Chapter 2

Student: _____

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

   A.
   B.
   C.
   D.

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

   A.
   B.
   C.
   D.

3. If Les can produce two pairs of pants per hour while Eva can produce one pair per hour, then it must be true that:

   A.
   B.
   C.
   D.

4. If a nation can produce a more computers per year than any other nation, that nation has a(n) _____ advantage in the production of computers.

   A.
   B.
   C.
   D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

8. Which of the following statements is true?

A.
B.
C.
D.

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

A.
B.
C.
D.

10.

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

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

A.
B.
C.
D.

11.

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

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

A.
B.
C.
D.

12.

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

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

A.
B.
C.
D.

13.

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

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

A.
B.
C.
D.

14.

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

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

A.
B.
C.
D.

15.

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

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

A.
B.
C.
D.

16.

Refer to the table above. _____ has the comparative advantage in making pies and _____ the comparative advantage in making cakes.

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

A.
B.
C.
D.

17.

Refer to the table below. Based on their comparative advantage, Martha should specialize in _____ while Julia should specialize in _____.

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

A.
B.
C.
D.

18.

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

A.
B.
C.
D.

19.

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

A.
B.
C.
D.

20.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

24.

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

A.
B.
C.
D.

25.

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

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

A.
B.
C.
D.

26.

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

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

A.
B.
C.
D.

27.

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

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

A.
B.
C.
D.

28.

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

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

A.
B.
C.
D.

29.

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

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

A.
B.
C.
D.

30.

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

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

A.
B.
C.
D.

31.

Refer to the table below. _____ has the comparative advantage in making pizza, and _____ has the comparative advantage in delivering pizza.

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

A.
B.
C.
D.

32.

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

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

A.
B.
C.
D.

33.

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

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

Which of the following is true?

A.
B.
C.
D.

34.

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

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

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

A.
B.
C.
D.

35.

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

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

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

A.
B.
C.
D.

36.

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

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

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

A.
B.
C.
D.

37.

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

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

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

A.
B.
C.
D.

38.

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

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

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

A.
B.
C.
D.

39.

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

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

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

A.
B.
C.
D.

40.

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

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

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

A.
B.
C.
D.

41.

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

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

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

A.
B.
C.
D.

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

A.
B.
C.
D.

43. Ginger and Maryann are lost in the jungle, where the only things to eat are mangoes and fish. Ginger can gather more mangoes per hour than Maryann and can also catch more fish per hour than can Maryann. Therefore:

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

50. A graph that illustrates the maximum amount of one good that can be produced for every possible level of production of the other good is called a(n):

A.
B.
C.
D.

51. The production possibilities curve shows:

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

54. If a country is producing at point where an increase in the production of one good requires a reduction in the production of another good, then it must be producing at an:

A.
B.
C.
D.

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

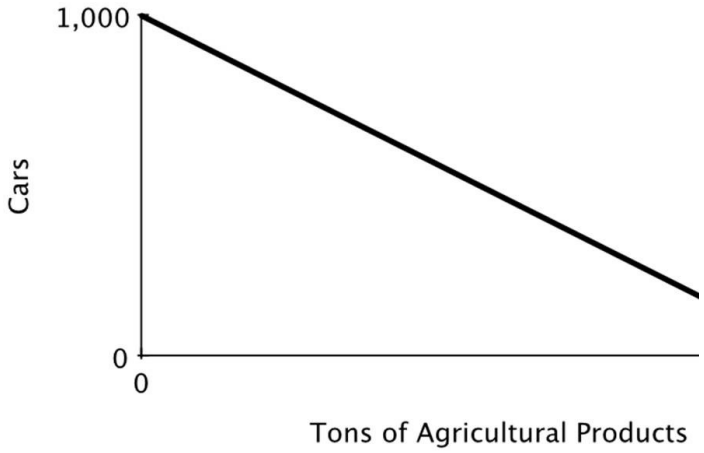
A.
B.
C.
D.

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

A.
B.
C.
D.

57.

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

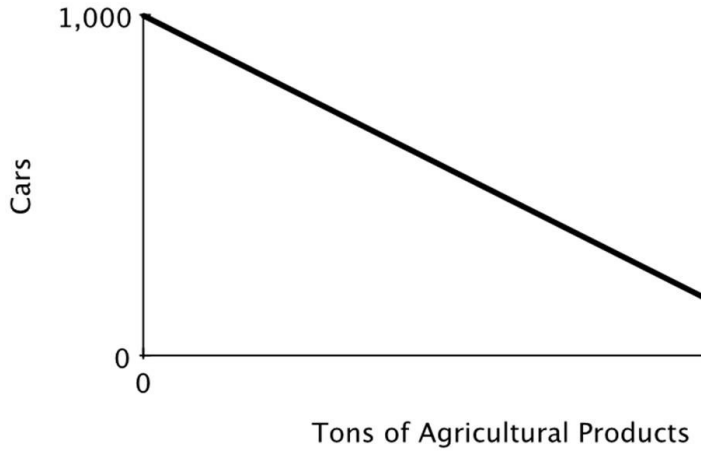


The opportunity cost of producing a car in Genovia is:

A.
B.
C.
D.

58.

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

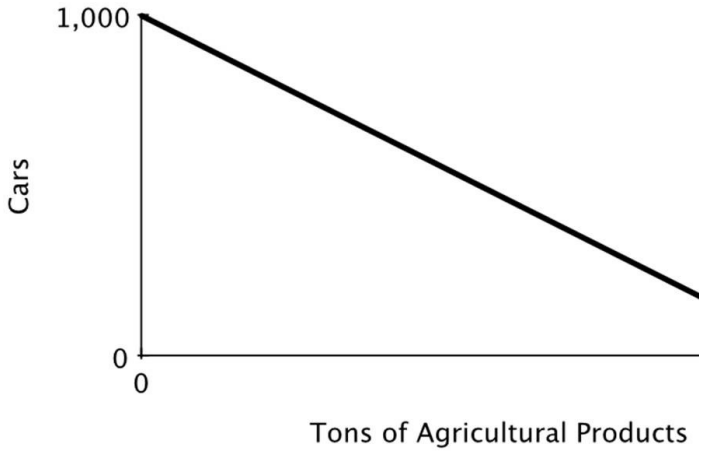


The opportunity cost of producing one ton of agricultural products in Genovia is:

A.
B.
C.
D.

59.

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



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

A.
B.
C.
D.

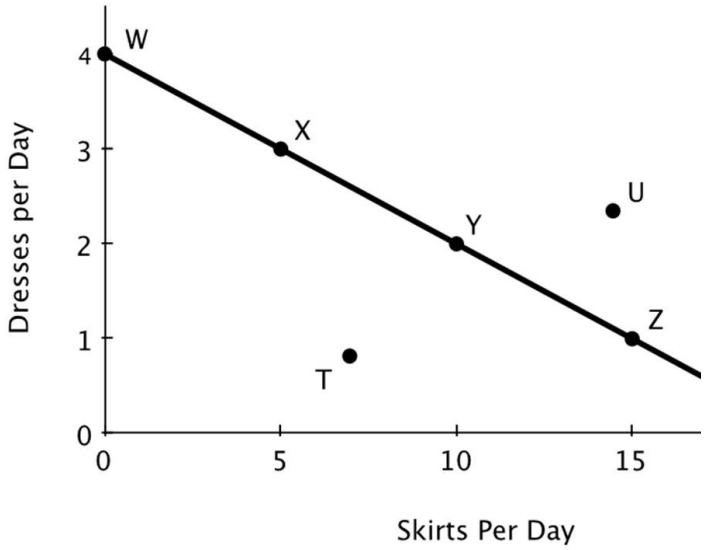
60.

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

A.
B.
C.
D.

61.

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

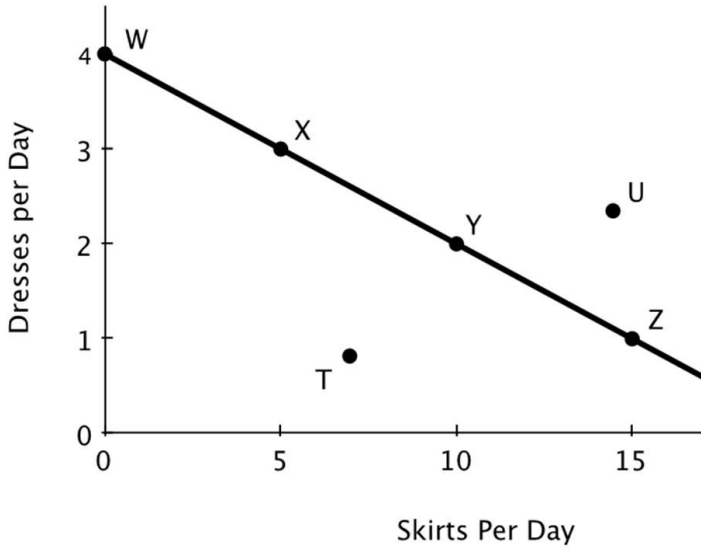


The maximum number of dresses that Becky can make in a day is represented by point:

A.
B.
C.
D.

62.

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

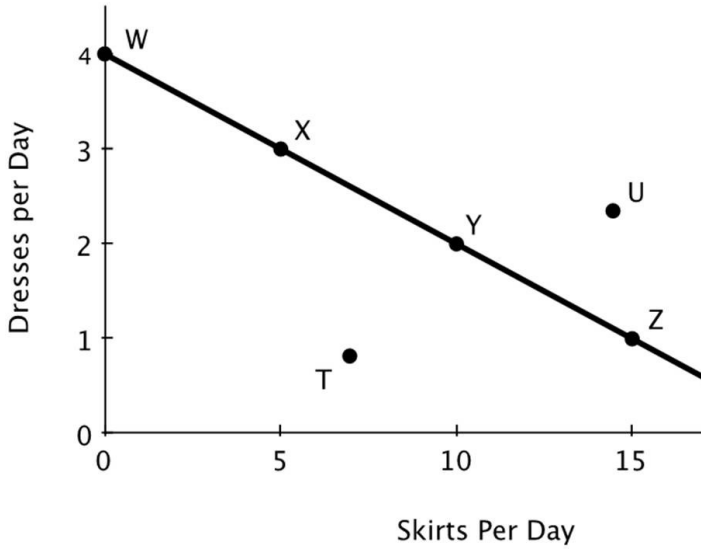


The maximum number of skirts that Becky can make in a day is represented by point:

A.
B.
C.
D.

63.

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

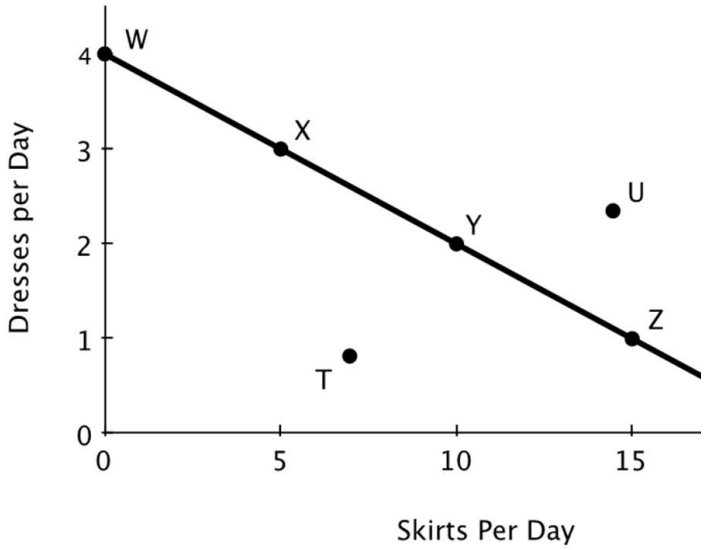


Point *U* is:

A.
B.
C.
D.

64.

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

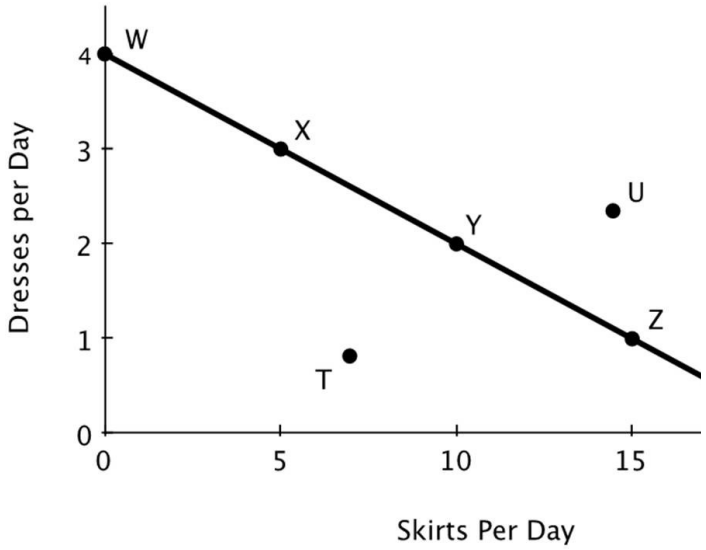


Of the labeled points, only _____ are attainable.

A.
B.
C.
D.

65.

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

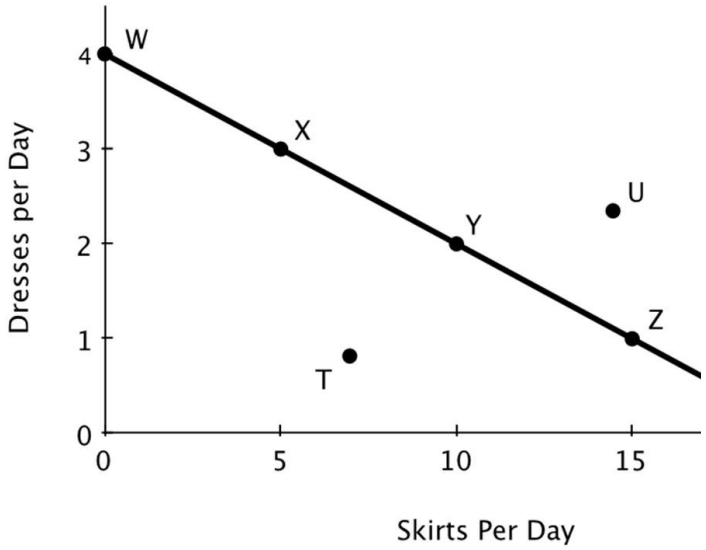


Of the labeled points, only _____ are efficient.

A.
B.
C.
D.

66.

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

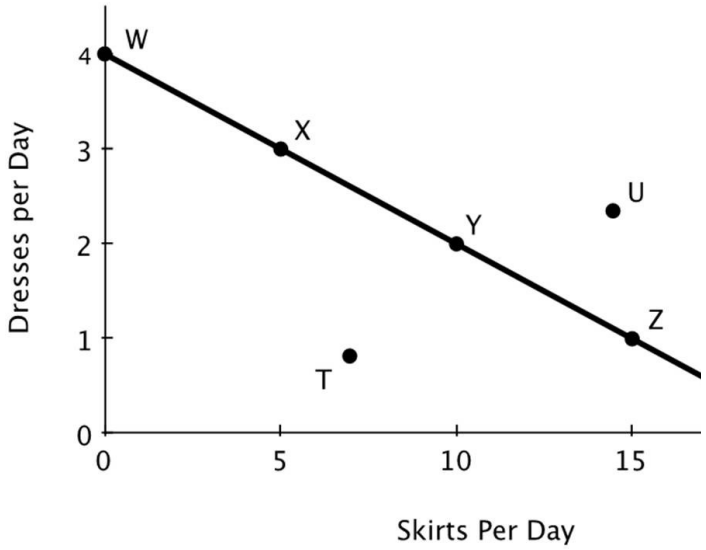


Point *T* is:

A.
B.
C.
D.

67.

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

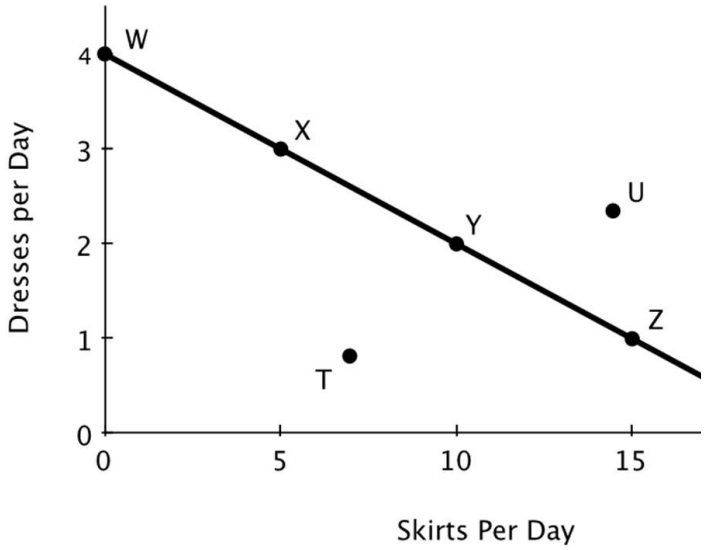


Point *Y* is _____, and point *V* is _____.

A.
B.
C.
D.

68.

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

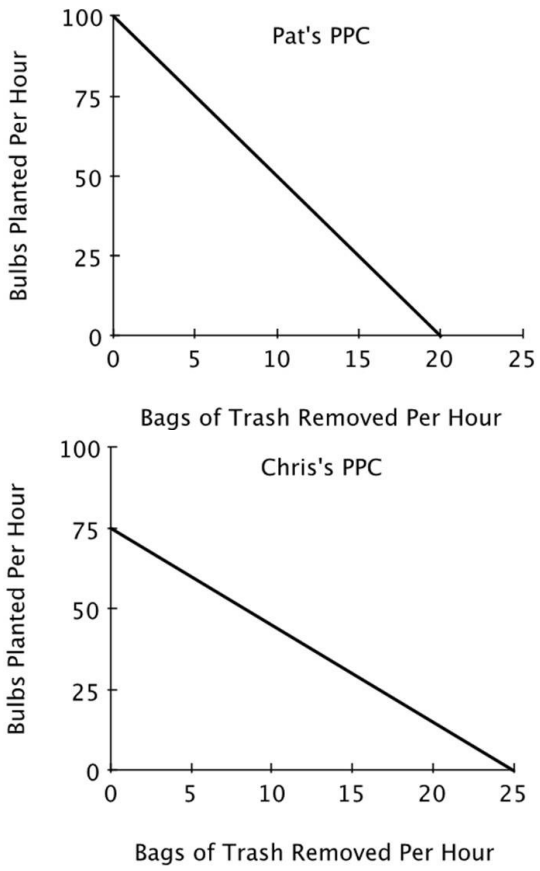


Relative to point *X*, at point *Y*:

A.
B.
C.
D.

69.

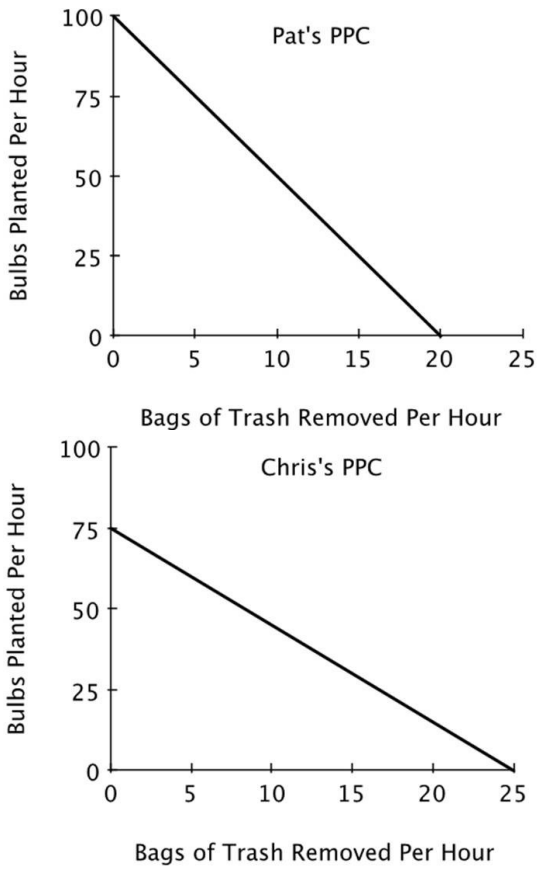
Refer to the figure below. For Pat, the opportunity cost of removing one bag of trash is planting:



A.
B.
C.
D.

70.

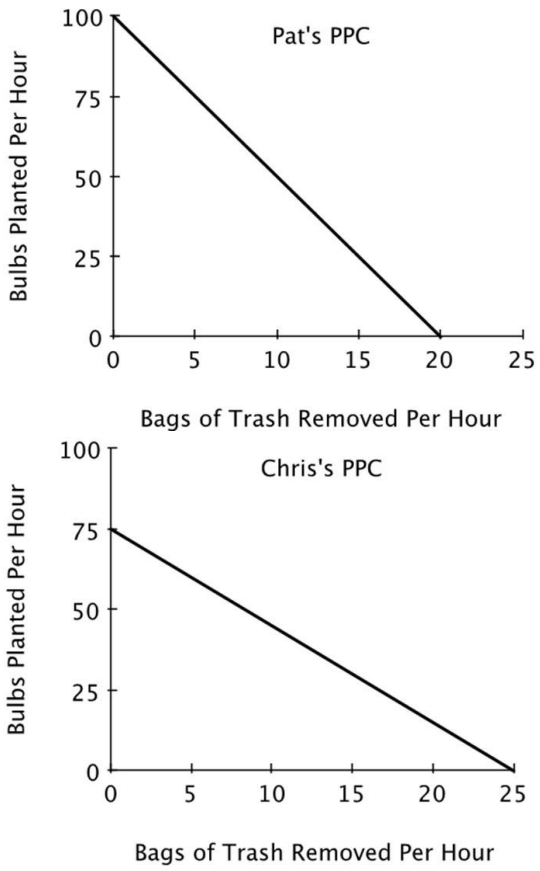
Refer to the figure below. For Pat, the opportunity cost of planting one bulb is removing:



A.
B.
C.
D.

71.

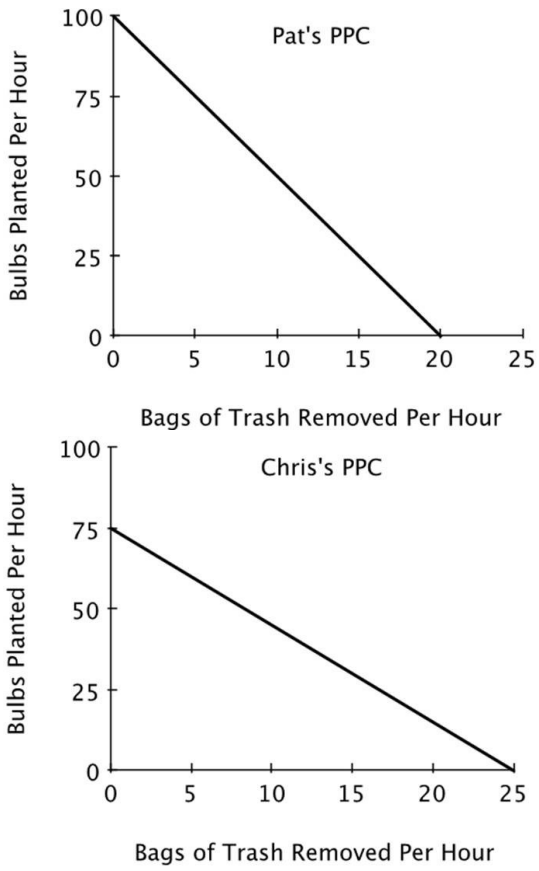
Refer to the figure below. For Chris, the opportunity cost of removing one bag of trash is planting:



A.
B.
C.
D.

72.

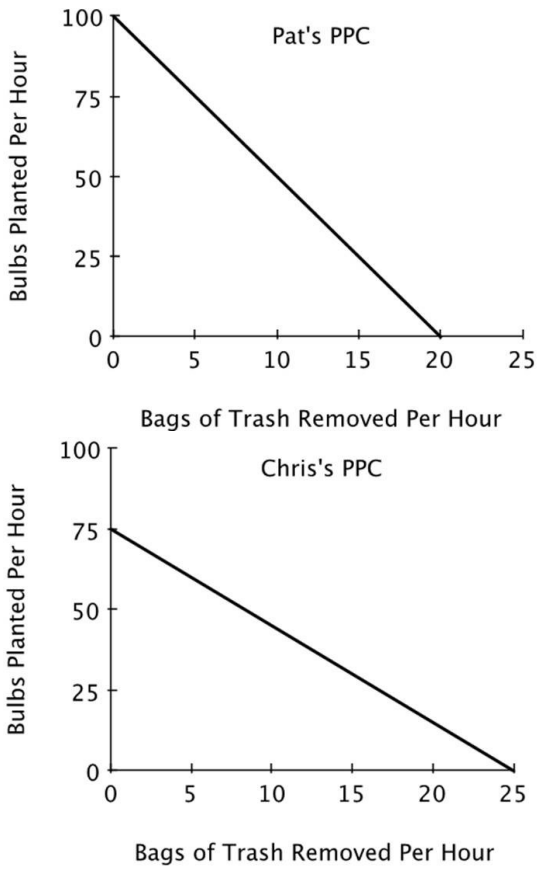
Refer to the figure below. For Chris, the opportunity cost of planting one bulb is removing:



A.
B.
C.
D.

73.

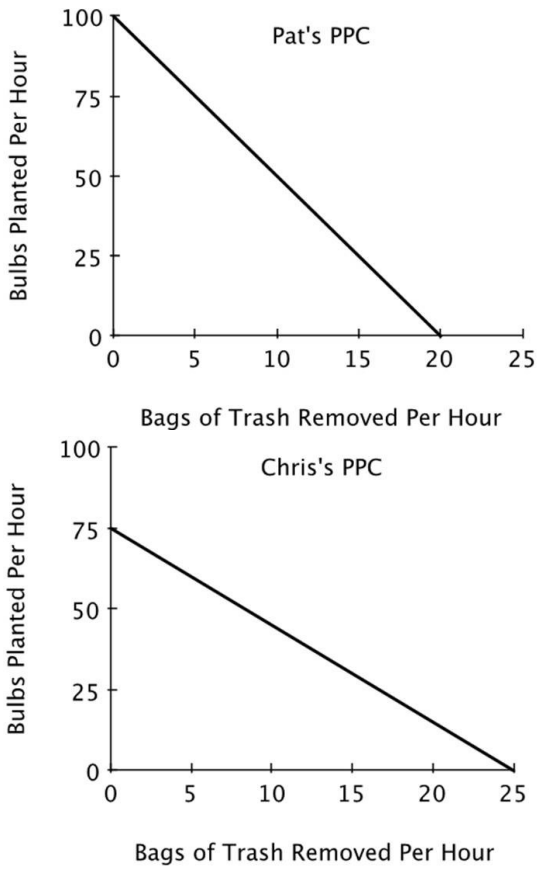
Refer to the figure below. If Pat and Chris were to specialize in the task in which each has a comparative advantage:



A.
B.
C.
D.

74.

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



A.
B.
C.
D.

75.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

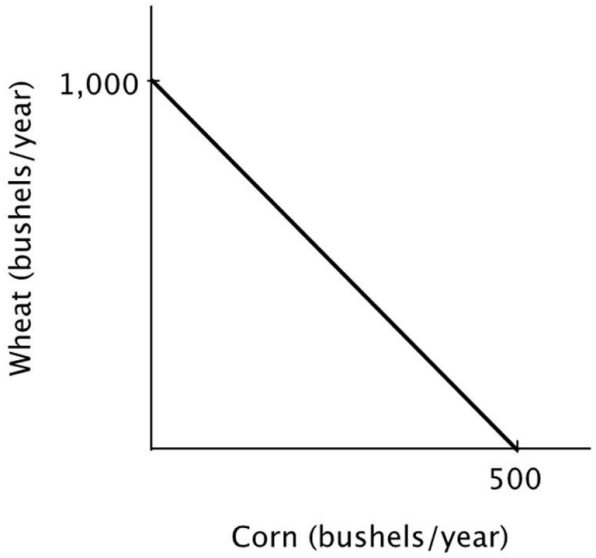
A.
B.
C.
D.

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

A.
B.
C.
D.

80.

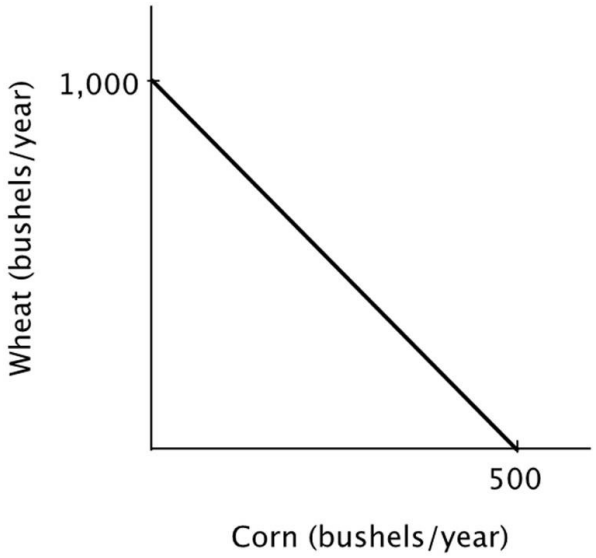
Refer to the figure below. Growing 1,000 bushels of wheat and no bushels of corn each year is:



A.
B.
C.
D.

81.

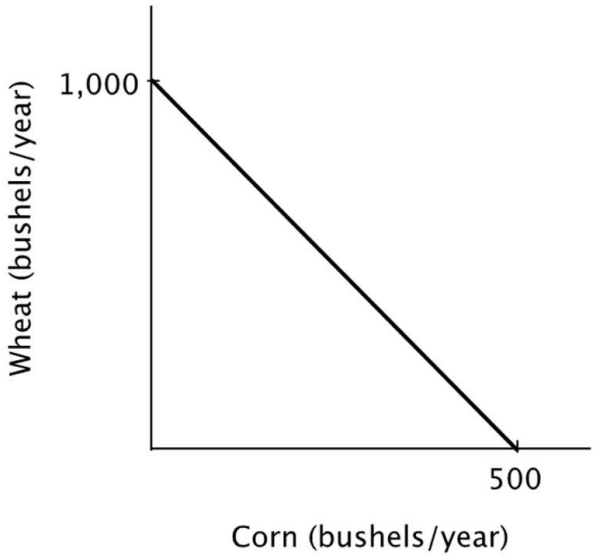
Refer to the figure below. It is efficient for this farmer to:



A.
B.
C.
D.

82.

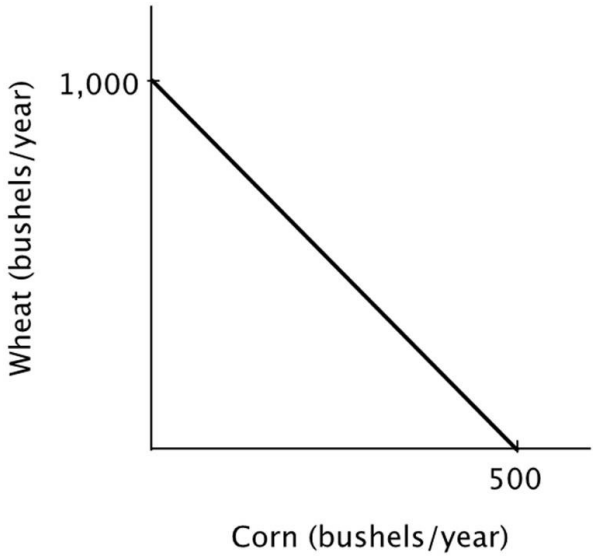
Refer to the figure below. The opportunity cost of producing one bushel of corn is:



A.
B.
C.
D.

83.

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



A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

94.

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

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

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

A.
B.
C.
D.

95.

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

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

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

A.
B.
C.
D.

96.

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

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

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

A.
B.
C.
D.

97.

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

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

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

A.
B.
C.
D.

98.

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

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

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

A.
B.
C.
D.

99.

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

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

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

A.
B.
C.
D.

100.

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

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

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

A.
B.
C.
D.

101.

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

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

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

A.
B.
C.
D.

102.

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

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

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

A.
B.
C.
D.

103.

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

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

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

A.
B.
C.
D.

104.

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

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

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

A.
B.
C.
D.

105.

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

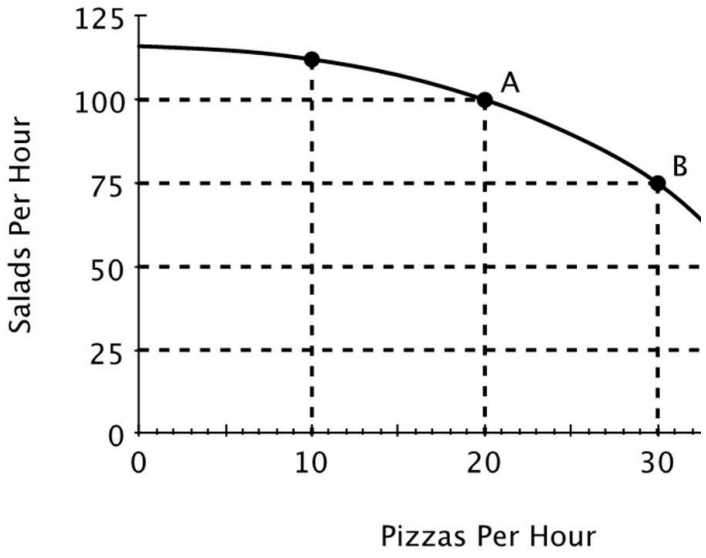
	Total Tons Per Day	Number of Miners
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

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

A.
B.
C.
D.

106.

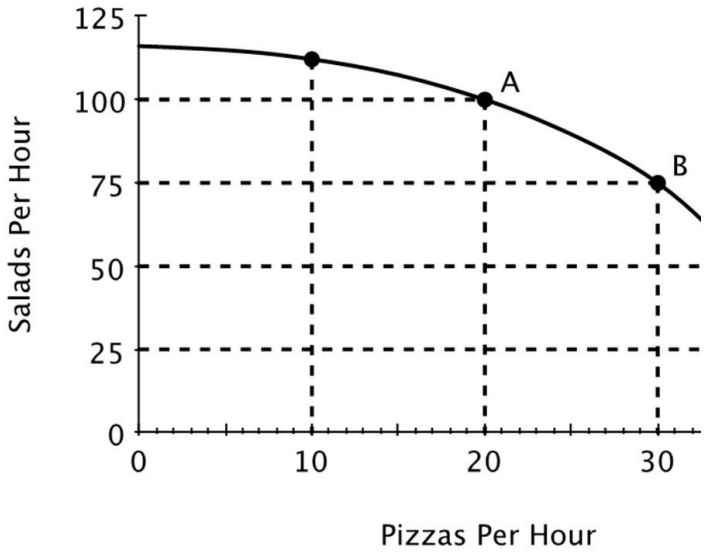
Refer to the figure below. If this restaurant makes 75 salads in one hour, then what's the maximum number of pizzas it can make in that same hour?



A.
B.
C.
D.

107.

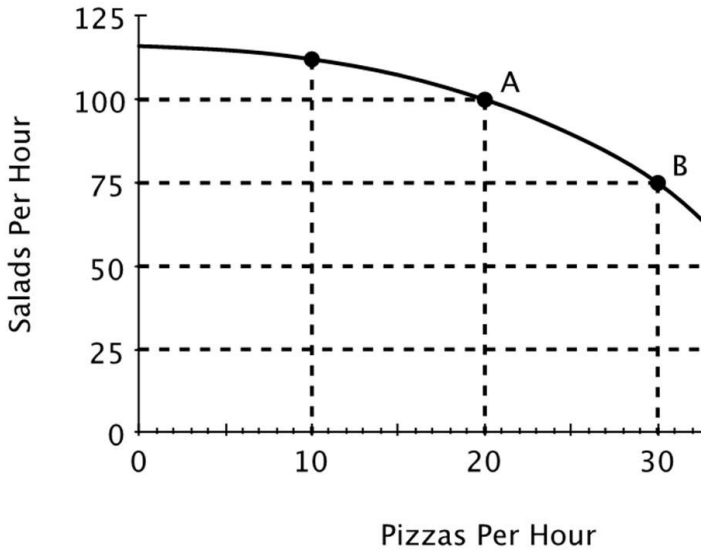
Refer to the figure below. Relative to point *B*, at point *C* this restaurant is:



A.
B.
C.
D.

108.

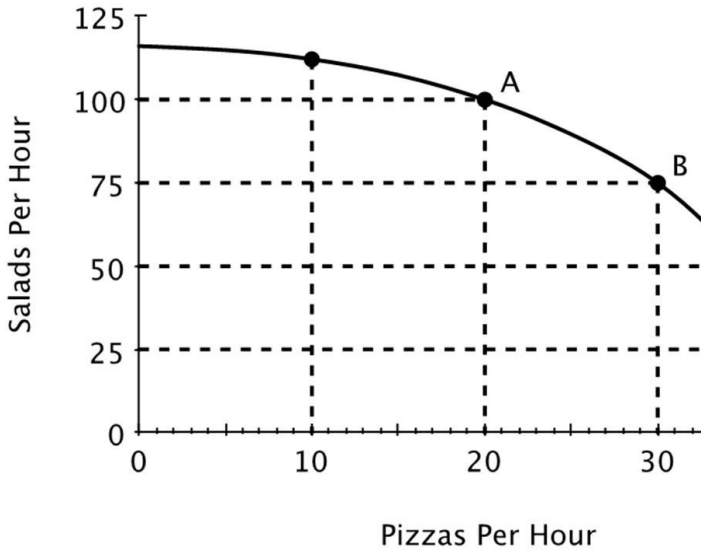
Refer to the figure below. Moving from point *C* to point *B*, the opportunity cost of 25 more salads is:



A.
B.
C.
D.

109.

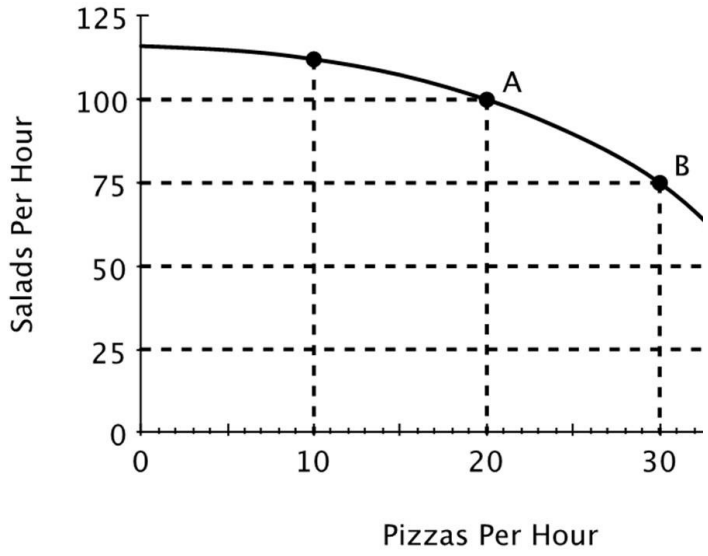
Refer to the figure below. Moving from point *B* to point *A*, the opportunity cost of 25 more salads is:



A.
B.
C.
D.

110.

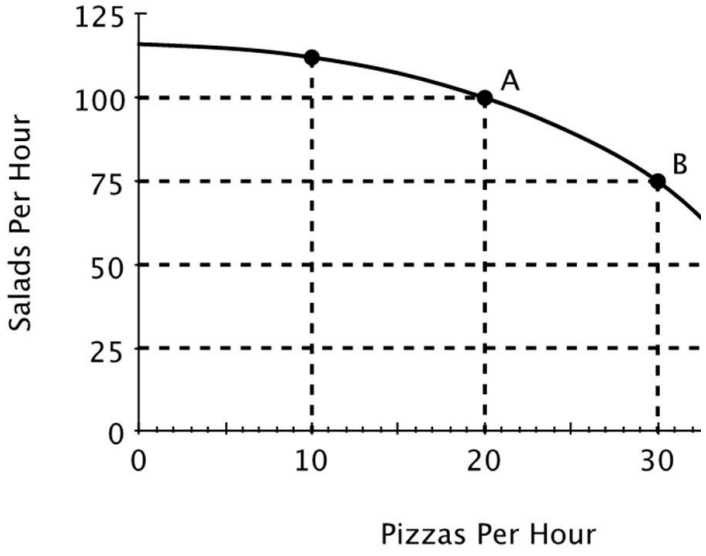
Refer to the figure below. The opportunity cost of making an additional salad:



A.
B.
C.
D.

111.

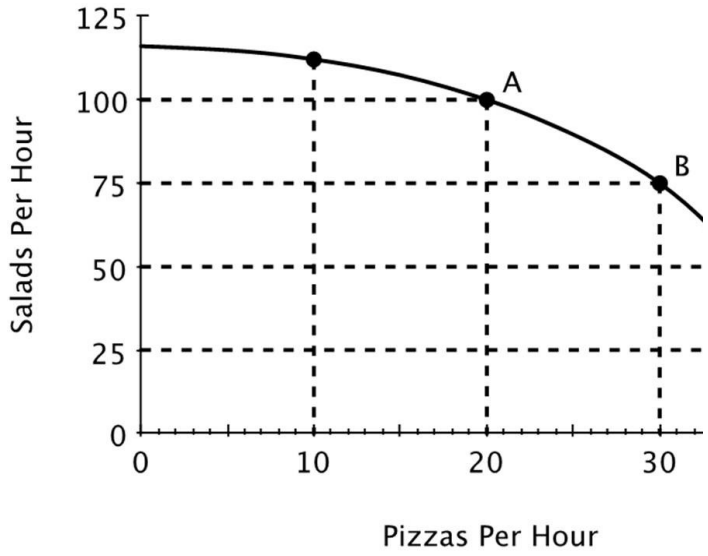
Refer to the figure below. If this restaurant goes from producing 20 to 25 pizzas per hour, then which of the following statements is true?



A.
B.
C.
D.

112.

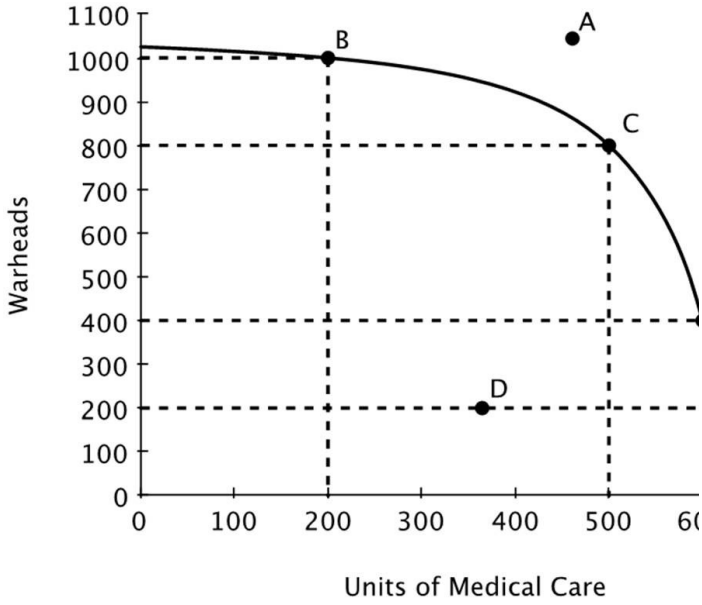
Refer to the figure below. As the production of pizza increases, the opportunity cost of producing pizza:



A.
B.
C.
D.

113.

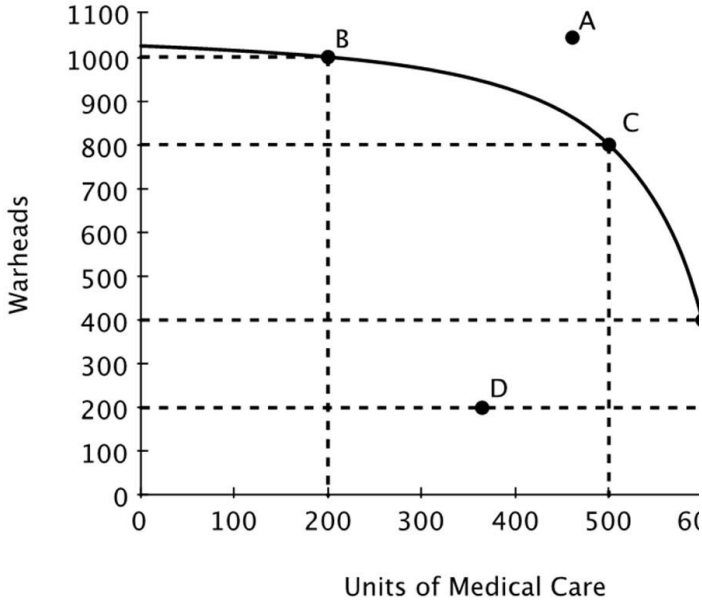
Refer to the figure below. Which of the following is true?



A.
B.
C.
D.

114.

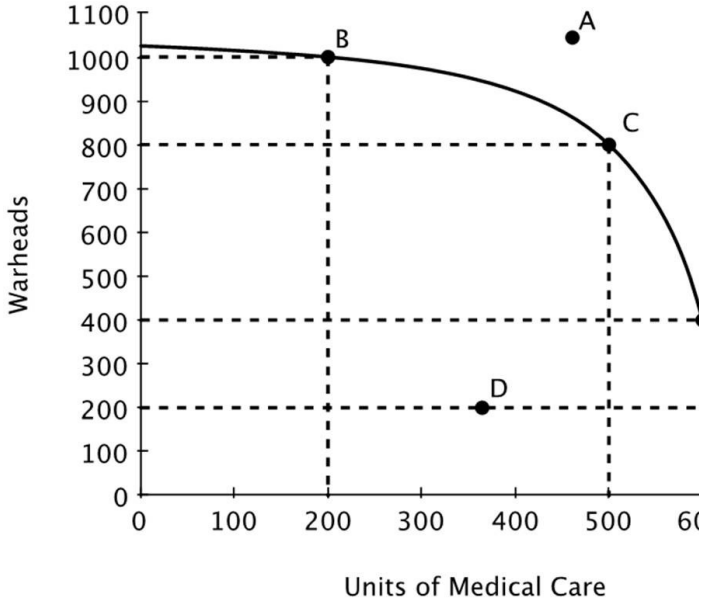
Refer to the figure below. Suppose that the government requires that resources be used efficiently. Which of the following would the government definitely not allow?



A.
B.
C.
D.

115.

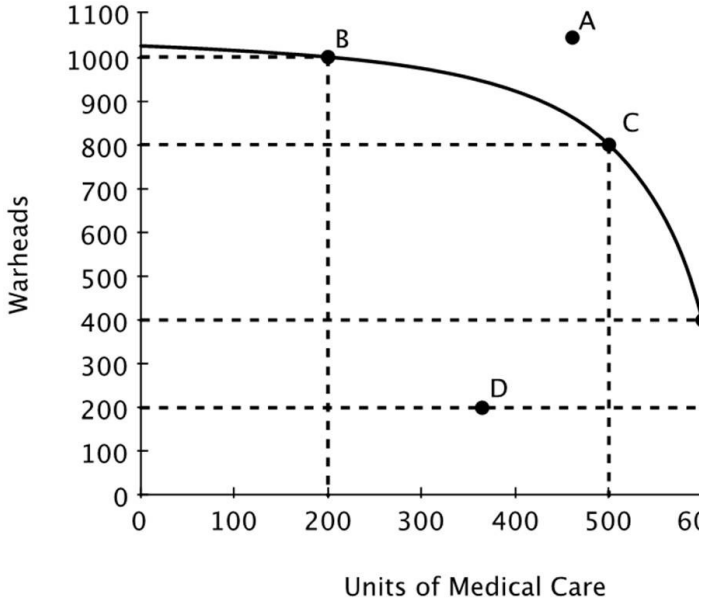
Refer to the figure below. If this economy is currently producing at point *C*, then the opportunity cost of providing 100 additional units of medical care would be:



A.
B.
C.
D.

116.

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



A.
B.
C.
D.

117.

Production possibilities curves for large economies are generally bow-shaped because:

A.
B.
C.
D.

118.

The Principle of Increasing Opportunity Costs states that:

A.
B.
C.
D.

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

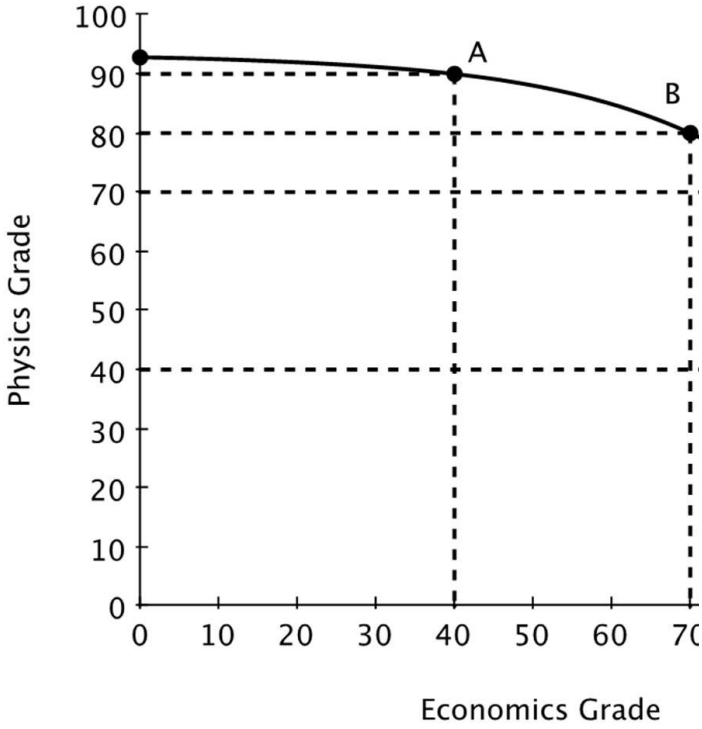
A.
B.
C.
D.

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

A.
B.
C.
D.

121.

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

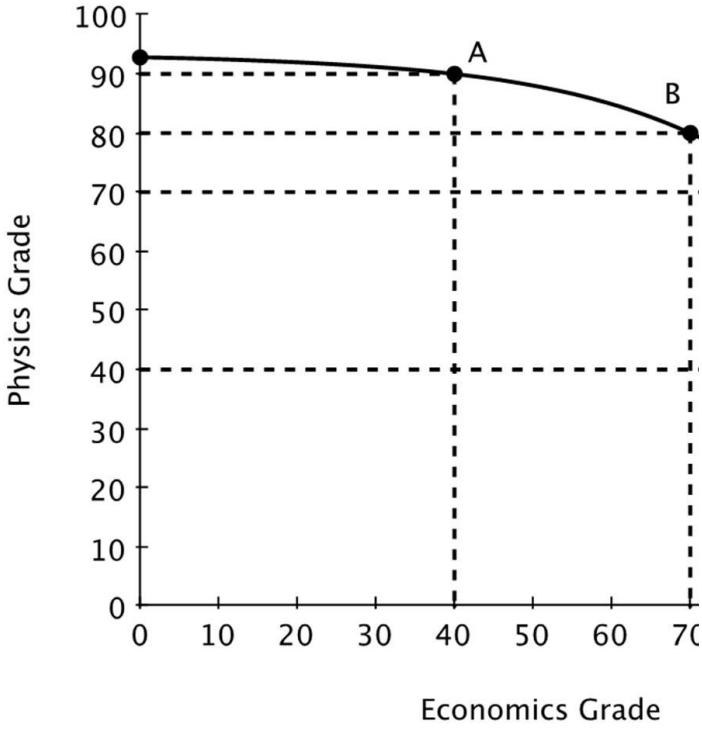


Both of Moe's professors require at least a 65 to pass and a 90 to earn an A. Which of the following is true?

A.
B.
C.
D.

122.

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

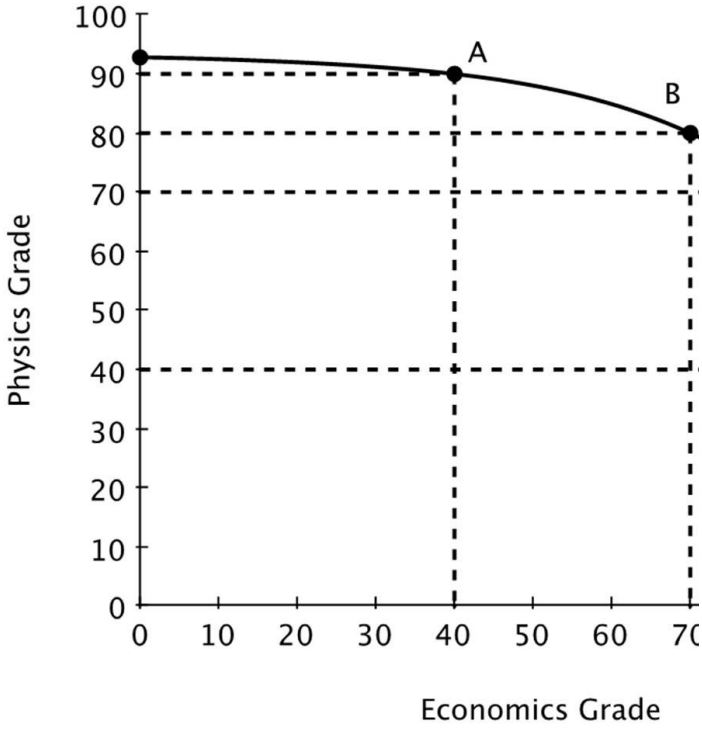


Which of the following is true?

A.
B.
C.
D.

123.

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

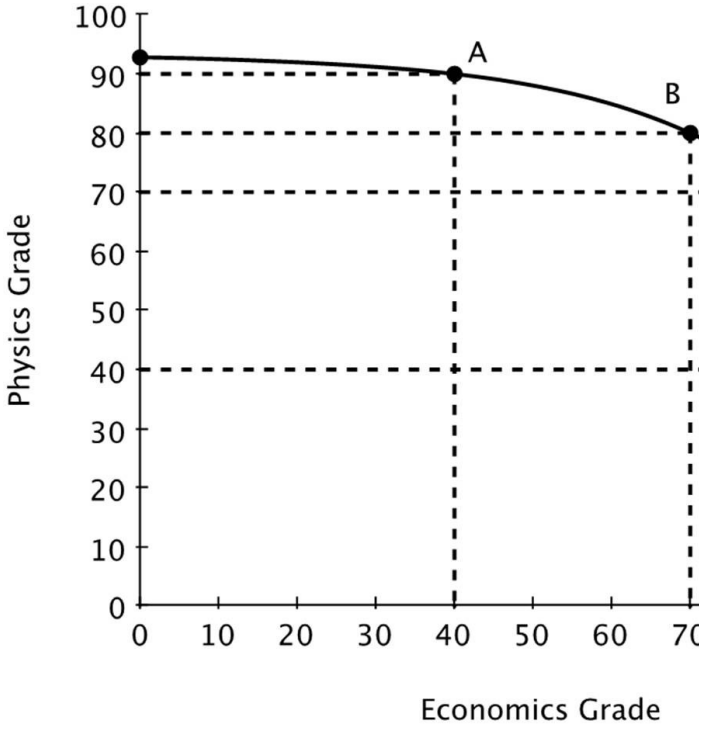


According to Moe's PPC, moving from a 70 to an 80 in economics:

A.
B.
C.
D.

124.

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

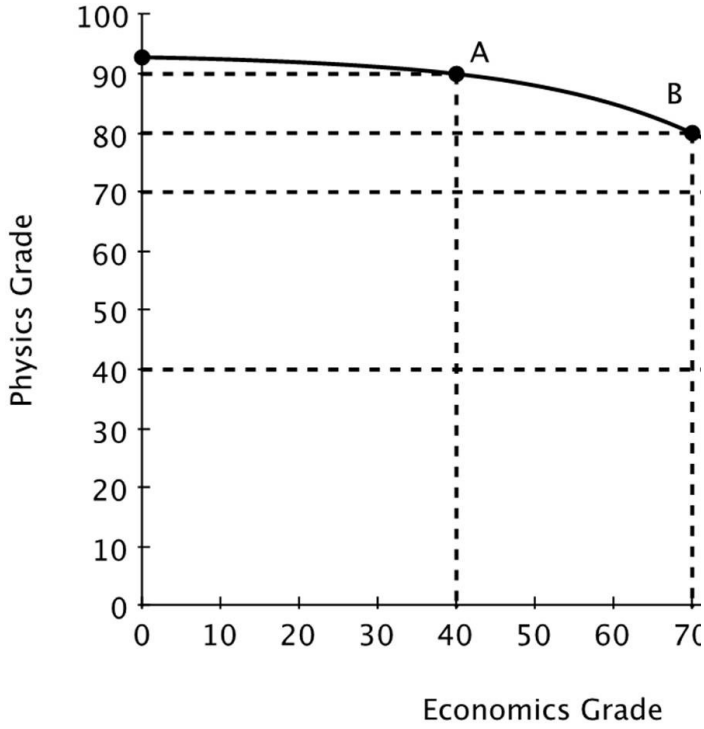


If Moe moves from Point *A* to point *C*, his grade in Physics will go down by _____ his grade in economics.

A.
B.
C.
D.

125.

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

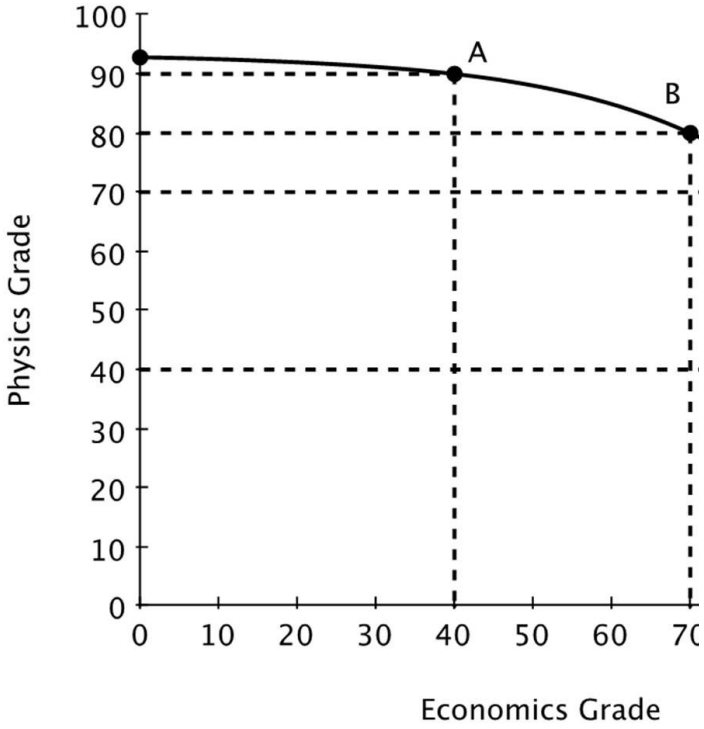


The Principle of Increasing Opportunity Cost is reflected in the fact that the opportunity cost going from 70 to 80 in economics is:

A.
B.
C.
D.

126.

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

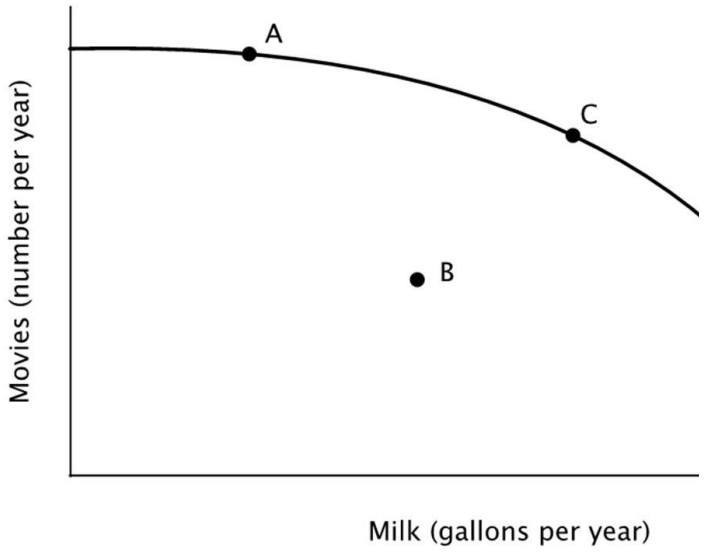


Moe needs to earn at least an 80 in both economics and physics to keep his scholarship. Given his current PPC, an 80 in both classes is _____.

A.
B.
C.
D.

127.

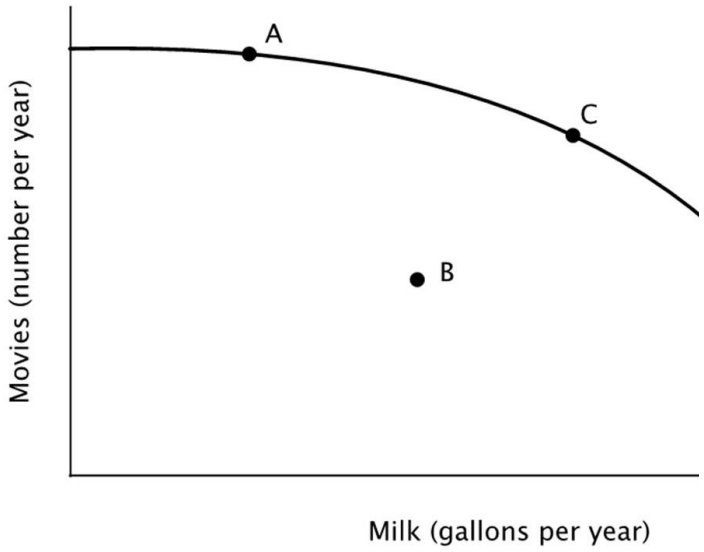
Refer to the figure below. For the nation whose PPC is shown, it must be true that:



A.
B.
C.
D.

128.

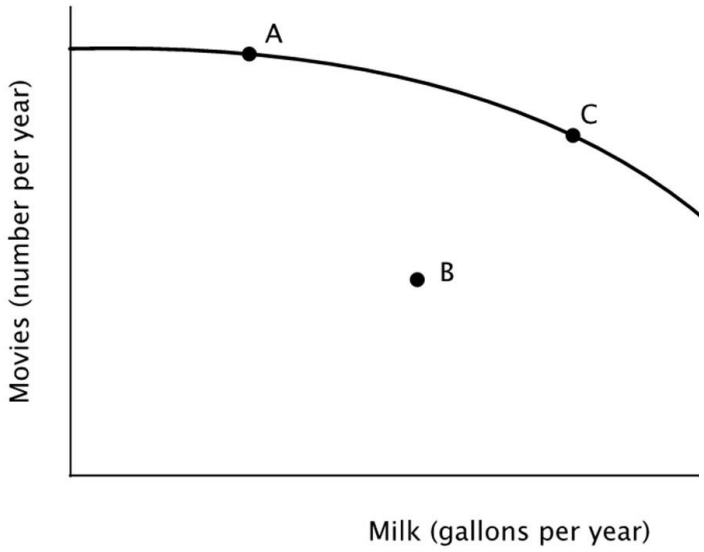
Refer to the figure below. At point *D*, the opportunity cost of making milk is:



A.
B.
C.
D.

129.

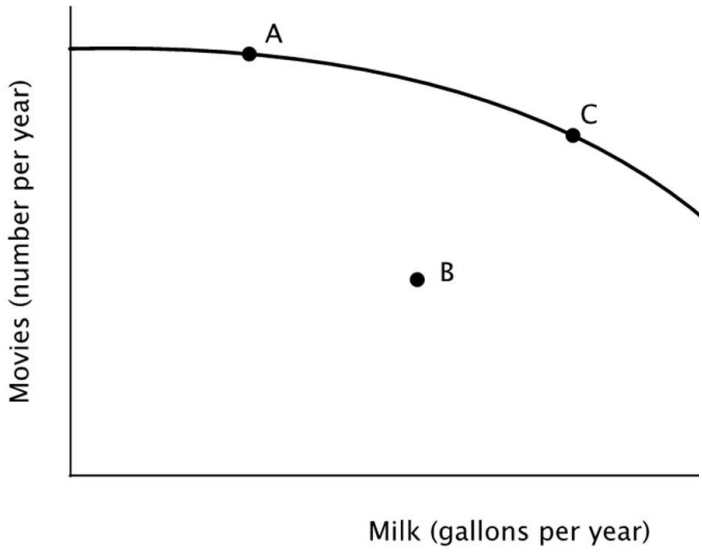
Refer to the figure below. This economy would be operating at point *B* if:



A.
B.
C.
D.

130.

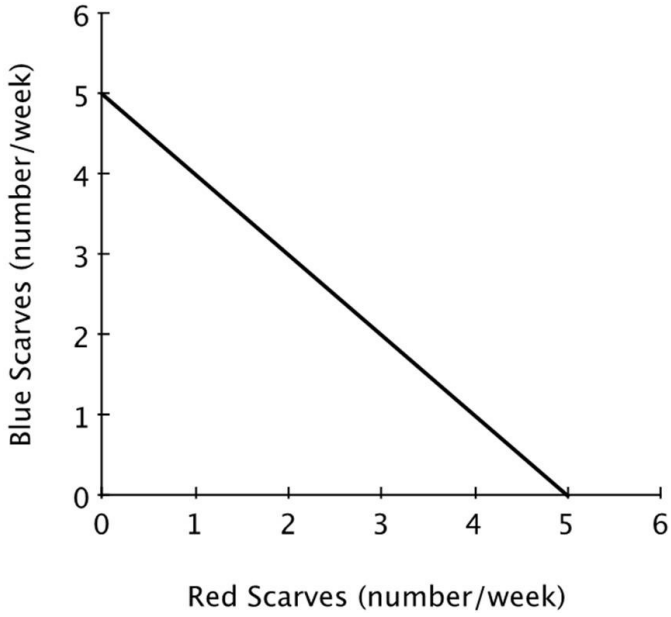
Refer to the figure below. If this economy were currently operating at point *D*, then in order to make more movies:



A.
B.
C.
D.

131.

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

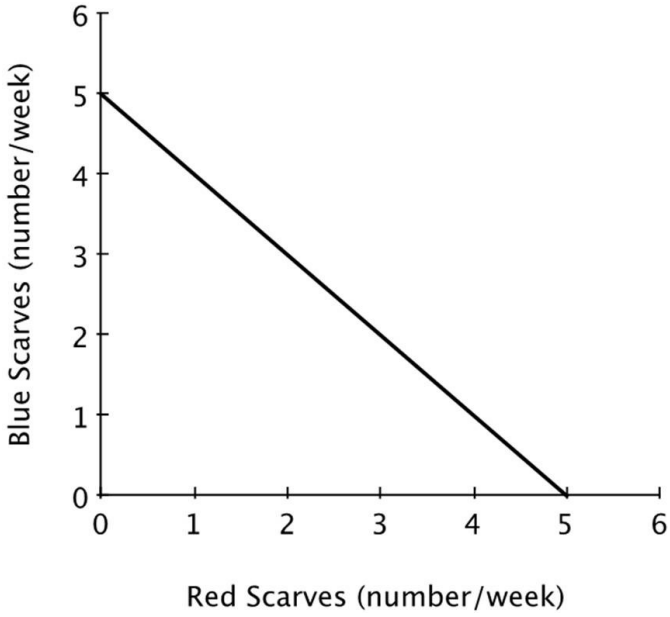


For Avery, the opportunity cost of making a red scarf is:

A.
B.
C.
D.

132.

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



Avery's PPC would shift outward if she:

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

137. If a nation restricts imports, it will:

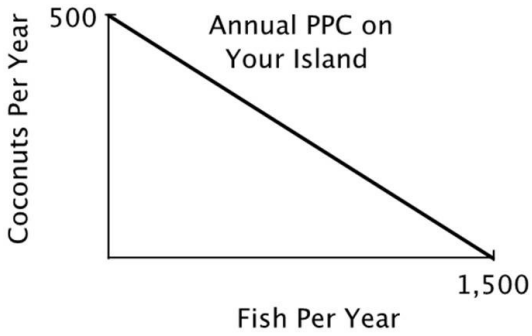
A.
B.
C.
D.

138. Regarding specialization, it is generally true that:

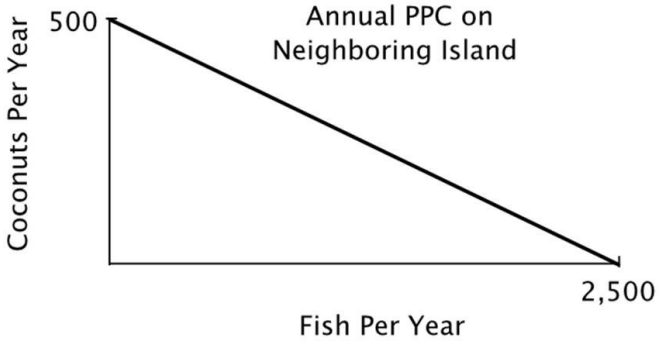
A.
B.
C.
D.

139.

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



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

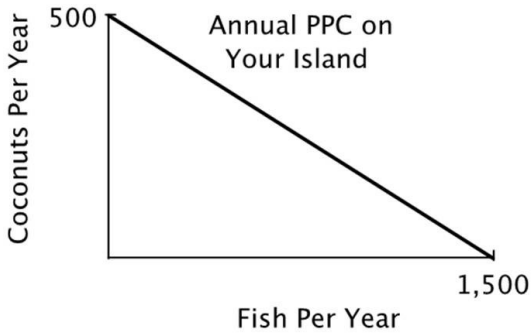


As soon as you see the other island's PPC, you realize there are:

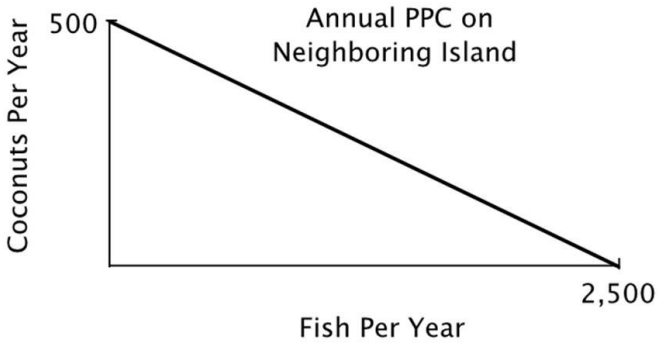
A.
B.
C.
D.

140.

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



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

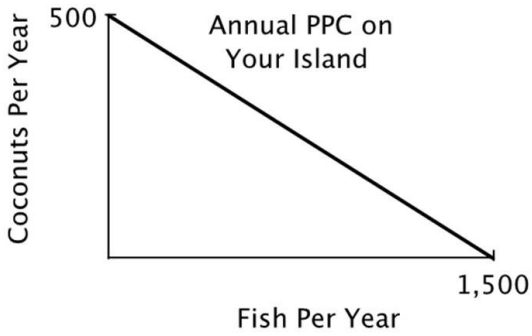


If the other island's delegate offers to give you 2 fish for every 1 coconut you give them, you will:

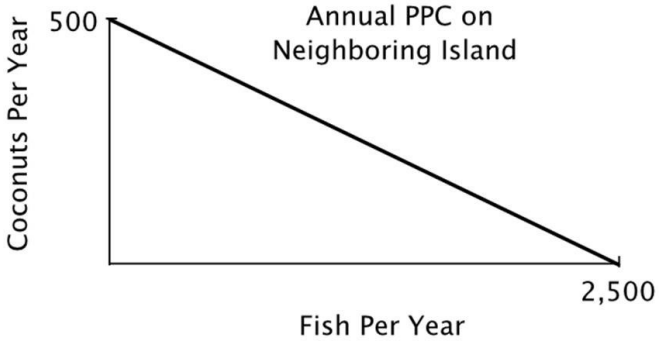
A.
B.
C.
D.

141.

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



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

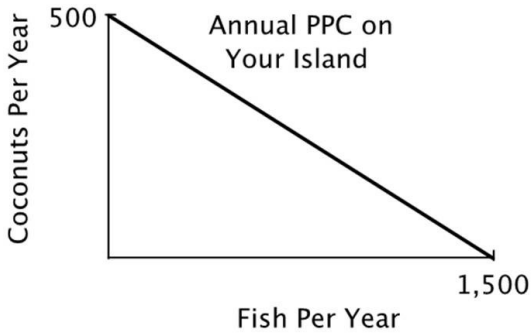


What's the minimum number of fish you would be willing to accept in exchange for a coconut?

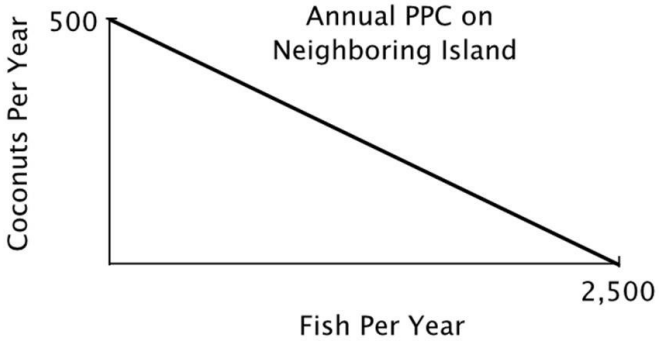
A.
B.
C.
D.

142.

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



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

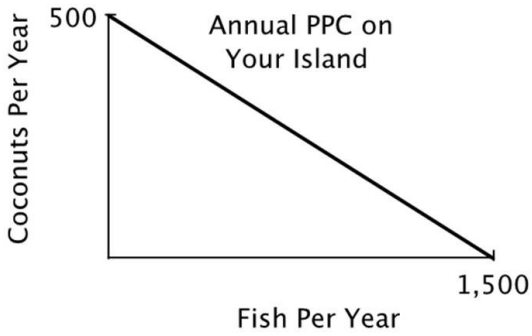


If you offer to give the other island 1 coconut for every 4 fish they give you, then they will:

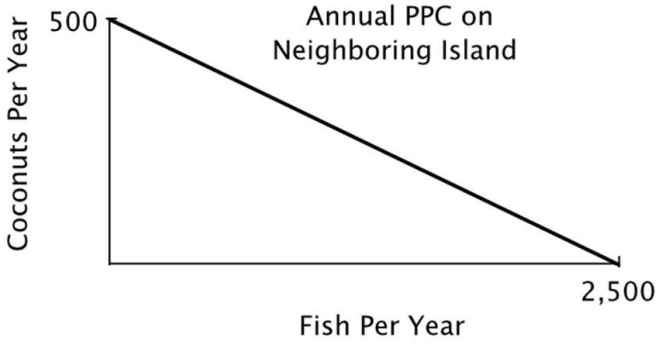
A.
B.
C.
D.

143.

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



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

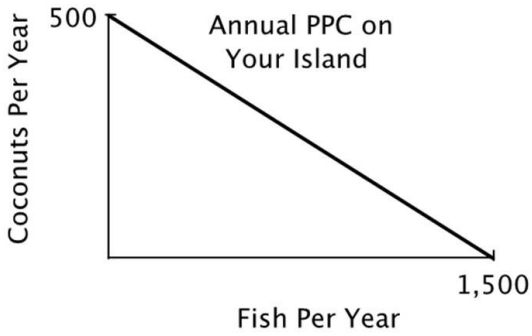


Both islands specialize exclusively in the product for which they have a comparative advantage. You have agreed to give 350 coconuts to the other island in exchange for 1,300 fish. After the trade, your island has a total of _____ coconuts and _____ fish.

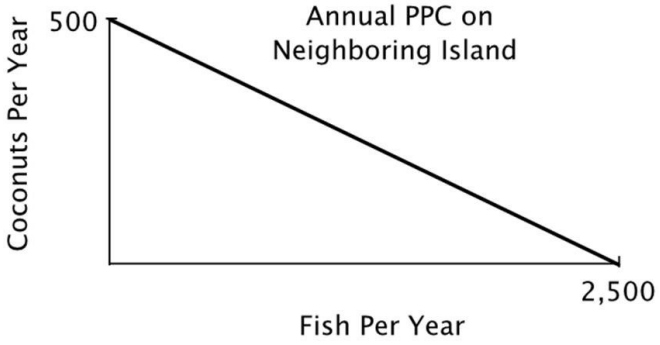
A.
B.
C.
D.

144.

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



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



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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

154. The fundamental reason firms outsource is that:

A.
B.
C.
D.

155. When a U.S. firm engages in outsourcing, it benefits _____ and harms _____.

A.
B.
C.
D.

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

A.
B.
C.
D.

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

A.
B.
C.
D.

Chapter 2 Key

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #1
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #2
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

3. If Les can produce two pairs of pants per hour while Eva can produce one pair per hour, then it must be true that:

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #3
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

4. If a nation can produce a more computers per year than any other nation, that nation has a(n) _____ advantage in the production of computers.

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #4
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

Comparative advantage means having a lower opportunity cost.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #5
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

Comparative advantage means having a lower opportunity cost.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #6
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

Comparative advantage means having a lower opportunity cost.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #7
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

8. Which of the following statements is true?

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #8
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #9
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #10
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

11.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #11
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

12.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #12
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

13.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #13
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

14.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #14
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

15.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #15
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

16.

Refer to the table above. _____ has the comparative advantage in making pies and _____ the comparative advantage in making cakes.

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #16
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

17.

Refer to the table below. Based on their comparative advantage, Martha should specialize in _____ while Julia should specialize in _____.

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Evaluate
Difficulty: 03 Hard
Frank - Chapter 02 #17
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

18.

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #18
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

19.

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

A.
B.
C.
D.

AACSB: Analytic
Accessibility: Keyboard Navigation
Difficulty: 03 Hard
Frank - Chapter 02 #19
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

20.

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

A.
B.
C.
D.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #20
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #21
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

Frank - Chapter 02 #22
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

23.

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

A.
B.
C.
D.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #23
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

24.

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #24
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

25.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #25
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

26.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #26
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

27.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Apply
Blooms: Understand
Frank - Chapter 02 #27
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

28.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #28
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

29.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #29
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

30.

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #30
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

31.

Refer to the table below. _____ has the comparative advantage in making pizza, and _____ has the comparative advantage in delivering pizza.

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #31
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

32.

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #32
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.

33.

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

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

Which of the following is true?

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #33
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

34.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #34
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

35.

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

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #35
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

36.

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

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #36
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

37.

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

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #37
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

38.

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

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #38
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

39.

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

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #39
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

40.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #40
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

41.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #41
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

42.

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #42
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

43. Ginger and Maryann are lost in the jungle, where the only things to eat are mangoes and fish. Ginger can gather more mangoes per hour than Maryann and can also catch more fish per hour than can Maryann. Therefore:

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #43
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #44
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #45
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #46
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #47
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #48
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #49
Learning Objective: 02-01 Explain and apply the Principle of Comparative Advantage.
Topic: Exchange and Opportunity Cost

50. A graph that illustrates the maximum amount of one good that can be produced for every possible level of production of the other good is called a(n):

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #50
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

51. The production possibilities curve shows:

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #51
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #52
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #53
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

54. If a country is producing at point where an increase in the production of one good requires a reduction in the production of another good, then it must be producing at an:

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #54
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #55
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

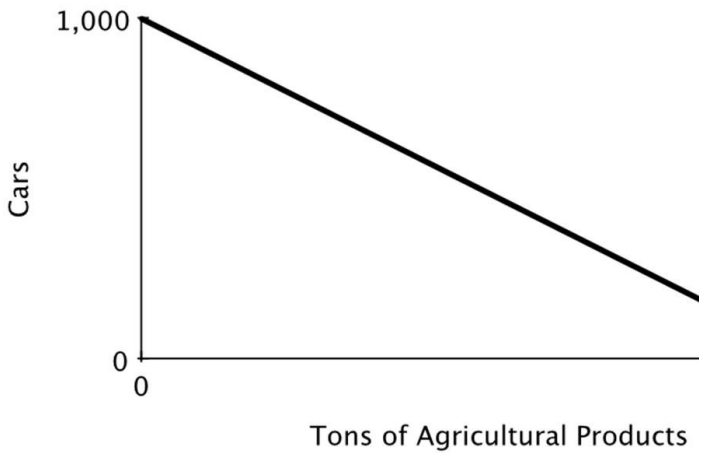
A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #56
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

57.

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



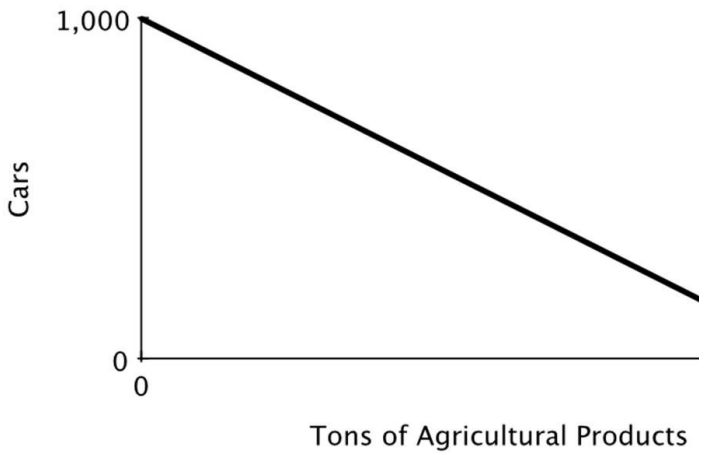
The opportunity cost of producing a car in Genovia is:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #57
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

58.

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



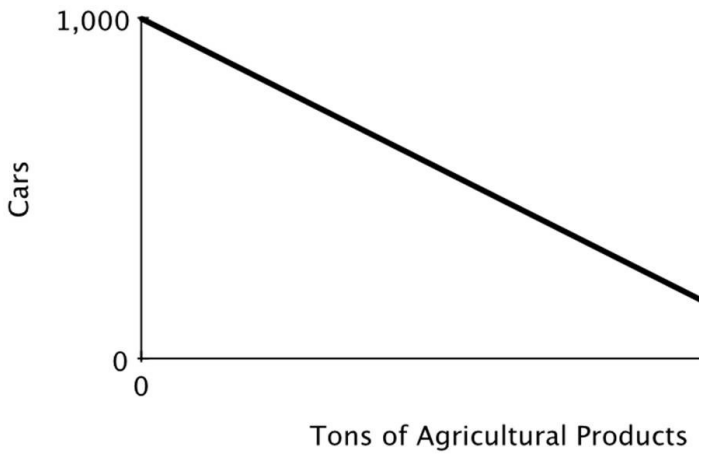
The opportunity cost of producing one ton of agricultural products in Genovia is:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #58
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

59.

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



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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #59
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

60. The slope of a production possibilities curve is _____ because _____.

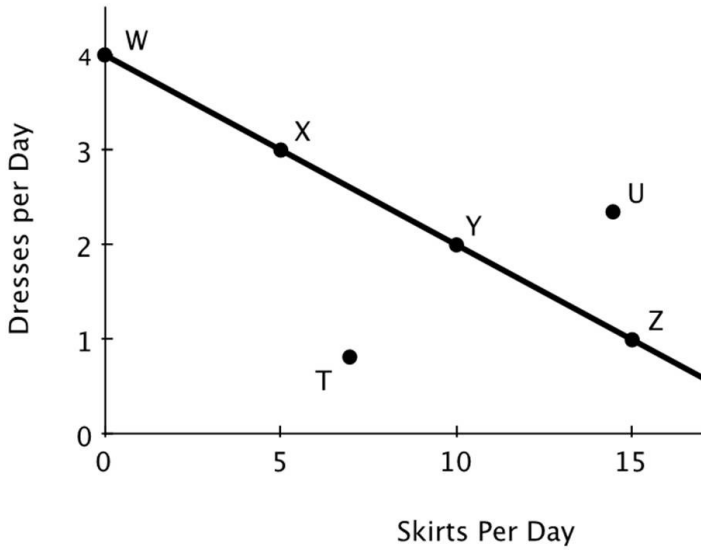
A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #60
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

61.

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



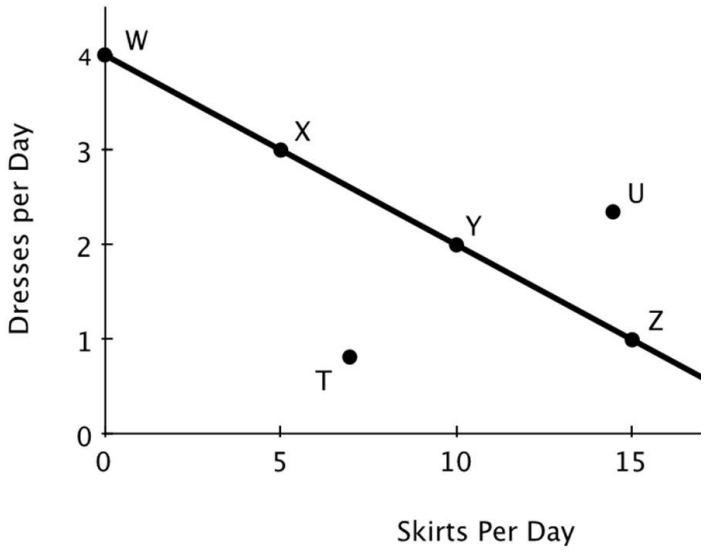
The maximum number of dresses that Becky can make in a day is represented by point:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #61
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

62.

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



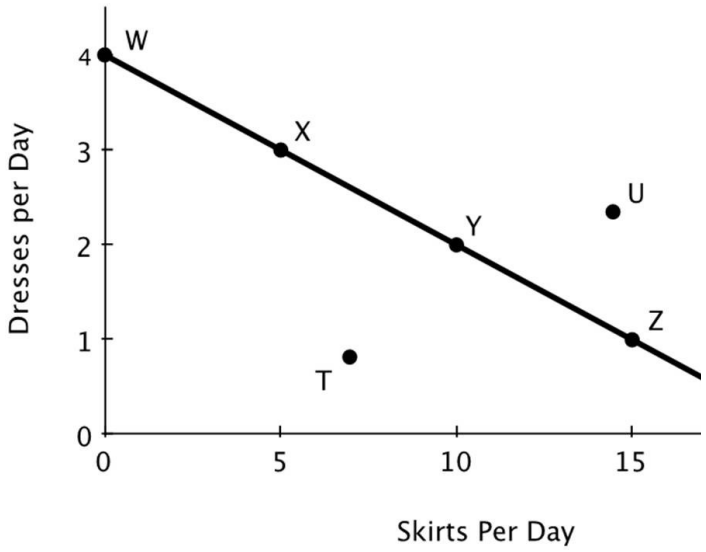
The maximum number of skirts that Becky can make in a day is represented by point:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #62
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

63.

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



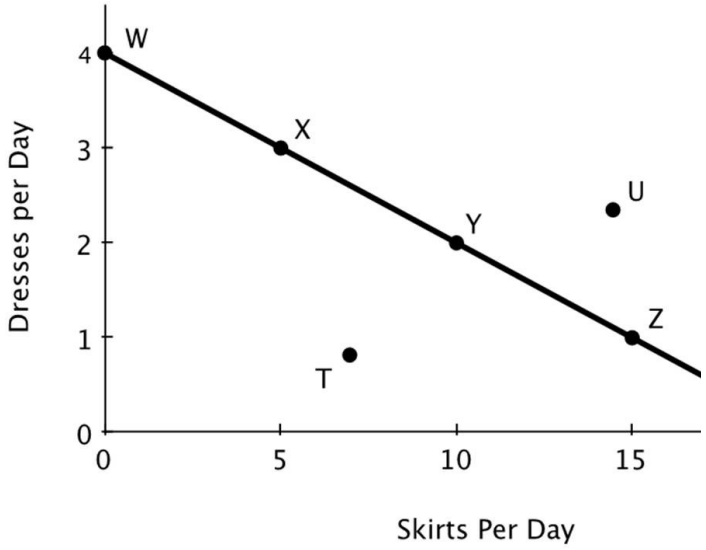
Point *U* is:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #63
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

64.

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



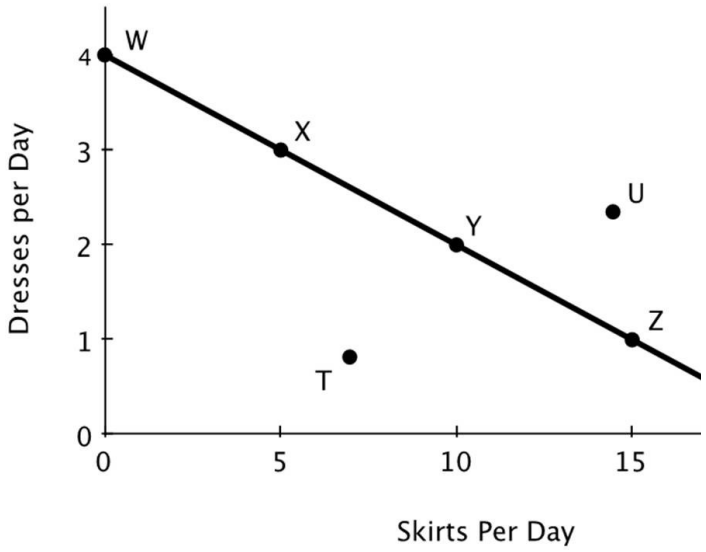
Of the labeled points, only _____ are attainable.

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #64
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

65.

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



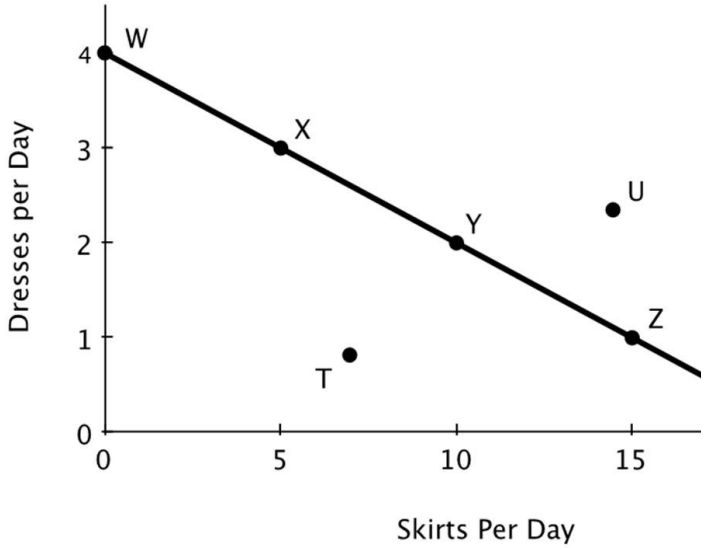
Of the labeled points, only _____ are efficient.

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #65
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

66.

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



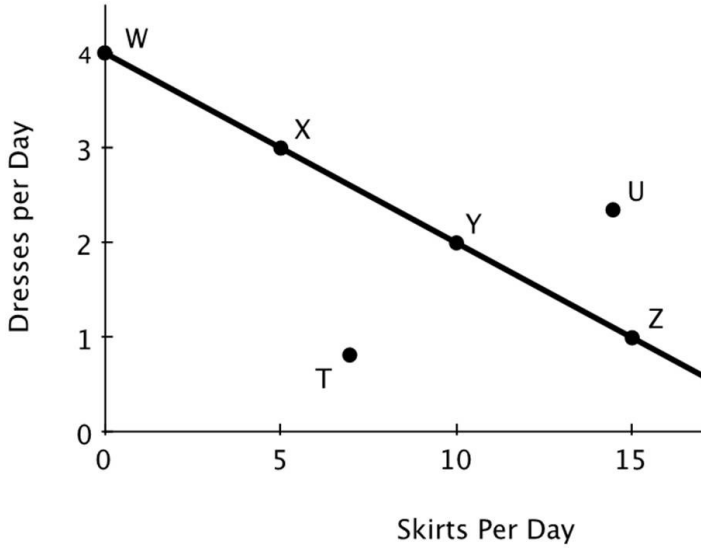
Point *T* is:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #66
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

67.

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



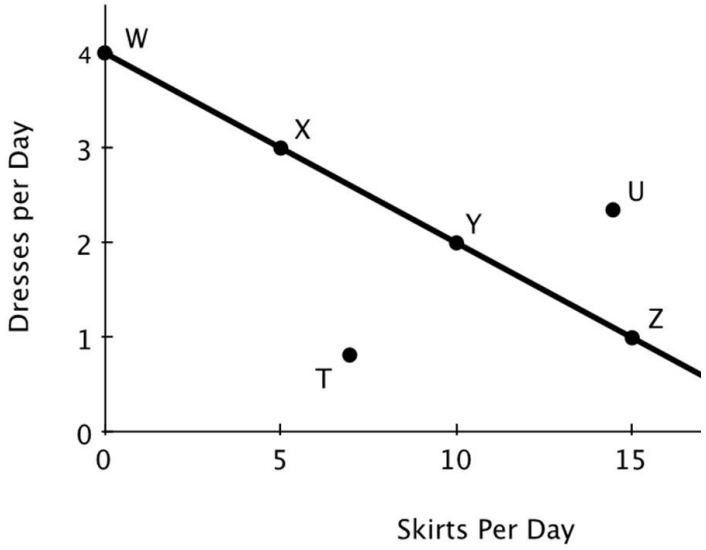
Point *Y* is _____, and point *V* is _____.

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #67
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

68.

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



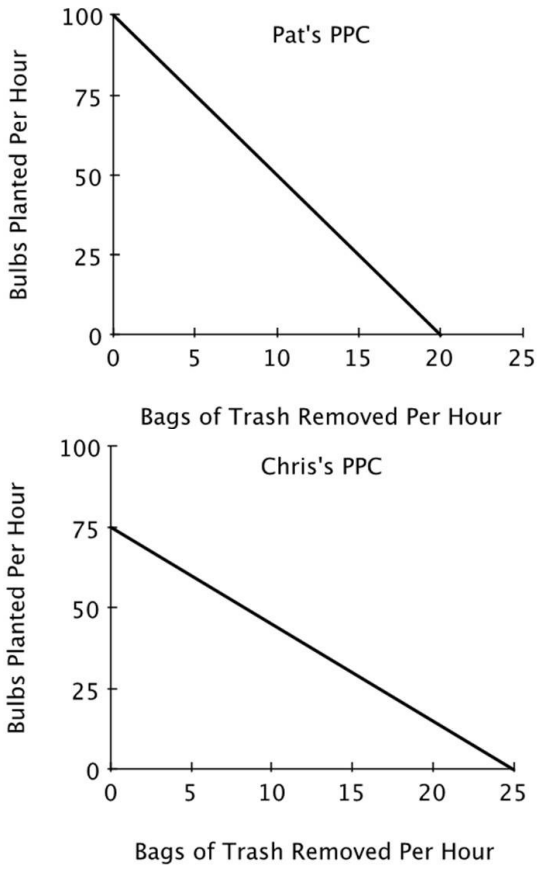
Relative to point *X*, at point *Y*:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #68
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

69.

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

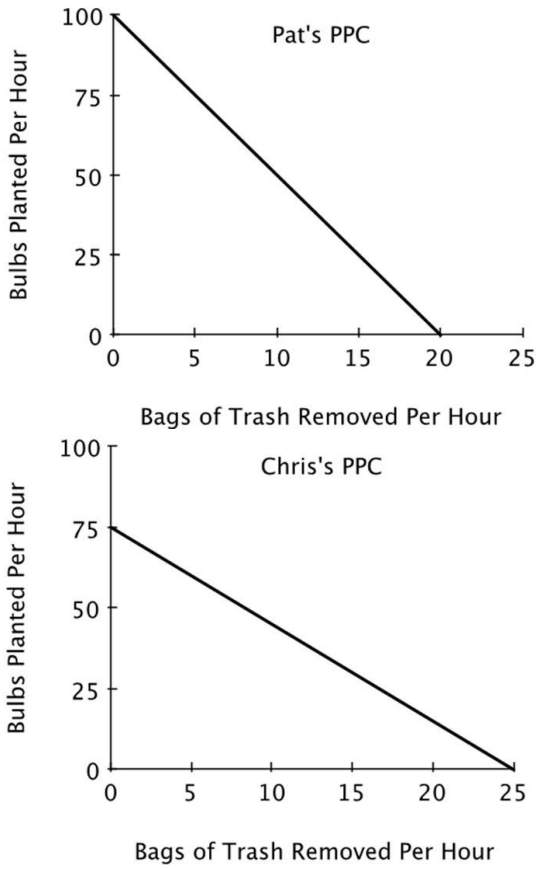


A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #69
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

70.

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

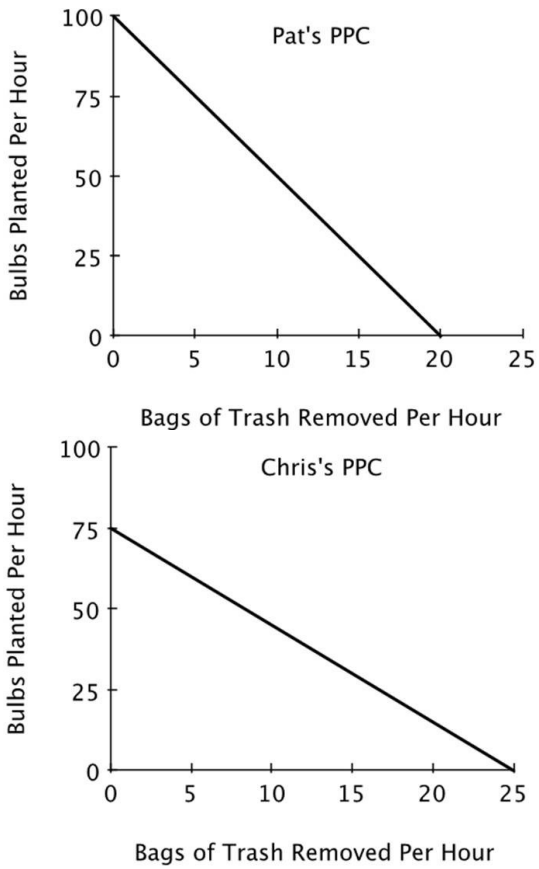


A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #70
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

71.

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

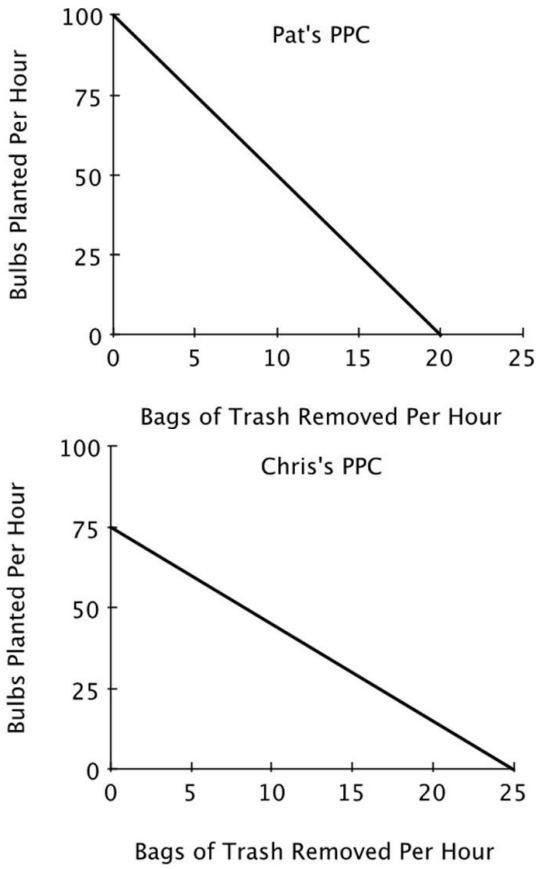


A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #71
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

72.

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

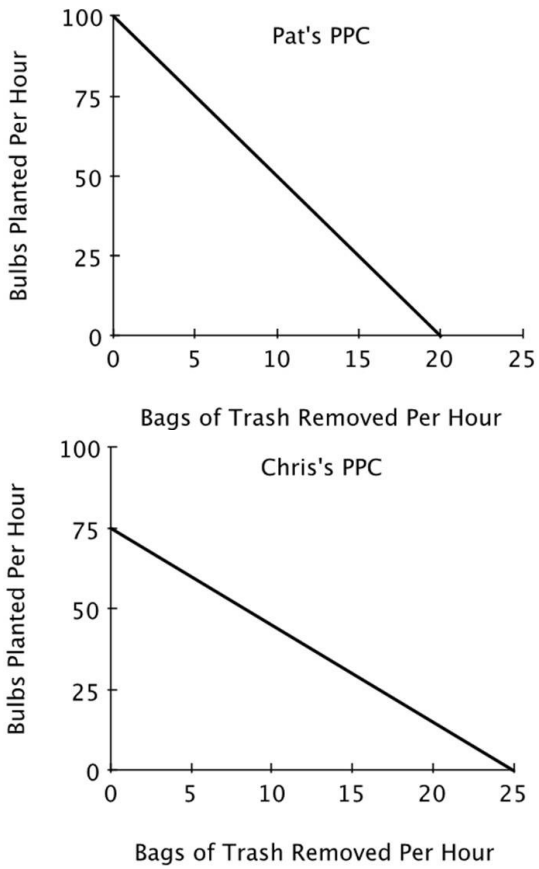


A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #72
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

73.

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

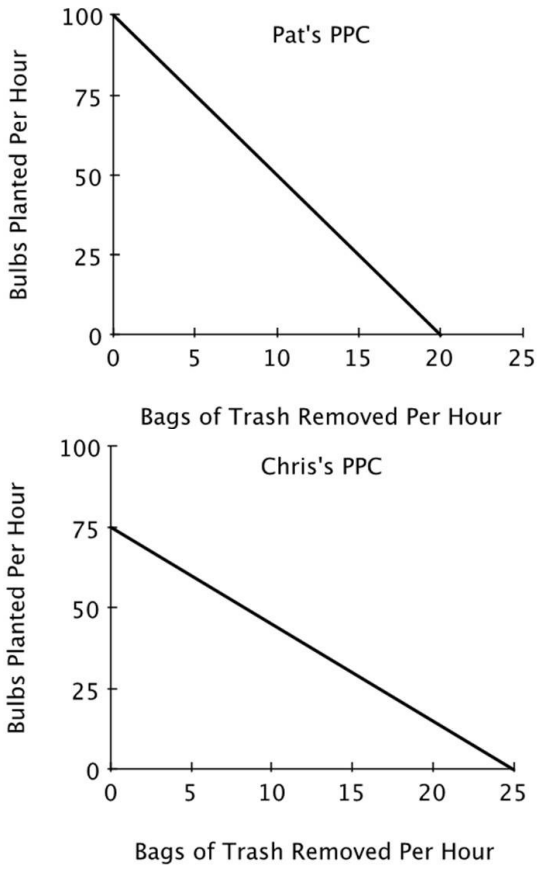


A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #73
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

74.

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



A.
B.
C.
D.

AACSB: Analytic
Blooms: Evaluate
Difficulty: 03 Hard
Frank - Chapter 02 #74
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #75
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #76
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

Inefficient points can be produced using currently available resources.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #77
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #78
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

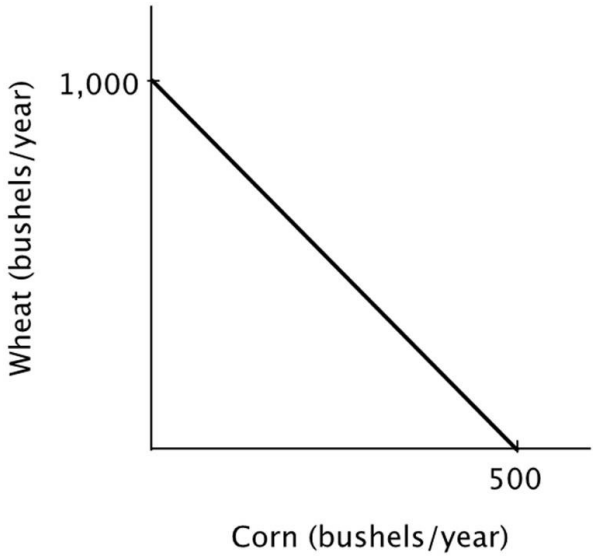
79. Points that lie below the production possibilities curve are inefficient because:

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #79
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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



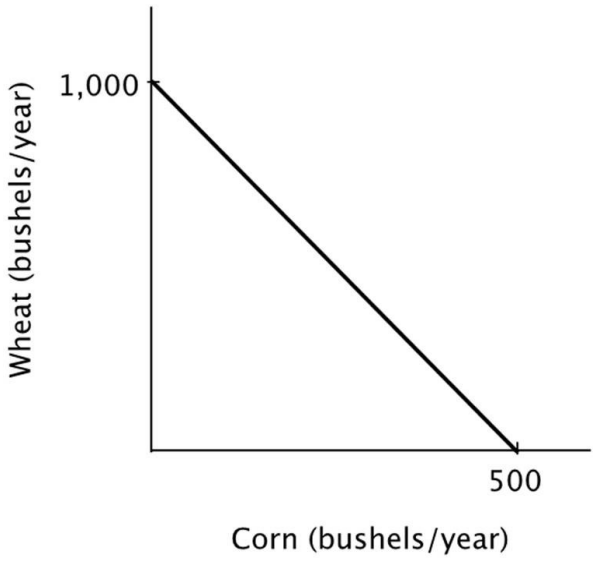
A.
B.
C.
D.

AACSB: Reflective Thinking

Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #80
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

81.

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

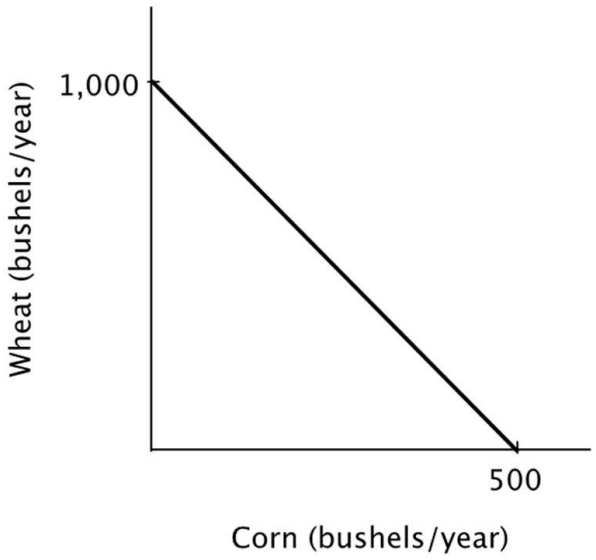


A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #81
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

82.

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

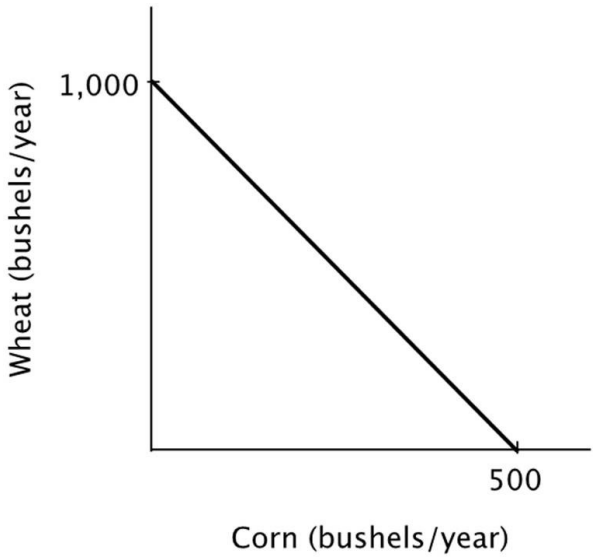


A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #82
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

83.

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



A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #83
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

84.

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

A.
B.
C.
D.

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

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

Frank - Chapter 02 #84
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

Points on the production possibilities curve are efficient.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #85
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #86
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

87.

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #87
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

88.

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #88
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #89
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #90
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #91
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #92
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #93
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

94.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #94
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

95.

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

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

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

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #95
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

96.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #96
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

97.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #97
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

98.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #98
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

99.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #99
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

100.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Evaluate
Difficulty: 03 Hard
Frank - Chapter 02 #100
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

101.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #101
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

102.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #102
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

103.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #103
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

104.

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

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

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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #104
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

105.

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

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

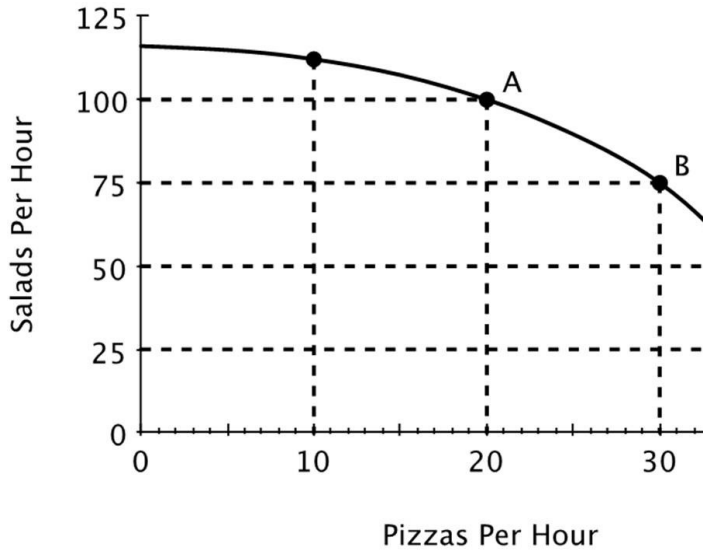
Suppose Earth Movers & Shakers needs to fill an order for 100 tons of ore in a single day. If it has no other orders to fill that day, and it's not possible to transfer miners from one mine to another, it should:

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #105
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

106.

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

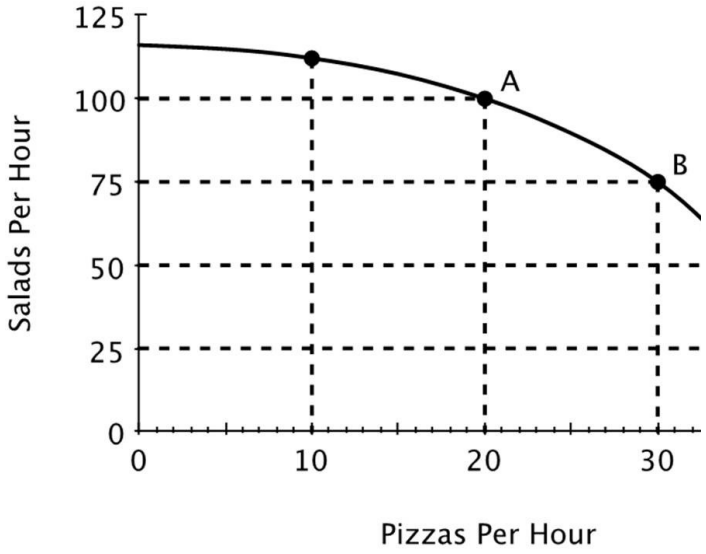


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #106
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

107.

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

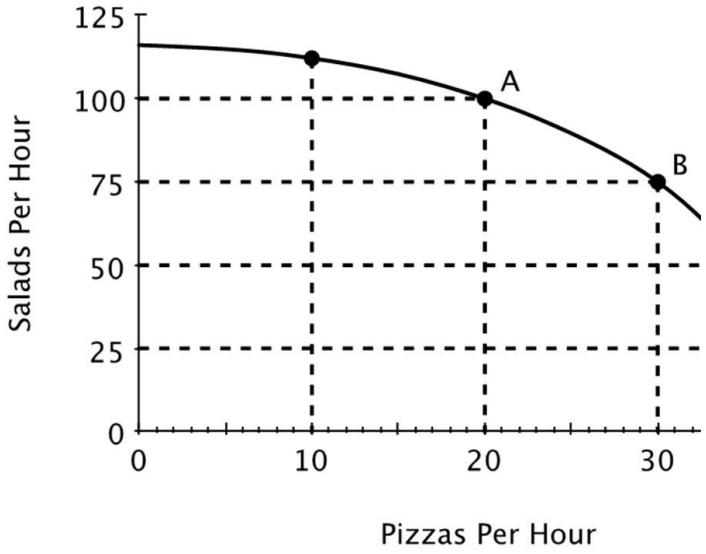


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #107
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

108.

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

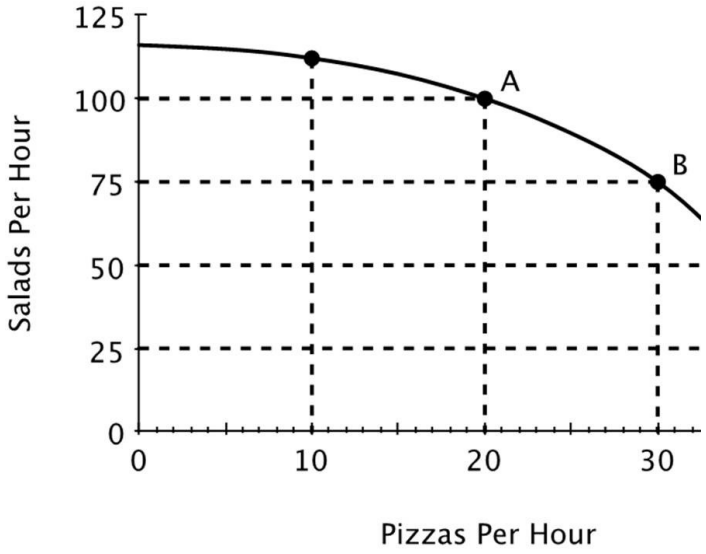


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #108
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

109.

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

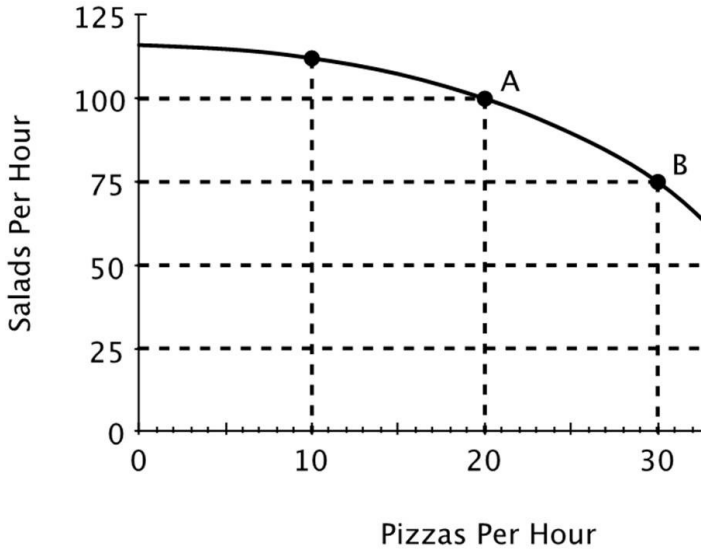


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #109
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

110.

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

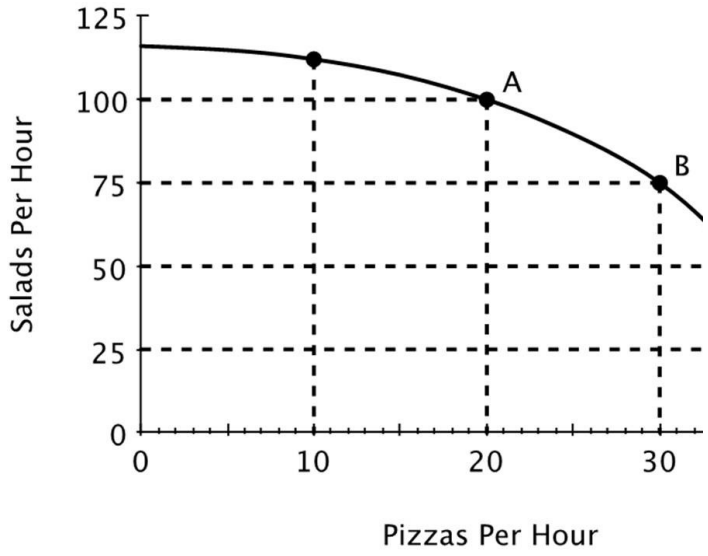


A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Blooms: Understand
Difficulty: 03 Hard
Frank - Chapter 02 #110
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

111.

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

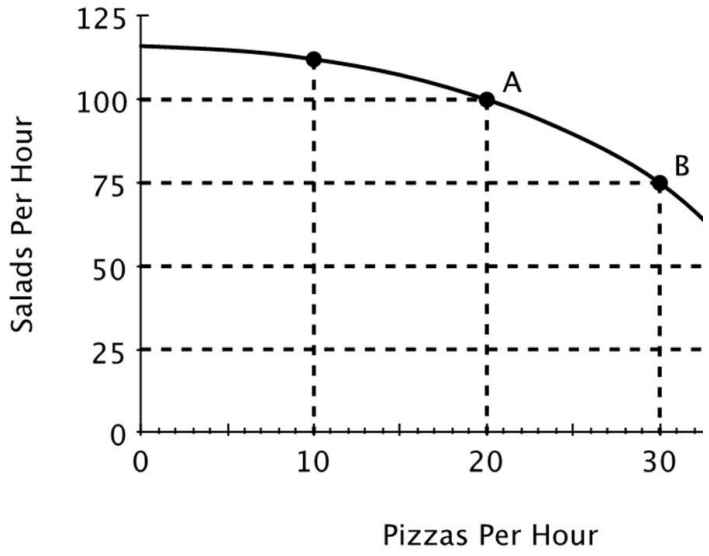


A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #111
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

112.

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

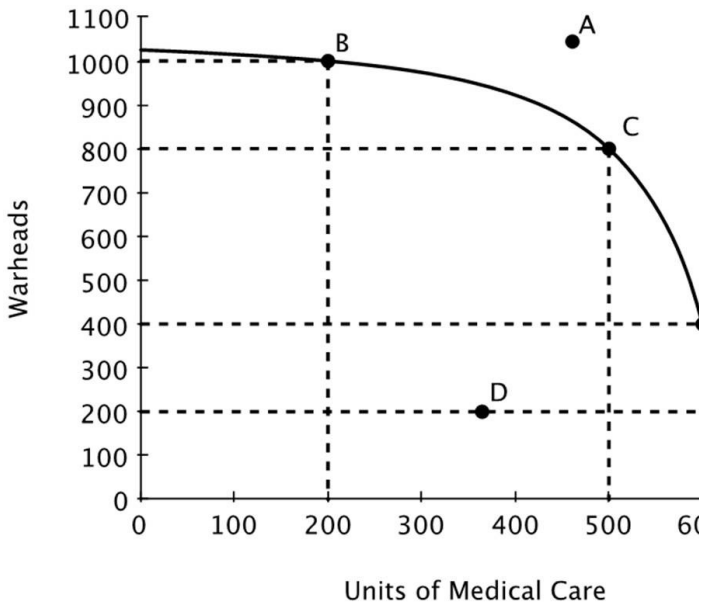


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #112
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

113.

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

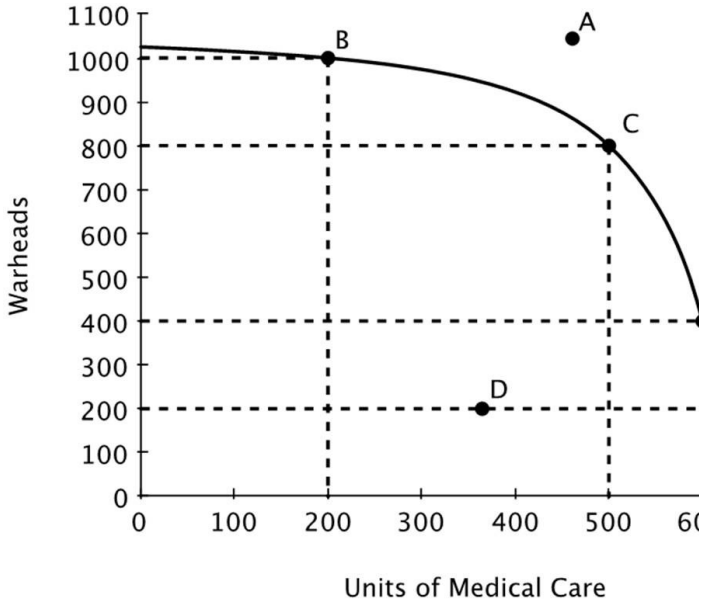


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #113
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

114.

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

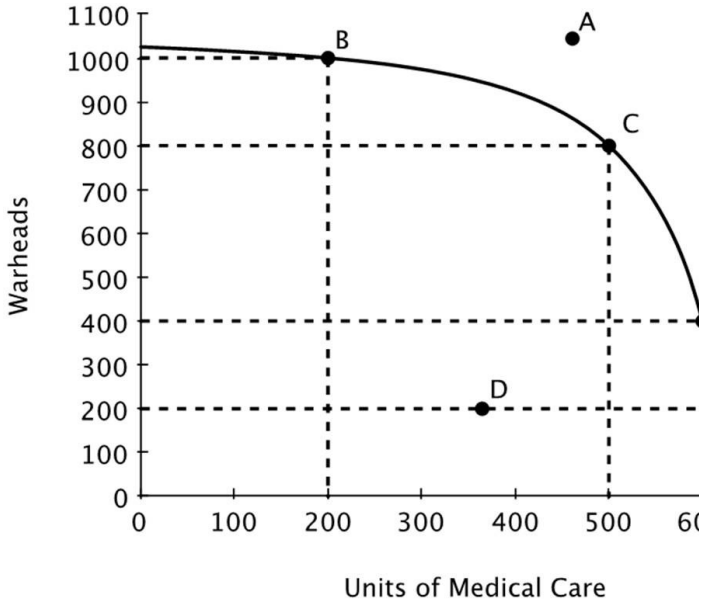


A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #114
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

115.

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

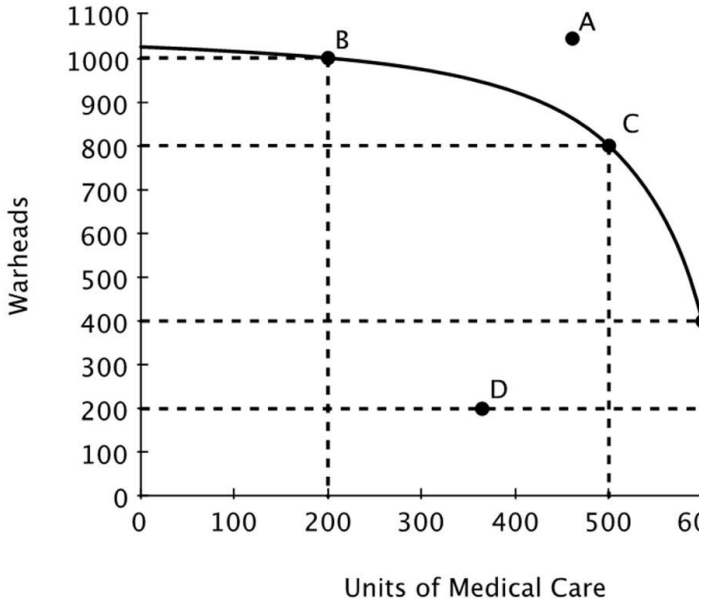


A.
B.
C.
D.

AACSB: Analytic
Blooms: Apply
Difficulty: 03 Hard
Frank - Chapter 02 #115
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

116.

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



A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #116
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #117
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

118. The Principle of Increasing Opportunity Costs states that:

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #118
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #119
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

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

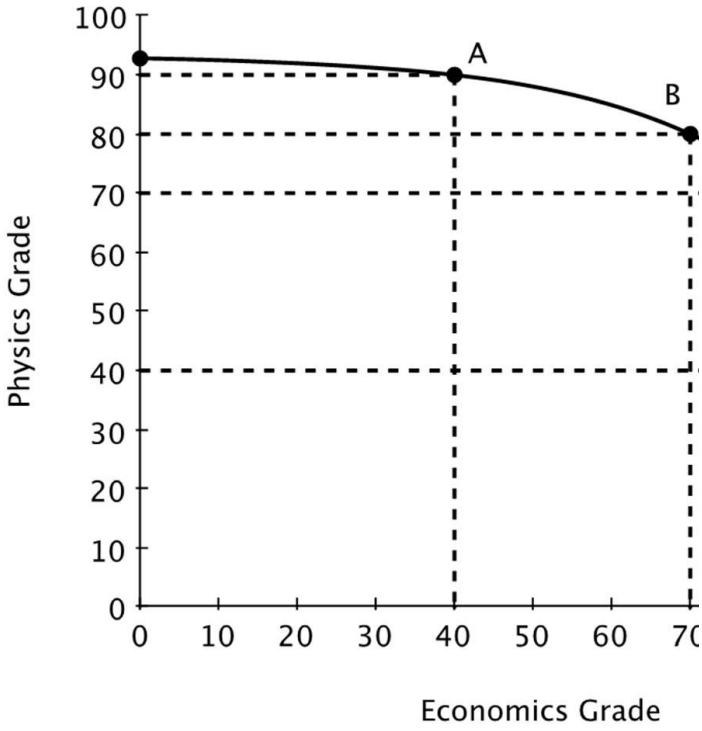
A.
B.
C.
D.

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #120
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

121.

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



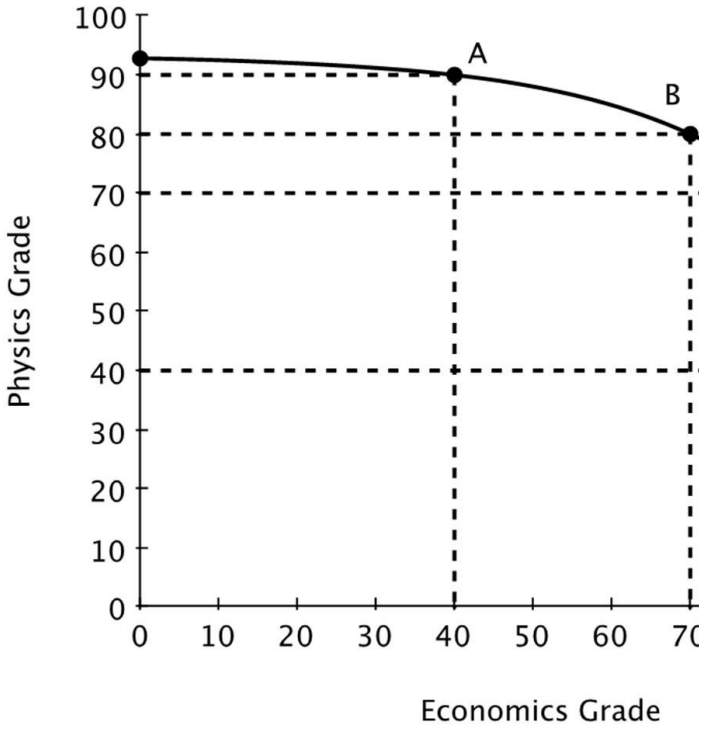
Both of Moe's professors require at least a 65 to pass and a 90 to earn an A. Which of the following is true?

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #121
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

122.

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



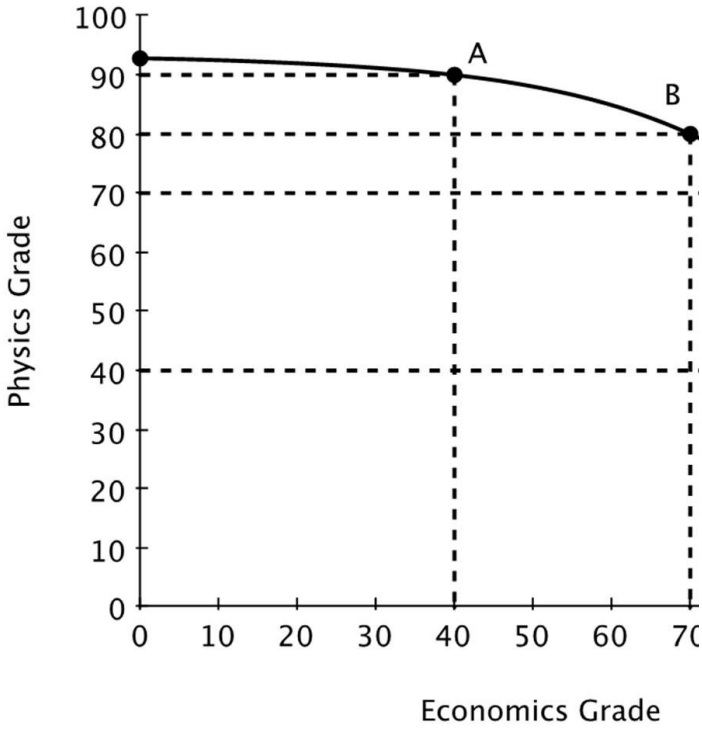
Which of the following is true?

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #122
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

123.

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



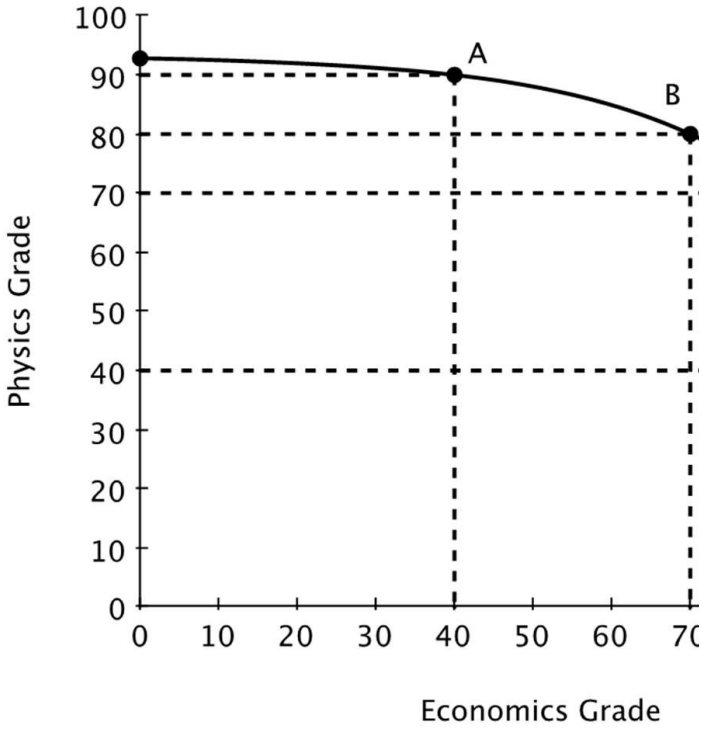
According to Moe's PPC, moving from a 70 to an 80 in economics:

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #123
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

124.

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



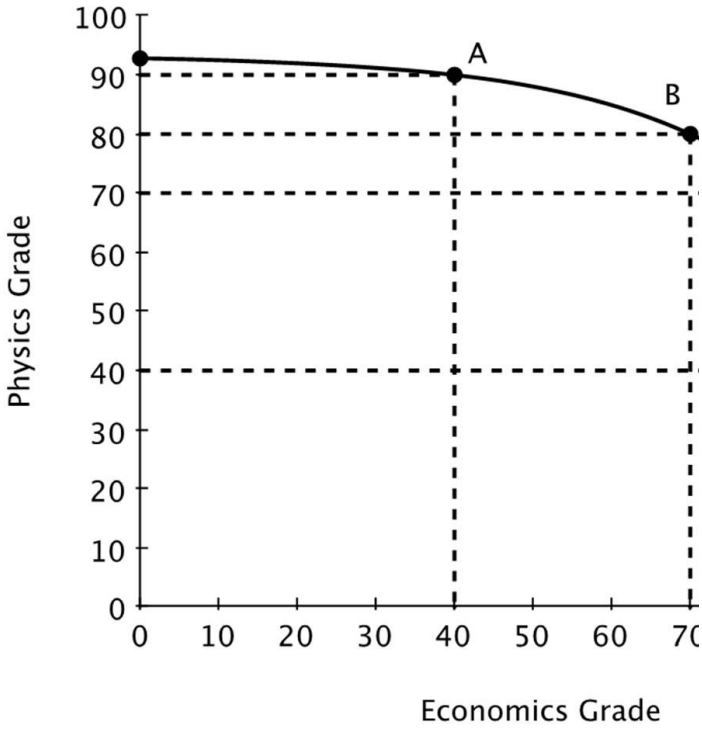
If Moe moves from Point *A* to point *C*, his grade in Physics will go down by _____ his grade in economics.

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #124
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

125.

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



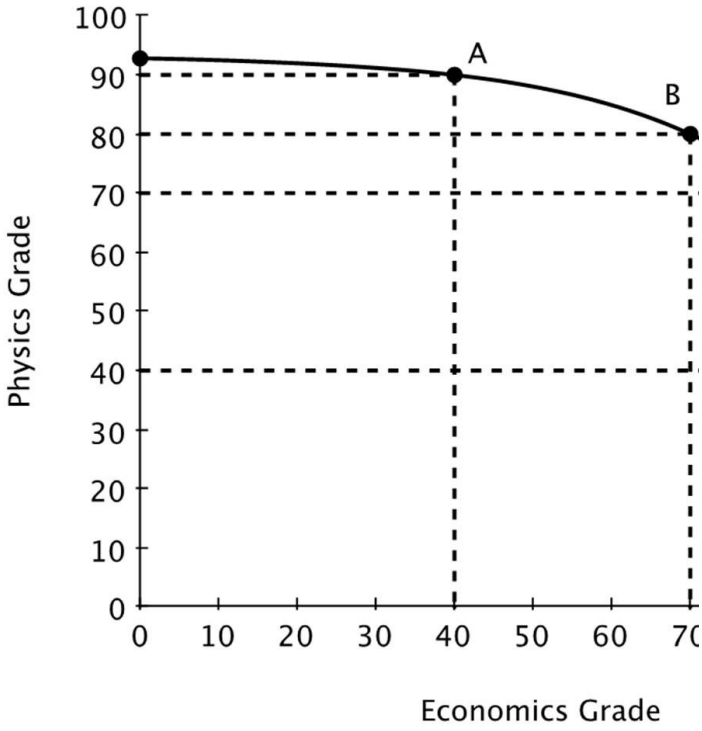
The Principle of Increasing Opportunity Cost is reflected in the fact that the opportunity cost going from 70 to 80 in economics is:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #125
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

126.

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



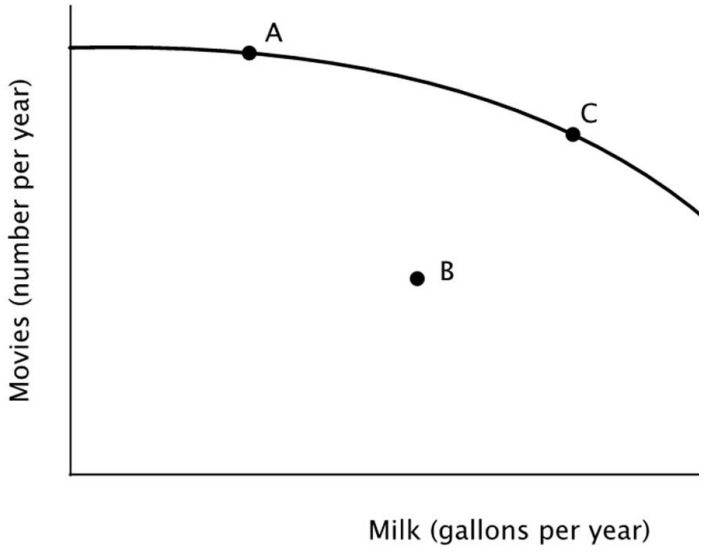
Moe needs to earn at least an 80 in both economics and physics to keep his scholarship. Given his current PPC, an 80 in both classes is _____.

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #126
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

127.

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

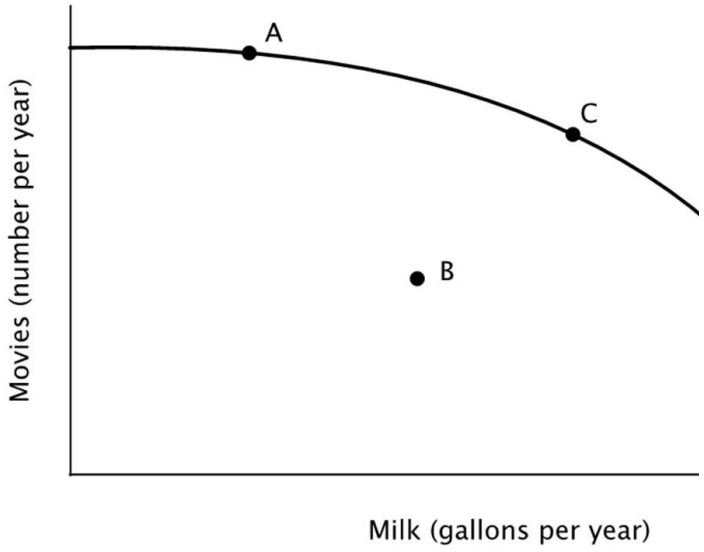


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #127
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

128.

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

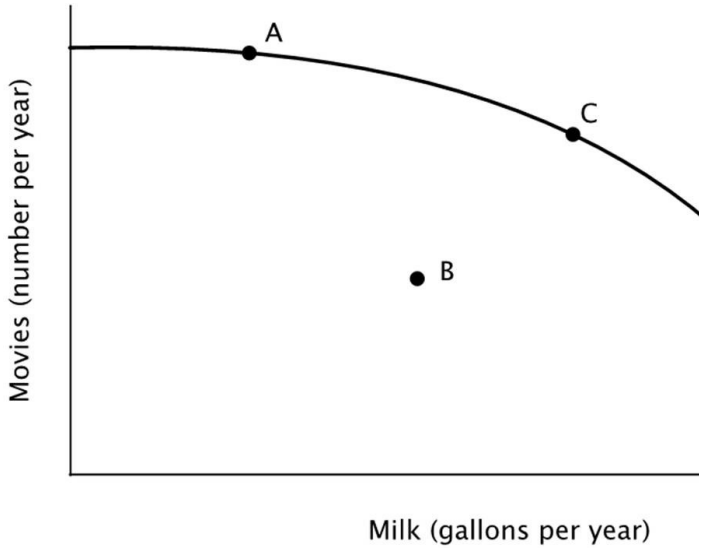


A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #128
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

129.

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

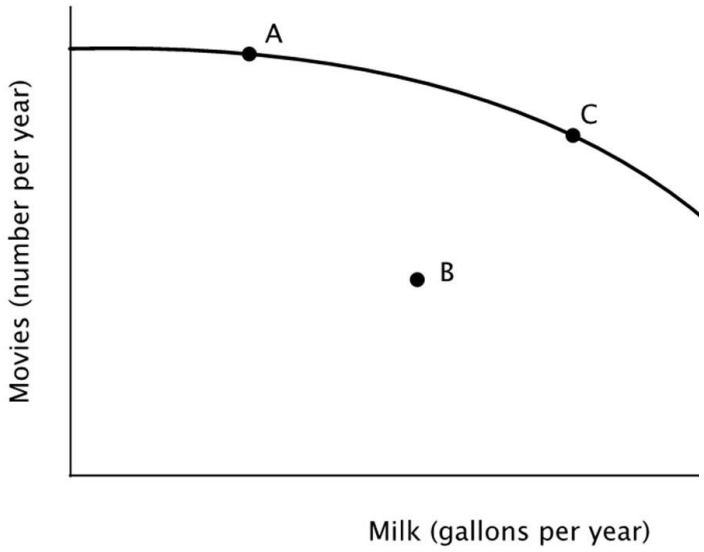


A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #129
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

130.

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

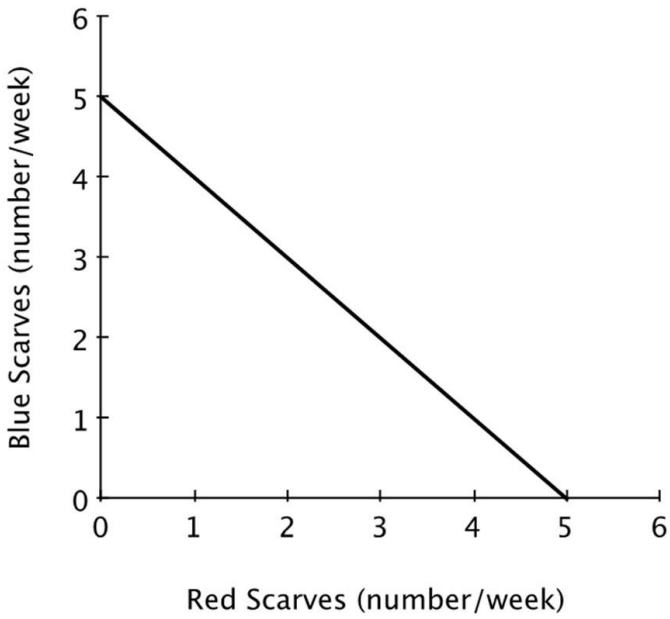


A.
B.
C.
D.

AACSB: Analytic
Blooms: Evaluate
Difficulty: 03 Hard
Frank - Chapter 02 #130
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

131.

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



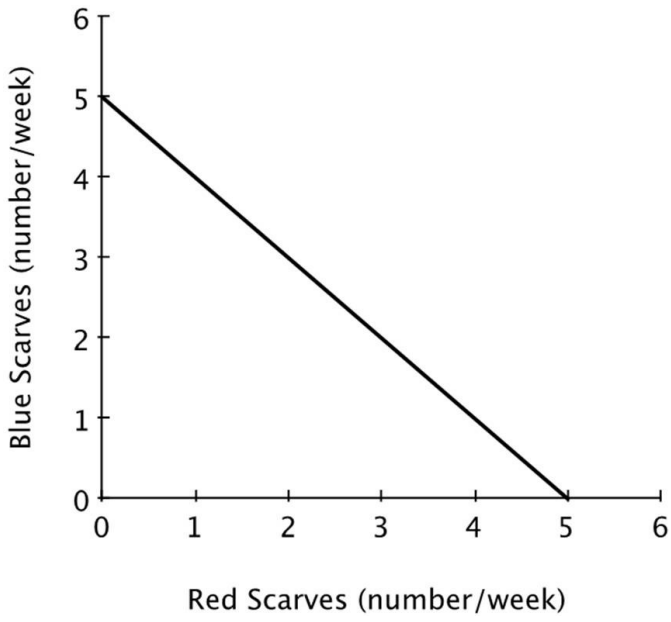
For Avery, the opportunity cost of making a red scarf is:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #131
Learning Objective: 02-02 Explain and apply the Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle). Use a production possibilities curve to illustrate opportunity cost and comparative advantage.
Topic: Comparative Advantage and Production Possibilities

132.

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



Avery's PPC would shift outward if she:

A.
B.
C.
D.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #132
Learning Objective: 02-03 Identify factors that shift the menu of production possibilities.
Topic: Factors That Shift the Economys Production Possibilities Curve

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

A.
B.
C.
D.

An increase productive resources will shift the PPC outward.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #133
Learning Objective: 02-03 Identify factors that shift the menu of production possibilities.
Topic: Factors That Shift the Economys Production Possibilities Curve

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

A.
B.
C.
D.

Specialization does not increase the amount of productive resources; it simply enables those resources to be used more efficiently.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #134
Learning Objective: 02-03 Identify factors that shift the menu of production possibilities.
Topic: Factors That Shift the Economys Production Possibilities Curve

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

A.
B.
C.
D.

An increase in an economy's productive resources makes it possible to increase the production of all goods, leading the PPC to shift outward.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #135
Learning Objective: 02-03 Identify factors that shift the menu of production possibilities.
Topic: Factors That Shift the Economys Production Possibilities Curve

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

A.
B.
C.
D.

Investment in technology and productive resources shifts the PPC outward.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #136
Learning Objective: 02-03 Identify factors that shift the menu of production possibilities.
Topic: Factors That Shift the Economys Production Possibilities Curve

137. If a nation restricts imports, it will:

A.
B.
C.
D.

Restricting imports lowers the total value of goods and services produced by a nation, but individual citizens could be better or worse off.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #137
Learning Objective: 02-03 Identify factors that shift the menu of production possibilities.
Topic: Factors That Shift the Economys Production Possibilities Curve

138. Regarding specialization, it is generally true that:

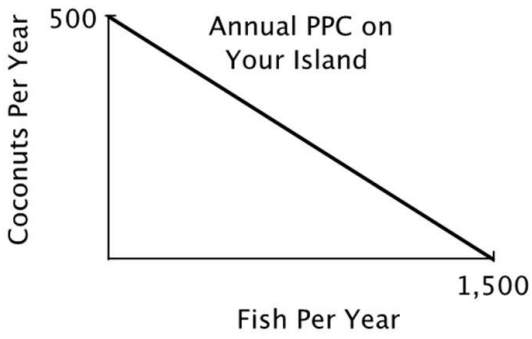
A.
B.
C.
D.

Specialization reduces variety which some workers enjoy.

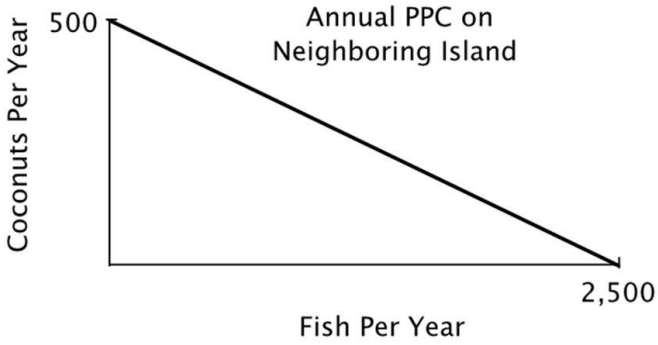
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #138
Learning Objective: 02-03 Identify factors that shift the menu of production possibilities.
Topic: Factors That Shift the Economys Production Possibilities Curve

139.

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



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



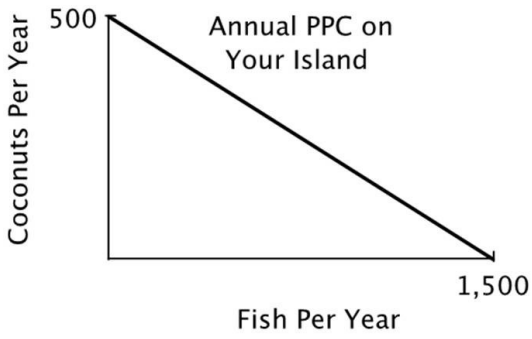
As soon as you see the other island's PPC, you realize there are:

A.
B.
C.
D.

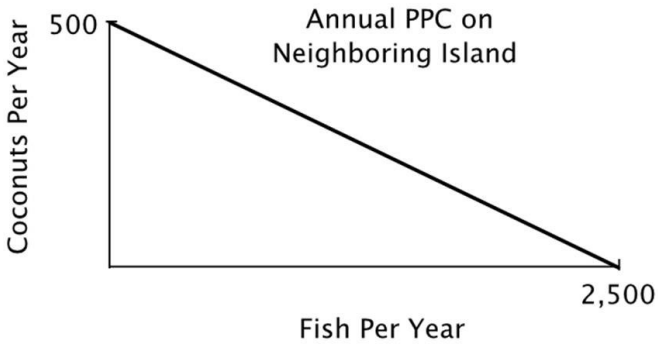
AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #139
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

140.

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



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



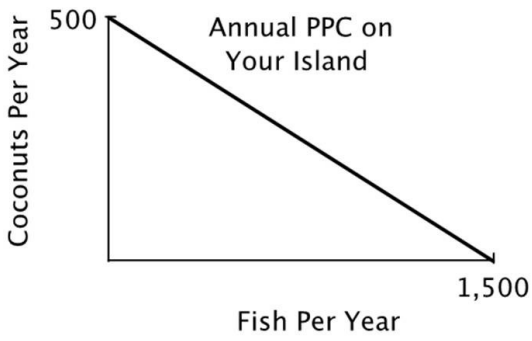
If the other island's delegate offers to give you 2 fish for every 1 coconut you give them, you will:

A.
B.
C.
D.

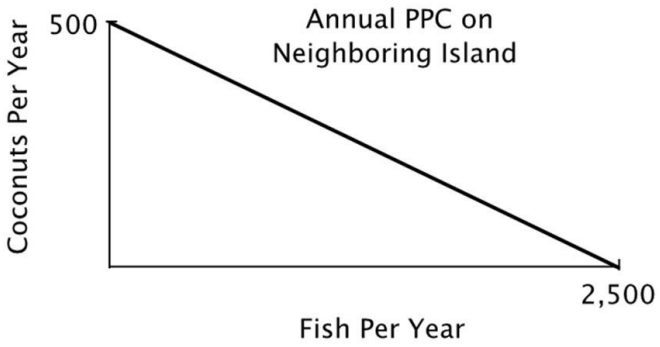
AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #140
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

141.

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



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



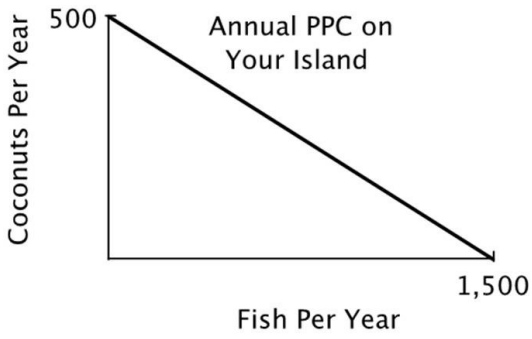
What's the minimum number of fish you would be willing to accept in exchange for a coconut?

A.
B.
C.
D.

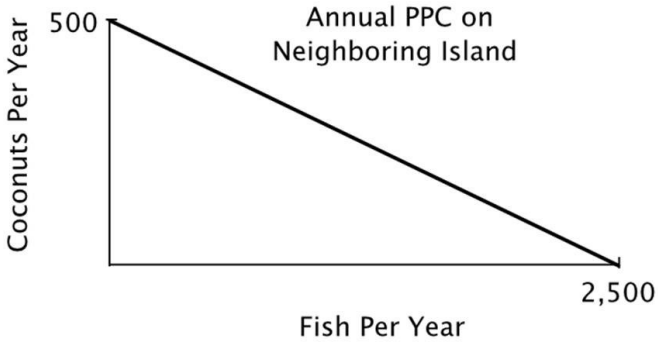
AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #141
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

142.

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



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



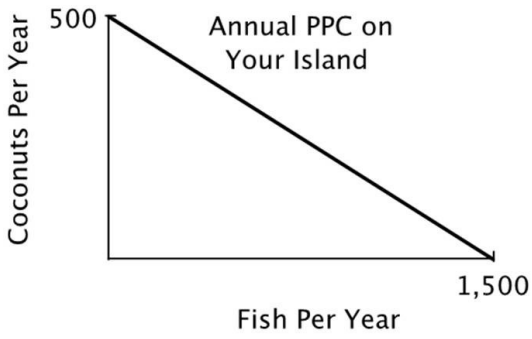
If you offer to give the other island 1 coconut for every 4 fish they give you, then they will:

A.
B.
C.
D.

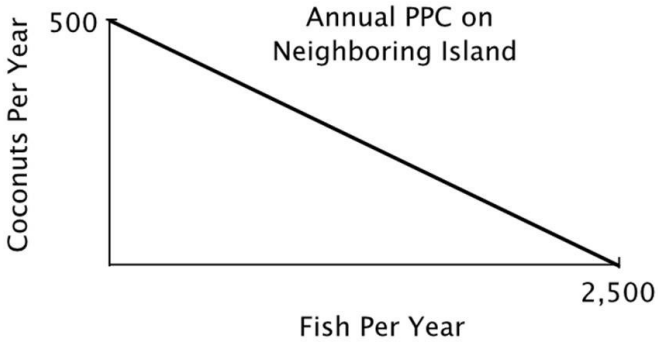
AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #142
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

143.

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



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



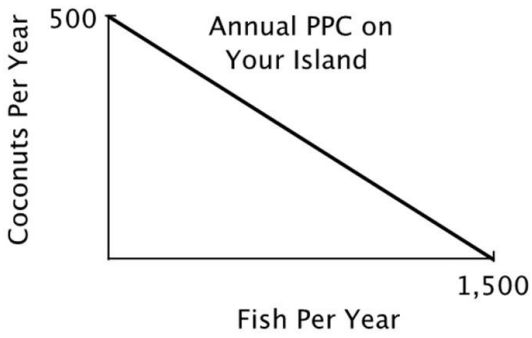
Both islands specialize exclusively in the product for which they have a comparative advantage. You have agreed to give 350 coconuts to the other island in exchange for 1,300 fish. After the trade, your island has a total of _____ coconuts and _____ fish.

A.
B.
C.
D.

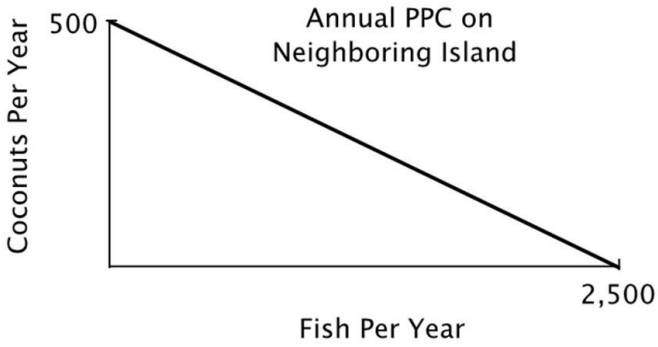
AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #143
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.

144.

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



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



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

A.
B.
C.
D.

AACSB: Analytic
Blooms: Analyze
Difficulty: 03 Hard
Frank - Chapter 02 #144

Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

As long as each country has a comparative advantage in the production of at least one good that the other country wants, there are benefits to trade.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Evaluate
Difficulty: 03 Hard
Frank - Chapter 02 #145
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

The gains from specialization and trade grow with increases in the opportunity costs between trading partners.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #146
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

Although trade increases the total value of goods and services produced by a nation, trade does not necessarily benefit each individual citizen.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #147
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

Since Mexico has a comparative advantage in the production of goods made by unskilled workers, many Americans feared that NAFTA would lead unskilled workers in the United States to lose their jobs to workers in Mexico.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #148
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

While reducing barriers to trade increases total value of all goods and services produced by a nation, it does not guarantee that each individual citizen will be better off.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #149
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

Greater difference in opportunity costs yields greater benefits from trade.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #150
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

Most studies have failed to detect significant overall job loss due to NAFTA.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Difficulty: 02 Medium
Frank - Chapter 02 #151
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

NAFTA was expected to help Mexico exploit its comparative advantage in production of goods made by unskilled labor.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #152
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

Outsourcing has come to mean replacing highly paid American workers with cheaper workers overseas.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #153
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

154. The fundamental reason firms outsource is that:

A.
B.
C.
D.

Companies outsource because hiring low-wage workers overseas reduces their production costs.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #154
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

155. When a U.S. firm engages in outsourcing, it benefits _____ and harms _____.

A.
B.
C.
D.

Outsourcing benefits U.S. consumers, who enjoy lower prices, but harms the firm's domestic workers, who may lose their jobs.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #155
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

Some jobs are less susceptible to outsourcing than others, including those that do not require face-to-face communication.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 01 Easy
Frank - Chapter 02 #156
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

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

A.
B.
C.
D.

Flipping hamburgers requires on-site labor.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 02 Medium
Frank - Chapter 02 #157
Learning Objective: 02-04 Explain the role of comparative advantage in international trade and describe why some jobs are more vulnerable to outsourcing than others.
Topic: Comparative Advantage and International Trade

Chapter 2 Summary