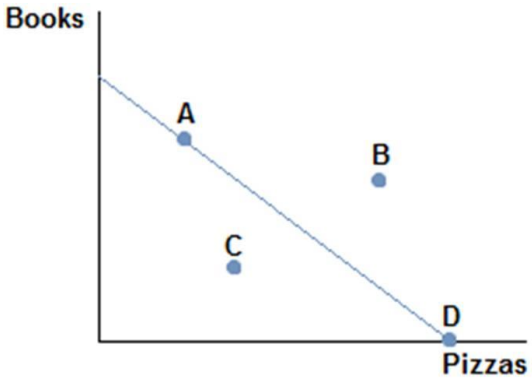
D. Producing at point A would be inefficient.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

10. 

Consider the production possibilities frontier displayed in the figure shown. Which of the following statements is true?

A. Producing at point A is the best choice, because some of both items are made.
B. Producing at point D would be inefficient, since no books would be produced.
C. Producing at point C is the best choice, because it's closest to the middle.
D. Producing at point B is impossible.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

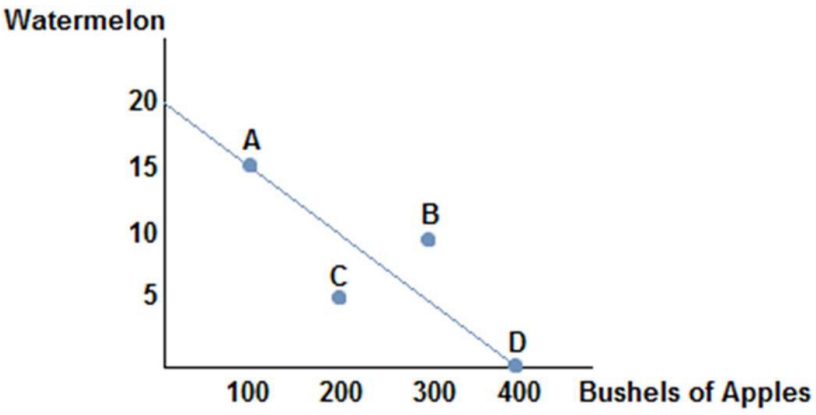
11. The slope of a production possibilities frontier measures:

A. the opportunity cost of producing one good in terms of the other.
B. the trade-off inherent in the production of one good versus the other.
C. how much of one good that must be given up in order to produce the other.
D. All of these statements are true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities

curves.

Topic: PPF

12. 

Consider the production possibilities frontier displayed in the figure shown. A society will choose to produce:

A. at point C because it is the safest.

B. at point D because it is the most apples they can produce.

C. at point A because it is always best to produce some of each good.

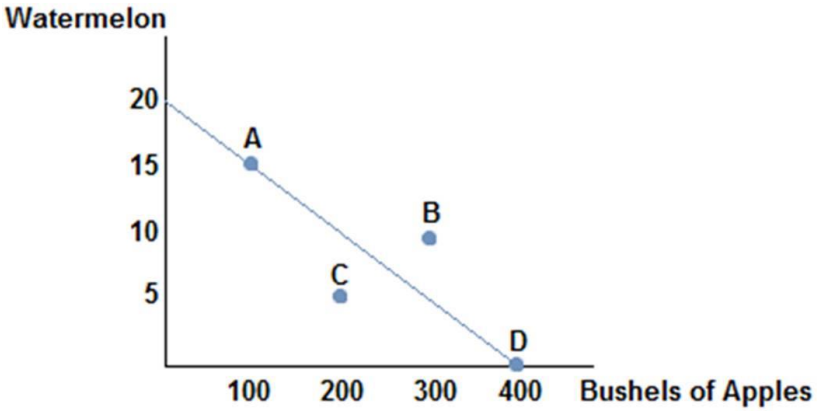
D. None of these statements is necessarily true.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

13. 

Consider the production possibilities frontier displayed in the figure shown. The opportunity cost of a bushel of apples is:

A. 15/100.

B. 20/400.

C. 5/200.

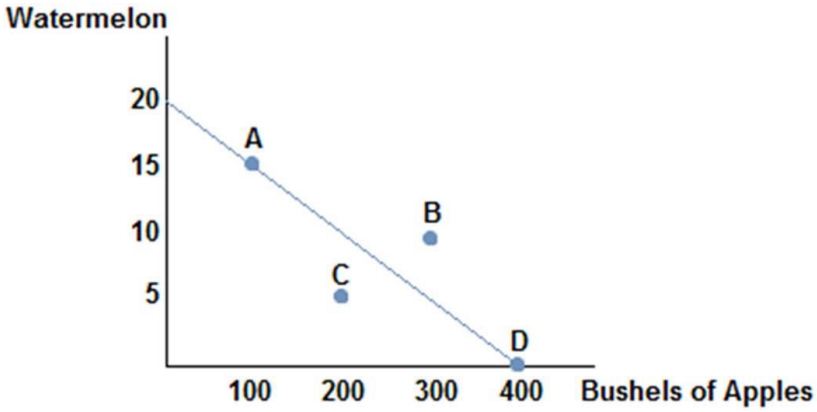
D. 10/300.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

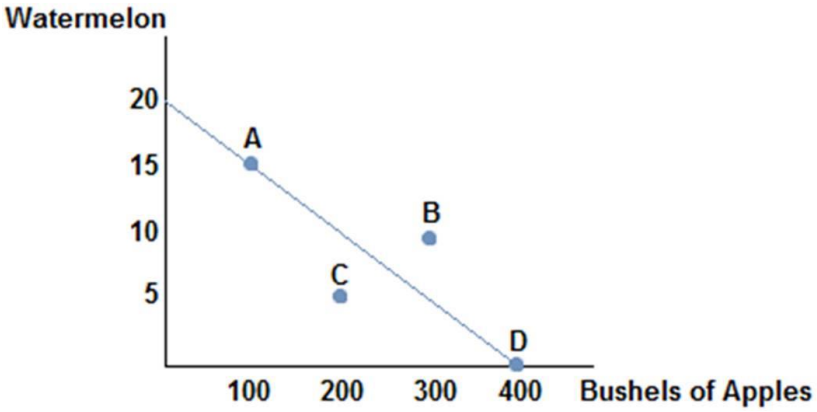
Topic: Opportunity Costs

14. 

Consider the production possibilities frontier displayed in the figure shown. The opportunity cost of one watermelon is:

A. 10 bushels of apples.
B. 20 bushels of apples.
C. 30 bushels of apples.
D. 40 bushels of apples.

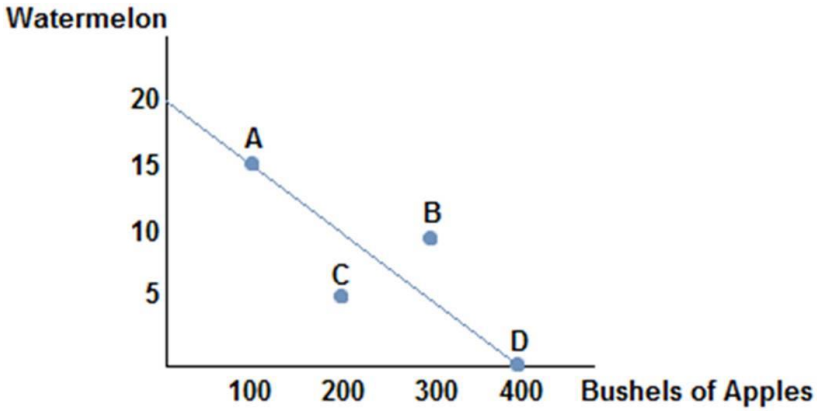
AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF/Opportunity Costs

15. 

Consider the production possibilities frontier displayed in the figure shown. If this society chooses to produce 200 bushels of apples:

A. they can produce no more than 20 watermelons.
B. they can produce no more than 15 watermelons.
C. they can produce no more than 10 watermelons.
D. they can produce no more than 5 watermelons.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

16. 

Consider the production possibilities frontier displayed in the figure shown. Which of the following combinations could be produced?

A. (20 watermelons, 400 bushels of apples)

B. (15 watermelons, 100 bushels of apples)

C. (10 watermelons, 300 bushels of apples)

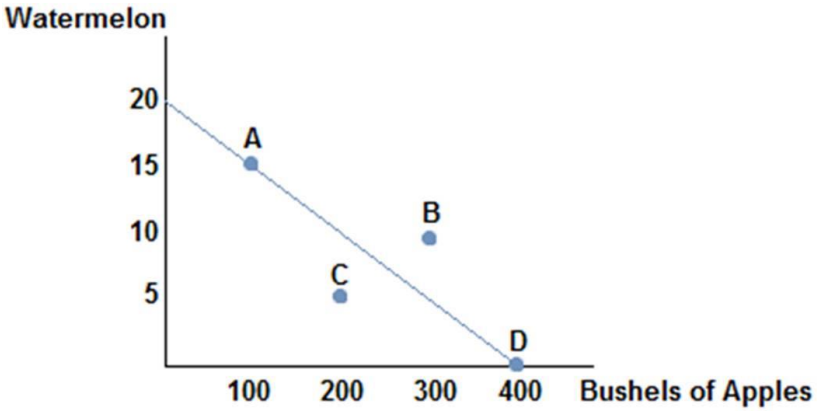
D. (10 watermelons, 400 bushels of apples)

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

17. 

Consider the production possibilities frontier displayed in the figure shown. Which of the following combinations could not be produced?

A. (20 watermelons, 400 bushels of apples)

B. (15 watermelons, 100 bushels of apples)

C. (10 watermelons, 150 bushels of apples)

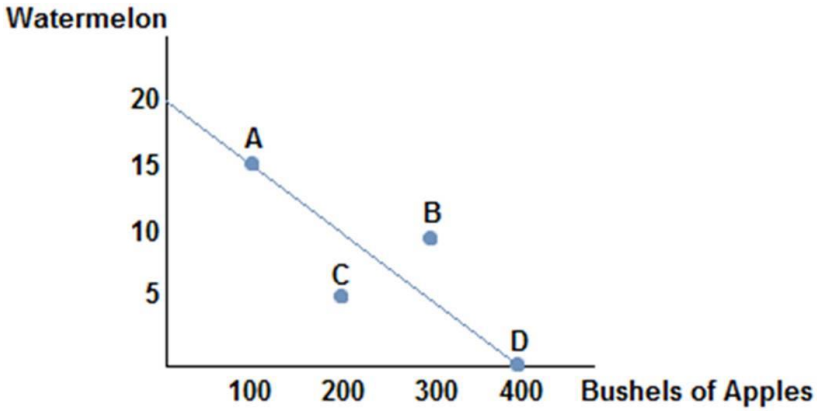
D. (0 watermelons, 400 bushels of apples)

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

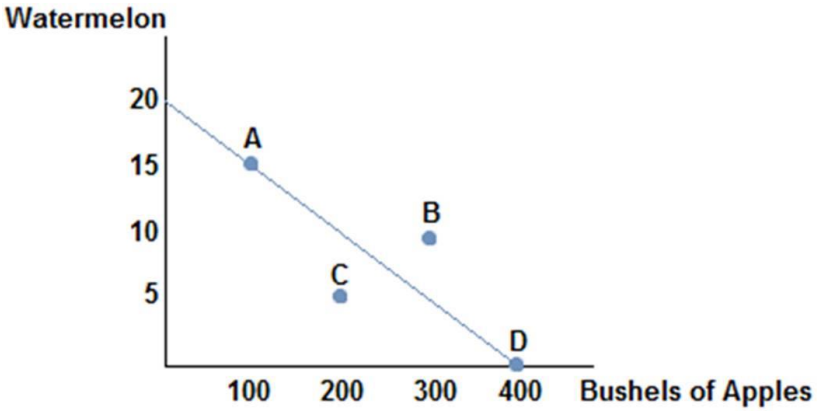
Topic: PPF

18. 

Consider the production possibilities frontier displayed in the figure shown. If this society chooses to produce 15 watermelons:

A. they can produce no more than 400 bushels of apples.
B. they can produce no more than 300 bushels of apples.
C. they can produce no more than 200 bushels of apples.
D. they can produce no more than 100 bushels of apples.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF/Trade-offs

19. 

Consider the production possibilities frontier displayed in the figure shown. Which of the following statements is true?

A. The opportunity cost of one watermelon will decrease as more watermelons are produced.

B. The opportunity cost of one watermelon is constant.

C. The opportunity cost of one watermelon will increase as more watermelons are produced.

D. The opportunity cost of one watermelon is very low at point C.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: Opportunity Cost/Slope of PPF

20. If we consider the reality that each worker has different skills, then the production possibilities frontier:

A. would have a convex shape.

B. would have a concave shape.

C. would be a straight line.

D. would shift outward.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: Realistic PPF

21. If we consider the reality that each worker has different skills, then the production possibilities frontier:

A. would display a constant opportunity cost of a good as more of that good is produced.
B. would display a decreasing opportunity cost of a good as more of that good is produced.
C. would display an increasing opportunity cost of a good as more of that good is produced.
D. cannot be drawn, as too many variables would need to be taken into consideration.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF/Opportunity Costs

22. A more realistic production possibilities curve:

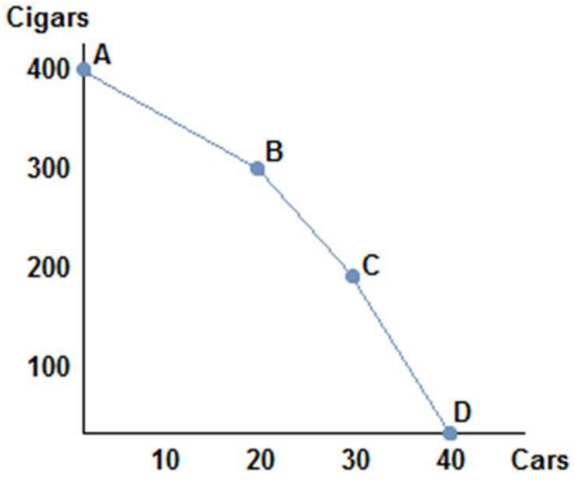
A. is more convex than one assuming constant opportunity costs.
B. is more convex than one assuming increasing opportunity costs.
C. is more concave than one assuming constant opportunity costs.
D. is straighter than one assuming constant opportunity costs.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

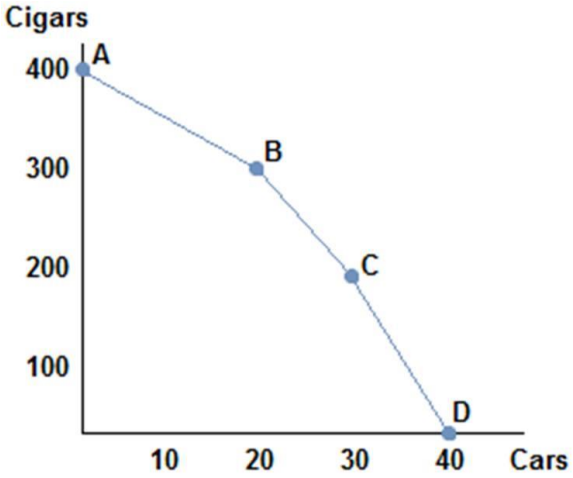
Topic: PPF/Opportunity Costs

23. 

Consider the production possibilities frontier in the figure shown. As more and more cars are produced:

A. the opportunity cost of cars decreases.
B. the opportunity cost of cars stays the same.
C. the opportunity cost of cars increases.
D. the opportunity costs of cars decreases then increases.

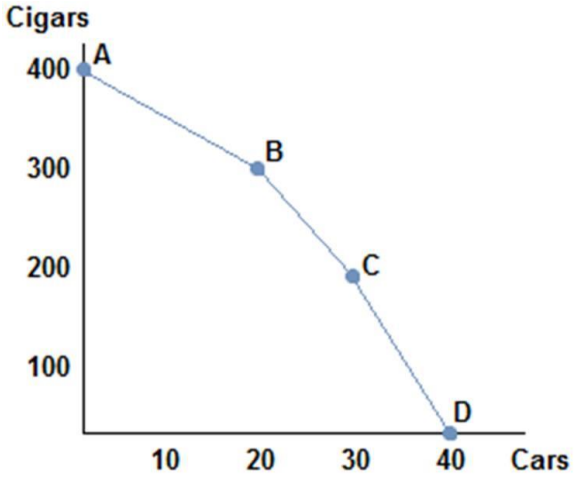
AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

24. 

Consider the production possibilities frontier in the figure shown. As more and more cigars are produced:

A. the opportunity cost of cars decreases.
B. the opportunity cost of cars stays the same.
C. the opportunity cost of cars increases.
D. the opportunity costs of cars decreases then increases.

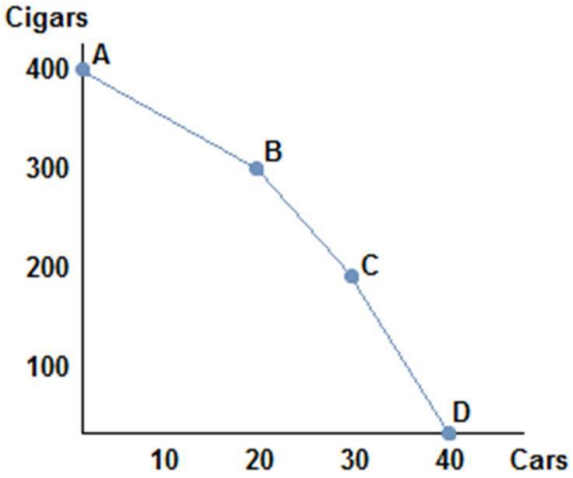
AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

25. 

Consider the production possibilities frontier in the figure shown. The opportunity cost of moving from point A to point B:

A. is 5 cars per cigar.
B. is 10 cars per cigar.
C. is 5 cigars per car.
D. is 10 cigars per car.

AACSB: Reflective Thinking
Blooms: Understana
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF/Opportunity Costs

26. 

Consider the production possibilities frontier in the figure shown. The opportunity cost of cars when moving from point B to point C:

A. is greater than the opportunity cost of cars when moving from point A to point B.
B. is less than the opportunity cost of cars when moving from point A to point B.
C. is greater than the opportunity cost of cars when moving from any other two points.
D. None of these statements is true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

27. Choosing to produce at any point within a production possibilities frontier:

A. is inefficient, meaning the society would not be using all its available resources in their best possible use.
B. is efficient, meaning the society would be using all its available resources in their best possible use.
C. is unobtainable, meaning the society cannot produce that combination of goods.
D. is efficient, meaning the society would be using all its available resources, though not in their best use.

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Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

28. The production possibilities frontier:

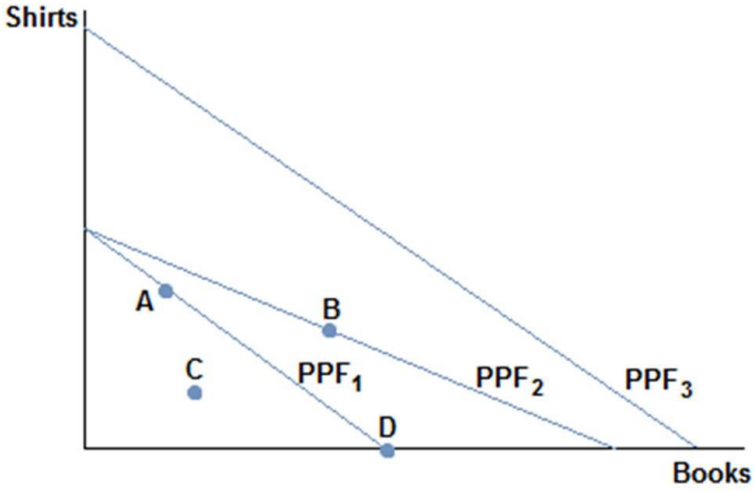
A. can show all possible combinations of goods, but not tell us which society should choose.
B. can show all possible combinations of goods, and which society should choose.
C. cannot show all possible combinations of goods because society is typically inefficient.
D. can show us which possible combinations of goods society should choose, but cannot tell us which points will be inefficient.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

29. If society were to experience an increase in its available resources:

A. its production possibilities frontier would shift out.
B. its production possibilities frontier would shift in.
C. its production possibilities frontier would not move, but society could change its production choice.
D. its production possibilities frontier would become convex.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

30. 

Consider a society facing the production possibilities curves in the figure shown. What is the most likely cause of a society moving from PPF_1 to PPF_2?

A. More workers

B. Better printing press technology

C. A desire to read more books

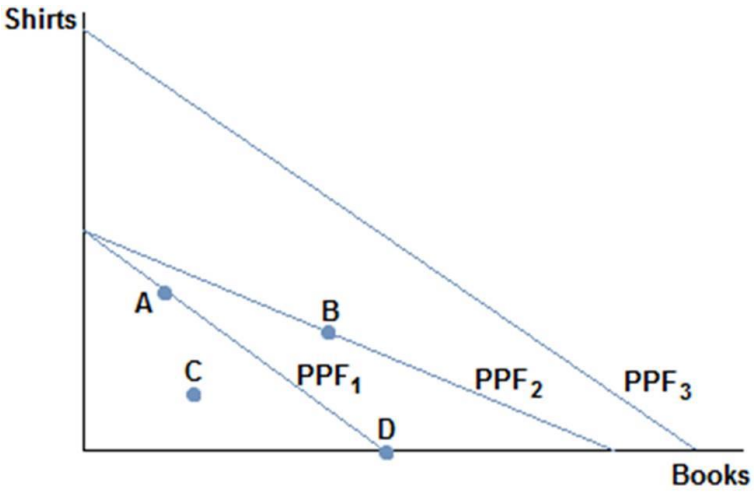
D. Better sewing technology

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

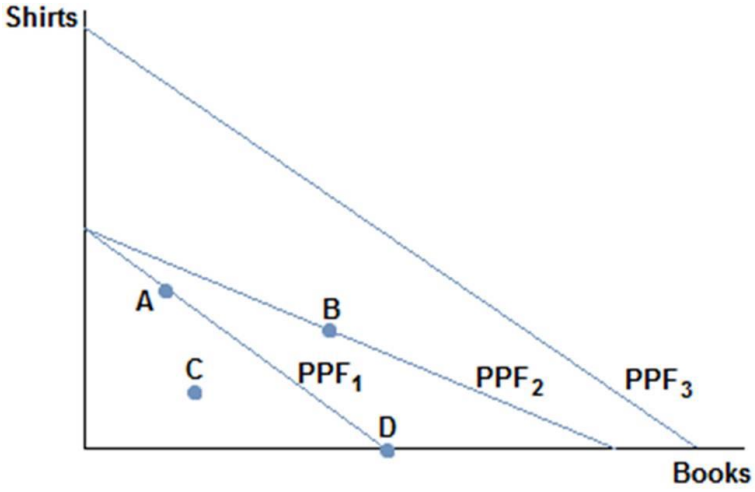
Topic: PPF

31. 

Consider a society facing the production possibilities curves in the figure shown. What is the most likely cause of a society moving from PPF_1 to PPF_3?

A. More workers
B. Better printing press technology
C. A desire to read more books
D. Better sewing technology

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

32. 

Consider a society facing the production possibilities curves in the figure shown. What is the most likely cause of a society moving from PPF_3 to PPF_1?

A. A tornado

B. More people

C. A desire to read more books

D. Better sewing technology

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

33. An increase in productivity as a result of a new technology would cause the production possibilities frontier to:

A. shift in.
B. shift out.
C. not move until society chose to move it.
D. become more meaningful in policy decisions.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

34. Hurricane Katrina destroyed much of New Orleans and other parts of the South. Which of the following statements is true?

A. The hurricane caused the production possibilities frontier of the United States to shift in.
B. The hurricane caused the production possibilities to increase, since it created a lot of work to rebuild the city and surrounding areas.
C. The hurricane caused the production possibilities frontier of the United States to shift out.
D. None of these statements is true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

35. Trade:

A. increases total production, which can benefit everyone involved.
B. increases total production, which benefits only the more wealthy nation.
C. decreases total production across nations, but increases it for some.
D. decreases total production across nations, but benefits everyone because they are individually more productive.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Benefits of Trade

36. Trade:

A. only benefits the stronger nation.
B. only benefits the weaker nation.
C. can benefit everyone involved.
D. can only benefit one party of the trade, but we cannot say which without more information.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Benefits of Trade

37. Trade:

A. involves a winner and a loser.
B. often hurts both parties in the long run.
C. is a zero sum proposition.
D. can benefit both parties.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Benefits of Trade

38. If a wealthy nation like the United States trades with a poorer, less developed nation like Cambodia, then it is likely true that:

A. the United States is taking advantage of Cambodia and is the only beneficiary to the trade.
B. Cambodia is pressured to enter trade and not benefiting at all.
C. both the United States and Cambodia can benefit from trading.
D. the United States is being charitable and not benefiting from the trade at all.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Benefits of Trade

39. Suppose that, given the same number of workers, the United States can produce five times as many computers or 10 times as many airplanes as Mexico. Which of the following statements is true?

A. The United States has an absolute advantage in the production of computers, and Mexico has an absolute advantage in the production of airplanes.
B. The United States has an absolute advantage in the production of airplanes, and Mexico has an absolute advantage in the production of computers.
C. The United States has an absolute advantage in the production of both airplanes and computers.
D. Mexico has an absolute advantage in the production of both airplanes and computers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

40. Suppose that, given the same number of workers, the United States can produce two times as many TVs or 20 times as many potatoes as Chile. Which of the following statements is true?

A. Chile should trade with the United States for potatoes because the United States has an absolute advantage in the production of potatoes.
B. Chile should trade with the United States for TVs because the United States has an absolute advantage in the production of potatoes.
C. The United States can benefit from trading TVs but not potatoes with Chile.
D. None of these statements is necessarily true.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

41. If a country possesses the absolute advantage in the production of one good:

A. then it must also possess the absolute advantage in the production of the other good.
B. then it must also possess the comparative advantage in the production of that good.
C. then it must also possess the comparative advantage in the production of the other good.
D. it can produce more of that good given the same resources.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

42. Suppose that only two goods are produced in an economy. If a country possesses the comparative advantage in the production of one good:

A. then it must also possess the comparative advantage in the production of the other good.
B. then it must also possess the absolute advantage in the production of that good.
C. then it cannot also possess the comparative advantage in the production of the other good.
D. then it cannot also possess the absolute advantage in the production of that good.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

43. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Which of the following statements is true?

A. The United States has the absolute advantage in the production of both shoes and apples.
B. Canada has the absolute advantage in the production of both shoes and apples.
C. The United States has the absolute advantage in the production of shoes and Canada has the absolute advantage in the production of apples.
D. Canada has the absolute advantage in the production of shoes and the United States has the absolute advantage in the production of apples.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

44. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Which of the following statements is true?

A. The United States has an absolute advantage and comparative advantage in the production of shoes.
B. The United States has an absolute advantage and comparative advantage in the production of apples.
C. The United States has an absolute advantage in the production of both goods, and comparative advantage in the production of neither.
D. The United States has an absolute advantage in the production of both goods, and comparative advantage in the production of both.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.

Topic: Absolute and Comparative Advantage

45. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Which of the following statements is true?

A. The United States has a comparative advantage in the production of shoes.
B. Canada has a comparative advantage in the production of shoes.
C. Comparative advantage doesn't exist in this scenario.
D. Both countries have a comparative advantage in the production of shoes.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

46. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The United States should:

A. produce both goods, since they have an absolute advantage in both goods, and not trade.
B. produce only shoes, since they have a comparative advantage in the production of shoes, and not trade.
C. produce apples, since they have a comparative advantage in the production of apples, and not trade.
D. produce apples, since they have a comparative advantage in the production of apples, and trade for shoes.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

47. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost of one pair of shoes for the United States is _____, while the opportunity cost of one pair of shoes for Canada is _____.

A. 5 apples; 2 apples
B. $^1/_5$ apple; ½ apple
C. 2,000 apples; 200 apples
D. 100 apples; 20 apples

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Opportunity Costs and Comparative Advantage

48. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost for the United States is:

A. 5 apples for each pair of shoes.
B. 5 pairs of shoes for each apple.
C. $^1/_5$ apple for each pair of shoes.
D. 1 pair of shoes for every 2 apples.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Opportunity Costs

49. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost for Canada is:

A. 2 apples for each pair of shoes.
B. 2 pairs of shoes for each apple.
C. ½ apple for each pair of shoes.
D. ½ pair of shoes for every 2 apples.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Opportunity Costs

50. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. The opportunity cost of a pair of shoes is _____ for the United States than Canada, so Canada has the _____ advantage in shoe production.

A. higher; comparative
B. lower; comparative
C. higher; absolute
D. lower; absolute

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

51. Suppose an American worker can make 20 pairs of shoes or grow 100 apples per day. A Canadian worker, on the other hand, can produce 10 pairs of shoes or grow 20 apples per day. Canada has the _____ opportunity cost of a pair of shoes than the United States, so: _____.

A. higher; Canada should specialize in shoe production
B. lower; Canada should specialize in apple production
C. higher; Canada should specialize in apple production
D. lower; Canada should specialize in shoe production

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

52. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. The opportunity cost of one pair of gloves is:

A. 6 radishes for the United States and 2 radishes for Bangladesh.
B. 60 radishes for the United States and 20 radishes for Bangladesh.
C. 1/6 radishes for the United States and ½ radishes for Bangladesh.
D. 6,000 radishes for the United States and 2,000 radishes for Bangladesh.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Opportunity Costs

53. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Using the concept of absolute advantage, which of the following statements is true?

A. The United States has the absolute advantage in the production of both gloves and radishes.
B. The United States does not have the absolute advantage in the production of either gloves or radishes.
C. The United States has the absolute advantage in the production of gloves, but not radishes.
D. The United States has the absolute advantage in the production of radishes, but not gloves.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

54. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Using the concepts of absolute and comparative advantage, we can say that:

A. the United States has the comparative advantage in the production of both gloves and radishes.
B. the United States has the comparative advantage in neither the production of gloves nor radishes.
C. the United States has the comparative advantage in the production of gloves only.
D. the United States has the comparative advantage in the production of radishes only.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

55. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Using the concepts of advantage and trade, we can say that:

A. the opportunity cost of one pair of gloves is lower for the United States than Bangladesh, therefore the United States has a comparative advantage in glove production.

B. the opportunity cost of one pair of gloves is higher for the United States than Bangladesh, therefore the United States has a comparative advantage in radish production.

C. the opportunity cost of one pair of gloves is the same for both the United States and Bangladesh, therefore no comparative advantage exists.

D. the opportunity cost of one pair of gloves is the same for both the United States and Bangladesh, therefore they both have the comparative advantage in glove production.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

56. Suppose an American worker can make 50 pairs of gloves or grow 300 radishes per day. A Bangladeshi worker, on the other hand, can produce 100 pairs of gloves or grow 200 radishes per day. Which of the following statements is true?

A. Bangladesh should specialize in glove production since it possesses the comparative advantage in glove production.
B. Bangladesh should specialize in radish production since it possesses the comparative advantage in radish production.
C. Bangladesh should only produce gloves since it has the absolute advantage in glove production.
D. Bangladesh should only produce radishes since it has the absolute advantage in radish production.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

57. Suppose an American worker can make 100 chairs or catch 1,000 fish per day. A Chilean worker, on the other hand, can produce 40 chairs or catch 400 fish per day. Which of the following statements is true?

A. The United States has the comparative advantage in chair production.
B. Chile has the comparative advantage in chair production.
C. Both the United States and Chile have a comparative advantage in chair production.
D. Neither the United States nor Chile has a comparative advantage in chair production.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

58. Suppose an American worker can make 100 chairs or catch 1000 fish per day. A Chilean worker, on the other hand, can produce 40 chairs or catch 400 fish per day. The United States possesses a(n) _____ advantage in chair production, but **not** a(n) _____ advantage in fish production.

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

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

59. Suppose an American worker can make 100 chairs or catch 1,000 fish per day. A Chilean worker, on the other hand, can produce 40 chairs or catch 400 fish per day. The United States has an absolute advantage in the production of both fish and chairs. This means that:

A. the United States should produce both goods and not trade with Chile.
B. the United States should produce only fish and trade with Chile to get chairs.
C. the United States should take advantage of Chile by trading with them.
D. the United States can produce more fish and chairs than Chile, given the same amount of workers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

60. When a producer has the ability to produce a good or service at a lower opportunity cost than others, economists say the producer:

A. has an absolute advantage at producing that good.
B. has a comparative advantage at producing that good.
C. has no reason to trade with others.
D. is efficient.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

61. When a producer has a comparative advantage at producing a good, it means the producer:

A. can produce more of that good than others with the same number of workers.
B. has the ability to produce a good or service at a lower opportunity cost than others.
C. has no reason to trade with others.
D. is efficient.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

62. When a producer has an absolute advantage at producing a good, it means the producer:

A. can produce more of that good than others with the same number of workers.
B. has the ability to produce a good or service at a lower opportunity cost than others.
C. has no reason to trade with others.
D. is less efficient than other producers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

63. When a producer is acting efficiently:

A. they are producing at a point on their production possibilities frontier.
B. they are producing at a point on or under their production possibilities frontier.
C. they are producing only one good.
D. they are producing the good in which they have a comparative advantage.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

64. When a country is acting efficiently:

A. it is producing at a point on or below their production possibilities frontier.
B. it is getting the most output by using all its available resources.
C. it has unemployed workers.
D. it is able to reach a point beyond its production possibilities frontier.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

65. The United States and Canada trade hockey skates and apple pie. The United States has an absolute and a comparative advantage in the production of apple pie, therefore:

A. Canada must have the comparative advantage in the production of skates.
B. Canada must have the absolute advantage in the production of skates.
C. Canada must have the absolute and comparative advantage in the production of skates.
D. the United States must have the comparative advantage in the production of skates, too.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

66. Which of the following statements about absolute and comparative advantage is true?

A. A country may have a comparative advantage but not an absolute advantage in the production of a good.
B. A country must have the comparative advantage in the production of at least one good.
C. A country may have the absolute advantage in the production of all goods.
D. All of these statements are true.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute and Comparative Advantage

67. A country that specializes:

A. spends all of its resources producing a particular good.
B. spends all of its resources producing those goods it has an absolute advantage in producing.
C. spends all of its resources producing only what other countries need.
D. spends all of its resources producing what it can make more of than anyone else.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

68. When two countries specialize and trade with one another:

A. total production remains unchanged, but consumption rises.
B. total production increases, but only if comparative advantage exists.
C. total production may increase, depending on trade relations.
D. total production and consumption remain unchanged.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

69. People choose to specialize because:

A. it can lead to more consumption than being self-sufficient.
B. it can lead to consumption beyond the production possibilities frontier.
C. it allows people to acquire goods at a lower opportunity cost.
D. All of these statements are true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

70. The improvement in outcomes that occurs when specialized producers exchange goods and services is called:

A. the gains from trade.
B. absolute advantage.
C. comparative advantage.
D. specialization.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

71. People will choose to specialize and trade if:

A. they can acquire the goods they want at a lower cost than it will cost them to make the good themselves.
B. they can acquire the goods they want at a higher cost than it will cost them to make the good themselves.
C. they can acquire the goods they want from someone who is willing to trade with them.
D. they can acquire the goods they want from a capitalistic system of exchange.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

72. People often choose to specialize and trade because:

A. it allows them to enjoy more goods than they can create on their own.
B. they can consume a bundle of goods beyond their own production possibilities.
C. it allows them to get to a point beyond their own production possibilities frontier.
D. All of these statements are true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

73. Two countries will choose to specialize and trade only if:

A. the terms of trade fall between their opportunity costs for producing the goods on their own.
B. the opportunity costs are the same between the two nations.
C. the opportunity costs are astronomically high for producing the goods on their own.
D. one country possesses the absolute advantage in both goods, but the comparative advantage in only one good.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

74. When a country loses its comparative advantage in the production of a good:

A. it should stop trading and become self-sufficient.
B. it will gain the comparative advantage in the production of another good.
C. it will become a loser in trade in the long run.
D. it will still have the absolute advantage in the production of the good.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

75. If France is capable of producing either cheese or wine or some combination of those two products, then:

A. France should produce the one it is more efficient at producing.
B. France should produce the one for which it has a lower opportunity cost.
C. France should produce the one for which is has a higher opportunity cost.
D. France should remain self-sufficient if it has the absolute advantage in the production of both.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

76. If Spain is capable of producing either tapas or soccer balls or some combination of those two products, then:

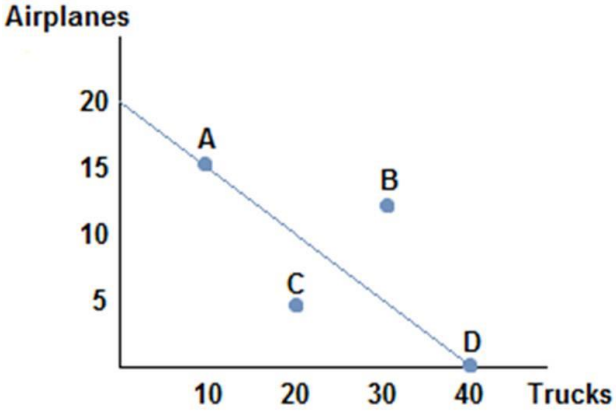
A. Spain should produce the good it has an absolute advantage in producing.
B. Spain should produce the good it has a comparative advantage in producing.
C. Spain should remain self-sufficient if it can produce both efficiently.
D. Spain should trade only if it possesses the absolute advantage in the production of both goods.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

77. Assume for Germany that the opportunity cost to produce a jet is 50 cars. Some possible combinations of output for Germany could be:

A. (1,000 jets, 5,000 cars) and (900 jets, 10,000 cars).
B. (1,000 jets, 5,000 cars) and (900 jets, 15,000 cars).
C. (2,500 jets, 2,000 cars) and (2,300 jets, 20,000 cars).
D. (2,500 jets, 2,000 cars) and (2,300 jets, 3,000 cars).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Opportunity Costs

78. 

Suppose the figure shown represents the production possibilities frontier for Country A. Country B offers to trade four trucks for every airplane. Assuming Country A specializes in airplane production, which of the following combination of goods could Country A consume?

A. (15 airplanes, 20 trucks)

B. (10 airplanes, 20 trucks)

C. (10 airplanes, 30 trucks)

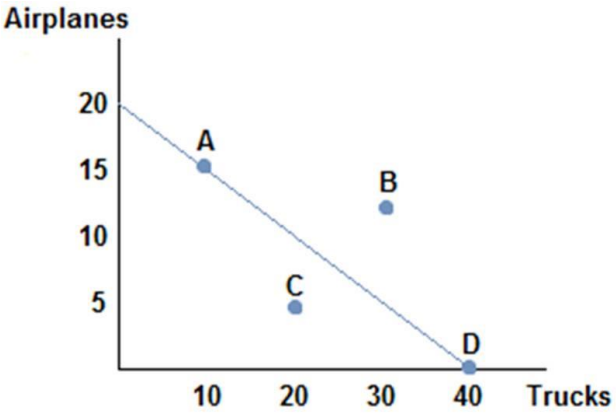
D. (5 airplanes, 20 trucks)

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

Topic: Gains from Trade/Specialization

79. 

Suppose the figure shown represents the production possibilities frontier for Country A. Which of the following combination of goods could Country A consume?

A. (15 airplanes, 15 trucks)

B. (10 airplanes, 25 trucks)

C. (10 airplanes, 30 trucks)

D. (5 airplanes, 30 trucks)

AACSB: Reflective Thinking

Blooms: Understana

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

80. Suppose England has a comparative advantage over the United States in producing tea. If this is true, then:

A. England should produce more tea than it needs and sell the rest to the United States.
B. England should produce a small amount of tea and buy the rest of the tea it wants from the United States.
C. England should not produce tea, and should instead buy it all from the United States.
D. the United States has nothing to gain from buying tea from England.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

81. A country's newest ruler has decided the country will become self-sufficient and ceases trade with the rest of the world. The likely outcome of this action will be that the country's citizen's will be:

A. forced to consume less than before if they possessed a comparative advantage in the production of a good.
B. better off than before if they possess an absolute advantage in the production of a good.
C. better off than before only if they have the absolute advantage in the production of most goods they consume.
D. better off than before only if they have the comparative advantage in the goods they consume.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Gains from Trade

82. Economic theory states that losing comparative advantage in one good means creating a comparative advantage in another. This suggests that:

A. those who experience the transition may find it difficult in the short run.
B. it can be seen as a success in the long run.
C. outsourcing can be good overall for a society.
D. All of these statements are true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Comparative Advantage

83. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country A could potentially make would be:

A. (1,000 iPods, 500 tablets).
B. (500 iPods, 500 tablets).
C. (500 iPods, 250 tablets).
D. (750 iPods, 150 tablets).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

84. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country A could potentially make would be:

A. (500 iPods, 500 tablets).
B. (500 iPods, 400 tablets).
C. (500 iPods, 300 tablets).
D. (500 iPods, 200 tablets).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

85. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country A could not make would be:

A. (500 iPods, 150 tablets).
B. (500 iPods, 200 tablets).
C. (500 iPods, 250 tablets).
D. (500 iPods, 300 tablets).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

86. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country A would be working efficiently if they were producing:

A. (500 iPods, 100 tablets).
B. (500 iPods, 150 tablets).
C. (500 iPods, 200 tablets).
D. (500 iPods, 250 tablets).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

87. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country B could potentially make would be:

A. (400 iPods, 2,000 tablets).
B. (300 iPods, 500 tablets).
C. (200 iPods, 1,500 tablets).
D. (100 iPods, 2,000 tablets).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

88. Suppose that a worker in Econia can make either 10 iPods or 5 tablets each year. Econia has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country B could potentially make would be:

A. (400 iPods, 2,000 tablets).
B. (200 iPods, 1,500 tablets).
C. (300 iPods, 450 tablets).
D. (400 iPods, 1 tablet).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

89. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. A bundle of goods that Country B could not make would be:

A. (400 iPods, 250 tablets).
B. (300 iPods, 500 tablets).
C. (200 iPods, 750 tablets).
D. (100 iPods, 1,000 tablets).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

90. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country B would be working efficiently if they were producing:

A. (200 iPods, 1,750 tablets).
B. (200 iPods, 1,500 tablets).
C. (200 iPods, 1,000 tablets).
D. (200 iPods, 750 tablets).

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Efficiency

91. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country B has the comparative advantage in the production of:

A. iPods only.
B. tablets only.
C. both iPods and tablets.
D. neither iPods or tablets.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

92. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country A has the absolute advantage in the production of:

A. iPods only.
B. tablets only.
C. both iPods and tablets.
D. neither iPods or tablets.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

93. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Country B has the _____ advantage in the production of tablets, which means they should specialize in _____.

A. comparative; tablets
B. absolute; tablets
C. comparative; iPods
D. absolute; iPods

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

94. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Suppose Country B's population of workers increased to 600. Now we can say:

A. Country B now possesses the absolute advantage in the production of both goods.
B. Country B now possesses the absolute advantage in tablets only.
C. Country B now has the comparative advantage in iPod production.
D. Country B has no need to trade now.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

95. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Suppose Country B's population of workers increased to 600. Which of the following statements is now true?

A. Country B's production possibilities curve has rotated out from the x-axis.
B. Country B's production possibilities curve has shifted straight out.
C. Country B's production possibilities curve has shifted straight in.
D. Country B's production possibilities are now more limited because of crowding.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

96. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Which of the following is true?

A. Country B should produce tablets and Country A should produce iPods, and they could benefit from trade.
B. Country B should produce iPods and Country A should produce tablets, and they could benefit from trade.
C. Neither country can benefit from trade since no comparative advantage exists.
D. Because Country B has the absolute advantage tablets, they should specialize in the production of tablets.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Gains from Trade

97. Suppose that a worker in Country A can make either 10 iPods or 5 tablets each year. Country A has 100 workers. Suppose a worker in Country B can make either 2 iPods or 10 tablets each year. Country B has 200 workers. Which of the following is true?

A. The opportunity cost of 1 iPod in Country A is 2 tablets.
B. The opportunity cost of 1 tablet in Country A is 2 iPods.
C. The opportunity cost of tablets is lower in Country A than Country B.
D. The opportunity cost of 1 iPod in Country B is 2 tablets.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Opportunity Costs

98. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The opportunity cost of one tomato in Country A is:

A. 100 bananas.
B. 20 bananas.
C. 5 bananas.
D. 4 bananas.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Opportunity Costs

99. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The opportunity cost of one tomato in Country B is:

A. 108 bananas.
B. 18 bananas.
C. 6 bananas.
D. 3 bananas.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Opportunity Costs

100. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The opportunity cost of one tomato is:

A. lower in Country A than Country B.
B. higher in Country A than Country B.
C. the same in both countries.
D. impossible to calculate without more information.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Opportunity Costs

101. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Country B has:

A. an absolute advantage in the production of bananas, but not tomatoes.
B. an absolute advantage in the production of both bananas and tomatoes.
C. an absolute advantage in the production of tomatoes, but not bananas.
D. an absolute advantage in neither good.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

102. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Two possible consumption bundles that Country A could produce are:

A. (5,000 bananas, 1,000 tomatoes) and (1,000 bananas, 5,000 tomatoes)
B. (5,000 bananas, 0 tomatoes) and (2,500 bananas, 500 tomatoes)
C. (2,500 bananas, 500 tomatoes) and (1,250 bananas, 800 tomatoes)
D. (2,500 bananas, 750 tomatoes) and (1,250 bananas, 750 tomatoes)

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

103. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Two possible consumption bundles that Country B could produce are:

A. (7.200 bananas, 2,400 tomatoes) and (3,600 bananas, 1,200 tomatoes)
B. (7.200 bananas, 0 tomatoes) and (4,000 bananas, 1,200 tomatoes)
C. (3.600 bananas, 1,200 tomatoes) and (1,800 bananas, 1,600 tomatoes)
D. (1.800 bananas, 1,800 tomatoes) and (900 bananas, 2,000 tomatoes)

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Trade-offs

104. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. For a worker in Country B, the trade-off to making one tomato is:

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

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Trade-offs

105. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. For a worker in Country A, the trade-off of making one tomato is:

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

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Trade-offs

106. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The workers in Country A should specialize in _____ because they possess the _____ in the production of that good.

A. bananas; comparative advantage
B. tomatoes; comparative advantage
C. bananas; absolute advantage
D. tomatoes; absolute advantage

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

107. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. The workers in Country B will benefit from trade if they:

A. specialize in bananas because they have a comparative advantage in banana production.
B. specialize in tomatoes because their opportunity cost of tomatoes is higher than Country A's.
C. specialize in tomatoes because their opportunity cost of tomatoes is lower than Country A's.
D. specialize in bananas because they have an absolute advantage in banana production.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

108. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Suppose Country B decides to specialize in tomatoes, and Country A specializes in bananas. What terms of trade would both countries agree to?

A. One tomato for one banana
B. One tomato for two bananas
C. One tomato for four bananas
D. One tomato for six bananas

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Gains from Trade

109. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Suppose Country A specializes in bananas, and Country B specializes in tomatoes. The limits to the terms of trade that Country A would find acceptable are:

A. Country A will give no more than 5 bananas for each tomato.
B. Country A will give no less than 5 bananas for each tomato.
C. Country A will give no more than 1 tomato for every 5 bananas.
D. Country A will give no less than 1 tomato for every 5 bananas.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Terms of Trade

110. Suppose that a worker in Country A can make either 25 bananas or 5 tomatoes each year. Country A has 200 workers. Suppose a worker in Country B can make either 18 bananas or 6 tomatoes each year. Country B has 400 workers. Suppose Country A specializes in bananas, and Country B specializes in tomatoes. The limits to the terms of trade that Country B would find acceptable are:

A. Country B will accept no more than 3 bananas for each tomato.
B. Country B will accept no less than 3 bananas for each tomato.
C. Country B will accept no more than 1 tomato for every 3 bananas.
D. Country B will accept no less than 1 tomato for every 3 bananas.

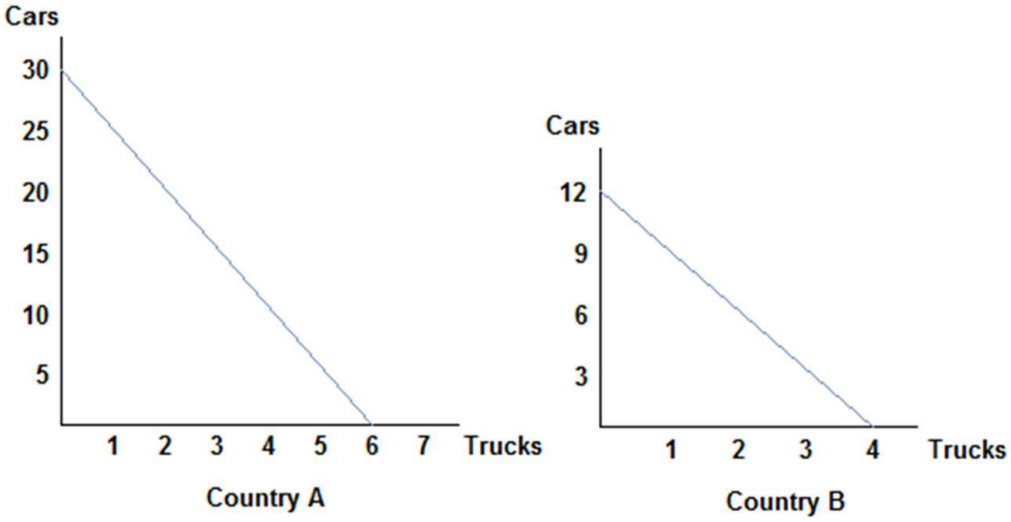
AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Terms of Trade

111. What drives a country's limits to acceptable terms of trade?

A. Their opportunity costs
B. Whether they possess the absolute advantage in the production of a good
C. Both of these statements are true.
D. Neither of these statements is true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Gains from Trade

112.

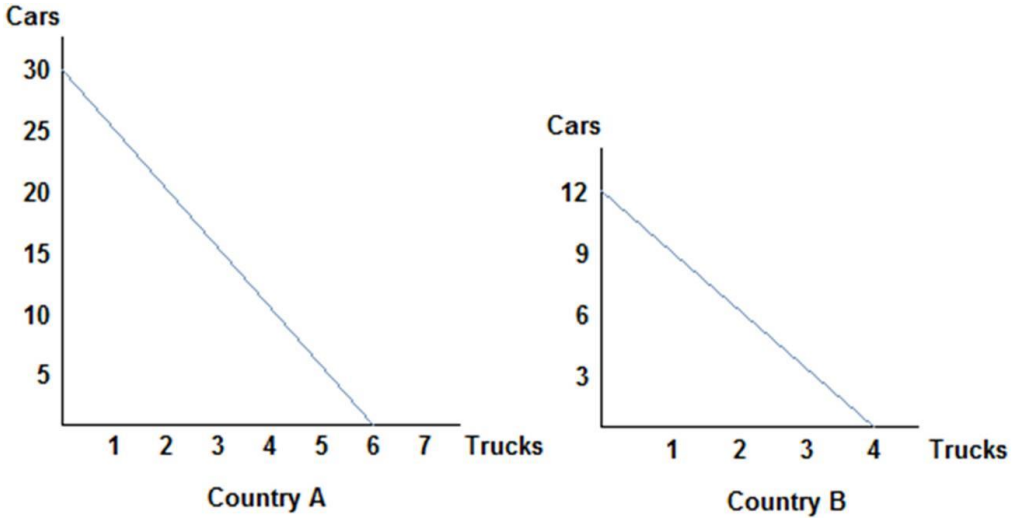


Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Which of the following statements is true?

A. The opportunity cost of a truck in Country A is 30 cars.
B. The opportunity cost of a truck in Country A is 6 trucks.
C. The opportunity cost of 6 trucks in Country A is 30 cars.
D. The opportunity cost of a truck in Country A is 3 cars.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Opportunity Costs

113.



Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Which of the following statements is true?

A. The opportunity cost of a truck in Country B is 12 cars.

B. The opportunity cost of a truck in Country B is 4 trucks.

C. The opportunity cost of 6 trucks in Country B is 9 cars.

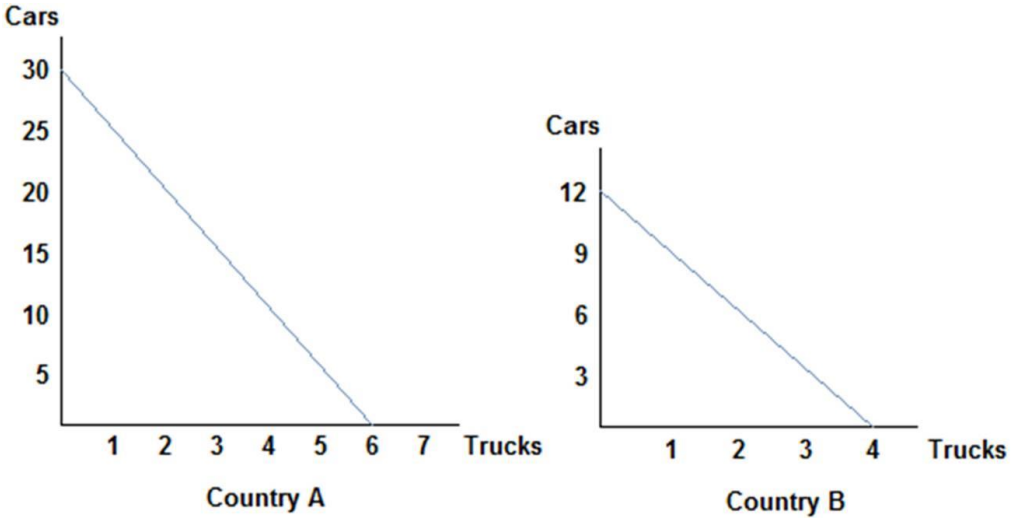
D. The opportunity cost of a truck in Country B is 3 cars.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: Opportunity Costs

114. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Which of the following statements can be said of Country A?

A. Country A has the comparative advantage in car production only.

B. Country A has the comparative advantage in truck production only.

C. Country A has the comparative advantage in car and truck production.

D. Country A does not possess the comparative advantage in either good.

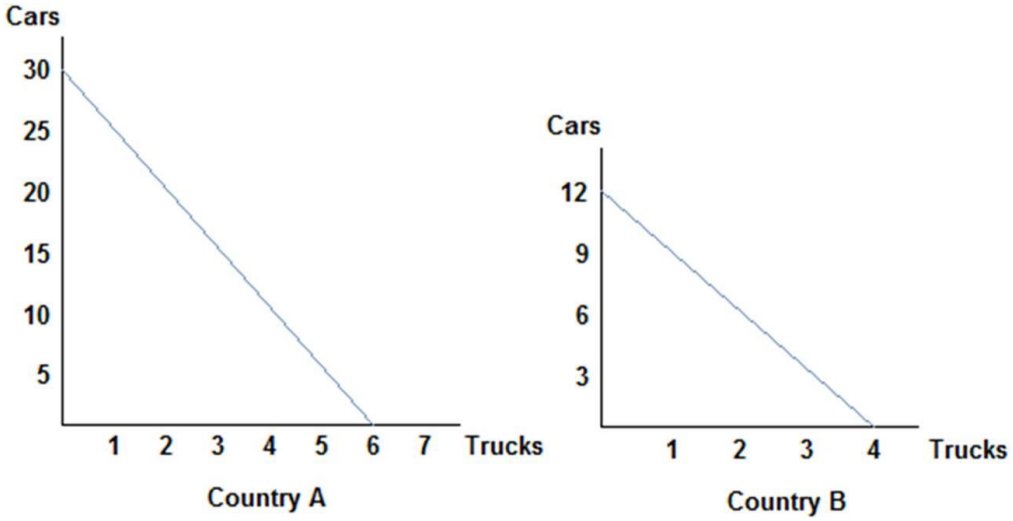
AACSB: Reflective Thinking

Blooms: Remember

Learning Objective: 02-02 Define absolute and comparative advantage.

Topic: Comparative Advantage

115.



Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Assuming both countries have the same amount of resources available to them, which of the following statements is true?

A. Country A has an absolute advantage in the production of cars, and Country B has the absolute advantage in the production of trucks.

B. Country A has an absolute advantage in the production of trucks, and Country B has the absolute advantage in the production of cars.

C. Country A has the absolute advantage in the production of cars and trucks.

D. Country A has the absolute advantage in neither the production of cars nor trucks.

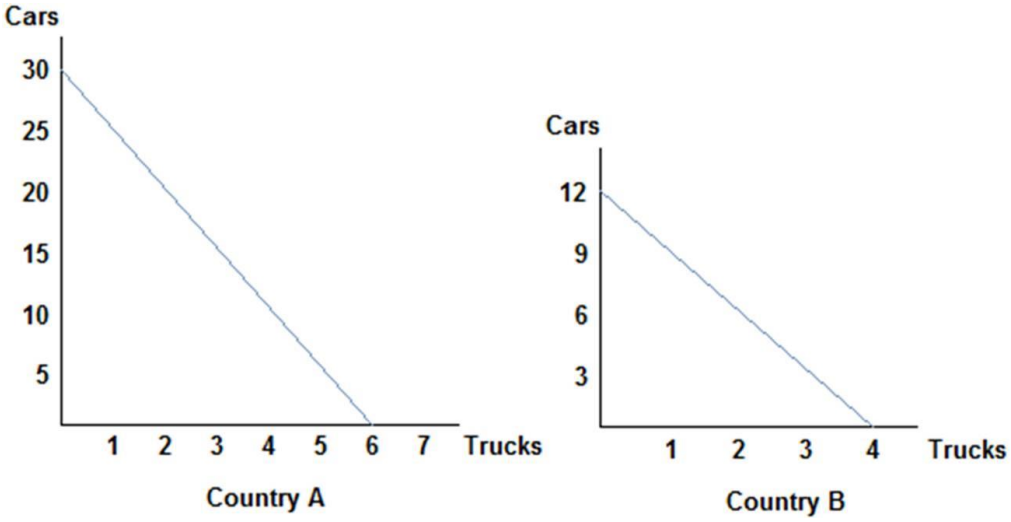
AACSB: Reflective Thinking

Blooms: Remember

Learning Objective: 02-02 Define absolute and comparative advantage.

Topic: Absolute Advantage

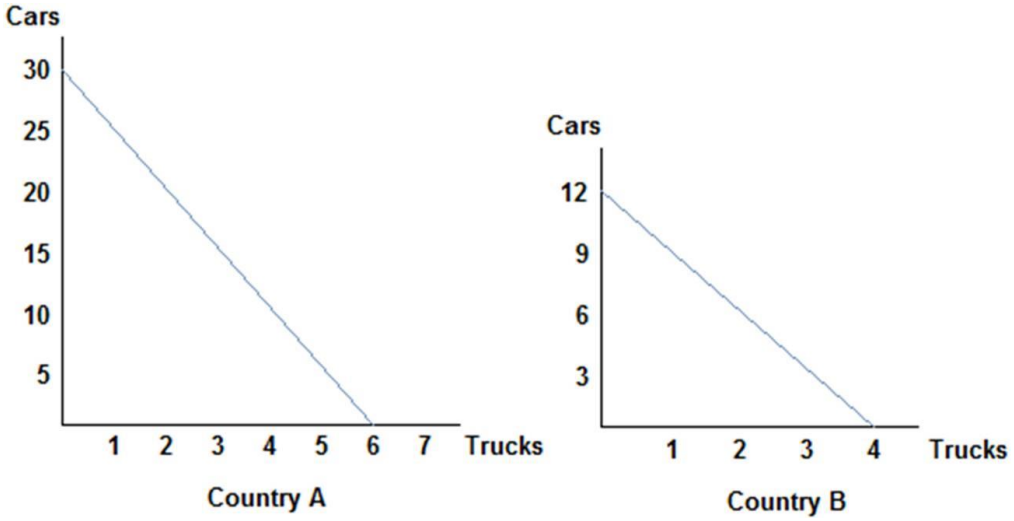
116.



Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. After examining each country's production possibilities curves, it is clear that:

A. neither will benefit from trade.
B. both can benefit from trade because absolute advantage exists.
C. both can benefit from trade because comparative advantage exists.
D. only Country A will benefit from trade.

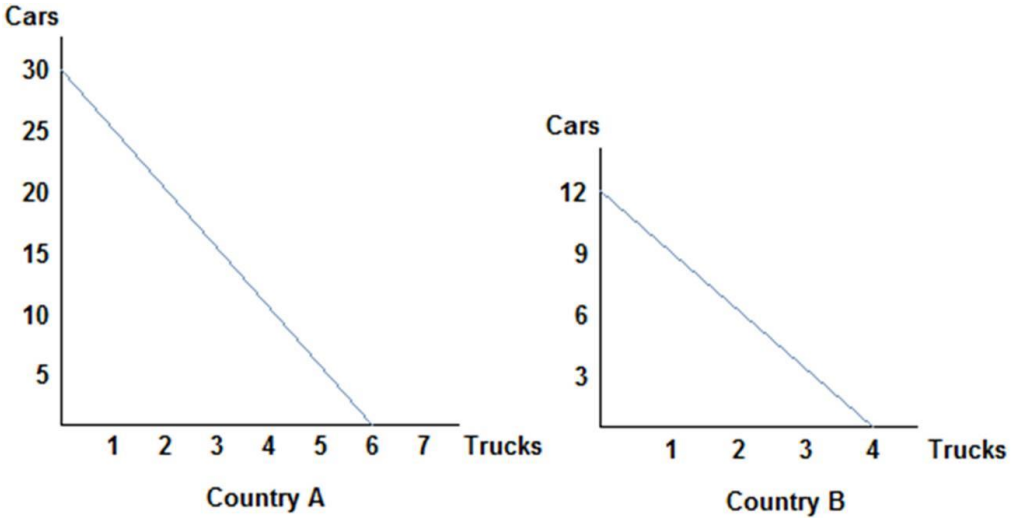
AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Trade

117. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. After comparing each country's production possibilities curves, it is clear that:

A. Country A should specialize in cars and Country B should specialize in trucks, and both will benefit from trade.
B. Country A should specialize in trucks and Country B should specialize in cars, and both will benefit from trade.
C. Country A will not benefit from trade.
D. Country B will lose by trading with Country A.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

118. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. After examining the production possibilities of each country, we can surmise that:

A. Country A's opportunity cost of a car is lower than that of Country B, and so they should specialize in cars and trade.

B. Country A's opportunity cost of a car is higher than that of Country B, and so they should specialize in cars and trade.

C. Country A's opportunity cost of a car is the same as that of Country B, and so they will not benefit from trade.

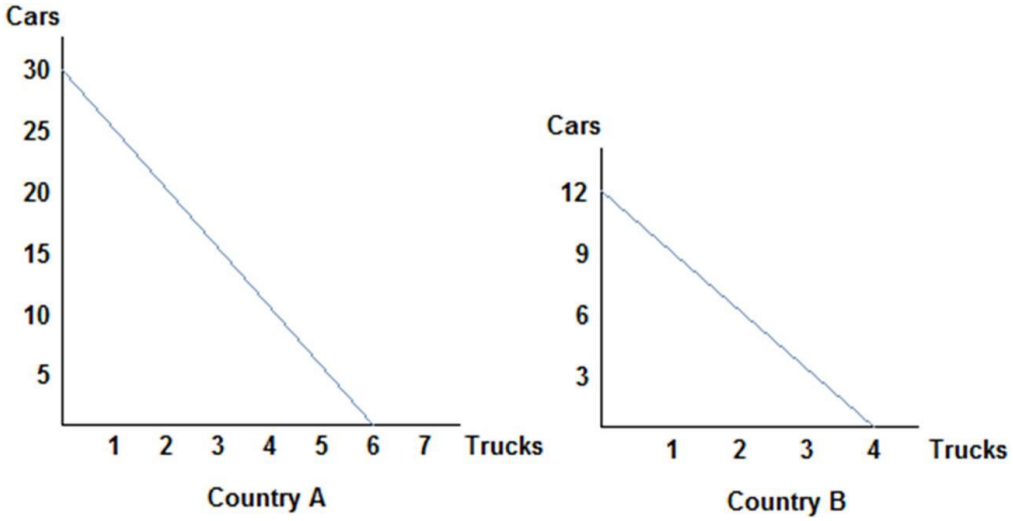
D. Country A's opportunity cost of a car does not determine a country's decision to trade; it is absolute advantage that drives that decision.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

Topic: Opportunity Costs/Gains from Trade

119. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Considering both country's production possibilities frontiers, we know that:

A. they will both agree to terms of trade of one truck to two cars.

B. they will both agree to terms of trade of one truck to four cars.

C. they will both agree to terms of trade of one truck to six cars.

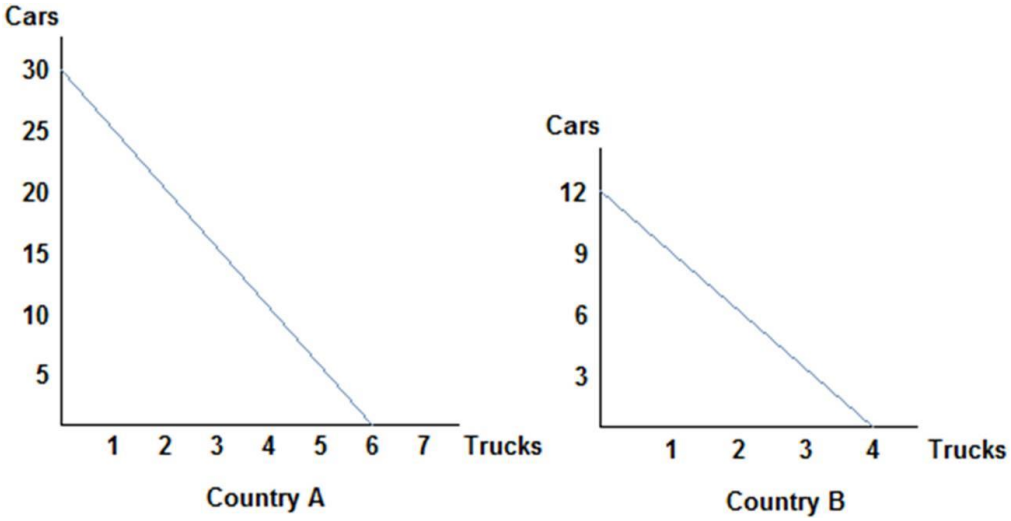
D. they will both agree to terms of trade of one truck to eight cars.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

Topic: Terms of Trade

120. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Considering both country's production possibilities frontiers, we can guess that:

A. Country A will specialize in trucks, and be willing to accept no less than 5 cars for each truck.

B. Country A will specialize in cars, and be willing to give no more than 5 cars for each truck.

C. Country A will specialize in trucks, and be willing to accept no more than 5 cars for each truck.

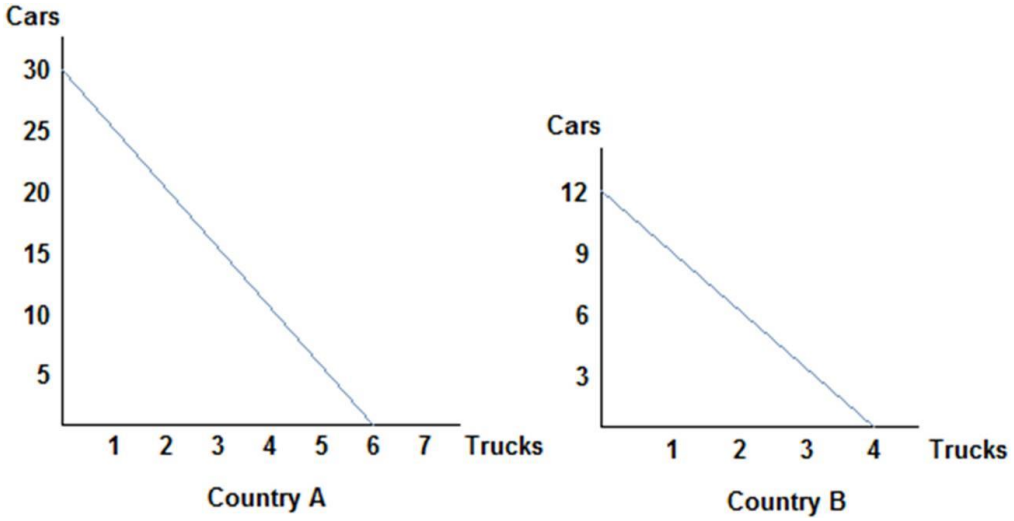
D. Country A will specialize in cars, and be willing to give no less than 5 cars for each truck.

AACSB: Reflective Thinking

Blooms: Understana

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

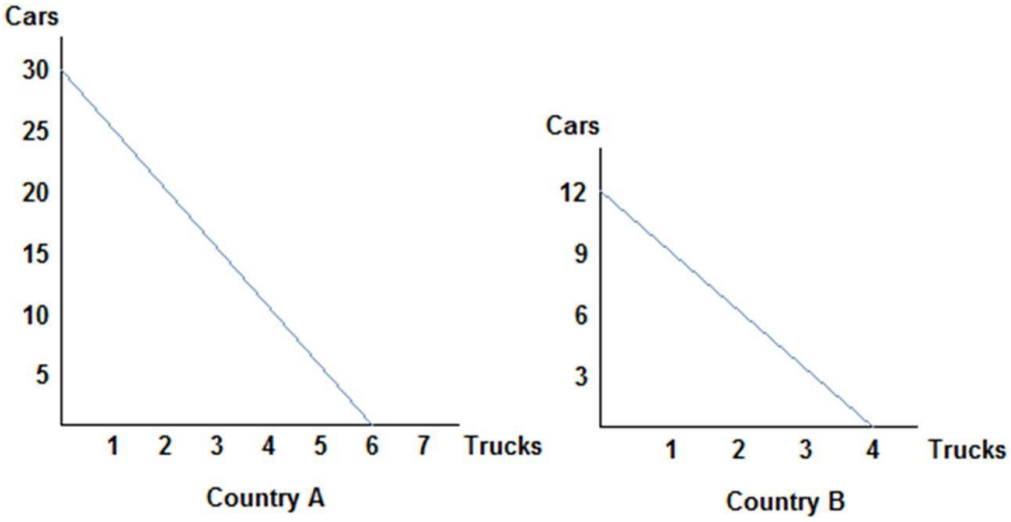
Topic: Specialization

121. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Considering both country's production possibilities frontiers, we can conclude that:

A. Country B will specialize in trucks, and be willing to accept no less than 3 cars for each truck.
B. Country B will specialize in cars, and be willing to give no more than 3 cars for each truck.
C. Country B will specialize in trucks, and be willing to accept no more than 3 cars for each truck.
D. Country B will specialize in cars, and be willing to give no less than 3 cars for each truck.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Specialization/Terms of Trade

122. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. If Country A were to divide its resources equally, it could produce:

A. 30 cars and 6 trucks.

B. 25 cars and 5 trucks.

C. 15 cars and 3 trucks.

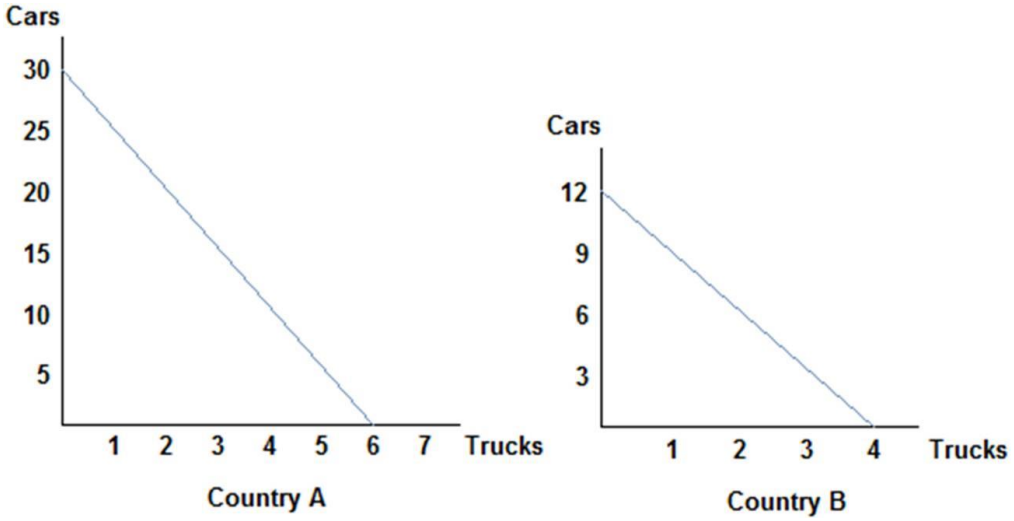
D. 10 cars and 4 trucks.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

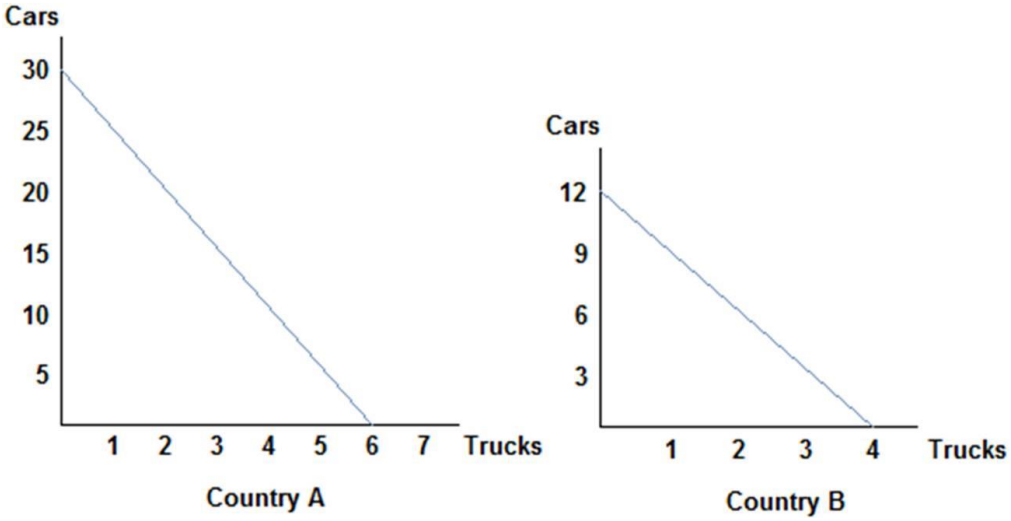
Topic: PPF

123. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. The slope of Country A's production possibilities frontier:

A. measures the opportunity cost of trucks in terms of cars.
B. measures the trade off workers in Country A must face when deciding how to allocate resources.
C. is constant because the opportunity cost remains constant.
D. All of these statements are true.

AACSB: Reflective Thinking
Blooms: Understana
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF/Opportunity Costs

124. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. The slope of Country A's production possibilities frontier is _____, and Country B's is _____.

A. -5; -3

B. -30; -3

C. -1/5; -1/3

D. 1/5; 1/3

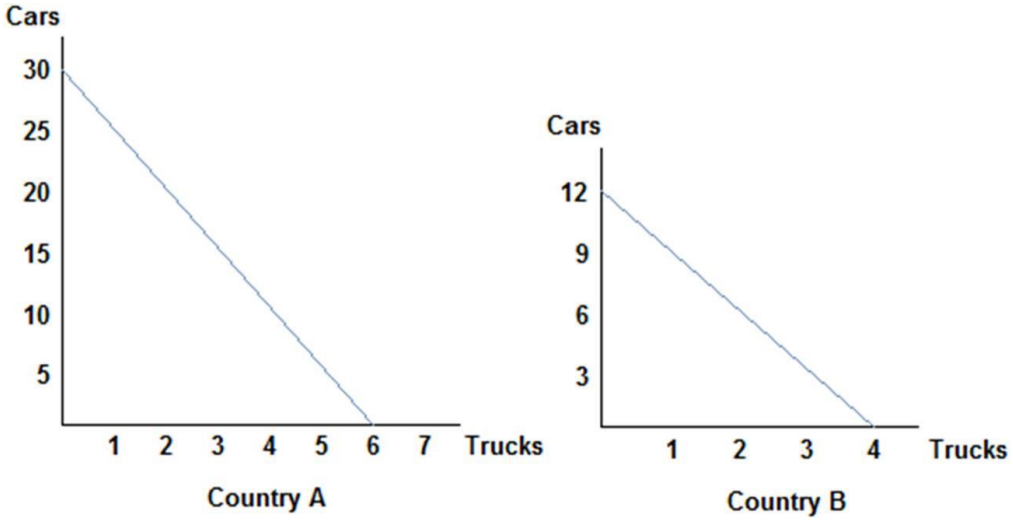
AACSB: Reflective Thinking

Blooms: Understana

Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: PPF

125.



Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. Country A has the comparative advantage in:

A. cars and Country B has the comparative advantage in trucks.

B. trucks and Country B has the comparative advantage in cars.

C. cars and trucks.

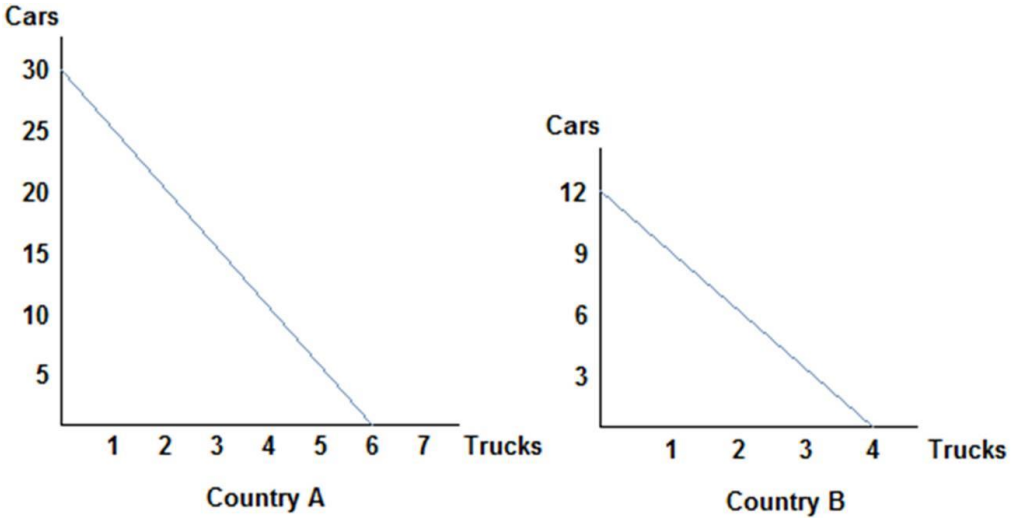
D. neither cars nor trucks.

AACSB: Reflective Thinking

Blooms: Remember

Learning Objective: 02-02 Define absolute and comparative advantage.

Topic: Comparative Advantage

126. 

Refer to the figure shown, which represents the production possibilities frontiers for Countries A and B. One of the reasons why Country A and Country B are not realistic representations of actual countries is:

A. the production possibilities curves are straight lines; realistic ones would be concave.
B. they only represent the production of two goods.
C. they do not account for political pressures.
D. All of these statements are true.

AACSB: Reflective Thinking
Blooms: Understana
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: PPF

127. If the opportunity cost of producing corn is lower for Ohio than Iowa, then:

A. Iowa should specialize in corn production.
B. Iowa has the comparative advantage in corn production.
C. Iowa should export corn to Ohio.
D. Ohio has the comparative advantage in corn production.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Comparative Advantage

128. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. At the end of the day, Tom could have:

A. either 16 traps and 4 bombs, or 8 traps and 2 bombs.
B. either 8 traps and 2 bombs, or 4 traps and 6 bombs.
C. either 8 traps and 2 bombs, or 4 traps and 4 bombs.
D. either 12 traps and 3 bombs, or 8 traps and 3 bombs.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Opportunity Costs

129. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. At the end of the day, Jerry could have produced:

A. 14 traps and 7 bombs.
B. 12 traps and 6 bombs.
C. 10 traps and 5 bombs.
D. 6 traps and 4 bombs.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Opportunity Costs

130. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. At the end of the day, if Jerry was efficient with his resources, he could have produced:

A. 12 traps and 0 bombs.
B. 10 traps and 2 bombs.
C. 8 traps and 2 bombs.
D. 6 traps and 2 bombs.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Efficiency

131. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. For Tom, the opportunity cost of building a bomb is _____ traps set.

A. 16
B. 12
C. 8
D. 4

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Opportunity Costs

132. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. For Jerry, the opportunity cost of building a bomb is _____ traps set.

A. 14
B. 7
C. 4
D. 2

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.

Topic: Opportunity Costs

133. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. After looking at the production possibilities for both Tom and Jerry, we can surmise that:

A. Tom has the absolute advantage in the production of both traps and bombs.
B. Jerry has the absolute advantage in the production of both traps and bombs.
C. Tom has the absolute advantage in the production of traps and Jerry has the absolute advantage in bomb production.
D. Tom has the absolute advantage in the production of bombs and Jerry has the absolute advantage in trap production.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: 02-02 Define absolute and comparative advantage.
Topic: Absolute Advantage

134. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. After looking at the production possibilities for both Tom and Jerry, we can conclude that:

A. Tom has the comparative advantage in trap production.
B. Jerry has the comparative advantage in trap production.
C. Tom has the comparative advantage in bomb production.
D. No comparative advantage exists.

AACSB: Reflective Thinking

Blooms: Remember

Learning Objective: 02-02 Define absolute and comparative advantage.

Topic: Comparative Advantage

135. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. The opportunity cost of one bomb is _____ for Tom and _____ for Jerry. Therefore Tom should specialize in _____.

A. 4 traps; 2 traps; traps
B. 16 traps; 14 traps; traps
C. 4 traps; 2 traps; bombs
D. 16 traps; 14 traps; bombs

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-03 Define specialization and explain why people specialize.

Topic: Specialization

136. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. Because Tom has a _____ opportunity cost for one bomb compared to Jerry, we know Tom has _____.

A. higher; the comparative advantage in bomb production
B. lower; the comparative advantage in bomb production
C. similar; no advantage in production of either good
D. higher; the comparative advantage in trap production

AACSB: Reflective Thinking

Blooms: Remember

Learning Objective: 02-02 Define absolute and comparative advantage.

Topic: Comparative Advantage

137. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. Jerry has a comparative advantage in:

A. trap production because he has the lower opportunity cost of a trap.
B. trap production because he has the higher opportunity cost of a trap.
C. bomb production because he has the lower opportunity cost of a bomb.
D. bomb production because he has the higher opportunity cost of a bomb.

AACSB: Reflective Thinking

Blooms: Remember

Learning Objective: 02-02 Define absolute and comparative advantage.

Topic: Opportunity Costs

138. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. Based on their production possibilities frontiers, Tom and Jerry:

A. can both benefit from trade because absolute advantage exists.
B. can both benefit from trade because comparative advantage exists.
C. cannot benefit from trade because Tom has the absolute advantage in both goods.
D. will not decide to trade because no comparative advantage exists.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

Topic: Gains from Trade

139. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. If Tom divides his time evenly between activities, and acts efficiently, he will produce:

A. 16 traps and 4 bombs.
B. 12 traps and 3 bombs.
C. 8 traps and 2 bombs.
D. 4 traps and 3 bombs.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-01 Construct a production possibilities graph and describe what causes shifts in production possibilities curves.
Topic: Opportunity Costs

140. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. If Tom decides to specialize in setting traps, he would agree to which terms of trade with Jerry?

A. Tom is willing to give no more than 4 traps for each bomb.
B. Tom is willing to give no more than 4 bombs for each trap.
C. Tom is willing to accept no more than 4 bombs for each trap.
D. Tom is willing to accept no less than 4 traps for each bomb.

AACSB: Reflective Thinking
Blooms: Understand

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

Topic: Terms of Trade

141. Tom and Jerry have two tasks to do all day: set traps and build bombs. If Tom spends all day setting traps, he will have set 16 traps. If he instead devotes his day to building bombs, Tom will build 4 bombs. If Jerry spends his day setting traps, he will set 14 traps; if he spends the day building bombs, he will build 7 bombs. If Jerry decides to specialize in building bombs, what are the limits to his terms of trade?

A. Jerry will accept no less than 7 traps for each bomb.

B. Jerry will accept no less than 2 traps for each bomb.

C. Jerry will accept no less than 7 bombs for each trap.

D. Jerry will accept no less than 2 bombs for each trap.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

Topic: Terms of Trade

142. The concepts of comparative advantage, specialization, and trade form a compelling argument in favor of:

A. free trade.

B. protectionism.

C. self-sufficiency.

D. only exporting, never importing goods.

AACSB: Reflective Thinking

Blooms: Understand

Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.

Topic: Gains from Trade

143. Barbie and Ken are married. Barbie stays home and cares for the children, while Ken spends his day at work earning money to support the household. Economists might conclude:

A. Barbie has a higher opportunity cost of caring for the children compared to Ken, and therefore chooses to specialize in childcare.
B. Ken has a lower opportunity cost of caring for the children compared to Barbie, and therefore chooses to let Barbie specialize in childcare while he works.
C. Ken has the comparative advantage in caring for the children, while Barbie has it in earning money.
D. Barbie has the comparative advantage in caring for the children, and so the family benefits by Barbie staying home and Ken earning money at work.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-03 Define specialization and explain why people specialize.
Topic: Specialization

144. The concepts of comparative advantage, specialization, and trade:

A. can be useful in explaining why countries import and export certain goods.
B. can be useful in explaining why individuals typically work at one job, and buy the other goods and services they need.
C. can be useful in explaining why we allow ourselves to be interdependent on others.
D. All of the statements are true.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: 02-04 Explain how the gains from trade follow from comparative advantage.
Topic: Gains from Trade