Chapter 02 Testbank

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

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

2. If Samer has an absolute advantage over Nader,

   A. Samer has more money than Nader.
   B. the problem of scarcity applies to Nader but not to Samer.
   C. the problem of scarcity applies to Samer, but not to Nader.
   D. Samer can accomplish more in a given period of time than can Nader.

3. If Leila can produce two pairs of pants in an hour while Sarah can make one pair an hour, then it must be the case that

   A. Leila has a comparative advantage.
   B. Leila has an absolute advantage.
   C. Sarah has a comparative advantage.
   D. Leila has both comparative and absolute advantage.

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

   A. comparative advantage.
   B. absolute advantage.
   C. relative advantage.
   D. specialization advantage.

5. Having a comparative advantage in a particular task means that

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

6. Lamya has a comparative advantage in writing a term paper if she

   A. can write a paper faster than the other students in class.
   B. has an absolute advantage in writing a term paper.
   C. always earns an A on her papers.
   D. has a low opportunity cost for writing a term paper.

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

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

8. Which of the following statements is always true?

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

9. If Jamal can produce 3 pairs of shoes hourly, while Amr can produce 2, then one can infer that the _____ advantage belongs to _____.

A. absolute; Jamal
B. comparative; Jamal
C. comparative; Amr
D. comparative and absolute; Jamal

	Pizzas made per hour	Pizzas delivered per hour
Kamal	12	6
Salem	10	15

10. Refer to the figure above. According to the data, Kamal has an absolute advantage in

A. the production of pizza.
B. neither production of pizza nor delivering pizza.
C. delivering pizza.
D. both production of pizza and delivering pizza.

11. Refer to the figure above. According to the data, Salem has an absolute advantage in

A. the production of pizza.
B. neither production of pizza nor delivering pizza.
C. delivering pizza.
D. both production of pizza and delivering pizza.

12. Refer to the figure above. Kamal's opportunity cost of producing an extra pizza is delivering _____ pizzas.

    A. 2
    B. 3/2
    C. 2/3
    D. 1/2

13. Refer to the figure above. Kamal's opportunity cost of delivering an extra pizza is producing _____ pizzas.

    A. 6
    B. 12
    C. 2
    D. 1/2

14. Refer to the figure above. Salem's opportunity cost of producing an extra pizza is delivering _____ pizzas.

    A. 3
    B. 2
    C. 3/2
    D. 2/3

15. Refer to the figure above. Salem's opportunity cost of delivering an extra pizza is producing _____ pizzas.

    A. 12
    B. 10
    C. 3/2
    D. 2/3

16. Refer to the figure above. The comparative advantage for pizza production belongs to _____ and the comparative advantage for pizza delivery belongs to _____.

A. Kamal; Kamal
B. Salem; Salem
C. Salem; Kamal
D. Kamal; Salem

17. Based on their comparative advantages, Salem should specialize in _____ while Kamal should specialize in _____

A. pizza delivery; pizza production
B. pizza production; pizza delivery
C. neither; both
D. both; neither

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

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

18. Which of the following is true?

A. Karim has both an absolute and comparative advantage over Hamid in both tasks.
B. Hamid has a comparative advantage over Karim in cleaning.
C. Karim has a comparative advantage over Hamid in cleaning.
D. Karim has a comparative advantage over Hamid in cooking.

19. Hamid and Karim have worked out an efficient arrangement. Under that arrangement,

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

20. For Hamid, the opportunity cost of cleaning one room is _____ meal(s); for Karim the opportunity cost of cleaning one room is _____ meal(s).

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

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

	Cars Sold	Trucks Sold
Latif	10	5
Jamal	9	9
Rami	3	12

21. _____ has an absolute advantage for selling cars and _____ has an absolute advantage for selling trucks.

A. Jamal; Jamal
B. Latif; Rami
C. Rami; Latif
D. Latif; Jamal

22. For Latif, the opportunity cost of selling a truck is

A. 10 fewer cars sold.
B. 1/2 car not sold.
C. 1 fewer car sold.
D. 2 fewer cars sold.

23. For Jamal, the opportunity cost of selling a truck is:

A. 9 fewer cars sold.
B. 1 fewer car sold.
C. 4 fewer cars sold.
D. 1/3 car not sold.

24. For Rami, the opportunity cost of selling a truck is:

    A. 9 fewer cars sold.
    B. 1/3 car sold.
    C. 3 fewer cars sold.
    D. 1/4 car not sold.

25. Jamal's opportunity cost of selling a car is _____ than Rami's, and Jamal's opportunity cost of selling a car is _____ than Latif's.

    A. less; more
    B. more; less
    C. less; less
    D. more; more

26. _____ should specialize in truck sales and _____ should specialize in car sales.

    A. Jamal; Rami
    B. Rami; Latif
    C. Latif; Rami
    D. Latif; Jamal

27. Application of the Principle of Comparative Advantage leads to

    A. greater specialization of labor and other factors of production.
    B. lesser specialization of labor and other factors of production.
    C. societies without any specialization of labor.
    D. lower total output.

28. Ghadah and Maryam are lost in the jungle, where the only things to eat are mangoes and fish. Ghadah can gather mangoes faster than Maryam and can also catch more fish per hour than can Maryam. Therefore,

    A. Ghadah should specialize in fishing because it is harder than gathering mangoes, and Maryam should specialize in gathering mangoes.
    B. Ghadah should strike out on her own, because Maryam reduces their combined productivity.
    C. Maryam should specialize in the activity for which she has a comparative advantage.
    D. Ghadah should specialize in the activity for which she has an absolute advantage.

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

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

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

    A. that they can produce more quickly than
    B. that they can produce less quickly than
    C. for which they have the lowest opportunity cost compared to
    D. for which they have the highest opportunity cost compared to

31. A country may have a comparative advantage in the production of cars if

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

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

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

33. The production possibilities curve shows

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

34. The production possibilities curve is

    A. the boundary that divides all production combinations into efficient and inefficient ones.
    B. a graph illustrating the production combinations society would like to choose.
    C. the boundary that divides all production combinations into attainable ones and unattainable ones.
    D. a graph illustrating supply curves for different combinations of output.

This graph describes the production possibilities on the island of Genovia:

35. The opportunity cost of producing one car in Genovia is

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

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

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

37. Assuming efficient production, If 500 cars are produced in Genovia

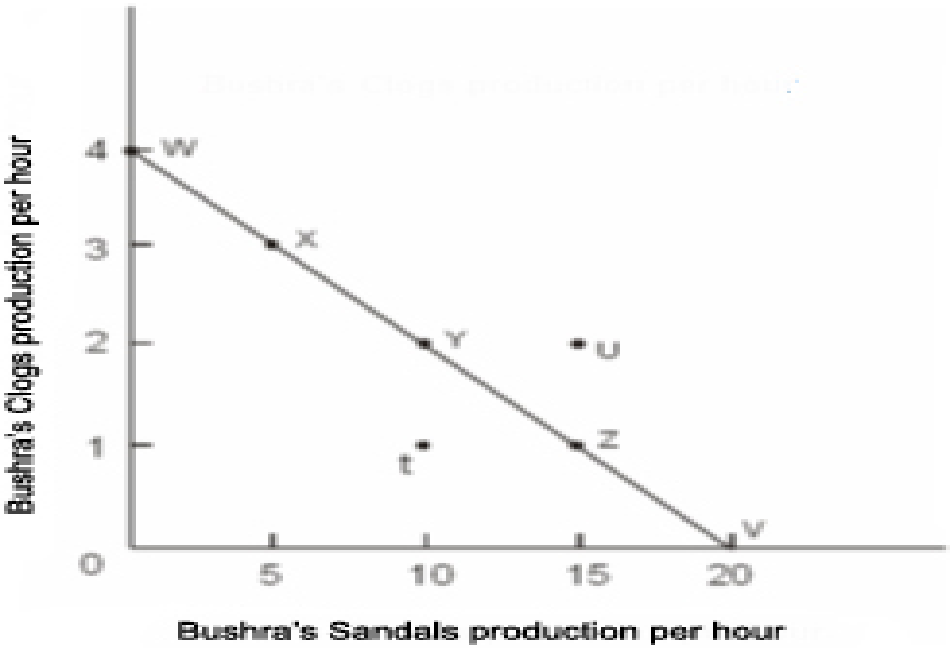
A. 50,000 tons of agricultural products are being produced.
B. 25,000 tons of agricultural products are being produced.
C. 45,000 tons of agricultural products are being produced.
D. 40,000 tons of agricultural products are being produced.

38. The slope of the production possibilities curve must be

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

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

A. negative; to produce more of one good means less production of the other
B. constant; the tradeoff in production never changes
C. positive; to produce more of one good means more production of the other
D. positive; to produce more of one good means less production of the other



40. Refer to the figure above. Bushra's maximum production of clogs per hour is represented by point

A. u.
B. t.
C. v.
D. w.

41. Refer to the figure above. Bushra's maximum production of sandals per hour is represented by point

A. u.
B. t.
C. v.
D. z.

42. Refer to the figure above. Point u is an _____ point in relation to the production possibilities curve.

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

43. Refer to the figure above. Of the labeled points, _____ are attainable

A. only t and u
B. only x, y, and z
C. only w, x, y, z, and v
D. only w, x, y, z, v, and t

44. Refer to the figure above. Of the labeled points, _____ are efficient.

A. only t and u
B. only x, y, and z
C. only w, x, y, z, and v
D. only w, x, y, z, v, and t

45. Refer to the figure above. Point t is an _____ point in relation to the production possibilities curve.

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

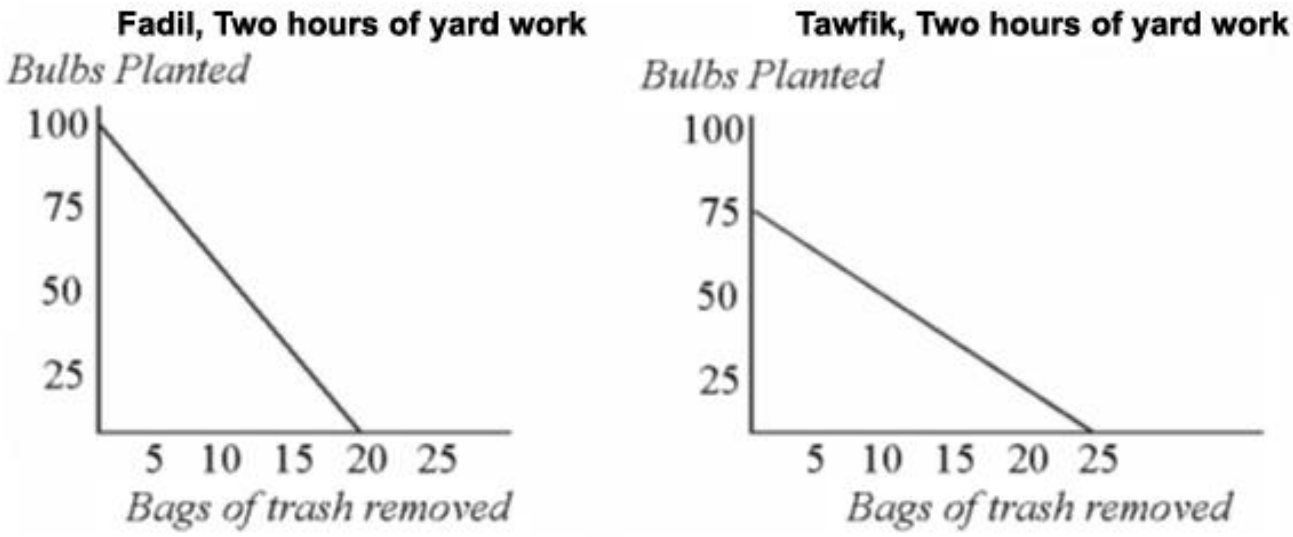
46. Refer to the figure above. Point y _____ Point v

A. is more efficient than

B. is less efficient than

C. is equally efficient as

D. is more attainable than



47. Refer to the figure above. For Fadil, the opportunity cost of removing one bag of trash is

A. 25 bulbs not planted.

B. 5 bulbs not planted.

C. 10 bulbs not planted.

D. one-fifth of a bulb not planted.

48. Refer to the figure above. For Tawfiq, the opportunity to removing one bag of trash is

A. 25 bulbs that don't get planted.

B. 5 bulbs that don't get planted.

C. 3 bulbs that don't get planted.

D. One-third of a bulb that doesn't get planted.

49. Refer to the figure above. If Fadil and Tawfiq were to specialize in the task for which each has a comparative advantage,

A. Tawfiq would plant bulbs and Fadil would haul out trash.
B. Tawfiq would haul out trash and Fadil would plant bulbs.
C. Fadil and Tawfiq would each spend one hour on each task.
D. both would plant bulbs as they both have an absolute advantage in that task.

50. If a point is attainable,

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

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

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

52. An inefficient point is

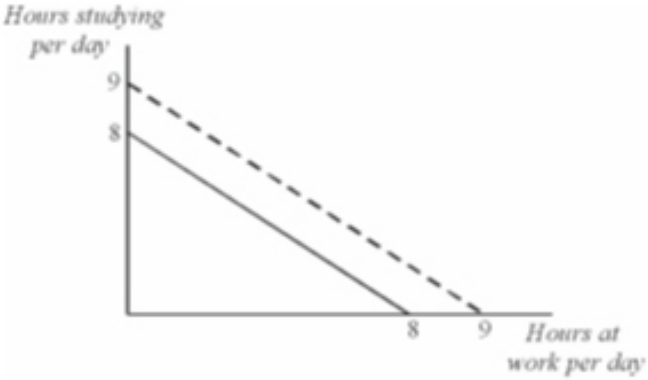
A. necessarily an attainable point.
B. not necessarily attainable.
C. necessarily an unattainable point.
D. possibly an unattainable point.

53. Refer to the figure above. It is _____ for this farmer to grow 1,000 bushels of wheat and no corn relative to growing 500 bushels of corn and no wheat.

A. not efficient
B. more efficient
C. less efficient
D. equally efficient

54. Refer to the figure above. It is efficient for this farmer to

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



55. Refer to the figure above. The diagram shows Saad's Production Possibilities for one day. For Saad, the opportunity cost of spending one more hour studying

A. is diminishing with each additional hour.
B. is increasing with each additional hour.
C. is exactly one hour of paid work.
D. is the marginal benefit from studying.

56. Refer to the figure above. Saad could move from the bold PPC to the dashed PPC by

A. finding a job that paid a higher wage.
B. studying fewer hours but more effectively per hour.
C. devoting fewer hours to sleeping.
D. spending more time on the activity for which he has a comparative advantage.

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

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

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

    A. beyond the production possibilities curve.
    B. on the production possibilities curve.
    C. either an attainable or unattainable point.
    D. the best combination out of all possible combinations.

59. Working efficiently, Fouad can write 3 essays and outline 4 chapters each week. It must be true that,

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

    Point A on a linear production possibilities curve represents a 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.

60. The absolute value of the slope of the production possibilities curve between points A and B equals:

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

61. The opportunity cost of a cup of coffee is

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

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

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

63. If a linear, two-good production possibilities graph has a slope steeper than,

A. you would have to give up more than one unit of the good measured on the horizontal axis to gain an additional unit of the good measured on the vertical axis.
B. you would have to give up less than one unit of the good measured on the horizontal axis to gain an additional unit of the good measured on the vertical axis.
C. by specializing in the good measured on the horizontal axis you would be able to make more total units than you would if you specialized in the good measured on the vertical axis.
D. you have a comparative advantage in the good measured on the vertical axis.

Fahd has 4 hours to spend either studying for a test or playing a new video game. If Fahd spends all of that time studying, Fahd can score a 92 on the test. If Fahd plays for 1 hour, Fahd's test score falls 5 points. For playing a second hour, Fahd's score falls by 7 points. Playing for a third hour will lower Fahd's score by another 10 points.

64. The intercept on the test score axis of Fahd's PPC is

    A. 100
    B. 92
    C. 87
    D. 0

65. Fahd's PPC for test score versus hours playing a new video game is

    A. upward sloped.
    B. downward sloped.
    C. first upward and then downward sloped.
    D. first downward and then upward sloped.

66. The opportunity cost of the 2nd hour of playing the video game is

    A. 10 points in the test.
    B. 5 points in the test.
    C. 7 points in the test.
    D. 2.5 points in the test.

67. The opportunity cost of playing video games

    A. decreases the longer Fahd plays.
    B. increases the longer Fahd plays.
    C. is greater than the value of earning a higher grade on the test.
    D. is equal to the value of earning a higher grade on the test.

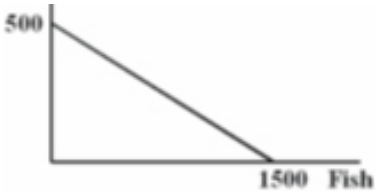
68. The fundamental reason the production possibilities curve has a downward slope is

A. workers are inefficient.
B. resources are of low quality.
C. resources are fixed and therefore tradeoffs must be made.
D. it has empirical support but why it is so is still a mystery.

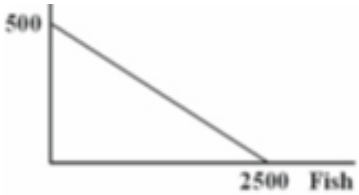
69. In a two-person, two-good economy, the benefits of labor specialization will be larger when

A. one person has an absolute advantage in both goods.
B. neither person has an absolute advantage.
C. the difference in their respective opportunity costs are small for both goods.
D. there is a large difference in their opportunity costs.

You are the Minister of Trade for a small island country in the South Pacific with the following annual production possibilities curve:



You are negotiating a deal with a neighboring island that has the following annual PPC:



70. As soon as you see the other island's PPC you realize

A. there will be no trade because the other island has the same comparative advantage as yours.
B. there will be no trade because there is no difference in your ability to harvest coconuts.
C. there will be no trade because the other island has an absolute advantage.
D. your island will have to specialize in coconuts if it wants to gain from trade.

71. When the other island's delegate offers to give you 1,000 fish in exchange for 500 coconuts, you

A. accept because you will then have a total of 2,500 fish.
B. refuse because the trade would leave you at a level of consumption that is less than what you could produce on your own.
C. accept because the trade will leave you at a level of consumption that is more than what you could produce on your own.
D. counter, offering to give them 400 coconuts in exchange for 1,000 fish.

72. You have arrived with 300 coconuts to trade. The minimum number of fish you would be willing to accept in exchange for those coconuts

A. is 1500 fish, because that's how many you can catch without trade.
B. is 1200 fish, because that is just enough to offset the opportunity cost of harvesting the coconuts.
C. is 301 fish, because anything better than a one-for-one trade benefits your island.
D. is 901 fish, because that is just a little more than the opportunity cost of harvesting the coconuts.

73. If you offer to give the other island 400 coconuts in exchange for 1500 fish,

A. they will refuse your offer because it makes them worse off than producing on their own.
B. they will accept your offer because it keeps them on their original PPC, and so is efficient.
C. they will accept your offer because it gives them 800 coconuts, which is more than they can make on their own.
D. they will accept your offer because it allows them to consume a combination of fish and coconuts that would be unattainable on their own.

74. Both countries specialize exclusively in the product for which they have a comparative advantage. You have agreed to sell them 350 coconuts in exchange for 1300 fish. After the trade your country has a total of _____ coconuts and _____fish.

A. 150; 2800
B. 500; 1300
C. 150; 1300
D. 500; 1500

75. Both countries specialize exclusively in the product for which they have a comparative advantage. You have agreed to sell them 350 coconuts in exchange for 1300 fish. After the trade the other country has a total of _____ coconuts and _____fish.

A. 850; 1200
B. 500; 1200
C. 350; 1500
D. 350; 1200

76. Large developed countries can produce more of practically everything than can a small less developed country. Therefore,

A. the large country has no incentive to trade with the smaller country.
B. it would be impossible for the smaller country to have a comparative advantage in making any products that the larger country wants to buy.
C. trade will benefit both countries if each country has a comparative advantage in a traded product.
D. trade between the countries is more likely to benefit the small country and harm the larger country.

77. According to the principle of increasing opportunity cost, expanding production requires using resources in which order:

A. in random order.
B. start with the resource with the highest opportunity cost and progress to the lower opportunity cost resources.
C. start with the resource closest to the average opportunity cost, then progress to higher opportunity cost resources.
D. start with the resource with the lowest opportunity cost and proceed to the higher opportunity cost resources.

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

Good	Amr	Badr
Computers	10	6
Calculators	100	120

78. The opportunity cost of making an extra calculator for Amr is _____ and for Badr it is _____.

A. 0.10 computers; 0.05 computers

B. 10 computers; 6 computers

C. 1 computer; 0.5 computers

D. 0.6 computers; 1.2 computers

79. By coordinating their production decisions, the maximum number of computers Amr and Badr can produce is

A. 120.

B. 6.

C. 16.

D. 10.

80. Suppose Amr and Badr begin at the point of 16 computers and 0 calculators. If they wish to have 14 computers and 40 calculators, then Amr will spend _____ and Badr will spend _____.

A. 1 hour on computers; 40 minutes on computers and 20 minutes on calculators

B. 1 hour on computers; 20 minutes on computers and 40 minutes on calculators

C. 30 minutes on each; 30 minutes on each

D. 45 minutes on computers and 15 on calculators; 1 hour on calculators

81. Suppose Amr and Badr begin at the point of 0 computers and 220 calculators. If they wish to have 2 computers and 200 calculators, then Amr will spend _____ and Badr will spend _____.

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

82. For any efficient point with more than 10 computers and fewer than 120 calculators, Amr will _____ and Badr will _____.

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

83. For any efficient point with fewer than 10 computers and more than 120 calculators, Amr will _____ and Badr will _____.

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

84. As Amr and Badr choose to efficiently produce fewer computers and more calculators, _____ devotes more time to calculators because his _____.

A. Amr; absolute advantage is larger
B. Badr; absolute advantage is smaller
C. Badr; opportunity costs are lower
D. Amr; opportunity costs are lower

Mines Inc. operates 3 iron ore mines. This table shows their daily production rates given the number of miners at each mine. All of the miners work for the same wage.

Mine	Tons	Number of Miners
A	100	25
B	30	10
C	75	15

Mine	**Tons**	**Number of Miners**
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

85. The opportunity cost of moving one miner from Mine A to Mine B is

A. 2 Tons.

B. 3 Tons.

C. 4 Tons.

D. 1 Ton.

86. The opportunity cost of moving one miner from Mine B to Mine C is

A. less than 0.

B. 3 Tons.

C. 4 Tons.

D. 5 Tons.

87. The opportunity cost of moving one miner from Mine C to Mine A is

    A. 1 Ton.
    B. 3 Tons.
    C. 4 Tons.
    D. 5 Tons.

88. Earth Movers and Shakers has just received an order for 60 Tons of ore, to be filled in a single day. It has no other orders for that day. It should

    A. take it all from Mine A.
    B. take it all from Mine C.
    C. take 30 from Mine B and 30 from Mine C.
    D. take 20 from each mine.

89. Earth Movers and Shakers needs to fill an order for 100 Tons of ore in a single day, and has no other orders to fill that day. It should

    A. take it all from Mine A.
    B. take 75 tons from Mine C and 25 tons from Mine A.
    C. take 75 tons from Mine C and 25 tons from Mine B.
    D. take 30 tons from Mine B and 70 tons from Mine A.

90. By taking the first tons from _____, Movers and Shakers is producing consistent with the _____ Principle.

    A. Mine A; Low Hanging Fruit
    B. Mine C; Compromise
    C. Mine C: Low Hanging Fruit
    D. Mine B; Cost Minimizing

91. Refer to the figure above. If this restaurant makes 75 salads in one hour, approximately how many pizzas can it also make in that same hour, assuming efficient production?

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

92. Refer to the figure above. Moving from Point B to Point C, this restaurant would be

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

93. Refer to the figure above. Moving from Point C to Point B, the opportunity cost of 25 more salads is

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

94. Refer to the figure above. Moving from Point B to Point A, the opportunity cost of 25 more salads is

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

95. Refer to the figure above. As salad production increases, the opportunity cost of making an additional salad

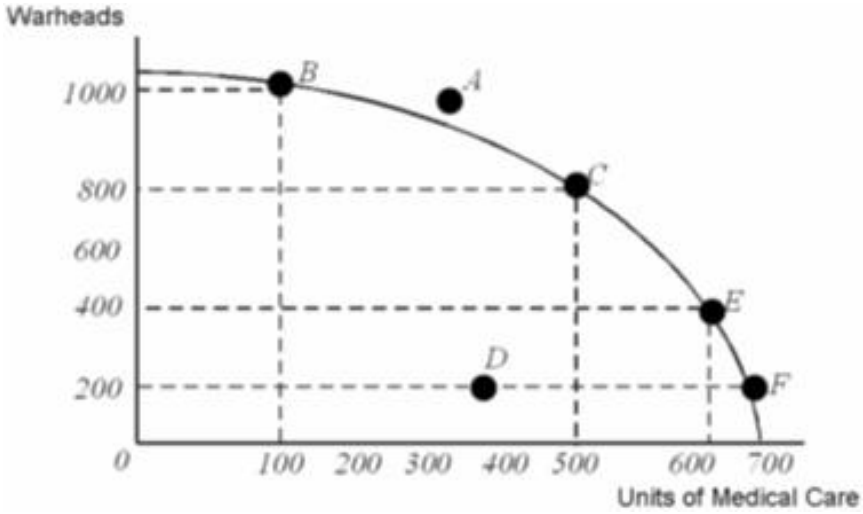
A. remains constant.
B. increases as the number of salads increases.
C. decreases as the number of pizzas decreases.
D. decreases as the number of salads increases.

96. Refer to the figure above. Compare the degree of efficiency at each point. Which is true?

A. Point A is less efficient than Point B.
B. Points A, B, and C are more efficient than Point D.
C. Points B and C are more efficient than either Point A or Point D.
D. Points A, B, C and D are equally efficient.

97. The PPC shown in this graph is characteristic of production that displays

A. constant opportunity costs as production of a good increases.
B. decreasing opportunity costs as production of a good increases.
C. increasing opportunity costs as production of a good increases.
D. inefficient production because it is downward sloping.



98. Refer to the figure above. Which of the following is true given the production possibilities shown?

A. Point C is more efficient than Point B because at Point C the opportunity cost of another warhead is lower than at Point B.
B. Point B is the most efficient feasible point because it represents specialization in warheads.
C. Point F is the most efficient feasible point because it represents specialization in medical care.
D. Points B, C, and E are equally efficient.

99. Refer to the figure above. Suppose that it is government policy to use resources efficiently. What should the government do?

A. Specialize in warhead production.
B. Specialize in medical care production.
C. Always produce at point C.
D. Never produce at Point D.

100. Refer to the figure above. Suppose that this economy is currently producing at point B but an aging population is demanding more medical care. Providing 400 additional units of medical care will cost this economy

A. 800 warheads.
B. 400 warheads.
C. 200 warheads.
D. 600 warheads.

101. Refer to the figure above. Increasing the quantity of medical care provided from 100 units to 300 units costs _____ increasing the quantity of medical care provided from 400 units to 600 units.

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

102. Production Possibilities Curves for large economies generally have an outward bow shape because

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

103. The Principle of Increasing Opportunity Costs tell us that

A. productive people do the hardest tasks first, while they are fresh.
B. to increase production, you should use the resources with the lowest opportunity cost first.
C. the cost-benefit principle does not apply to increasing productivity.
D. specialization increases productivity.

104. In the long-run if the production of all goods increases for a society (there is an economic growth), it will cause the production possibility curve to

A. shift inward .
B. shift outward.
C. first shift inward and then shift outward.
D. stay the same.

105. Between THE UAE and Nepal, Nepal invests less in new factories and equipments. This will likely cause

A. Nepal's production possibilities curve to shift outward faster than THE UAE.
B. THE UAE's production possibilities curve to shift inward faster than Nepal.
C. THE UAE's production possibilities curve to shift outward faster than Nepal.
D. Nepal's production possibilities curve to shift inward faster than THE UAE.

106. Economic growth can result from a(n)

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

107. An existing comparative advantage can be further magnified by specialization because

A. it eliminates switching from one task to another.
B. repetition results in boredom.
C. variety of tasks will rise.
D. small tasks will be merged into larger tasks.

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

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

109. According to the textbook, the largest factor explaining the variance in the performance of the economies of the world is the

A. degree of specialization.
B. technological sophistication.
C. location of the country.
D. type of government.

110. You have noticed that your next-door neighbor Maryam always works in the garden and her husband Jamal always washes the car. Based on this observation, you conclude that

A. Maryam has an absolute advantage in gardening.
B. Jamal has a comparative advantage in washing the car.
C. Maryam does not understand the principle of low-hanging-fruit.
D. Jamal experiences increasing opportunity costs when he gardens, but not when he washes the car.

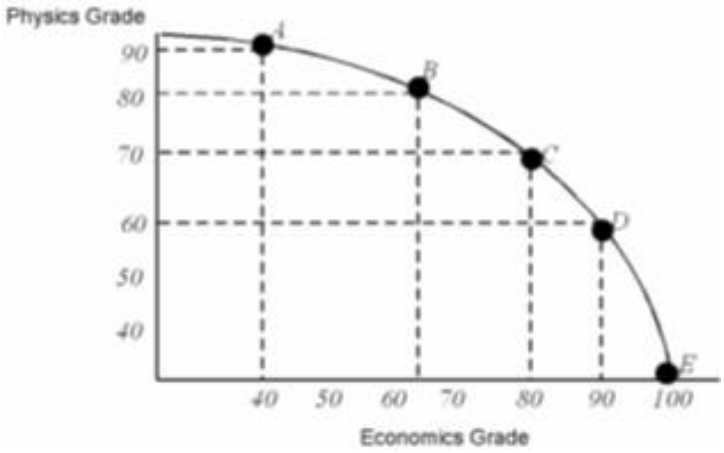
111. The principle of comparative advantage states that specialization increases productivity, but the principle of increasing opportunity costs states that when you increase production of a single good you must use increasingly costly resources. These two principles

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

112. The benefits of specialization can be used to explain why

A. workers prefer to work on a variety of tasks during the day.
B. machines are more productive than human workers.
C. trade can make both parties to the trade better off.
D. big companies take advantage of smaller ones.

Mustafa divides his time between studying Physics and studying Economics. He has discovered that he can earn grades as shown on this production possibilities curve.



113. Both of Mustafa's professors require at least a 65 to pass and a 90 to earn an A. After looking at his PPC, Mustafa realizes that

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

114. Mustafa's PPC is bowed out because

A. he is better at physics than at economics.
B. his studying is subject to the principle of increasing opportunity costs.
C. he is better at economics than at physics.
D. he has failed to take advantage of his comparative advantage.

115. According to Mustafa's PPF, moving from a grade of 80 in economics to a grade of 90 in economics

A. is inefficient.
B. comes at a lower opportunity cost than moving from a 90 to a 100 in economics.
C. is not feasible.
D. comes at a higher opportunity cost than moving from a 90 to a 100 in economics.

116. If Mustafa moved from Point A to Point C, his grade in Physics would go down by _____ his grade in economics.

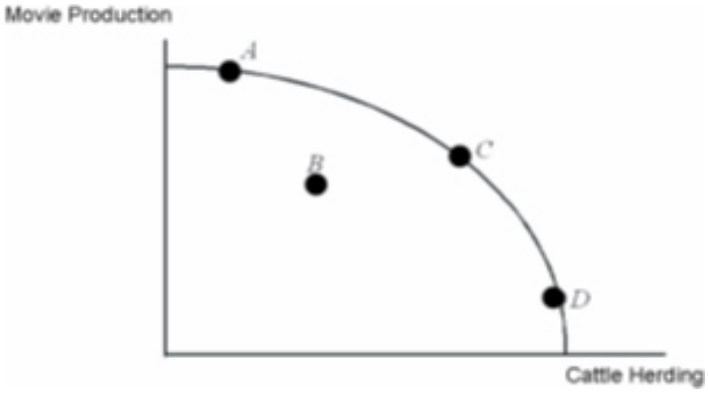
A. less than the increase in
B. more than the increase in
C. more than the decrease in
D. less than the decrease in

117. Which of the following is evidence that the low-hanging-fruit principle applies to Mustafa's study habits?

A. Earning the first 65 points in economics has a lower opportunity cost than earning the ten points that moves his score from 90 to 100 in economics.
B. Physics is easier to grasp than economics, so it is the "low hanging fruit" for Mustafa.
C. Economics is easier to grasp than physics, so it is the "low hanging fruit" for Mustafa.
D. The low-hanging-fruit principle applies only to production of goods and services, not to grades.

118. Mustafa 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. infeasible
B. attainable, but only if Mustafa is efficient
C. efficient
D. attainable, but inefficient



119. Refer to the figure above. In the country whose PPC is shown, it must be true that

A. the residents are better at herding cattle than at making movies.
B. the residents are better at making movies than at herding cattle.
C. some residents are better at herding cattle and some residents are better at making movies.
D. this country has a comparative advantage in cattle herding.

120. Refer to the figure above. At Point D,

A. resources that are better suited to making movies than to herding cattle are all being used to make movies.
B. the opportunity cost of herding more cattle is low because the economy is specializing in cattle herding.
C. the opportunity cost of herding more cattle is high because resources that are better suited to movie production are being used to herd cattle.
D. the economy is not operating efficiently.

121. Refer to the figure above. This economy might be operating at Point B if

A. technology has made cattle herding obsolete.
B. the low-hanging-fruit principle applies.
C. opportunity costs are too high to finance a movie.
D. resources that are best suited for making movies are being used to herd cattle, while resources that are best used for herding cattle are being used to make movies.

122. Refer to the figure above. Moving from Point D to Point C reduces cattle herding by

A. more than the increase in movies made
B. less than the increase in movies made
C. the same amount as the increase in movies made
D. more than the decrease in movies made

123. Refer to the figure above. If this economy were currently operating at Point D, in order to make more movies,

A. the first cattle herders to switch to movie making would be the cattle herders with the greatest comparative advantage in cattle herding.
B. the first cattle herders to switch to movie making would be the cattle herders with the smallest comparative advantage in cattle herding.
C. no cattle herders would have to switch because the economy is already efficient.
D. no cattle herders would have to switch because they are specialized in cattle herding, not movie making.

124. Which of the following factors would not contribute to increasing an existing comparative advantage?

A. Productivity improvements from greater experience.
B. Less time lost by switching tasks.
C. Import restrictions.
D. Efficiency improvements due to learning.

125. In general, it is true that

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

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

A. modern production.
B. too much specialization.
C. too little specialization.
D. inefficiencies caused by labor unions.

127. The _____ the difference between domestic opportunity costs and international opportunity costs, the _____ the potential benefits of trading with other countries.

A. smaller; greater
B. greater; greater
C. greater; smaller
D. larger; more insignificant

128. The key to resolving the apparent paradox of international trade increasing total output yet facing much political opposition is noting that

A. economists are mistaken about the increase in output.
B. only the wealthy benefit from trade.
C. no one benefits from trade.
D. everyone does not benefit equally from trade.

129. When a government increases the cost of international trade, it is

A. helping domestic consumers.
B. hurting all domestic producers.
C. reducing the total amount of output available to domestic consumers.
D. keeping all domestic prices artificially low.

130. The benefits to specialization are enhanced when the two trading partners have

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

131. When Turkish companies open offices in the UAE and hire workers there, it is evidence that

A. workers in the UAE have an absolute advantage over Turkish workers.
B. workers in the UAE have a comparative advantage over Turkish workers.
C. Turkish workers have already picked all of the low-hanging fruit in Turkey, forcing companies to look elsewhere.
D. all of the resources with low opportunity costs have been depleted.

Chapter 02 Testbank Key

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

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

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #1
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

2. If Samer has an absolute advantage over Nader,

A. Samer has more money than Nader.
B. the problem of scarcity applies to Nader but not to Samer.
C. the problem of scarcity applies to Samer, but not to Nader.
D. Samer can accomplish more in a given period of time than can Nader.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #2
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

3. If Leila can produce two pairs of pants in an hour while Sarah can make one pair an hour, then it must be the case that

A. Leila has a comparative advantage.
B. Leila has an absolute advantage.
C. Sarah has a comparative advantage.
D. Leila has both comparative and absolute advantage.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #3
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

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

A. comparative advantage.
B. absolute advantage.
C. relative advantage.
D. specialization advantage.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #4
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

5. Having a comparative advantage in a particular task means that

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

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #5

Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

6. Lamya has a comparative advantage in writing a term paper if she

A. can write a paper faster than the other students in class.
B. has an absolute advantage in writing a term paper.
C. always earns an A on her papers.
D. has a low opportunity cost for writing a term paper.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #6
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

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

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

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #7
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

8. Which of the following statements is always true?

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

AACSB: Analytical Skills
Blooms: Understanding

Frank - Chapter 02 #8
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

9. If Jamal can produce 3 pairs of shoes hourly, while Amr can produce 2, then one can infer that the _____ advantage belongs to _____.

A. absolute; Jamal
B. comparative; Jamal
C. comparative; Amr
D. comparative and absolute; Jamal

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #9
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

	Pizzas made per hour	Pizzas del
Kamal	12	
Salem	10	

Frank - Chapter 02

10. Refer to the figure above. According to the data, Kamal has an absolute advantage in

A. the production of pizza.
B. neither production of pizza nor delivering pizza.
C. delivering pizza.
D. both production of pizza and delivering pizza.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #10
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

11. Refer to the figure above. According to the data, Salem has an absolute advantage in

A. the production of pizza.
B. neither production of pizza nor delivering pizza.
C. delivering pizza.
D. both production of pizza and delivering pizza.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #11
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

12. Refer to the figure above. Kamal's opportunity cost of producing an extra pizza is delivering _____ pizzas.

A. 2
B. 3/2
C. 2/3
D. 1/2

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #12
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

13. Refer to the figure above. Kamal's opportunity cost of delivering an extra pizza is producing _____ pizzas.

A. 6
B. 12
C. 2
D. 1/2

AACSB: Analytical Skills
Blooms: Application

Frank - Chapter 02 #13
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

14. Refer to the figure above. Salem's opportunity cost of producing an extra pizza is delivering _____ pizzas.

A. 3
B. 2
C. 3/2
D. 2/3

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #14
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

15. Refer to the figure above. Salem's opportunity cost of delivering an extra pizza is producing _____ pizzas.

A. 12
B. 10
C. 3/2
D. 2/3

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #15
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

16. Refer to the figure above. The comparative advantage for pizza production belongs to _____ and the comparative advantage for pizza delivery belongs to _____.

A. Kamal; Kamal
B. Salem; Salem
C. Salem; Kamal
D. Kamal; Salem

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #16
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

17. Based on their comparative advantages, Salem should specialize in _____ while Kamal should specialize in _____

A. pizza delivery; pizza production
B. pizza production; pizza delivery
C. neither; both
D. both; neither

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #17
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

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

	Hamid	K
Whole Hour Cleaning	3 rooms	5
Whole Hour Cooking	3 meals	4
½ hour, Each Activity	1.5 rooms; 1.5 meals	2.5 roo

Frank - Chapter 02

18. Which of the following is true?

A. Karim has both an absolute and comparative advantage over Hamid in both tasks.
B. Hamid has a comparative advantage over Karim in cleaning.
C. Karim has a comparative advantage over Hamid in cleaning.
D. Karim has a comparative advantage over Hamid in cooking.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #18
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

19. Hamid and Karim have worked out an efficient arrangement. Under that arrangement,

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

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #19
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

20. For Hamid, the opportunity cost of cleaning one room is _____ meal(s); for Karim the opportunity cost of cleaning one room is _____ meal(s).

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #20
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

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

	Cars Sold	Truc
Latif	10	
Jamal	9	
Rami	3	

Frank - Chapter 02

21. _____ has an absolute advantage for selling cars and _____ has an absolute advantage for selling trucks.

A. Jamal; Jamal

B. Latif; Rami

C. Rami; Latif

D. Latif; Jamal

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #21
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

22. For Latif, the opportunity cost of selling a truck is

A. 10 fewer cars sold.
B. 1/2 car not sold.
C. 1 fewer car sold.
D. 2 fewer cars sold.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #22
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

23. For Jamal, the opportunity cost of selling a truck is:

A. 9 fewer cars sold.
B. 1 fewer car sold.
C. 4 fewer cars sold.
D. 1/3 car not sold.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #23
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

24. For Rami, the opportunity cost of selling a truck is:

A. 9 fewer cars sold.
B. 1/3 car sold.
C. 3 fewer cars sold.
D. 1/4 car not sold.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #24
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

25. Jamal's opportunity cost of selling a car is _____ than Rami's, and Jamal's opportunity cost of selling a car is _____ than Latif's.

A. less; more
B. more; less
C. less; less
D. more; more

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #25
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

26. _____ should specialize in truck sales and _____ should specialize in car sales.

A. Jamal; Rami
B. Rami; Latif
C. Latif; Rami
D. Latif; Jamal

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #26
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

27. Application of the Principle of Comparative Advantage leads to

A. greater specialization of labor and other factors of production.
B. lesser specialization of labor and other factors of production.
C. societies without any specialization of labor.
D. lower total output.

AACSB: Analytical Skills
Blooms: Understanding

Frank - Chapter 02 #27
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

28. Ghadah and Maryam are lost in the jungle, where the only things to eat are mangoes and fish. Ghadah can gather mangoes faster than Maryam and can also catch more fish per hour than can Maryam. Therefore,

A. Ghadah should specialize in fishing because it is harder than gathering mangoes, and Maryam should specialize in gathering mangoes.
B. Ghadah should strike out on her own, because Maryam reduces their combined productivity.
C. Maryam should specialize in the activity for which she has a comparative advantage.
D. Ghadah should specialize in the activity for which she has an absolute advantage.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #28
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

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

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #29
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

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

A. that they can produce more quickly than
B. that they can produce less quickly than
C. for which they have the lowest opportunity cost compared to
D. for which they have the highest opportunity cost compared to

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #30
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

31. A country may have a comparative advantage in the production of cars if

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #31
Learning Objective: 02-01 The Principle of Comparative Advantage.
Section: Exchange and Opportunity Cost

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

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

AACSB: Analytical Skills
Blooms: Knowledge

Frank - Chapter 02 #32
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

33. The production possibilities curve shows

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

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #33
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

34. The production possibilities curve is

A. the boundary that divides all production combinations into efficient and inefficient ones.
B. a graph illustrating the production combinations society would like to choose.
C. the boundary that divides all production combinations into attainable ones and unattainable ones.
D. a graph illustrating supply curves for different combinations of output.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #34
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

This graph describes the production possibilities on the island of Genovia:

Frank - Chapter 02

35. The opportunity cost of producing one car in Genovia is

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #35
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

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

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #36
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

37. Assuming efficient production, If 500 cars are produced in Genovia

A. 50,000 tons of agricultural products are being produced.
B. 25,000 tons of agricultural products are being produced.
C. 45,000 tons of agricultural products are being produced.
D. 40,000 tons of agricultural products are being produced.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #37
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

38. The slope of the production possibilities curve must be

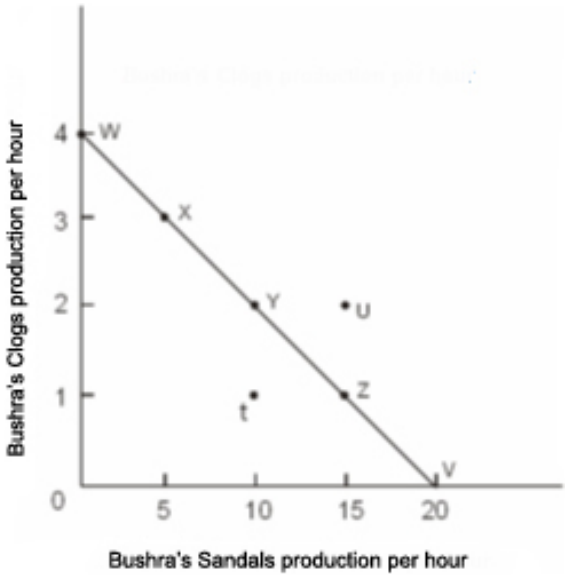
A. positive.
B. decreasing.
C. increasing.
D. negative.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #38
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

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

A. negative; to produce more of one good means less production of the other
B. constant; the tradeoff in production never changes
C. positive; to produce more of one good means more production of the other
D. positive; to produce more of one good means less production of the other

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #39
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities



Frank - Chapter 02

40. Refer to the figure above. Bushra's maximum production of clogs per hour is represented by point

A. u.
B. t.
C. v.
D. w.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #40
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

41. Refer to the figure above. Bushra's maximum production of sandals per hour is represented by point

A. u.
B. t.
C. v.
D. z.

AACSB: Analytical Skills

Blooms: Knowledge
Frank - Chapter 02 #41
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

42. Refer to the figure above. Point u is an _____ point in relation to the production possibilities curve.

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

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #42
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

43. Refer to the figure above. Of the labeled points, _____ are attainable

A. only t and u
B. only x, y, and z
C. only w, x, y, z, and v
D. only w, x, y, z, v, and t

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #43
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

44. Refer to the figure above. Of the labeled points, _____ are efficient.

A. only t and u
B. only x, y, and z
C. only w, x, y, z, and v
D. only w, x, y, z, v, and t

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #44
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

45. Refer to the figure above. Point t is an _____ point in relation to the production possibilities curve.

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

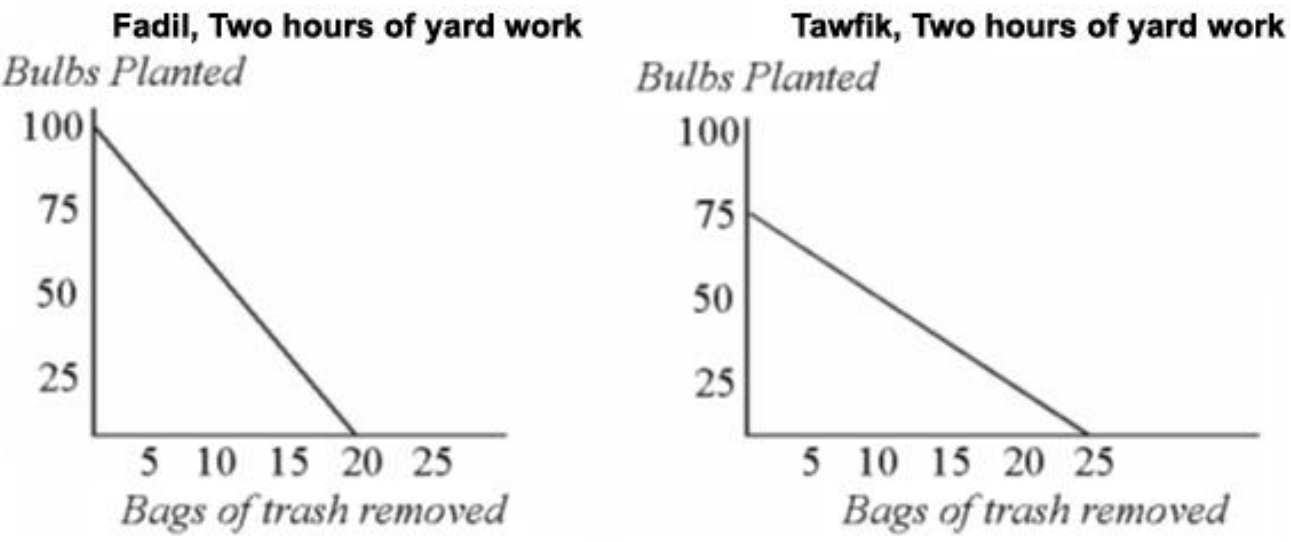
AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #45
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

46. Refer to the figure above. Point y _____ Point v

A. is more efficient than
B. is less efficient than
C. is equally efficient as
D. is more attainable than

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #46

Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities



Frank - Chapter 02

47. Refer to the figure above. For Fadil, the opportunity cost of removing one bag of trash is

A. 25 bulbs not planted.
B. 5 bulbs not planted.
C. 10 bulbs not planted.
D. one-fifth of a bulb not planted.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #47
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

48. Refer to the figure above. For Tawfiq, the opportunity to removing one bag of trash is

A. 25 bulbs that don't get planted.
B. 5 bulbs that don't get planted.
C. 3 bulbs that don't get planted.
D. One-third of a bulb that doesn't get planted.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #48

Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

49. Refer to the figure above. If Fadil and Tawfiq were to specialize in the task for which each has a comparative advantage,

A. Tawfiq would plant bulbs and Fadil would haul out trash.
B. Tawfiq would haul out trash and Fadil would plant bulbs.
C. Fadil and Tawfiq would each spend one hour on each task.
D. both would plant bulbs as they both have an absolute advantage in that task.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #49
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

50. If a point is attainable,

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #50
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

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

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #51
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

52. An inefficient point is

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

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #52
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

Frank - Chapter 02

53. Refer to the figure above. It is _____ for this farmer to grow 1,000 bushels of wheat and no corn relative to growing 500 bushels of corn and no wheat.

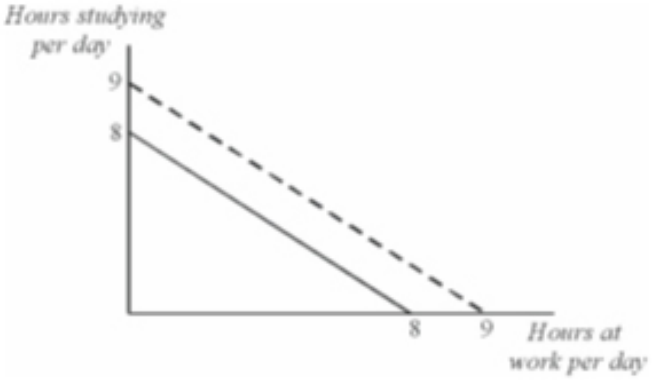
A. not efficient
B. more efficient
C. less efficient
D. equally efficient

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #53
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

54. Refer to the figure above. It is efficient for this farmer to

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #54
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities



Frank - Chapter 02

55. Refer to the figure above. The diagram shows Saad's Production Possibilities for one day. For Saad, the opportunity cost of spending one more hour studying

A. is diminishing with each additional hour.
B. is increasing with each additional hour.
C. is exactly one hour of paid work.
D. is the marginal benefit from studying.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #55
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

56. Refer to the figure above. Saad could move from the bold PPC to the dashed PPC by

A. finding a job that paid a higher wage.
B. studying fewer hours but more effectively per hour.
C. devoting fewer hours to sleeping.
D. spending more time on the activity for which he has a comparative advantage.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #56
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

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

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #57

Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

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

A. beyond the production possibilities curve.
B. on the production possibilities curve.
C. either an attainable or unattainable point.
D. the best combination out of all possible combinations.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #58
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

59. Working efficiently, Fouad can write 3 essays and outline 4 chapters each week. It must be true that,

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #59
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

Point A on a linear production possibilities curve represents a 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.

Frank - Chapter 02

60. The absolute value of the slope of the production possibilities curve between points A and B equals:

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #60
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

61. The opportunity cost of a cup of coffee is

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #61
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

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

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

AACSB: Analytical Skills
Blooms: Application

Frank - Chapter 02 #62
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

63. If a linear, two-good production possibilities graph has a slope steeper than,

A. you would have to give up more than one unit of the good measured on the horizontal axis to gain an additional unit of the good measured on the vertical axis.
B. you would have to give up less than one unit of the good measured on the horizontal axis to gain an additional unit of the good measured on the vertical axis.
C. by specializing in the good measured on the horizontal axis you would be able to make more total units than you would if you specialized in the good measured on the vertical axis.
D. you have a comparative advantage in the good measured on the vertical axis.

AACSB: Reflective Thinking Skills
Blooms: Analysis
Frank - Chapter 02 #63
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Comparative Advantage and Production Possibilities

Fahd has 4 hours to spend either studying for a test or playing a new video game. If Fahd spends all of that time studying, Fahd can score a 92 on the test. If Fahd plays for 1 hour, Fahd's test score falls 5 points. For playing a second hour, Fahd's score falls by 7 points. Playing for a third hour will lower Fahd's score by another 10 points.

Frank - Chapter 02

64. The intercept on the test score axis of Fahd's PPC is

A. 100
B. 92
C. 87
D. 0

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #64
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

65. Fahd's PPC for test score versus hours playing a new video game is

A. upward sloped.

B. downward sloped.

C. first upward and then downward sloped.

D. first downward and then upward sloped.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #65
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

66. The opportunity cost of the 2nd hour of playing the video game is

A. 10 points in the test.

B. 5 points in the test.

C. 7 points in the test.

D. 2.5 points in the test.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #66
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

67. The opportunity cost of playing video games

A. decreases the longer Fahd plays.

B. increases the longer Fahd plays.

C. is greater than the value of earning a higher grade on the test.

D. is equal to the value of earning a higher grade on the test.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #67
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).

Section: Comparative Advantage and Production Possibilities

68. The fundamental reason the production possibilities curve has a downward slope is

A. workers are inefficient.
B. resources are of low quality.
C. resources are fixed and therefore tradeoffs must be made.
D. it has empirical support but why it is so is still a mystery.

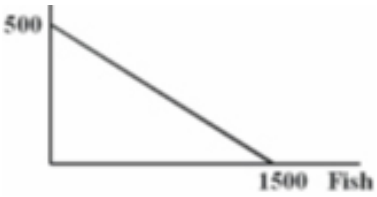
AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #68
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

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

A. one person has an absolute advantage in both goods.
B. neither person has an absolute advantage.
C. the difference in their respective opportunity costs are small for both goods.
D. there is a large difference in their opportunity costs.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #69
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

You are the Minister of Trade for a small island country in the South Pacific with the following annual production possibilities curve:



You are negotiating a deal with a neighboring island that has the following annual PPC:

Frank - Chapter 02

70. As soon as you see the other island's PPC you realize

A. there will be no trade because the other island has the same comparative advantage as yours.
B. there will be no trade because there is no difference in your ability to harvest coconuts.
C. there will be no trade because the other island has an absolute advantage.
D. your island will have to specialize in coconuts if it wants to gain from trade.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #70
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

71. When the other island's delegate offers to give you 1,000 fish in exchange for 500 coconuts, you

A. accept because you will then have a total of 2,500 fish.
B. refuse because the trade would leave you at a level of consumption that is less than what you could produce on your own.
C. accept because the trade will leave you at a level of consumption that is more than what you could produce on your own.
D. counter, offering to give them 400 coconuts in exchange for 1,000 fish.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #71
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

72. You have arrived with 300 coconuts to trade. The minimum number of fish you would be willing to accept in exchange for those coconuts

A. is 1500 fish, because that's how many you can catch without trade.
B. is 1200 fish, because that is just enough to offset the opportunity cost of harvesting the coconuts.
C. is 301 fish, because anything better than a one-for-one trade benefits your island.
D. is 901 fish, because that is just a little more than the opportunity cost of harvesting the coconuts.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #72
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

73. If you offer to give the other island 400 coconuts in exchange for 1500 fish,

A. they will refuse your offer because it makes them worse off than producing on their own.
B. they will accept your offer because it keeps them on their original PPC, and so is efficient.
C. they will accept your offer because it gives them 800 coconuts, which is more than they can make on their own.
D. they will accept your offer because it allows them to consume a combination of fish and coconuts that would be unattainable on their own.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #73
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

74. Both countries specialize exclusively in the product for which they have a comparative advantage. You have agreed to sell them 350 coconuts in exchange for 1300 fish. After the trade your country has a total of _____ coconuts and _____fish.

A. 150; 2800
B. 500; 1300
C. 150; 1300
D. 500; 1500

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #74
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

75. Both countries specialize exclusively in the product for which they have a comparative advantage. You have agreed to sell them 350 coconuts in exchange for 1300 fish. After the trade the other country has a total of _____ coconuts and _____fish.

A. 850; 1200
B. 500; 1200
C. 350; 1500
D. 350; 1200

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #75
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

76. Large developed countries can produce more of practically everything than can a small less developed country. Therefore,

A. the large country has no incentive to trade with the smaller country.
B. it would be impossible for the smaller country to have a comparative advantage in making any products that the larger country wants to buy.
C. trade will benefit both countries if each country has a comparative advantage in a traded product.
D. trade between the countries is more likely to benefit the small country and harm the larger country.

AACSB: Reflective Thinking Skills
Blooms: Understanding
Frank - Chapter 02 #76
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

77. According to the principle of increasing opportunity cost, expanding production requires using resources in which order:

A. in random order.
B. start with the resource with the highest opportunity cost and progress to the lower opportunity cost resources.
C. start with the resource closest to the average opportunity cost, then progress to higher opportunity cost resources.
D. start with the resource with the lowest opportunity cost and proceed to the higher opportunity cost resources.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #77
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

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

Good	Amr	Badr
Computers	10	6
Calculators	100	120

Frank - Chapter 02

78. The opportunity cost of making an extra calculator for Amr is _____ and for Badr it is _____.

A. 0.10 computers; 0.05 computers
B. 10 computers; 6 computers
C. 1 computer; 0.5 computers
D. 0.6 computers; 1.2 computers

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #78
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

79. By coordinating their production decisions, the maximum number of computers Amr and Badr can produce is

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #79
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

80. Suppose Amr and Badr begin at the point of 16 computers and 0 calculators. If they wish to have 14 computers and 40 calculators, then Amr will spend _____ and Badr will spend _____.

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #80
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

81. Suppose Amr and Badr begin at the point of 0 computers and 220 calculators. If they wish to have 2 computers and 200 calculators, then Amr will spend _____ and Badr will spend _____.

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #81
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

82. For any efficient point with more than 10 computers and fewer than 120 calculators, Amr will _____ and Badr will _____.

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #82
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

83. For any efficient point with fewer than 10 computers and more than 120 calculators, Amr will _____ and Badr will _____.

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #83
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

84. As Amr and Badr choose to efficiently produce fewer computers and more calculators, _____ devotes more time to calculators because his _____.

A. Amr; absolute advantage is larger
B. Badr; absolute advantage is smaller
C. Badr; opportunity costs are lower
D. Amr; opportunity costs are lower

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #84
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

Mines Inc. operates 3 iron ore mines. This table shows their daily production rates given the number of miners at each mine. All of the miners work for the same wage.

Mine	Tons	Number of
A	100	25
B	30	10
C	75	15

Mine	**Tons**	**Number of Miners**
Mother Lode	100	25
Scraping Bottom	30	10
Middle Drift	75	15

Frank - Chapter 02

85. The opportunity cost of moving one miner from Mine A to Mine B is

A. 2 Tons.
B. 3 Tons.
C. 4 Tons.
D. 1 Ton.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #85
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

86. The opportunity cost of moving one miner from Mine B to Mine C is

A. less than 0.
B. 3 Tons.
C. 4 Tons.
D. 5 Tons.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #86
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

87. The opportunity cost of moving one miner from Mine C to Mine A is

A. 1 Ton.
B. 3 Tons.
C. 4 Tons.
D. 5 Tons.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #87
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

88. Earth Movers and Shakers has just received an order for 60 Tons of ore, to be filled in a single day. It has no other orders for that day. It should

A. take it all from Mine A.
B. take it all from Mine C.
C. take 30 from Mine B and 30 from Mine C.
D. take 20 from each mine.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #88
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

89. Earth Movers and Shakers needs to fill an order for 100 Tons of ore in a single day, and has no other orders to fill that day. It should

A. take it all from Mine A.
B. take 75 tons from Mine C and 25 tons from Mine A.
C. take 75 tons from Mine C and 25 tons from Mine B.
D. take 30 tons from Mine B and 70 tons from Mine A.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #89
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

90. By taking the first tons from _____, Movers and Shakers is producing consistent with the _____ Principle.

A. Mine A; Low Hanging Fruit

B. Mine C; Compromise

C. Mine C: Low Hanging Fruit

D. Mine B; Cost Minimizing

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #90
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

Frank - Chapter 02

91. Refer to the figure above. If this restaurant makes 75 salads in one hour, approximately how many pizzas can it also make in that same hour, assuming efficient production?

A. 0

B. 10

C. 20

D. 30

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #91

Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

92. Refer to the figure above. Moving from Point B to Point C, this restaurant would be

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #92
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

93. Refer to the figure above. Moving from Point C to Point B, the opportunity cost of 25 more salads is

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #93
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

94. Refer to the figure above. Moving from Point B to Point A, the opportunity cost of 25 more salads is

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #94
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

95. Refer to the figure above. As salad production increases, the opportunity cost of making an additional salad

A. remains constant.
B. increases as the number of salads increases.
C. decreases as the number of pizzas decreases.
D. decreases as the number of salads increases.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #95
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

96. Refer to the figure above. Compare the degree of efficiency at each point. Which is true?

A. Point A is less efficient than Point B.
B. Points A, B, and C are more efficient than Point D.
C. Points B and C are more efficient than either Point A or Point D.
D. Points A, B, C and D are equally efficient.

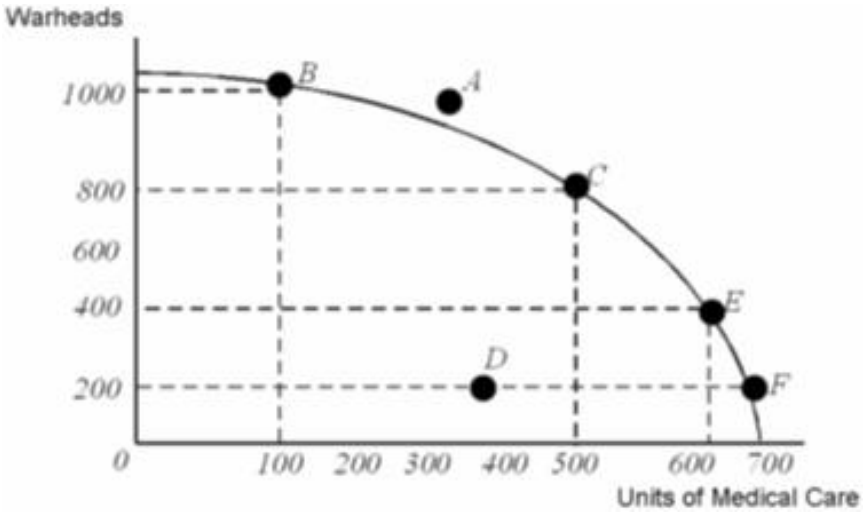
AACSB: Analytical Skills
Blooms: Understanding

Frank - Chapter 02 #96
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

97. The PPC shown in this graph is characteristic of production that displays

A. constant opportunity costs as production of a good increases.
B. decreasing opportunity costs as production of a good increases.
C. increasing opportunity costs as production of a good increases.
D. inefficient production because it is downward sloping.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #97
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities



Frank - Chapter 02

98. Refer to the figure above. Which of the following is true given the production possibilities shown?

A. Point C is more efficient than Point B because at Point C the opportunity cost of another warhead is lower than at Point B.
B. Point B is the most efficient feasible point because it represents specialization in warheads.
C. Point F is the most efficient feasible point because it represents specialization in medical care.
D. Points B, C, and E are equally efficient.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #98
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

99. Refer to the figure above. Suppose that it is government policy to use resources efficiently. What should the government do?

A. Specialize in warhead production.
B. Specialize in medical care production.
C. Always produce at point C.
D. Never produce at Point D.

AACSB: Reflective Thinking Skills
Blooms: Analysis
Frank - Chapter 02 #99
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

100. Refer to the figure above. Suppose that this economy is currently producing at point B but an aging population is demanding more medical care. Providing 400 additional units of medical care will cost this economy

A. 800 warheads.
B. 400 warheads.
C. 200 warheads.
D. 600 warheads.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #100
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

101. Refer to the figure above. Increasing the quantity of medical care provided from 100 units to 300 units costs _____ increasing the quantity of medical care provided from 400 units to 600 units.

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #101
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

102. Production Possibilities Curves for large economies generally have an outward bow shape because

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

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #102
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

103. The Principle of Increasing Opportunity Costs tell us that

A. productive people do the hardest tasks first, while they are fresh.
B. to increase production, you should use the resources with the lowest opportunity cost first.
C. the cost-benefit principle does not apply to increasing productivity.
D. specialization increases productivity.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #103
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

104. In the long-run if the production of all goods increases for a society (there is an economic growth), it will cause the production possibility curve to

A. shift inward .
B. shift outward.
C. first shift inward and then shift outward.
D. stay the same.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #104
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

105. Between THE UAE and Nepal, Nepal invests less in new factories and equipments. This will likely cause

A. Nepal's production possibilities curve to shift outward faster than THE UAE.
B. THE UAE's production possibilities curve to shift inward faster than Nepal.
C. THE UAE's production possibilities curve to shift outward faster than Nepal.
D. Nepal's production possibilities curve to shift inward faster than THE UAE.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #105
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

106. Economic growth can result from a(n)

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

AACSB: Analytical Skills
Blooms: Knowledge

Frank - Chapter 02 #106
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

107. An existing comparative advantage can be further magnified by specialization because

A. it eliminates switching from one task to another.
B. repetition results in boredom.
C. variety of tasks will rise.
D. small tasks will be merged into larger tasks.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #107
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

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

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #108
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

109. According to the textbook, the largest factor explaining the variance in the performance of the economies of the world is the

A. degree of specialization.
B. technological sophistication.
C. location of the country.
D. type of government.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #109
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

110. You have noticed that your next-door neighbor Maryam always works in the garden and her husband Jamal always washes the car. Based on this observation, you conclude that

A. Maryam has an absolute advantage in gardening.
B. Jamal has a comparative advantage in washing the car.
C. Maryam does not understand the principle of low-hanging-fruit.
D. Jamal experiences increasing opportunity costs when he gardens, but not when he washes the car.

AACSB: Reflective Thinking Skills
Blooms: Knowledge
Frank - Chapter 02 #110
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Factors That Shift the Economys Production Possibilities Curve

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

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

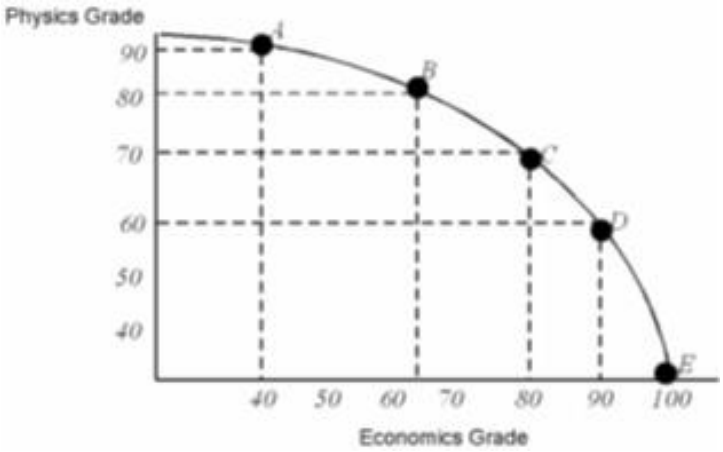
AACSB: Reflective Thinking Skills
Blooms: Synthesis
Frank - Chapter 02 #111
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Factors That Shift the Economys Production Possibilities Curve

112. The benefits of specialization can be used to explain why

A. workers prefer to work on a variety of tasks during the day.
B. machines are more productive than human workers.
C. trade can make both parties to the trade better off.
D. big companies take advantage of smaller ones.

AACSB: Reflective Thinking Skills
Blooms: Synthesis
Frank - Chapter 02 #112
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Factors That Shift the Economys Production Possibilities Curve

Mustafa divides his time between studying Physics and studying Economics. He has discovered that he can earn grades as shown on this production possibilities curve.



Frank - Chapter 02

113. Both of Mustafa's professors require at least a 65 to pass and a 90 to earn an A. After looking at his PPC, Mustafa realizes that

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #113
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

114. Mustafa's PPC is bowed out because

A. he is better at physics than at economics.
B. his studying is subject to the principle of increasing opportunity costs.
C. he is better at economics than at physics.
D. he has failed to take advantage of his comparative advantage.

AACSB: Analytical Skills
Blooms: Application

Frank - Chapter 02 #114
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

115. According to Mustafa's PPF, moving from a grade of 80 in economics to a grade of 90 in economics

A. is inefficient.
B. comes at a lower opportunity cost than moving from a 90 to a 100 in economics.
C. is not feasible.
D. comes at a higher opportunity cost than moving from a 90 to a 100 in economics.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #115
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

116. If Mustafa moved from Point A to Point C, his grade in Physics would go down by _____ his grade in economics.

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

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #116
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

117. Which of the following is evidence that the low-hanging-fruit principle applies to Mustafa's study habits?

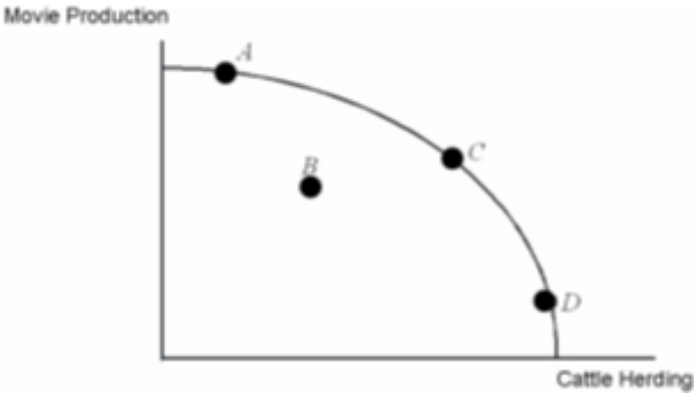
A. Earning the first 65 points in economics has a lower opportunity cost than earning the ten points that moves his score from 90 to 100 in economics.
B. Physics is easier to grasp than economics, so it is the "low hanging fruit" for Mustafa.
C. Economics is easier to grasp than physics, so it is the "low hanging fruit" for Mustafa.
D. The low-hanging-fruit principle applies only to production of goods and services, not to grades.

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #117
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

118. Mustafa 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. infeasible
B. attainable, but only if Mustafa is efficient
C. efficient
D. attainable, but inefficient

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #118
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities



119. Refer to the figure above. In the country whose PPC is shown, it must be true that

A. the residents are better at herding cattle than at making movies.
B. the residents are better at making movies than at herding cattle.
C. some residents are better at herding cattle and some residents are better at making movies.
D. this country has a comparative advantage in cattle herding.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #119
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

120. Refer to the figure above. At Point D,

A. resources that are better suited to making movies than to herding cattle are all being used to make movies.
B. the opportunity cost of herding more cattle is low because the economy is specializing in cattle herding.
C. the opportunity cost of herding more cattle is high because resources that are better suited to movie production are being used to herd cattle.
D. the economy is not operating efficiently.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #120
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

121. Refer to the figure above. This economy might be operating at Point B if

A. technology has made cattle herding obsolete.
B. the low-hanging-fruit principle applies.
C. opportunity costs are too high to finance a movie.
D. resources that are best suited for making movies are being used to herd cattle, while resources that are best used for herding cattle are being used to make movies.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #121
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

122. Refer to the figure above. Moving from Point D to Point C reduces cattle herding by

A. more than the increase in movies made
B. less than the increase in movies made
C. the same amount as the increase in movies made
D. more than the decrease in movies made

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #122
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

123. Refer to the figure above. If this economy were currently operating at Point D, in order to make more movies,

A. the first cattle herders to switch to movie making would be the cattle herders with the greatest comparative advantage in cattle herding.
B. the first cattle herders to switch to movie making would be the cattle herders with the smallest comparative advantage in cattle herding.
C. no cattle herders would have to switch because the economy is already efficient.
D. no cattle herders would have to switch because they are specialized in cattle herding, not movie making.

AACSB: Analytical Skills
Blooms: Application
Frank - Chapter 02 #123
Learning Objective: 02-02 The Principle of Increasing Opportunity Cost (also called the Low-Hanging-Fruit Principle).
Section: Comparative Advantage and Production Possibilities

124. Which of the following factors would not contribute to increasing an existing comparative advantage?

A. Productivity improvements from greater experience.
B. Less time lost by switching tasks.
C. Import restrictions.
D. Efficiency improvements due to learning.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #124
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

125. In general, it is true that

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

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #125
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

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

A. modern production.
B. too much specialization.
C. too little specialization.
D. inefficiencies caused by labor unions.

AACSB: Analytical Skills
Blooms: Knowledge
Frank - Chapter 02 #126
Learning Objective: 02-03 Factors that shift the menu of production possibilities.
Section: Factors That Shift the Economys Production Possibilities Curve

127. The _____ the difference between domestic opportunity costs and international opportunity costs, the _____ the potential benefits of trading with other countries.

A. smaller; greater
B. greater; greater
C. greater; smaller
D. larger; more insignificant

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #127
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

128. The key to resolving the apparent paradox of international trade increasing total output yet facing much political opposition is noting that

A. economists are mistaken about the increase in output.
B. only the wealthy benefit from trade.
C. no one benefits from trade.
D. everyone does not benefit equally from trade.

AACSB: Analytical Skills
Blooms: Analysis
Frank - Chapter 02 #128
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

129. When a government increases the cost of international trade, it is

A. helping domestic consumers.
B. hurting all domestic producers.
C. reducing the total amount of output available to domestic consumers.
D. keeping all domestic prices artificially low.

AACSB: Analytical Skills
Blooms: Understanding

Frank - Chapter 02 #129
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

130. The benefits to specialization are enhanced when the two trading partners have

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

AACSB: Analytical Skills
Blooms: Understanding
Frank - Chapter 02 #130
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

131. When Turkish companies open offices in the UAE and hire workers there, it is evidence that

A. workers in the UAE have an absolute advantage over Turkish workers.
B. workers in the UAE have a comparative advantage over Turkish workers.
C. Turkish workers have already picked all of the low-hanging fruit in Turkey, forcing companies to look elsewhere.
D. all of the resources with low opportunity costs have been depleted.

AACSB: Reflective Thinking Skills
Blooms: Understanding
Frank - Chapter 02 #131
Learning Objective: 02-04 The role of comparative advantage in international trade.
Section: Comparative Advantage and International Trade

Chapter 02 Testbank Summary

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