Interdependence and the Gains from Trade

Multiple Choice – Section 00: Introduction

1. People who provide you with goods and services
   a. are acting out of generosity.
   b. do so because they get something in return.
   c. have chosen not to become interdependent.
   d. are required to do so by the government.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.11 - LO: 3-0
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: General Principles
   KEYWORDS: BLOOM'S: Knowledge

2. When an economist points out that you and millions of other people are interdependent, he or she is referring to the fact that we all
   a. rely upon the government to provide us with the basic necessities of life.
   b. rely upon one another for the goods and services we consume.
   c. have similar tastes and abilities.
   d. are concerned about one another’s well-being.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.11 - LO: 3-0
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Thinking Like an Economist
   KEYWORDS: BLOOM'S: Knowledge
Multiple Choice – Section 01: A Parable for the Modern Economy

1. Which of the following is not a reason people choose to depend on others for goods and services?
   a. to improve their lives
   b. to allow them to enjoy a greater variety of goods and services
   c. to consume more of each good without working any more hours
   d. to allow people to produce outside their production possibilities frontiers

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension

2. When can two countries gain from trading two goods?
   a. when the first country can only produce the first good and the second country can only produce the second good
   b. when the first country can produce both goods, but can only produce the second good at great cost, and the second country can produce both goods, but can only produce the first good at great cost
   c. when the first country is better at producing both goods and the second country is worse at producing both goods
   d. Two countries could gain from trading two goods under all of the above conditions.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension
3. Tom produces baseball gloves and baseball bats. Steve also produces baseball gloves and baseball bats, but Tom is better at producing both goods. In this case, trade could
   a. benefit both Steve and Tom.
   b. benefit Steve, but not Tom.
   c. benefit Tom, but not Steve.
   d. benefit neither Steve nor Tom.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:**

4. Olivia bakes cakes and Andrew grows corn. Olivia and Andrew both like to eat cake and eat corn. In which of the following cases is it impossible for both Olivia and Andrew to benefit from trade?
   a. Olivia cannot grow corn and Andrew cannot bake cakes.
   b. Olivia is better than Andrew at baking cakes and Andrew is better than Olivia at growing corn.
   c. Olivia is better than Andrew at baking cakes and at growing corn.
   d. Both Olivia and Andrew can benefit from trade in all of the above cases.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:**
5. Abby bakes brownies and Liam grows flowers. In which of the following cases is it impossible for both Abby and Liam to benefit from trade?
   a. Abby does not like flowers and Liam does not like brownies.
   b. Abby is better than Liam at baking brownies and Liam is better than Abby at growing flowers.
   c. Liam is better than Abby at baking brownies and at growing flowers.
   d. Both Abby and Liam can benefit from trade in all of the above cases.

   ANSWER:  
a  
   POINTS:  
   1  
   DIFFICULTY:  
   Difficulty: Moderate  

   LEARNING OBJECTIVES:  
   ECON.MANK.15.12 - LO: 3-1  

   NATIONAL STANDARDS:  
   United States - BUSPROG: Analytic  

   TOPICS:  
   DISC: International Trade  

   KEYWORDS:  
   BLOOM'S: Application  

   NOTES:  
   r  

6. The production possibilities frontier illustrates
   a. the combinations of output that an economy should produce.
   b. the combinations of output that an economy should consume.
   c. the combinations of output that an economy can produce.
   d. All of the above are correct.

   ANSWER:  
c  
   POINTS:  
   1  
   DIFFICULTY:  
   Difficulty: Moderate  

   LEARNING OBJECTIVES:  
   ECON.MANK.15.12 - LO: 3-1  

   NATIONAL STANDARDS:  
   United States - BUSPROG: Analytic  

   TOPICS:  
   DISC: Production Possibilities Model  

   KEYWORDS:  
   BLOOM'S: Comprehension
7. An economy’s production possibilities frontier is also its consumption possibilities frontier
   a. under all circumstances.
   b. under no circumstances.
   c. when the economy is self-sufficient.
   d. when the rate of tradeoff between the two goods being produced is constant.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM’S: Comprehension

8. A production possibilities frontier is bowed outward when
   a. the more resources the economy uses to produce one good, the fewer resources it has available
      to produce the other good.
   b. an economy is self-sufficient instead of interdependent and engaged in trade.
   c. the rate of tradeoff between the two goods being produced is constant.
   d. the rate of tradeoff between the two goods being produced depends on how much of each good
      is being produced.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Tradeoffs
   KEYWORDS: BLOOM’S: Comprehension
9. A production possibilities frontier is a straight line when
   a. the more resources the economy uses to produce one good, the fewer resources it has
      available to produce the other good.
   b. an economy is interdependent and engaged in trade instead of self-sufficient.
   c. the rate of tradeoff between the two goods being produced is constant.
   d. the rate of tradeoff between the two goods being produced depends on how much of each
      good is being produced.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Tradeoffs
   KEYWORDS: BLOOM'S: Comprehension

10. Consider two individuals — Marquis and Serena — each of whom would like to wear sweaters
    and eat tasty food. The gains from trade between Marquis and Serena are most obvious in which
    of the following cases?
    a. Marquis is very good at knitting sweaters and at cooking tasty food, but Serena’s skills in both
       these activities are very poor.
    b. Marquis and Serena both are very good at cooking tasty food, but neither has the necessary
       skills to knit a sweater.
    c. Marquis’s cooking and knitting skills are very poor, and Serena’s cooking and knitting skills are
       also very poor.
    d. Marquis’s skills are such that he can produce only sweaters, and Serena’s skills are such that
       she can produce only tasty food.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension
11. Consider two individuals — Howard and Mai — each of whom would like to wear sweaters and eat tasty food. The gains from trade between Howard and Mai are least obvious in which of the following cases?

a. Howard is very good at knitting sweaters and at cooking tasty food, but Mai’s skills in both of these activities are very poor.

b. Howard is very good at knitting sweaters and at cooking tasty food; Mai is very good at knitting sweaters, but she knows nothing about cooking tasty food.

c. Howard’s skills in knitting sweaters are fairly good, but his skills in cooking tasty food are fairly bad; Mai’s skills in knitting sweaters are fairly bad, but her skills in cooking tasty food are fairly good.

d. Howard’s skills are such that he can produce only sweaters, and Mai’s skills are such that she can produce only tasty food.

ANSWER: a
POUNTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: International Trade
KEYWORDS: BLOOM’S: Comprehension

12. A professor spends 10 hours per day giving lectures and writing papers. For the professor, a graph that shows his various possible mixes of output (lectures given per day and papers written per day) is called his

a. line of tastes.

b. trade-off curve.

c. production possibilities frontier.

d. consumption possibilities frontier.

ANSWER: c
POUNTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM’S: Knowledge
NOTES: r
13. Suppose there are only two people in the world. Each person’s production possibilities frontier also represents his or her consumption possibilities when
  a. neither person faces trade-offs.
  b. the frontiers are straight lines.
  c. the frontiers are bowed out.
  d. they choose not to trade with one another.

  **ANSWER:** d
  **POINTS:** 1
  **DIFFICULTY:** Difficulty: Moderate
  **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
  **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
  **TOPICS:** DISC: Production Possibilities Model
  **KEYWORDS:** BLOOM'S: Comprehension

14. The most obvious benefit of specialization and trade is that they allow us to
  a. work more hours per week than we otherwise would be able to work.
  b. consume more goods than we otherwise would be able to consume.
  c. spend more money on goods that are beneficial to society, and less money on goods that are harmful to society.
  d. consume more goods by forcing people in other countries to consume fewer goods.

  **ANSWER:** b
  **POINTS:** 1
  **DIFFICULTY:** Difficulty: Easy
  **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
  **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
  **TOPICS:** DISC: International Trade
  **KEYWORDS:** BLOOM'S: Comprehension
15. As a student, Anne spends 40 hours per week writing term papers and completing homework assignments. On one axis of her production possibilities frontier is measured the number of term papers written per week. On the other axis is measured the number of homework assignments completed per week. Anne’s production possibilities frontier is a straight line if
a. she faces no trade-off between writing term papers and completing homework assignments.
b. she can switch between writing term papers and completing homework assignments at a constant rate.
c. the rate at which she can switch between homework assignments and term papers depends on the number of homework assignments she is completing and on the number of term papers she is writing.
d. she is required by her professors to spend half of her time on term papers and the other half of her time on homework assignments.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM’S: Comprehension

16. For a self-sufficient producer, the production possibilities frontier
a. is the same as the consumption possibilities frontier.
b. is greater than the consumption possibilities frontier.
c. is less than the consumption possibilities frontier.
d. is always a straight line.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM’S: Knowledge
**Table 3-1**

Assume that John and Jane can switch between producing bread and wine at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bottle of Wine</td>
</tr>
<tr>
<td>Jane</td>
<td>2</td>
</tr>
<tr>
<td>John</td>
<td>3</td>
</tr>
</tbody>
</table>

17. **Refer to Table 3-1.** Assume that John and Jane each work 24 hours. What happens to total production if instead of each person spending 12 hours producing each good, Jane spends 21 hours producing wine and 3 hours producing bread and John spends 3 hours producing wine and 21 hours producing bread?
   a. The total production of bread and wine each rise.
   b. The total production of bread rises and the total production of wine falls.
   c. The total production of bread falls and the total production of wine rises.
   d. The total production of bread and wine each fall.

**Answer:** a

**Points:** 1

**Difficulty:** Difficulty: Moderate

**Learning Objectives:** ECON.MANK.15.12 - LO: 3-1

**National Standards:** United States - BUSPROG: Analytic

**Topics:** DISC: Production Possibilities Model
           Productive Efficiency

**Keywords:** BLOOM’S: Application

**Table 3-2**

Assume that England and Holland can switch between producing milk and oats at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Number of Units Produced in an Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Milk</td>
</tr>
<tr>
<td>England</td>
<td>10</td>
</tr>
<tr>
<td>Holland</td>
<td>8</td>
</tr>
</tbody>
</table>
18. **Refer to Table 3-2.** We could use the information in the table to draw a production possibilities frontier for England and a second production possibilities frontier for Holland. If we were to do this, measuring milk along the horizontal axis, then

a. the slope of England’s production possibilities frontier would be -10/4 and the slope of Holland’s production possibilities frontier would be -3/4.

b. the slope of England’s production possibilities frontier would be -4/10 and the slope of Holland’s production possibilities frontier would be -3/4.

c. the slope of England’s production possibilities frontier would be 10/4 and the slope of Holland’s production possibilities frontier would be 4/3.

d. the slope of England’s production possibilities frontier would be 4/10 and the slope of Holland’s production possibilities frontier would be 3/4.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM’S: Analysis

### Table 3-3
**Production Opportunities**

<table>
<thead>
<tr>
<th></th>
<th>Hours Needed to Make 1 Unit of</th>
<th>Number of Units Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cheese</td>
<td>Wine</td>
</tr>
<tr>
<td>England</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>France</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>

19. **Refer to Table 3-3.** Assume that England and France each has 40 labor hours available. If each country divides its time equally between the production of cheese and wine, then total production is

a. 8 units of cheese and 10 units of wine

b. 24 units of cheese and 15 units of wine

c. 40 units of cheese and 20 units of wine

d. 48 units of cheese and 30 units of wine

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Productive Efficiency  
**KEYWORDS:** BLOOM’S: Application
20. **Refer to Table 3-3.** Which of the following combinations of cheese and wine could France produce in 40 hours?
   a. 2 units of cheese and 20 units of wine
   b. 4 units of cheese and 15 units of wine
   c. 6 units of cheese and 5 units of wine
   d. 8 units of cheese and 20 units of wine

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis

21. **Refer to Table 3-3.** Which of the following combinations of cheese and wine could England *not* produce in 40 hours?
   a. 12 units of cheese and 7 units of wine
   b. 16 units of cheese and 6 units of wine
   c. 20 units of cheese and 5 units of wine
   d. 26 units of cheese and 4 units of wine

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis
22. **Refer to Table 3-3.** We could use the information in the table to draw a production possibilities frontier for England and a second production possibilities frontier for France. If we were to do this, measuring cheese along the horizontal axis, then
   a. the slope of England’s production possibilities frontier would be -4 and the slope of France’s production possibilities frontier would be -0.4.
   b. the slope of England’s production possibilities frontier would be -0.25 and the slope of France’s production possibilities frontier would be -2.5.
   c. the slope of England’s production possibilities frontier would be 0.25 and the slope of France’s production possibilities frontier would be 2.5.
   d. the slope of England’s production possibilities frontier would be 4 and the slope of France’s production possibilities frontier would be 0.4.

**ANSWER:**  b  
**POINTS:**  1  
**DIFFICULTY:**  Difficulty: Challenging  
**LEARNING OBJECTIVES:**  ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:**  United States - BUSPROG: Analytic  
**TOPICS:**  DISC: Production Possibilities Model  
**KEYWORDS:**  BLOOM'S: Analysis

23. **Refer to Table 3-3.** We could use the information in the table to draw a production possibilities frontier for England and a second production possibilities frontier for France. If we were to do this, measuring wine along the horizontal axis, then
   a. the slope of England’s production possibilities frontier would be -4 and the slope of France’s production possibilities frontier would be -0.4.
   b. the slope of England’s production possibilities frontier would be -0.25 and the slope of France’s production possibilities frontier would be -2.5.
   c. the slope of England’s production possibilities frontier would be 0.25 and the slope of France’s production possibilities frontier would be 2.5.
   d. the slope of England’s production possibilities frontier would be 4 and the slope of France’s production possibilities frontier would be 0.4.

**ANSWER:**  a  
**POINTS:**  1  
**DIFFICULTY:**  Difficulty: Challenging  
**LEARNING OBJECTIVES:**  ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:**  United States - BUSPROG: Analytic  
**TOPICS:**  DISC: Production Possibilities Model  
**KEYWORDS:**  BLOOM'S: Analysis
Table 3-4

Assume that Andrea and Paul can switch between producing wheat and producing beef at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to Make 1 Bushel of Wheat</th>
<th>Pound of Beef</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrea</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Paul</td>
<td>15</td>
<td>5</td>
</tr>
</tbody>
</table>

24. Refer to Table 3-4. Assume that Andrea and Paul each has 480 minutes available. If each person divides his time equally between the production of wheat and beef, then total production is
a. 24 bushels of wheat and 64 pounds of beef.
b. 21 bushels of wheat and 33 pounds of beef.
c. 16 bushels of wheat and 48 pounds of beef.
d. 5 bushels of wheat and 24 pounds of beef.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**PRODUCTIVE EFFICIENCY:**  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** r

25. Refer to Table 3-4. Which of the following combinations of wheat and beef could Andrea produce in one 8-hour day?
a. 16 bushels of wheat and 32 pounds of beef
b. 9 bushels of wheat and 25 pounds of beef
c. 7 bushels of wheat and 15 pounds of beef
d. 10 bushels of wheat and 13 pounds of beef

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis  
**NOTES:** r
26. **Refer to Table 3-4.** Which of the following combinations of wheat and beef could Paul *not* produce in one 8-hour day?
   a. 13 bushels of wheat and 60 pounds of beef
   b. 20 bushels of wheat and 30 pounds of beef
   c. 20 bushels of wheat and 20 pounds of beef
   d. 25 bushels of wheat and 15 pounds of beef

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Challenging  
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   **KEYWORDS:** BLOOM'S: Analysis  
   **NOTES:** r  

**Table 3-5**

Assume that Aruba and Iceland can switch between producing coolers and producing radios at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cooler</td>
</tr>
<tr>
<td>Aruba</td>
<td>2</td>
</tr>
<tr>
<td>Iceland</td>
<td>1</td>
</tr>
</tbody>
</table>
27. Refer to Table 3-5. Which of the following represents Aruba's production possibilities frontier when 100 labor hours are available?

a. 

b. 

c. 

d. 
ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM'S: Application
28. Refer to Table 3-5. Which of the following represents Iceland's production possibilities frontier when 100 labor hours are available?

a. 

![Graph 1](image1)

b. 

![Graph 2](image2)

c. 

![Graph 3](image3)

d. 

![Graph 4](image4)
ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model

KEYWORDS: BLOOM'S: Application

29. Refer to Table 3-5. Assume that Aruba and Iceland each has 80 labor hours available. If each country divides its time equally between the production of coolers and radios, then total production is

a. 28 coolers and 50 radios.
b. 30 coolers and 9 radios.
c. 60 coolers and 18 radios.
d. 120 coolers and 36 radios.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model

KEYWORDS: BLOOM'S: Application

30. Refer to Table 3-5. Which of the following combinations of coolers and radios could Aruba produce in one 40-hour week?

a. 3 coolers and 7 radios
b. 5 coolers and 6 radios
c. 11 coolers and 4 radios
d. 13 coolers and 3 radios

ANSWER: b

POINTS: 1

DIFFICULTY: Difficulty: Challenging

LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model

KEYWORDS: BLOOM'S: Analysis
Table 3-6

Assume that Zimbabwe and Portugal can switch between producing toothbrushes and producing hairbrushes at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Machine Minutes Needed to Make 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Toothbrush</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>3</td>
</tr>
<tr>
<td>Portugal</td>
<td>5</td>
</tr>
</tbody>
</table>
31. Refer to Table 3-6. Which of the following represents Zimbabwe’s and Portugal’s production possibilities frontiers when each country has 60 minutes of machine time available?

a. Zimbabwe Portugal

b. Zimbabwe Portugal

c. Zimbabwe Portugal

d. Zimbabwe Portugal
ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM'S: Application

32. Refer to Table 3-6. Assume that Zimbabwe and Portugal each has 180 machine minutes available. If each country divides its time equally between the production of toothbrushes and hairbrushes, then total production is
a. 24 toothbrushes and 12 hairbrushes.
b. 48 toothbrushes and 24 hairbrushes.
c. 96 toothbrushes and 48 hairbrushes.
d. 720 toothbrushes and 1440 hairbrushes.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
         Productive Efficiency
KEYWORDS: BLOOM'S: Application

33. Refer to Table 3-6. Which of the following combinations of toothbrushes and hairbrushes could Portugal produce in 30 minutes?
a. 1 toothbrush and 4 hairbrushes
b. 4 toothbrushes and 2 hairbrushes
c. 5 toothbrushes and 6 hairbrushes
d. 6 toothbrushes and 5 hairbrushes

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM'S: Analysis
34. **Refer to Table 3-6.** Which of the following combinations of toothbrushes and hairbrushes could Zimbabwe not produce in 120 minutes?
   a. 5 toothbrushes and 11 hairbrushes
   b. 10 toothbrushes and 9 hairbrushes
   c. 20 toothbrushes and 6 hairbrushes
   d. 30 toothbrushes and 3 hairbrushes

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis

**Table 3-7**

Assume that the farmer and the rancher can switch between producing meat and producing potatoes at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1 Pound of Meat</th>
<th>Pounds Produced in 24 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Rancher</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>

35. **Refer to Table 3-7.** Assume that the farmer and the rancher each has 24 labor hours available. If each person divides his time equally between the production of meat and potatoes, then total production is
   a. 6 pounds of meat and 4.5 pounds of potatoes.
   b. 5.5 pounds of meat and 8 pounds of potatoes.
   c. 12 pounds of meat and 9 pounds of potatoes.
   d. 5 pounds of meat and 5.5 pounds of potatoes.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **PRODUCTIVE EFFICIENCY**
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:** r
36. Refer to Table 3-7. Which of the following combinations of meat and potatoes could the farmer produce in 24 hours?
   a. 1 pound of meat and 8 pounds of potatoes.
   b. 2 pounds of meat and 2 pounds of potatoes.
   c. 1 pounds of meat and 5 pounds of potatoes.
   d. 3 pounds of meat and 2 pounds of potatoes.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis
   NOTES: 

37. Refer to Table 3-7. Which of the following combinations of meat and potatoes could the rancher not produce in 24 hours?
   a. 5 pounds of meat and 1 pounds of potatoes.
   b. 2 pounds of meat and 2 pounds of potatoes.
   c. 1 pounds of meat and 3 pounds of potatoes.
   d. 4 pounds of meat and 1 pound of potatoes.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis
   NOTES: 

Table 3-8

Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1 Unit of Cheese</th>
<th>Number of Units Produced in 24 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Spain</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>

38. Refer to Table 3-8. Assume that England and Spain each has 24 labor hours available. If each country divides its time equally between the production of cheese and bread, then total production is
a. 10 units of cheese and 6 units of bread.
b. 25 units of cheese and 7.5 units of bread.
c. 20 units of cheese and 12 units of bread.
d. 12 units of cheese and 8 units of bread.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
Productive Efficiency
KEYWORDS: BLOOM'S: Application
NOTES: r

39. Refer to Table 3-8. Which of the following combinations of cheese and bread could Spain produce in 24 hours?
a. 4 units of cheese and 3 units of bread.
b. 6 units of cheese and 1 units of bread.
c. 7 units of cheese and 1.5 units of bread.
d. 3 units of cheese and 3 units of bread.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM'S: Analysis
NOTES: r
40. **Refer to Table 3-8.** Which of the following combinations of cheese and bread could England *not* produce in 24 hours?
   a. 5 units of cheese and 3 units of bread.
   b. 6 units of cheese and 4 units of bread.
   c. 8 units of cheese and 3 units of bread.
   d. 7 units of cheese and 2 units of bread.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.1 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis
   **NOTES:** r

41. **Refer to Table 3-8.** We could use the information in the table to draw a production possibilities frontier for England and a second production possibilities frontier for Spain. If we were to do this, measuring cheese along the horizontal axis, then
   a. the slope of England’s production possibilities frontier would be -0.67 and the slope of Spain’s production possibilities frontier would be -0.5.
   b. the slope of England’s production possibilities frontier would be -1.5 and the slope of Spain’s production possibilities frontier would be -2.
   c. the slope of England’s production possibilities frontier would be -0.75 and the slope of Spain’s production possibilities frontier would be -1.
   d. the slope of England’s production possibilities frontier would be -2 and the slope of Spain’s production possibilities frontier would be -0.5.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis
   **NOTES:** r
42. **Refer to Table 3-8.** We could use the information in the table to draw a production possibilities frontier for England and a second production possibilities frontier for Spain. If we were to do this, measuring bread along the horizontal axis, then

a. the slope of England’s production possibilities frontier would be -0.67 and the slope of Spain’s production possibilities frontier would be -0.5.

b. the slope of England’s production possibilities frontier would be -1.5 and the slope of Spain’s production possibilities frontier would be -2.

c. the slope of England’s production possibilities frontier would be -0.75 and the slope of Spain’s production possibilities frontier would be -1.

d. the slope of England’s production possibilities frontier would be -2 and the slope of Spain’s production possibilities frontier would be -5.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Analysis

**NOTES:** r

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**Table 3-9**

Assume that Maya and Miguel can switch between producing mixers and producing toasters at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Hours Needed To Make 1</th>
<th>Amount Produced in 60 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mixer</td>
<td>toaster</td>
</tr>
<tr>
<td>Maya</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Miguel</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>
43. **Refer to Table 3-9.** Assume that Maya and Miguel each has 60 hours available. If each person divides his/her time equally between the production of mixers and toasters, then total production is

a. 8 mixers and 16 toasters.

b. 3.5 mixers and 6 toasters.

c. 15 mixers and 9 toasters.

d. 20 mixers and 12 toasters.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Productive Efficiency

**KEYWORDS:** BLOOM’S: Application

**NOTES:** r

44. **Refer to Table 3-9.** Which of the following combinations of mixers and toasters could Maya produce in 60 hours?

a. 5 mixers and 12 toasters.

b. 6 mixers and 4 toasters.

c. 7 mixers and 7 toasters.

d. 8 mixers and 5 toasters.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Analysis

**NOTES:** r
45. **Refer to Table 3-9.** Which of the following combinations of mixers and toasters could Miguel not produce in 80 hours?
   a. 5 mixers and 6 toasters.
   b. 6 mixers and 5 toasters.
   c. 7 mixers and 2 toasters.
   d. 4 mixers and 8 toasters.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM’S: Analysis
   **NOTES:** r

46. **Refer to Table 3-9.** We could use the information in the table to draw a production possibilities frontier for Maya and a second production possibilities frontier for Miguel. If we were to do this, measuring mixers along the horizontal axis, then
   a. the slope of Maya’s production possibilities frontier would be -2 and the slope of Miguel’s production possibilities frontier would be -2.
   b. the slope of Maya’s production possibilities frontier would be -0.5 and the slope of Miguel’s production possibilities frontier would be -0.5.
   c. the slope of Maya’s production possibilities frontier would be -1.67 and the slope of Miguel’s production possibilities frontier would be -1.67.
   d. the slope of Maya’s production possibilities frontier would be -0.6 and the slope of Miguel’s production possibilities frontier would be -0.6.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM’S: Analysis
   **NOTES:** r
47. **Refer to Table 3-9.** We could use the information in the table to draw a production possibilities frontier for Maya and a second production possibilities frontier for Miguel. If we were to do this, measuring toasters along the horizontal axis, then

a. the slope of Maya’s production possibilities frontier would be -2 and the slope of Miguel’s production possibilities frontier would be -2.

b. the slope of Maya’s production possibilities frontier would be -0.5 and the slope of Miguel’s production possibilities frontier would be -0.5.

c. the slope of Maya’s production possibilities frontier would be -1.67 and the slope of Miguel’s production possibilities frontier would be -1.67.

d. the slope of Maya’s production possibilities frontier would be -0.6 and the slope of Miguel’s production possibilities frontier would be -0.6.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Analysis

**NOTES:** r

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**Table 3-10**

Assume that Japan and Korea can switch between producing cars and producing airplanes at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Hours Needed to Make 1 Car</th>
<th>Quantity Produced in 2400 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Cars</td>
</tr>
<tr>
<td>Japan</td>
<td>30</td>
<td>80</td>
</tr>
<tr>
<td>Korea</td>
<td>50</td>
<td>48</td>
</tr>
</tbody>
</table>
48. **Refer to Table 3-10.** Assume that Japan and Korea each has 2400 hours available. If each country divides its time equally between the production of cars and airplanes, then total production is

a. 40 cars and 8 airplanes.
b. 64 cars and 16 airplanes.
c. 80 cars and 16 airplanes.
d. 128 cars and 32 airplanes.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.1 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Productive Efficiency  
**KEYWORDS:** BLOOM’S: Application

49. **Refer to Table 3-10.** We could use the information in the table to draw a production possibilities frontier for Japan and a second production possibilities frontier for Korea. If we were to do this, measuring cars along the horizontal axis, then

a. the slope of Japan’s production possibilities frontier would be -5 and the slope of Korea’s production possibilities frontier would be -3.
b. the slope of Japan’s production possibilities frontier would be -0.2 and the slope of Korea’s production possibilities frontier would be -0.33.
c. the slope of Japan’s production possibilities frontier would be 0.2 and the slope of Korea’s production possibilities frontier would be 0.33.
d. the slope of Japan’s production possibilities frontier would be 5 and the slope of Korea’s production possibilities frontier would be 3.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM’S: Analysis
50. Refer to Table 3-10. We could use the information in the table to draw a production possibilities frontier for Japan and a second production possibilities frontier for Korea. If we were to do this, measuring airplanes along the horizontal axis, then
a. the slope of Japan’s production possibilities frontier would be -5 and the slope of Korea’s production possibilities frontier would be -3.
b. the slope of Japan’s production possibilities frontier would be -0.2 and the slope of Korea’s production possibilities frontier would be -0.33.
c. the slope of Japan’s production possibilities frontier would be 0.2 and the slope of Korea’s production possibilities frontier would be 0.33.
d. the slope of Japan’s production possibilities frontier would be 5 and the slope of Korea’s production possibilities frontier would be 3.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Analysis

### Table 3-11

Assume that Max and Min can switch between producing mittens and producing hats at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1</th>
<th>Quantity Produced in 36 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mittens</td>
<td>Hats</td>
</tr>
<tr>
<td>Max</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Min</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>
51. **Refer to Table 3-11.** Assume that Max and Min each has 36 labor hours available. If each person divides his/her time equally between the production of mittens and hats, then total production is

a. 18 mittens and 6 hats.
b. 18 mittens and 7.5 hats.
c. 16 mittens and 12 hats.
d. 36 mittens and 15 hats.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** r

52. **Refer to Table 3-11.** Which of the following points would not be on Max’s production possibilities frontier, based on a 36-hour production period?

a. (18 mittens, 0 hats)  
b. (12 mittens, 2 hats)  
c. (6 mittens, 4 hats)  
d. (2 mittens, 6 hats)

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis  
**NOTES:** r
53. Refer to Table 3-11. Which of the following points would be on Min's production possibilities frontier, based on a 36-hour production period?
   a. (3 mittens, 8 hats)
   b. (8 mittens, 5 hat)
   c. (10 mittens, 4 hats)
   d. More than one of the above would be on Min’s production possibilities frontier.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM’S: Analysis
   NOTES: r

   Table 3-12

   Barb and Jim run a business that sets up and tests computers. Assume that Barb and Jim can switch between setting up and testing computers at a constant rate. The following table applies.

<table>
<thead>
<tr>
<th>Minutes Needed to</th>
<th>Number of Computers Set Up or Tested in a 40-Hour Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set Up 1 Computer</td>
<td>Test 1 Computer</td>
</tr>
<tr>
<td>48</td>
<td>?</td>
</tr>
<tr>
<td>30</td>
<td>40</td>
</tr>
</tbody>
</table>

   54. Refer to Table 3-12. The number of minutes needed by Barb to test a computer is
   a. 36.
   b. 48.
   c. 60.
   d. 64.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM’S: Application
55. **Refer to Table 3-12.** Which of the following points would *not* be on Barb's production possibilities frontier, based on a 40-hour week?
   a. (0 computers set up, 40 computers tested)
   b. (8 computers set up, 32 computers tested)
   c. (25 computers set up, 20 computers tested)
   d. (30 computers set up, 16 computers tested)

   **ANSWER:** b
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Challenging

   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic

   **TOPICS:** DISC: Production Possibilities Model

   **KEYWORDS:** BLOOM'S: Analysis

56. **Refer to Table 3-12.** Which of the following points would *not* be on Jim's production possibilities frontier, based on a 40-hour week?
   a. (0 computers set up, 60 computers tested)
   b. (40 computers set up, 30 computers tested)
   c. (60 computers set up, 12 computers tested)
   d. (72 computers set up, 6 computers tested)

   **ANSWER:** c
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Challenging

   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic

   **TOPICS:** DISC: Production Possibilities Model

   **KEYWORDS:** BLOOM'S: Analysis

**Table 3-13**

Juanita and Shantala run a business that programs and tests cellular phones. Assume that Juanita and Shantala can switch between programming and testing cellular phones at a constant rate. The following table applies.

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to</th>
<th>Number of Cellular Phones Programmed or Tested in a 40-Hour Week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program 1 Cellular</td>
<td>Test 1 Cellular Phone</td>
</tr>
<tr>
<td>Juanita</td>
<td>2</td>
<td>160</td>
</tr>
<tr>
<td>Shantala</td>
<td>10</td>
<td>240</td>
</tr>
</tbody>
</table>
57. Refer to Table 3-13. The number of minutes needed by Juanita to program a cellular phone is
   a. 4.
   b. 5.
   c. 7.5.
   d. 15.

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Productive Efficiency  
   **KEYWORDS:** BLOOM'S: Application

58. Refer to Table 3-13. Which of the following points would be on Juanita's production possibilities frontier, based on a 40-hour week?
   a. (120 cellular phones programmed, 295 cellular phones tested)  
   b. (130 cellular phones programmed, 225 cellular phones tested)  
   c. (140 cellular phones programmed, 155 cellular phones tested)  
   d. Both (a) and (b) would be on Juanita’s production possibilities frontier.

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Challenging  
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   **KEYWORDS:** BLOOM'S: Analysis
59. Refer to Table 3-13. Which of the following points would be on Shantala's production possibilities frontier, based on a 40-hour week?
a. (120 cellular phones programmed, 250 cellular phones tested)
b. (180 cellular phones programmed, 150 cellular phones tested)
c. (240 cellular phones programmed, 600 cellular phones tested)
d. More than one of the above would be on Shantala’s production possibilities frontier.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Analysis

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**Table 3-14**

Assume that Nick and Faldo can switch between producing wheat and producing cloth at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Quantity Produced in 1 Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bushels of Wheat</td>
</tr>
<tr>
<td>Nick</td>
<td>8</td>
</tr>
<tr>
<td>Faldo</td>
<td>6</td>
</tr>
</tbody>
</table>

60. Refer to Table 3-14. Assume that Nick and Faldo each has 2 hours available. If each person divides his time equally between the production of wheat and cloth, then total production is
a. 8 bushels of wheat and 15 yards of cloth.
b. 14 bushels of wheat and 27 yards of cloth.
c. 16 bushels of wheat and 30 yards of cloth.
d. 28 bushels of wheat and 34 yards of cloth.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application

**NOTES:** r
Table 3-15

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1 Pound of:</th>
<th>Amount Produced in 40 hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Meat</td>
<td>Potatoes</td>
</tr>
<tr>
<td>Farmer</td>
<td>8 hours/pound</td>
<td>5 hours/pound</td>
</tr>
<tr>
<td>Rancher</td>
<td>4 hours/pound</td>
<td>10 hours/pound</td>
</tr>
</tbody>
</table>

61. Refer to Table 3-15. Assume that the farmer and the rancher each has 40 labor hours available. If each person divides his time equally between the production of meat and potatoes, then total production is
   a. 5 pounds of meat and 4 pounds of potatoes.
   b. 6 pounds of meat and 7.5 pounds of potatoes.
   c. 7.5 pounds of meat and 6 pounds of potatoes.
   d. 10 pounds of meat and 8 pounds of potatoes.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **PRODUCTIVE EFFICIENCY**
   **KEYWORDS:** BLOOM'S: Application

62. Refer to Table 3-15. Which of the following combinations of meat and potatoes could the farmer produce in 40 hours?
   a. 1 pound of meat and 7 pounds of potatoes.
   b. 2 pounds of meat and 5 pounds of potatoes.
   c. 3 pounds of meat and 3 pounds of potatoes.
   d. 4 pounds of meat and 2 pounds of potatoes.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis
63. Refer to Table 3-15. Which of the following combinations of meat and potatoes could the rancher not produce in 40 hours?
   a. 2 pounds of meat and 3 pounds of potatoes.
   b. 3 pounds of meat and 3 pounds of potatoes.
   c. 4 pounds of meat and 2 pounds of potatoes.
   d. 5 pounds of meat and 2 pound of potatoes.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis

Table 3-16

The following table contains some production possibilities for an economy for a given month.

<table>
<thead>
<tr>
<th>Blankets</th>
<th>Coats</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>600</td>
</tr>
<tr>
<td>12</td>
<td>?</td>
</tr>
<tr>
<td>16</td>
<td>200</td>
</tr>
</tbody>
</table>

64. Refer to Table 3-16. If the production possibilities frontier is bowed outward, then “?” could be
   a. 200.
   b. 300.
   c. 400.
   d. 500.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Application
   NOTES: r
65. **Refer to Table 3-16.** If the production possibilities frontier is a straight line, then “?” must be
a. 200.
b. 300.
c. 400.
d. 500.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** 

*Table 3-17*

The following table contains some production possibilities for an economy for a given year.

<table>
<thead>
<tr>
<th>Cakes</th>
<th>Pies</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>600</td>
</tr>
<tr>
<td>20</td>
<td>400</td>
</tr>
<tr>
<td>30</td>
<td>?</td>
</tr>
</tbody>
</table>

66. **Refer to Table 3-17.** If the production possibilities frontier is bowed outward, then “?” could be
a. 180.
b. 200.
c. 220.
d. 240.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** 

67. Refer to Table 3-17. If the production possibilities frontier is a straight line, then “?” must be
   a. 180.
   b. 200.
   c. 220.
   d. 240.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Application
   NOTES: 

Table 3-18

The following table contains some production possibilities for an economy for a given month.

<table>
<thead>
<tr>
<th>Apples</th>
<th>Oranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>120</td>
<td>450</td>
</tr>
<tr>
<td>180</td>
<td>?</td>
</tr>
<tr>
<td>240</td>
<td>150</td>
</tr>
</tbody>
</table>

68. Refer to Table 3-18. If the production possibilities frontier is bowed outward, then “?” could be
   a. 150.
   b. 225.
   c. 300.
   d. 375.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Application
   NOTES: r
69. **Refer to Table 3-18.** If the production possibilities frontier is a straight line, then “?” must be
   a. 150.
   b. 225.
   c. 300.
   d. 375.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:** r

**Table 3-19 Summary of the Gains from Trade**

<table>
<thead>
<tr>
<th>Without Trade</th>
<th>Alice Lemonade (in pitchers)</th>
<th>Pizzas</th>
<th>Betty Lemonade (in pitchers)</th>
<th>Pizzas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production and Consumption</td>
<td>200</td>
<td>100</td>
<td>180</td>
<td>180</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With Trade</th>
<th>Alice</th>
<th>Betty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Trade</td>
<td>400</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Gives 193</td>
<td>Gets 110</td>
</tr>
<tr>
<td>Consumption</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td></td>
<td>Gives 193</td>
<td>Gets 110</td>
</tr>
<tr>
<td></td>
<td>c</td>
<td>d</td>
</tr>
<tr>
<td>Gains from Trade</td>
<td>e</td>
<td>f</td>
</tr>
<tr>
<td></td>
<td></td>
<td>g</td>
</tr>
<tr>
<td></td>
<td></td>
<td>h</td>
</tr>
</tbody>
</table>
70. Refer to Table 3-19. The values in the table represent the amounts of lemonade and pizzas that Alice and Betty can produce in one week without and with specialization and trade. What are Alice and Betty’s gains from specialization and trade?

a. Alice gains 7 pitchers of lemonade and 10 pizzas, while Betty gains 13 pitchers of lemonade and 10 pizzas.

b. Alice gains 200 pitchers of lemonade and 100 pizzas, while Betty gains 180 pitchers of lemonade and 180 pizzas.

c. Alice gains 207 pitchers of lemonade and 110 pizzas, while Betty gains 193 pitchers of lemonade and 190 pizzas.

d. Alice gains 400 pitchers of lemonade and 0 pizzas, while Betty gains 0 pitchers of lemonade and 300 pizzas.

**ANSWER:**

**POINTS:**

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application

---

**Figure 3-1**

---

<table>
<thead>
<tr>
<th>Panel (a)</th>
<th>Panel (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>sofas</td>
<td>sofas</td>
</tr>
<tr>
<td>chairs</td>
<td>chairs</td>
</tr>
</tbody>
</table>

---
71. Refer to Figure 3-1. The rate of tradeoff between producing chairs and producing couches is constant in
   a. Panel (a).
   b. Panel (b).
   c. both Panel (a) and Panel (b).
   d. neither Panel (a) nor Panel (b).

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Tradeoffs
   KEYWORDS: BLOOM'S: Comprehension

72. Refer to Figure 3-1. The rate of tradeoff between producing chairs and producing couches depends on how many chairs and couches are being produced in
   a. Panel (a).
   b. Panel (b).
   c. both Panel (a) and Panel (b).
   d. neither Panel (a) nor Panel (b).

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Tradeoffs
   KEYWORDS: BLOOM'S: Comprehension
73. **Refer to Figure 3-2.** The fact that the line slopes downward reflects the fact that

a. for Brazil, it is more costly to produce peanuts than it is to produce cashews.

b. Brazil will produce more peanuts and fewer cashews as time goes by.

c. Brazil faces a tradeoff between producing peanuts and producing cashews.

d. Brazil should specialize in producing cashews.

**ANSWER:** c  

**POINTS:** 1  

**DIFFICULTY:** Difficulty: Moderate  

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  

**TOPICS:** DISC: Production Possibilities Model  

Tradeoffs  

**KEYWORDS:** BLOOM’S: Comprehension  

**NOTES:** r
74. Refer to Figure 3-2. If the production possibilities frontier shown is for 24 hours of production, then how long does it take Brazil to make one peanut?
   a. 1/10 hour  
   b. 1/3 hour  
   c. 3 hours  
   d. 10 hours  

   ANSWER: c  
   POINTS: 1  
   DIFFICULTY: Difficulty: Moderate  
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1  
   NATIONAL STANDARDS: United States - BUSPROG: Analytic  
   TOPICS: DISC: Production Possibilities Model  
   KEYWORDS: BLOOM'S: Application  
   NOTES: r  

75. Refer to Figure 3-2. If the production possibilities frontier shown is for 24 hours of production, then how long does it take Brazil to make one cashew?
   a. 1/10 hour  
   b. 1/3 hour  
   c. 3 hours  
   d. 10 hours  

   ANSWER: a  
   POINTS: 1  
   DIFFICULTY: Difficulty: Moderate  
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1  
   NATIONAL STANDARDS: United States - BUSPROG: Analytic  
   TOPICS: DISC: Production Possibilities Model  
   KEYWORDS: BLOOM'S: Application  
   NOTES: r
76. Refer to Figure 3-2. If the production possibilities frontier shown is for two months of production, then which of the following combinations of peanuts and cashews could Brazil produce in two months?
   a. 7 peanuts and 35 cashews
   b. 5 peanuts and 100 cashews
   c. 2 peanuts and 190 cashews
   d. 3 peanuts and 150 cashews

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis
   NOTES: r

77. Refer to Figure 3-2. If the production possibilities frontier shown is for two months of production, then which of the following combinations of peanuts and cashews could Brazil *not* produce in two months?
   a. 5 peanuts and 88 cashews
   b. 4 peanuts and 115 cashews
   c. 3 peanuts and 155 cashews
   d. 1 peanuts and 200 cashews

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis
   NOTES: r
**Figure 3-3**

Arturo’s Production Possibilities Frontier  
Dina’s Production Possibilities Frontier

78. **Refer to Figure 3-3.** If Dina must work 0.25 hour to produce each taco, then her production possibilities frontier is based on how many hours of work?

a. 40 hours  
b. 100 hours  
c. 400 hours  
d. 1600 hours

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application
79. **Refer to Figure 3-3.** If the production possibilities frontier shown for Arturo is for 100 hours of production, then how long does it take Arturo to make one burrito?

a. 1/4 hour  

b. 1/3 hour  

c. 3 hours  

d. 4 hours  

**ANSWER:** b  

**POINTS:** 1  

**DIFFICULTY:** Difficulty: Moderate  

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  

**TOPICS:** DISC: Production Possibilities Model  

**KEYWORDS:** BLOOM'S: Application  

80. **Refer to Figure 3-3.** If Arturo and Dina both spend all of their time producing tacos, then total production is

a. 400 tacos and 0 burritos.  

b. 400 tacos and 250 burritos.  

c. 800 tacos and 0 burritos.  

d. 800 tacos and 500 burritos.  

**ANSWER:** c  

**POINTS:** 1  

**DIFFICULTY:** Difficulty: Moderate  

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  

**TOPICS:** DISC: Production Possibilities Model  

**KEYWORDS:** BLOOM'S: Application
81. **Refer to Figure 3-3.** If Arturo and Dina each divides his/her time equally between the production of tacos and burritos, then total production is
a. 200 tacos and 150 burritos.
b. 400 tacos and 250 burritos.
c. 400 tacos and 300 burritos.
d. 800 tacos and 500 burritos.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application

82. **Refer to Figure 3-3.** If the production possibilities frontiers shown are each for one day of production, then which of the following combinations of tacos and burritos could Arturo and Dina together produce in a given day?

a. 400 tacos and 350 burritos  
b. 500 tacos and 250 burritos  
c. 600 tacos and 150 burritos  
d. 700 tacos and 100 burritos

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis
83. **Refer to Figure 3-3.** If the production possibilities frontiers shown are each for one day of production, then which of the following combinations of tacos and burritos could Arturo and Dina together *not* produce in a given day?

a. 200 tacos and 400 burritos  
b. 300 tacos and 350 burritos  
c. 400 tacos and 300 burritos  
d. 600 tacos and 250 burritos

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM’S: Analysis

**Figure 3-4**

**Lisa’s Production Possibilities Frontier**  
**Bryce’s Production Possibilities Frontier**
84. **Refer to Figure 3-4.** If Bryce must work 4 months to produce each sweater, then his production possibilities frontier is based on how many months of work?

a. 4 months  
b. 8 months  
c. 12 months  
d. 16 months

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** r

85. **Refer to Figure 3-4.** If the production possibilities frontier shown for Lisa is for 4 months of work, then how long does it take Lisa to produce one jacket?

a. 1/4 month  
b. 1/2 month  
c. 2 months  
d. 4 months

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** r
86. Refer to Figure 3-4. If Lisa and Bryce both spend all of their time producing jackets, then total production is
a. 2 jackets.
b. 6 jackets.
c. 24 jackets.
d. 26 jackets.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**TOPICS:** DISC: Production Possibilities Model
Specialization

**KEYWORDS:** BLOOM'S: Application

87. Refer to Figure 3-4. If Lisa and Bryce each divides his or her time equally between producing jackets and producing sweaters, then total production is
a. 2 sweaters and 8 jackets.
b. 3 sweaters and 13 jackets.
c. 5 sweaters and 8 jackets.
d. 6 sweaters and 26 jackets.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**TOPICS:** DISC: Production Possibilities Model
Productive Efficiency

**KEYWORDS:** BLOOM'S: Application

**NOTES:** r
88. Refer to Figure 3-4. If the production possibilities frontiers shown are each for one year of working, then which of the following combinations of jackets and sweaters could Lisa and Bryce together produce in a given year?
   a. 1 sweater and 22 jackets
   b. 2 sweaters and 20 jackets
   c. 4 sweaters and 12 jackets
   d. 5 sweaters and 7 jackets

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis
   NOTES: r

89. Refer to Figure 3-4. If the production possibilities frontiers shown are each for one year of production, then which of the following combinations of sweaters and jackets could Lisa and Bryce together not produce in a given year?
   a. 1 sweater and 21 jackets
   b. 2 sweaters and 20 jackets
   c. 3 sweaters and 12 jackets
   d. 5 sweaters and 4 jackets

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis
   NOTES: r
90. **Refer to Figure 3-5.** If Hosne must work 0.5 hour to make each purse, then her production possibilities frontier is based on how many hours of work?

a. 2 hours  
b. 5 hours  
c. 20 hours  
d. 50 hours  

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application
91. Refer to Figure 3-5. If the production possibilities frontier shown for Merve is for 8 hours of work, then how long does it take Merve to make one purse?
   a. 1/2 hour
   b. 2 hours
   c. 4 hours
   d. 8 hours

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Application

92. Refer to Figure 3-5. If Hosne and Merve both spend all of their time making wallets, then total production is
   a. 7 wallets.
   b. 8 wallets.
   c. 14 wallets.
   d. 28 wallets.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   SPECIALIZATION
   KEYWORDS: BLOOM'S: Application
93. Refer to Figure 3-5. If Hosne and Merve each divides her time equally between making purses and making wallets, then total production is
   a. 4 purses and 8 wallets.
   b. 7 purses and 7 wallets.
   c. 10 purses and 6 wallets.
   d. 14 purses and 14 wallets.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Productive Efficiency
   KEYWORDS: BLOOM’S: Application

   Figure 3-6

   Maxine’s Production Possibilities Frontier
   Daisy’s Production Possibilities Frontier
94. **Refer to Figure 3-6.** If Daisy must work 2.5 hours to make each pie, then her production possibilities frontier is based on how many hours of work?

a. 6 hours  
b. 7.5 hours  
c. 37.5 hours  
d. 50 hours  

*ANSWER:* c  
*POINTS:* 1  
*DIFFICULTY:* Difficulty: Moderate  
*LEARNING OBJECTIVES:* ECON.MANK.15.12 - LO: 3-1  
*NATIONAL STANDARDS:* United States - BUSPROG: Analytic  
*TOPICS:* DISC: Production Possibilities Model  
*KEYWORDS:* BLOOM’S: Application

95. **Refer to Figure 3-6.** If the production possibilities frontier shown for Maxine is for 3 hours of work, then how long does it take Maxine to make one pie?

a. 1/4 hour  
b. 1/3 hour  
c. 3 hours  
d. 4 hours  

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Difficulty: Moderate  
*LEARNING OBJECTIVES:* ECON.MANK.15.12 - LO: 3-1  
*NATIONAL STANDARDS:* United States - BUSPROG: Analytic  
*TOPICS:* DISC: Production Possibilities Model  
*KEYWORDS:* BLOOM’S: Application
96. **Refer to Figure 3-6.** If Maxine and Daisy each divides her time equally between making pies and making tarts, then total production is

a. 6 pies and 10 tarts.

b. 7.5 pies and 3 tarts.

c. 7.5 pies and 10 tarts.

d. 13.5 pies and 13 tarts.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Productive Efficiency

**KEYWORDS:** BLOOM'S: Application

97. **Refer to Figure 3-6.** If the production possibilities frontiers shown are each for one day of work, then which of the following combinations of pies and tarts could Maxine and Daisy together *not* make in a given day?

a. 2 pies and 25 tarts

b. 10 pies and 22 tarts

c. 12 pies and 15 tarts

d. 15 pies and 16 tarts

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Analysis
98. **Refer to Figure 3-6.** If the production possibilities frontiers shown are each for one day of work, then which of the following combinations of pies and tarts could Maxine and Daisy together *not* make in a given day?

a. 2 pies and 25 tarts  
b. 10 pies and 22 tarts  
c. 12 pies and 15 tarts  
d. 15 pies and 16 tarts

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis

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**Figure 3-7**

![Bintu’s Production Possibilities Frontier](image1)

![Juba’s Production Possibilities Frontier](image2)
99. **Refer to Figure 3-7.** If Bintu must work 2 hours to make each cup, then her production possibilities frontier is based on how many hours of work?
   a. 2 hours  
   b. 4 hours  
   c. 8 hours  
   d. 16 hours  

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   **KEYWORDS:** BLOOM'S: Application

100. **Refer to Figure 3-7.** If the production possibilities frontier shown for Juba is for 2 hours of work, then how long does it take Juba to make one bowl?
   a. 1/8 hour  
   b. 1/2 hour  
   c. 2 hours  
   d. 8 hours  

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   **KEYWORDS:** BLOOM'S: Application
101. **Refer to Figure 3-7.** If Bintu and Juba both spend all of their time making bowls, then total production is
   a. 2 bowls.
   b. 3 bowls.
   c. 4 bowls.
   d. 6 bowls.

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Specialization  
   **KEYWORDS:** BLOOM'S: Application

102. **Refer to Figure 3-7.** If Bintu and Juba each divides her time equally between making bowls and making cups, then total production is
   a. 2 bowls and 6 cups.
   b. 3 bowls and 7 cups.
   c. 4 bowls and 8 cups.
   d. 6 bowls and 14 cups.

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Productive Efficiency  
   **KEYWORDS:** BLOOM'S: Application
103. Refer to Figure 3-7. If the production possibilities frontiers shown are each for 4 hours of work, then which of the following combinations of bowls and cups could Bintu and Juba together make in a given 4-hour production period?
   a. 1 bowl and 14 cups
   b. 2 bowls and 11 cups
   c. 3 bowls and 10 cups
   d. 5 bowls and 5 cups

   **ANSWER:** b
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis

104. Refer to Figure 3-7. If the production possibilities frontiers shown are each for 4 hours of work, then which of the following combinations of bowls and cups could Bintu and Juba together not make in a given 4-hour production period?
   a. 3 bowls and 9.5 cups
   b. 4.5 bowls and 6 cups
   c. 5 bowls and 4 cups
   d. 6 bowls and 1 cups

   **ANSWER:** d
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis
105. Refer to Figure 3-8. If Chile and Colombia each divides its time equally between making coffee and making soybeans, then total production is:
   a. 12 pounds of coffee and 12 pounds of soybeans.
   b. 14 pounds of coffee and 9 pounds of soybeans.
   c. 16 pounds of coffee and 6 pounds of soybeans.
   d. 28 pounds of coffee and 18 pounds of soybeans.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** Disc: Production Possibilities Model  
Productive Efficiency  
**KEYWORDS:** BLOOM'S: Application
106. **Refer to Figure 3-8.** If the production possibilities frontiers shown are each for one day of production, then which of the following combinations of coffee and soybeans could Chile and Colombia together make in a given day?

a. 4 pounds of coffee and 16 pounds of soybeans  
b. 8 pounds of coffee and 15 pounds of soybeans  
c. 16 pounds of coffee and 10 pounds of soybeans  
d. 24 pounds of coffee and 4 pounds of soybeans  

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis

107. **Refer to Figure 3-8.** If the production possibilities frontiers shown are each for one day of production, then which of the following combinations of pounds of coffee and pounds of soybeans could Chile and Colombia together **not** make in a given day?

a. 4 pounds of coffee and 17 pounds of soybeans  
b. 8 pounds of coffee and 14 pounds of soybeans  
c. 16 pounds of coffee and 9 pounds of soybeans  
d. 24 pounds of coffee and 3 pounds of soybeans  

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis
Figure 3-9

Uzbekistan’s Production Possibilities Frontier  Azerbaijan’s Production Possibilities Frontier

108. Refer to Figure 3-9. If Uzbekistan and Azerbaijan each divides its time equally between making bolts and making nails, then total production is
a. 15 bolts and 40 nails.
b. 25 bolts and 70 nails.
c. 30 bolts and 80 nails.
d. 50 bolts and 140 nails.

ANSWER:  b
POINTS:  1
DIFFICULTY:  Difficulty: Moderate
LEARNING OBJECTIVES:  ECON.MANK.15.12 - LO: 3-1
NATIONAL STANDARDS:  United States - BUSPROG: Analytic
TOPICS:  DISC: Production Possibilities Model
Productive Efficiency
KEYWORDS:  BLOOMS: Application
109. Refer to Figure 3-9. If the production possibilities frontiers shown are each for two days of production, then which of the following combinations of bolts and nails could Uzbekistan and Azerbaijan together make in a given 2-day production period?

a. 12 bolts and 120 nails
b. 24 bolts and 96 nails
c. 38 bolts and 50 nails
d. 44 bolts and 24 nails

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Analysis

110. Refer to Figure 3-9. If the production possibilities frontiers shown are each for two days of production, then which of the following combinations of bolts and nails could Uzbekistan and Azerbaijan together not make in a given 2-day production period?

a. 9 bolts and 122 nails
b. 21 bolts and 98 nails
c. 36 bolts and 56 nails
d. 47 bolts and 18 nails

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Analysis
Figure 3-10

Alice and Betty’s Production Possibilities in one 8-hour day.

Alice’s Production Possibilities Frontier    Betty’s Production Possibilities Frontier

111. Refer to Figure 3-10. Both Alice and Betty
   a. face a constant trade-off between producing pitchers of lemonade and pizzas.
   b. can produce more pizzas than pitchers of lemonade if they devote all of their time to pizza production.
   c. would benefit from specializing in lemonade production.
   d. would benefit from specializing in pizza production.

   ANSWER:   a
   POINTS:   1
   DIFFICULTY:   Difficulty: Moderate
   LEARNING OBJECTIVES:   ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS:   United States - BUSPROG: Analytic
   TOPICS:   DISC: Production Possibilities Model
             Tradeoffs
   KEYWORDS:   BLOOMS: Application
112. **Refer to Figure 3-10.** If Alice produces only lemonade, she can produce
a. 200 pitchers per day.
b. 300 pitchers per day.
c. 400 pitchers per day.
d. 450 pitchers per day.

**ANSWER:** c
**POINTS:** 1
**DIFFICULTY:** Difficulty: Easy
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic
**TOPICS:** DISC: Production Possibilities Model
Specialization
**KEYWORDS:** BLOOM'S: Application

113. **Refer to Figure 3-10.** If point A represents Alice’s production and point B represents Betty’s production,
a. Alice produces 200 pitchers of lemonade and 100 pizzas while Betty produces 180 pitchers of lemonade and 180 pizzas.
b. Alice produces 180 pitchers of lemonade and 180 pizzas while Betty produces 200 pitchers of lemonade and 100 pizzas.
c. Alice produces 100 pitchers of lemonade and 200 pizzas while Betty produces 180 pitchers of lemonade and 180 pizzas.
d. Only Alice can benefit from specialization and trade.

**ANSWER:** a
**POINTS:** 1
**DIFFICULTY:** Difficulty: Moderate
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic
**TOPICS:** DISC: Production Possibilities Model
**KEYWORDS:** BLOOM'S: Application
114. Refer to Figure 3-10. If point A represents Alice’s current production and point B represents Betty’s current production, under what circumstances can both Alice and Betty benefit from specialization and trade?

a. Alice produces more pizzas and Betty produces more lemonade.
b. Alice produces more lemonade and Betty produces more pizzas.
c. Both Alice and Betty produce only pizzas.
d. There are no circumstances under which both Alice and Betty can benefit from specialization and trade.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Comparative Advantage

**KEYWORDS:** BLOOMS: Application

**Figure 3-11**

The graph below represents the various combinations of ham and cheese (in pounds) that the nation of Bonovia could produce in a given month.
115. Refer to Figure 3-11. If the production possibilities frontier shown is for 240 hours of production, then how long does it take Bonovia to make one pound of cheese?

a. 3/5 hour
b. 3/4 hour
c. 4/3 hours
d. 5/3 hours

**ANSWER:** b
**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic
**TOPICS:** DISC: Production Possibilities Model
**KEYWORDS:** BLOOM'S: Application

116. Refer to Figure 3-11. If the production possibilities frontier shown is for 240 hours of production, then which of the following combinations of ham and cheese could Bonovia produce in 240 hours?

a. 225 pounds of ham and 140 pounds of cheese
b. 280 pounds of ham and 100 pounds of cheese
c. 355 pounds of ham and 80 pounds of cheese
d. 330 pounds of ham and 60 pounds of cheese

**ANSWER:** a
**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic
**TOPICS:** DISC: Production Possibilities Model
**KEYWORDS:** BLOOM'S: Analysis
117. **Refer to Figure 3-11.** If the production possibilities frontier shown is for 240 hours of production, then which of the following combinations of ham and cheese could Bonovia *not* produce in 240 hours?

a. 250 pounds of ham and 120 pounds of cheese  
b. 200 pounds of ham and 160 pounds of cheese  
c. 160 pounds of ham and 200 pounds of cheese  
d. 100 pounds of ham and 240 pounds of cheese

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis

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**Figure 3-12**

*Argentina’s Production Possibilities Frontier  Perú’s Production Possibilities Frontier*
118. Refer to Figure 3-12. If Argentina and Peru each divides its time equally between producing corn and fish, then total production is

a. 13 tons of corn and 15 tons of fish.
b. 13 tons of corn and 10 tons of fish.
c. 12 tons of corn and 16 tons of fish.
d. 12 tons of corn and 11 tons of fish

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application

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**Multiple Choice – Section 02A: Comparative Advantage: The Driving Force of Specialization**

1. Assume for the United States that the opportunity cost of each airplane is 50 cars. Which of these pairs of points could be on the United States' production possibilities frontier?

a. (200 airplanes, 5,000 cars) and (150 airplanes, 4,000 cars)
b. (200 airplanes, 12,500 cars) and (150 airplanes, 15,000 cars)
c. (300 airplanes, 15,000 cars) and (200 airplanes, 25,000 cars)
d. (300 airplanes, 25,000 cars) and (200 airplanes, 40,000 cars)

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Analysis

**NOTES:** r
2. Assume for Brazil that the opportunity cost of each cashew is 100 peanuts. Which of these pairs of points could be on Brazil’s production possibilities frontier?

a. (200 cashews, 30,000 peanuts) and (150 cashews, 35,000 peanuts)
b. (200 cashews, 40,000 peanuts) and (150 cashews, 30,000 peanuts)
c. (300 cashews, 60,000 peanut) and (200 cashews, 50,000 peanuts)
d. (300 cashews, 60,000 peanuts) and (200 cashews, 80,000 peanuts)

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Analysis

3. What must be given up to obtain an item is called

a. out-of-pocket cost.
b. comparative worth.
c. opportunity cost.
d. absolute value.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Thinking Like an Economist

**KEYWORDS:** BLOOM'S: Knowledge
4. The opportunity cost of an item is
   a. the number of hours that one must work in order to buy one unit of the item.
   b. what you give up to get that item.
   c. always less than the dollar value of the item.
   d. always greater than the cost of producing the item.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Knowledge

5. A farmer has the ability to grow either corn or cotton or some combination of the two. Given no other information, it follows that the farmer’s opportunity cost of a bushel of corn multiplied by his opportunity cost of a bushel of cotton
   a. is equal to 0.
   b. is between 0 and 1.
   c. is equal to 1.
   d. is greater than 1.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Comprehension
6. If Korea is capable of producing either shoes or soccer balls or some combination of the two, then
   a. Korea should specialize in the product in which it has an absolute advantage.
   b. it would be impossible for Korea to have an absolute advantage over another country in both
      products.
   c. it would be difficult for Korea to benefit from trade with another country if Korea is efficient in
      the production of both goods.
   d. Korea’s opportunity cost of shoes is the inverse of its opportunity cost of soccer balls.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
      Opportunity Cost
   **KEYWORDS:** BLOOM’S: Application

7. Suppose a gardener produces both tomatoes and squash in his garden. If he must give up 8 bushels
   of squash to get 5 bushels of tomatoes, then his opportunity cost of 1 bushel of tomatoes is
   a. 0.63 bushels of squash.
   b. 1.6 bushels of squash.
   c. 3 bushels of squash.
   d. 5 bushels of squash.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
      Opportunity Cost
   **KEYWORDS:** BLOOM’S: Application
   **NOTES:** r
8. Suppose a gardener produces both tomatoes and squash in his garden. If the opportunity cost of one bushel of squash is 2/5 bushel of tomatoes, then the opportunity cost of 1 bushel of tomatoes is
   a. 2/5 bushel of squash.
   b. 5/2 bushels of squash.
   c. 2 bushels of squash.
   d. 5 bushels of squash.

   \[ \text{ANSWER: } b \]

   \[ \text{POINTS: } 1 \]

   \[ \text{DIFFICULTY: } \text{Difficulty: Moderate} \]

   \[ \text{LEARNING OBJECTIVES: } \text{ECON.MANK.15.13 - LO: 3-2} \]

   \[ \text{NATIONAL STANDARDS: } \text{United States - BUSPROG: Analytic} \]

   \[ \text{TOPICS: } \text{DISC: Production Possibilities Model} \]

   \[ \text{Opportunity Cost} \]

   \[ \text{KEYWORDS: } \text{BLOOM'S: Application} \]

   \[ \text{NOTES: } r \]

9. Ken and Traci are two woodworkers who both make tables and chairs. In one month, Ken can make 3 tables or 18 chairs, whereas Traci can make 8 tables or 24 chairs. Given this, we know that the opportunity cost of 1 chair is
   a. 1/6 table for Ken and 1/3 table for Traci.
   b. 1/6 table for Ken and 3 tables for Traci.
   c. 6 tables for Ken and 1/3 table for Traci.
   d. 6 tables for Ken and 3 tables for Traci.

   \[ \text{ANSWER: } a \]

   \[ \text{POINTS: } 1 \]

   \[ \text{DIFFICULTY: } \text{Difficulty: Moderate} \]

   \[ \text{LEARNING OBJECTIVES: } \text{ECON.MANK.15.13 - LO: 3-2} \]

   \[ \text{NATIONAL STANDARDS: } \text{United States - BUSPROG: Analytic} \]

   \[ \text{TOPICS: } \text{DISC: Production Possibilities Model} \]

   \[ \text{Opportunity Cost} \]

   \[ \text{KEYWORDS: } \text{BLOOM'S: Application} \]

   \[ \text{NOTES: } r \]
10. Ken and Traci are two woodworkers who both make tables and chairs. In one month, Ken can make 3 tables or 18 chairs, whereas Traci can make 8 tables or 24 chairs. Given this, we know that the opportunity cost of 1 table is
   a. 1/6 chair for Ken and 1/3 chair for Traci.
   b. 1/6 chair for Ken and 3 chairs for Traci.
   c. 6 chairs for Ken and 1/3 chair for Traci.
   d. 6 chairs for Ken and 3 chairs for Traci.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:** r

11. If he devotes all of his available resources to cantaloupe production, a farmer can produce 120 cantaloupes. If he sacrifices 1.5 watermelons for each cantaloupe that he produces, it follows that
   a. if he devotes all of his available resources to watermelon production, then he can produce 80 watermelons.
   b. he cannot have a comparative advantage over other farmers in producing cantaloupes.
   c. his opportunity cost of one watermelon is 2/3 of a cantaloupe.
   d. his production possibilities frontier is bowed-out.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
12. Absolute advantage is found by comparing different producers’
    a. opportunity costs.
    b. payments to land, labor, and capital.
    c. input requirements per unit of output.
    d. locational and logistical circumstances.

    **ANSWER:** c
    **POINTS:** 1
    **DIFFICULTY:** Difficulty: Moderate
    **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
    **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
    **TOPICS:** DISC: Production Possibilities Model
               Absolute Advantage
    **KEYWORDS:** BLOOM'S: Comprehension

13. The producer that requires a smaller quantity of inputs to produce a certain amount of a good,
    relative to the quantities of inputs required by other producers to produce the same amount of that good,
    a. has a low opportunity cost of producing that good, relative to the opportunity costs of other producers.
    b. has a comparative advantage in the production of that good.
    c. has an absolute advantage in the production of that good.
    d. should be the only producer of that good.

    **ANSWER:** c
    **POINTS:** 1
    **DIFFICULTY:** Difficulty: Moderate
    **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
    **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
    **TOPICS:** DISC: Production Possibilities Model
               Absolute Advantage
    **KEYWORDS:** BLOOM'S: Comprehension
14. If Shawn can produce more donuts in one day than Sue can produce in one day, then
   a. Shawn has a comparative advantage in the production of donuts.
   b. Sue has a comparative advantage in the production of donuts.
   c. Shawn has an absolute advantage in the production of donuts.
   d. Sue has an absolute advantage in the production of donuts.

   ANSWER: c
   POINTS: 1

DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
         Absolute Advantage
KEYWORDS: BLOOM'S: Application

15. Ken and Traci are two woodworkers who both make tables and chairs. In one month, Ken can
    make 3 tables or 18 chairs, whereas Traci can make 8 tables or 24 chairs. Given this, we know
    that
    a. Ken has an absolute advantage in chairs.
    b. Ken has a comparative advantage in tables.
    c. Traci has an absolute advantage in chairs.
    d. Traci has a comparative advantage in chairs.

   ANSWER: c
   POINTS: 1

DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
         Absolute Advantage
KEYWORDS: BLOOM'S: Application
NOTES: r
16. Travis can mow a lawn in two hours or he can trim a tree in one hour. Ricardo can mow a lawn in three hours or he can trim a tree in two hours.
   a. Travis has an absolute advantage over Ricardo in trimming trees.
   b. Travis has a comparative advantage over Ricardo in mowing lawns.
   c. Ricardo has a comparative advantage over Travis in trimming trees.
   d. All of the above are correct.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
          Absolute Advantage
   KEYWORDS: BLOOM'S: Application

17. Suppose Susan can wash three windows per hour or she can iron six shirts per hour. Paul can wash two windows per hour or he can iron five shirts per hour.
   a. Susan has an absolute advantage over Paul in washing windows.
   b. Susan has a comparative advantage over Paul in washing windows.
   c. Paul has a comparative advantage over Susan in ironing shirts.
   d. All of the above are correct.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
          Comparative Advantage
   KEYWORDS: BLOOM'S: Application
18. Suppose Jim and Tom can both produce two goods: baseball bats and hockey sticks. Which of the following is not possible?
   a. Jim has an absolute advantage in the production of baseball bats and in the production of hockey sticks.
   b. Jim has an absolute advantage in the production of baseball bats and a comparative advantage in the production of hockey sticks.
   c. Jim has an absolute advantage in the production of hockey sticks and a comparative advantage in the production of baseball bats.
   d. Jim has a comparative advantage in the production of baseball bats and in the production of hockey sticks.

**Answer:** d

**Points:** 1

**Difficulty:** Difficulty: Moderate

**Learning Objectives:** ECON.MANK.15.13 - LO: 3-2

**National Standards:** United States - BUSPROG: Analytic

**Topics:** DISC: Production Possibilities Model
          Comparative Advantage

**Keywords:** BLOOM'S: Application

19. Kelly and David are both capable of repairing cars and cooking meals. Which of the following scenarios is not possible?
   a. Kelly has a comparative advantage in repairing cars and David has a comparative advantage in cooking meals.
   b. Kelly has an absolute advantage in repairing cars and David has an absolute advantage in cooking meals.
   c. Kelly has a comparative advantage in repairing cars and in cooking meals.
   d. David has an absolute advantage in repairing cars and in cooking meals.

**Answer:** c

**Points:** 1

**Difficulty:** Difficulty: Moderate

**Learning Objectives:** ECON.MANK.15.13 - LO: 3-2

**National Standards:** United States - BUSPROG: Analytic

**Topics:** DISC: Production Possibilities Model
          Comparative Advantage

**Keywords:** BLOOM'S: Application
20. Suppose Jim and Tom can both produce baseball bats. If Jim’s opportunity cost of producing baseball bats is lower than Tom’s opportunity cost of producing baseball bats, then
   a. Tom must have an absolute advantage in the production of baseball bats.
   b. Jim must have an absolute advantage in the production of baseball bats.
   c. Tom has a comparative advantage in the production of baseball bats.
   d. Jim has a comparative advantage in the production of baseball bats.

   ANSWER:  d
   POINTS:  1
   DIFFICULTY:  Difficulty: Moderate
   LEARNING OBJECTIVES:  ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS:  United States - BUSPROG: Analytic
   TOPICS:  DISC: Production Possibilities Model
            Comparative Advantage
   KEYWORDS:  BLOOM'S: Application

21. If Shawn can produce donuts at a lower opportunity cost than Sue, then
   a. Shawn has a comparative advantage in the production of donuts.
   b. Sue has a comparative advantage in the production of donuts.
   c. Shawn should not produce donuts.
   d. Shawn is capable of producing more donuts than Sue in a given amount of time.

   ANSWER:  a
   POINTS:  1
   DIFFICULTY:  Difficulty: Moderate
   LEARNING OBJECTIVES:  ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS:  United States - BUSPROG: Analytic
   TOPICS:  DISC: Production Possibilities Model
            Comparative Advantage
   KEYWORDS:  BLOOM'S: Application
22. If Iowa’s opportunity cost of corn is lower than Oklahoma’s opportunity cost of corn, then
   a. Iowa has a comparative advantage in the production of corn.
   b. Iowa has an absolute advantage in the production of corn.
   c. Iowa should import corn from Oklahoma.
   d. Oklahoma should produce just enough corn to satisfy its own residents’ demands.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Comparative Advantage
   KEYWORDS: BLOOM'S: Application

23. Canada and the U.S. both produce wheat and computer software. Canada is said to have the
   comparative advantage in producing wheat if
   a. Canada requires fewer resources than the U.S. to produce a bushel of wheat.
   b. the opportunity cost of producing a bushel of wheat is lower for Canada than it is for the U.S.
   c. the opportunity cost of producing a bushel of wheat is lower for the U.S. than it is for Canada.
   d. the U.S. has an absolute advantage over Canada in producing computer software.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Comparative Advantage
   KEYWORDS: BLOOM'S: Application
24. Both Dave and Caroline produce sweaters and socks. If Dave’s opportunity cost of 1 sweater is 3 socks and Caroline’s opportunity cost of 1 sweater is 5 socks, then
   a. Dave has a comparative advantage in the production of sweaters.
   b. Caroline has a comparative advantage in the production of sweaters.
   c. Dave has a comparative advantage in the production of socks.
   d. Dave has a comparative advantage in the production of both sweaters and socks.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.15 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM’S: Application
   **NOTES:** r

25. Comparative advantage is related most closely to which of the following?
   a. output per hour
   b. opportunity cost
   c. efficiency
   d. bargaining strength in international trade

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.15 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM’S: Comprehension
26. When describing the opportunity cost of two producers, economists use the term
   a. natural advantage.
   b. trading advantage.
   c. comparative advantage.
   d. absolute advantage.

   **ANSWER:** c
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
               Opportunity Cost
   **KEYWORDS:** BLOOM'S: Knowledge

27. For two individuals who engage in the same two productive activities, it is impossible for one of
   the two individuals to
   a. have a comparative advantage in both activities.
   b. have an absolute advantage in both activities.
   c. be more productive per unit of time in both activities.
   d. gain from trade with each other.

   **ANSWER:** a
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
               Comparative Advantage
   **KEYWORDS:** BLOOM'S: Comprehension
28. Two individuals engage in the same two productive activities. In which of the following circumstances would neither individual have a comparative advantage in either activity?
   a. One individual’s production possibilities frontier is steeper than the other individual’s production possibilities frontier.
   b. One individual is faster at both activities than the other individual.
   c. One individual’s opportunity costs are the same as the other individual’s opportunity costs.
   d. None of the above is correct; one of the two individuals always will have a comparative advantage in at least one of the two activities.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM’S: Comprehension

29. Which of the following statements about comparative advantage is not true?
   a. Comparative advantage is determined by which person or group of persons can produce a given quantity of a good using the fewest resources.
   b. The principle of comparative advantage applies to countries as well as to individuals.
   c. Economists use the principle of comparative advantage to emphasize the potential benefits of free trade.
   d. A country may have a comparative advantage in producing a good, even though it lacks an absolute advantage in producing that good.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM’S: Comprehension
30. The principle of comparative advantage does not provide answers to certain questions. One of those questions is
   a. Do specialization and trade benefit more than one party to a trade?
   b. Is it absolute advantage or comparative advantage that really matters?
   c. How are the gains from trade shared among the parties to a trade?
   d. Is it possible for specialization and trade to increase total output of traded goods?

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model, Comparative Advantage
   **KEYWORDS:** BLOOM'S: Comprehension

31. The principle of comparative advantage does not provide answers to certain questions. One of those questions is
   a. Is it possible for specialization and trade to benefit more than one party to a trade?
   b. Is it possible for specialization and trade to increase total output of traded goods?
   c. Do opportunity costs play a role in people’s decisions to specialize in certain activities?
   d. What determines the price at which trade takes place?

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model, Comparative Advantage
   **KEYWORDS:** BLOOM'S: Comprehension
32. Which of the following is not correct?
   a. The producer who requires a smaller quantity of inputs to produce a good is said to have an absolute advantage in producing that good.
   b. The producer who gives up less of other goods to produce Good X has the smaller opportunity cost of producing Good X.
   c. The producer who has the smaller opportunity cost of producing a good is said to have a comparative advantage in producing that good.
   d. The gains from specialization and trade are based not on comparative advantage but on absolute advantage.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM'S: Knowledge

33. Suppose that a worker in Cornland can grow either 40 bushels of corn or 10 bushels of oats per year, and a worker in Oatland can grow either 20 bushels of corn or 5 bushels of oats per year. There are 20 workers in Cornland and 20 workers in Oatland. Which of the following statements is true?
   a. Both countries could gain from trade with each other.
   b. Neither country could gain from trade with each other because Cornland has an absolute advantage in both goods.
   c. Neither country could gain from trade with each other because neither one has a comparative advantage.
   d. Oatland could gain from trade between the two countries, but Cornland definitively would lose.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM'S: Analysis
34. Suppose that the country of Xenophobia chose to isolate itself from the rest of the world. Its ruler proclaimed that Xenophobia should become self-sufficient, so it would not engage in foreign trade. From an economic perspective, this idea would
a. make sense if Xenophobia had an absolute advantage in all goods.
b. make sense if Xenophobia had no absolute advantages in any good.
c. not make sense as long as Xenophobia had a comparative advantage in some good.
d. not make sense as long as Xenophobia had an absolute advantage in at least half the goods that could be traded.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application

35. Specialization and trade are closely linked to
a. absolute advantage.
b. comparative advantage.
c. gains to some traders that exactly offset losses to other traders.
d. shrinkage of the economic pie.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Thinking Like an Economist

**KEYWORDS:** BLOOM'S: Comprehension
36. When each person specializes in producing the good in which he or she has a comparative advantage, total production in the economy
a. falls.
b. stays the same.
c. rises.
d. may fall, rise, or stay the same.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Easy  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Knowledge

37. Total output in an economy increases when each person specializes because
a. there is less competition for the same resources.
b. each person spends more time producing that product in which he or she has a comparative advantage.
c. a wider variety of products will be produced within each country due to specialization.
d. government necessarily plays a larger role in the economy due to specialization.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Comprehension
38. Which of the following statements is not correct?
   a. Trade allows for specialization.
   b. Trade has the potential to benefit all nations.
   c. Trade allows nations to consume outside of their production possibilities curves.
   d. Absolute advantage is the driving force of specialization.

   **ANSWER:** d  
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   **KEYWORDS:** BLOOM'S: Comprehension

39. Assume that Greece has a comparative advantage in fish and Germany has a comparative advantage in cars. Also assume that Germany has an absolute advantage in both fish and cars. If these two countries specialize and trade so as to maximize the benefits of specialization and trade, then
   a. the two countries’ combined output of both goods will be higher than it would be in the absence of trade.
   b. Greece will produce more fish than it would produce in the absence of trade.
   c. Germany will produce more cars than it would produce in the absence of trade.
   d. All of the above are correct.

   **ANSWER:** d  
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model Specialization
   **KEYWORDS:** BLOOM'S: Application
40. Suppose that a worker in Radioland can produce either 4 radios or 1 television per year and a worker in Teeveeland can produce either 2 radios or 5 televisions per year. Each nation has 100 workers, and each country specializes according to the principle of comparative advantage. If Radioland trades 100 televisions to Teeveeland in exchange for 100 radios each year, then each country's maximum consumption of new radios and televisions per year will be
a. higher than it would be in the absence of trade because of the gains from trade.
b. the same as it would be in the absence of trade.
c. less than it would be in the absence of trade because neither country is specializing in the product in which it has a comparative advantage.
d. less than it would be in the absence of trade because Teeveeland has an absolute advantage in both goods and so it cannot benefit by trading with Radioland.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model, Specialization  
**KEYWORDS:** BLOOM'S: Analysis

41. Suppose that a worker in Radioland can produce either 4 radios or 1 television per year, and a worker in Teeveeland can produce either 2 radios or 4 televisions per year. Each nation has 100 workers. Also suppose that each country completely specializes in producing the good in which it has a comparative advantage. If Radioland trades 100 radios to Teeveeland in exchange for 100 televisions each year, then each country's maximum consumption of new radios and televisions per year will be
a. 100 radios, 300 televisions in Radioland and 300 radios, 100 televisions in Teeveeland.
b. 300 radios, 100 televisions in Radioland and 100 radios, 300 televisions in Teeveeland.
c. 200 radios, 100 televisions in Radioland and 100 radios, 200 televisions in Teeveeland.
d. 300 radios, 100 televisions in Radioland and 100 radios, 400 televisions in Teeveeland.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model, Specialization  
**KEYWORDS:** BLOOM’S: Analysis
42. Suppose that a worker in Freedonia can produce either 6 units of corn or 2 units of wheat per year, and a worker in Sylvania can produce either 2 units of corn or 6 units of wheat per year. Each nation has 10 workers. Without trade, Freedonia produces and consumes 30 units of corn and 10 units of wheat per year. Sylvania produces and consumes 10 units of corn and 30 units of wheat. Suppose that trade is then initiated between the two countries, and Freedonia sends 30 units of corn to Sylvania in exchange for 30 units of wheat. Freedonia will now be able to consume a maximum of
a. 30 units of corn and 30 units of wheat.
b. 40 units of corn and 30 units of wheat.
c. 40 units of corn and 20 units of wheat.
d. 10 units of corn and 40 units of wheat.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Specialization  
**KEYWORDS:** BLOOM'S: Analysis

43. Suppose that a worker in Freedonia can produce either 6 units of corn or 2 units of wheat per year, and a worker in Sylvania can produce either 2 units of corn or 6 units of wheat per year. Each nation has 10 workers. Without trade, Freedonia produces and consumes 30 units of corn and 10 units of wheat per year. Sylvania produces and consumes 10 units of corn and 30 units of wheat. Suppose that trade is then initiated between the two countries, and Freedonia sends 30 units of corn to Sylvania in exchange for 30 units of wheat. Sylvania will now be able to consume a maximum of
a. 30 units of corn and 30 units of wheat.
b. 40 units of corn and 30 units of wheat.
c. 40 units of corn and 20 units of wheat.
d. 10 units of corn and 40 units of wheat.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Specialization  
**KEYWORDS:** BLOOM'S: Analysis
44. Suppose that a worker in Agland can produce either 10 units of organic grain or 2 units of incense per year, and a worker in Zenland can produce either 5 units of organic grain or 15 units of incense per year. There are 20 workers in Agland and 10 workers in Zenland. Currently the two countries do not trade. Agland produces and consumes 100 units of grain and 20 units of incense per year. Zenland produces and consumes 50 units of grain and no incense per year. If each country made the decision to specialize in producing the good in which it has a comparative advantage, then the combined yearly output of the two countries would increase by
a. 30 units of grain and 100 units of incense.
b. 30 units of grain and 150 units of incense.
c. 50 units of grain and 90 units of incense.
d. 50 units of grain and 130 units of incense.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Specialization  
**KEYWORDS:** BLOOM'S: Analysis

45. Suppose that a worker in Cornland can grow either 40 bushels of corn or 10 bushels of oats per year, and a worker in Oatland can grow either 5 bushels of corn or 50 bushels of oats per year. There are 20 workers in Cornland and 20 workers in Oatland. If the two countries do not trade, Cornland will produce and consume 400 bushels of corn and 100 bushels of oats, while Oatland will produce and consume 60 bushels of corn and 400 bushels of oats. If each country made the decision to specialize in producing the good in which it has a comparative advantage, then the combined yearly output of the two countries would increase by
a. 280 bushels of corn and 450 bushels of oats.  
b. 340 bushels of corn and 500 bushels of oats.  
c. 360 bushels of corn and 520 bushels of oats.  
d. 360 bushels of corn and 640 bushels of oats.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Specialization  
**KEYWORDS:** BLOOM'S: Analysis
46. Suppose that a worker in Freedonia can produce either 6 units of corn or 2 units of wheat per year, and a worker in Sylvania can produce either 2 units of corn or 6 units of wheat per year. Each nation has 10 workers. For many years the two countries traded, each completely specializing according to their respective comparative advantages. Now, however, war has broken out between them and all trade has stopped. Without trade, Freedonia produces and consumes 30 units of corn and 10 units of wheat per year. Sylvania produces and consumes 10 units of corn and 30 units of wheat. The war has caused the combined yearly output of the two countries to decline by
a. 10 units of corn and 10 units of wheat.
b. 20 units of corn and 20 units of wheat.
c. 30 units of corn and 30 units of wheat.
d. 40 units of corn and 40 units of wheat.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis

47. Suppose that a worker in Caninia can produce either 2 blankets or 8 meals per day, and a worker in Felinia can produce either 5 blankets or 1 meal per day. Each nation has 10 workers. For many years, the two countries traded, each completely specializing according to their respective comparative advantages. Now war has broken out between them and all trade has stopped. Without trade, Caninia produces and consumes 10 blankets and 40 meals per day and Felinia produces and consumes 25 blankets and 5 meals per day. The war has caused the combined daily output of the two countries to decline by
a. 15 blankets and 35 meals.
b. 25 blankets and 40 meals.
c. 35 blankets and 45 meals.
d. 50 blankets and 80 meals.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis
48. A person can benefit from specialization and trade by obtaining a good at a price that is
   a. lower than his or her opportunity cost of that good.
   b. the same as his or her opportunity cost of that good.
   c. higher than his or her opportunity cost of that good.
   d. different than his or her opportunity cost of that good.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Knowledge

49. The gains from trade are
   a. evident in economic models, but seldom observed in the real world.
   b. evident in the real world, but impossible to capture in economic models.
   c. a result of more efficient resource allocation than would be observed in the absence of trade.
   d. based on the principle of absolute advantage.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Comprehension

50. Trade can make everybody better off because it
   a. increases cooperation among nations.
   b. allows people to specialize according to comparative advantage.
   c. requires some workers in an economy to be retrained.
   d. reduces competition among domestic companies.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Comprehension
51. If labor in Mexico is less productive than labor in the United States in all areas of production, then:
   a. neither nation can benefit from trade.
   b. Mexico can benefit from trade but the United States cannot.
   c. the United States will have a comparative advantage relative to Mexico in the production of all goods.
   d. both Mexico and the United States still can benefit from trade.

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   **KEYWORDS:** BLOOM'S: Application

   **Table 3-20**

   Assume that Brad and Theresa can switch between producing wheat and producing beef at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to Make 1 Bushel of Wheat</th>
<th>Pound of Beef</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brad</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Theresa</td>
<td>6</td>
<td>10</td>
</tr>
</tbody>
</table>

52. Refer to Table 3-20. What is Brad’s opportunity cost of producing one pound of beef?

   a. 5/6 bushel of wheat  
   b. 6/5 bushels of wheat  
   c. 3/5 bushels of wheat  
   d. 5/3 bushels of wheat

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Challenging  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application  
   **NOTES:** r
53. **Refer to Table 3-20.** What is Brad’s opportunity cost of producing one bushel of wheat?
   a. 5/6 pound of beef
   b. 6/5 pounds of beef
   c. 3/5 pounds of beef
   d. 5/3 pounds of beef

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM’S: Application
   **NOTES:** r

54. **Refer to Table 3-20.** What is Theresa’s opportunity cost of producing one bushel of wheat?
   a. 5/6 pound of beef
   b. 6/5 pound of beef
   c. 3/5 pound of beef
   d. 5/3 pounds of beef

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM’S: Application
   **NOTES:** r
55. Refer to Table 3-20. What is Theresa’s opportunity cost of producing one pound of beef?
   a. 5/6 bushel of wheat
   b. 6/5 bushel of wheat
   c. 3/5 bushel of wheat
   d. 5/3 bushels of wheat

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application
   NOTES: r

56. Refer to Table 3-20. Brad has an absolute advantage in the production of
   a. wheat and Theresa has an absolute advantage in the production of beef.
   b. beef and Theresa has an absolute advantage in the production of wheat.
   c. both goods and Theresa has an absolute advantage in the production of neither good.
   d. neither good and Theresa has an absolute advantage in the production of both goods.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Absolute Advantage
   KEYWORDS: BLOOM'S: Application
   NOTES: r
57. **Refer to Table 3-20.** Brad has a comparative advantage in the production of
   a. wheat and Theresa has a comparative advantage in the production of beef.
   b. beef and Theresa has a comparative advantage in the production of wheat.
   c. both goods and Theresa has a comparative advantage in the production of neither good.
   d. neither good and Theresa has a comparative advantage in the production of both goods.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:** r

58. **Refer to Table 3-20.** Brad should specialize in the production of
   a. wheat and Theresa should specialize in the production of beef.
   b. beef and Theresa should specialize in the production of wheat.
   c. both goods and Theresa should specialize in the production of neither good.
   d. neither good and Theresa should specialize in the production of both goods.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Specialization
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:** r
59. **Refer to Table 3-20.** Assume that Brad and Theresa each has 60 minutes available. If each person spends all his or her time producing the good in which he or she has a comparative advantage, then total production is

a. 6 bushels of wheat and 6 pounds of beef.
b. 10 bushels of wheat and 5 pounds of beef.
c. 10 bushels of wheat and 6 pounds of beef.
d. 6 bushels of wheat and 5 pounds of beef.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model Specialization

**KEYWORDS:** BLOOM'S: Application

**NOTES:** r

60. **Refer to Table 3-20.** At which of the following prices would both Brad and Theresa gain from trade with each other?

a. 12 bushels of wheat for 6 pounds of beef
b. 12 bushels of wheat for 8 pounds of beef
c. 12 bushels of wheat for 12 pounds of beef
d. Brad and Theresa could not both gain from trade with each other at any price.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Analysis

**NOTES:** r
Table 3-21

Assume that Jamaica and Norway can switch between producing coolers and producing radios at a constant rate. The following table shows the number of coolers or number of radios each country can produce in one day.

<table>
<thead>
<tr>
<th></th>
<th>Output Produced in One Day</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coolers</td>
</tr>
<tr>
<td>Jamaica</td>
<td>12</td>
</tr>
<tr>
<td>Norway</td>
<td>24</td>
</tr>
</tbody>
</table>

61. Refer to Table 3-21. Jamaica’s opportunity cost of one cooler is
   a. 0.5 radios, and Norway’s opportunity cost of one cooler is 0.125 radios.
   b. 0.5 radios, and Norway’s opportunity cost of one cooler is 8 radios.
   c. 2 radios, and Norway’s opportunity cost of one cooler is 0.125 radios.
   d. 2 radios, and Norway’s opportunity cost of one cooler is 8 radios.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOM'S: Application
   NOTES: r

62. Refer to Table 3-21. Suppose Jamaica decides to increase its production of radios by 12. What is the opportunity cost of this decision?
   a. 3 coolers
   b. 6 coolers
   c. 12 coolers
   d. 24 coolers

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOM'S: Application
   NOTES: r
63. **Refer to Table 3-21.** Jamaica has an absolute advantage in the production of
   a. cooler and Norway has an absolute advantage in the production of radios.
   b. radios and Norway has an absolute advantage in the production of coolers.
   c. both goods and Norway has an absolute advantage in the production of neither good.
   d. neither good and Norway has an absolute advantage in the production of both goods.

   **ANSWER:** b
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** Absolute Advantage
   **NOTES:** r

64. **Refer to Table 3-21.** Jamaica has a comparative advantage in the production of
   a. cooler and Norway has a comparative advantage in the production of radios.
   b. radios and Norway has a comparative advantage in the production of coolers.
   c. both goods and Norway has a comparative advantage in the production of neither good.
   d. neither good and Norway has a comparative advantage in the production of both goods.

   **ANSWER:** b
   **POINTS:** 1

   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** Comparative Advantage
   **NOTES:** r
65. **Refer to Table 3-21.** Jamaica should specialize in the production of
a. coolers and Norway should specialize in the production of radios.
b. radios and Norway should specialize in the production of coolers.
c. both goods and Norway should specialize in the production of neither good.
d. neither good and Norway should specialize in the production of both goods.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** r

66. **Refer to Table 3-21.** Assume that Jamaica and Norway each has 4 days available for production. Originally, each country divided its time equally between the production of coolers and radios. Now, each country spends all its time producing the good in which it has a comparative advantage. As a result, the total output of coolers increased by
a. 12.
b. 24.
c. 36.
d. 48.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis  
**NOTES:** r
67. **Refer to Table 3-21.** Assume that Jamaica and Norway each has 4 days available for production. Originally, each country divided its time equally between the production of coolers and radios. Now, each country spends all its time producing the good in which it has a comparative advantage. As a result, the total output of radios increased by
a. 3.
b. 6.
c. 9.
d. 12.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Specialization

**KEYWORDS:** BLOOM’S: Analysis

**NOTES:** n

68. **Refer to Table 3-21.** At which of the following prices would both Jamaica and Norway gain from trade with each other?

a. 1 radio for 1 cooler
b. 1 radio for 4 coolers
c. 1 radio for 10 coolers
d. Jamaica and Norway would both gain from trade at all of the above prices.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM’S: Analysis

**NOTES:** n
69. **Refer to Table 3-21.** Jamaica and Norway would *not* be able to gain from trade if Norway’s opportunity cost of one radio changed to
a. 0 coolers.
b. 1 cooler.
c. 2 coolers.
d. Jamaica and Norway can always gain from trade regardless of their opportunity costs.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Opportunity Cost

**NOTES:** r

**Table 3-22**

Assume that Zimbabwe and Portugal can switch between producing toothbrushes and producing hairbrushes at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Machine Minutes Needed to Make 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Toothbrush</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>3</td>
</tr>
<tr>
<td>Portugal</td>
<td>5</td>
</tr>
</tbody>
</table>

70. **Refer to Table 3-22.** Zimbabwe’s opportunity cost of one hairbrush is
a. 3/10 toothbrush and Portugal’s opportunity cost of one hairbrush is 5/6 toothbrush.
b. 3/10 toothbrush and Portugal’s opportunity cost of one hairbrush is 6/5 toothbrushes.
c. 10/3 toothbrushes and Portugal’s opportunity cost of one hairbrush is 5/6 toothbrush.
d. 10/3 toothbrushes and Portugal’s opportunity cost of one hairbrush is 6/5 toothbrushes.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Opportunity Cost

**NOTES:**
71. **Refer to Table 3-22.** Suppose Zimbabwe decides to increase its production of toothbrushes by 10. What is the opportunity cost of this decision?
   a. 0.3 hairbrush  
   b. 3 hairbrushes  
   c. 30 hairbrushes  
   d. 100 hairbrushes

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application

72. **Refer to Table 3-22.** Zimbabwe has an absolute advantage in the production of
   a. toothbrushes and a comparative advantage in the production of toothbrushes.
   b. toothbrushes and a comparative advantage in the production of hairbrushes.
   c. hairbrushes and a comparative advantage in the production of toothbrushes.
   d. hairbrushes and a comparative advantage in the production of hairbrushes.

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Absolute Advantage  
   **KEYWORDS:** BLOOM'S: Application
73. **Refer to Table 3-22.** Portugal has an absolute advantage in the production of
   a. toothbrushes and a comparative advantage in the production of toothbrushes.
   b. toothbrushes and a comparative advantage in the production of hairbrushes.
   c. hairbrushes and a comparative advantage in the production of toothbrushes.
   d. hairbrushes and a comparative advantage in the production of hairbrushes.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Absolute Advantage
   **KEYWORDS:** BLOOM'S: Application

74. **Refer to Table 3-22.** Assume that Zimbabwe and Portugal each has 60 machine minutes
   available. Originally, each country divided its time equally between the production of toothbrushes
   and hairbrushes. Now, each country spends all its time producing the good in which it has a
   comparative advantage. As a result, the total output increased by
   a. 4 toothbrushes and 2 hairbrushes.
   b. 10 toothbrushes and 5 hairbrushes.
   c. 16 toothbrushes and 8 hairbrushes.
   d. 20 toothbrushes and 10 hairbrushes.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Specialization
   **KEYWORDS:** BLOOM'S: Analysis
75. **Refer to Table 3-22.** Zimbabwe and Portugal would *not* be able to gain from trade if Zimbabwe's opportunity cost of one toothbrush changed to
a. 0 hairbrushes.
b. 5/6 hairbrushes.
c. 6/5 hairbrushes.
d. Zimbabwe and Portugal can always gain from trade regardless of their opportunity costs.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Opportunity Cost  
**KEYWORDS:** BLOOM'S: Analysis  

**Table 3-23**

Assume that the farmer and the rancher can switch between producing pork and producing tomatoes at a constant rate.

<table>
<thead>
<tr>
<th>Labor Hours Needed to Make 1 Pound of</th>
<th>Pounds Produced in 24 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td>Tomatoes</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Farmer</td>
<td>6</td>
</tr>
<tr>
<td>Rancher</td>
<td>4</td>
</tr>
</tbody>
</table>

76. **Refer to Table 3-23.** The opportunity cost of 1 pound of pork for the farmer is
a. 1/2 pound of tomatoes.  
b. 1/2 hour of labor.  
c. 2 pounds of tomatoes.  
d. 2 hours of labor.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Opportunity Cost  
**KEYWORDS:** BLOOM'S: Application  
**NOTES:** r
77. Refer to Table 3-23. The opportunity cost of 1 pound of pork for the rancher is
   a. 1 pound of tomatoes.
   b. 1 hour of labor.
   c. 1.5 pounds of tomatoes.
   d. 1.5 hours of labor.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
                   Opportunity Cost
   KEYWORDS: BLOOM'S: Application
   NOTES: r

78. Refer to Table 3-23. The opportunity cost of 1 pound of tomatoes for the farmer is
   a. 1/2 pound of pork.
   b. 2 hours of labor.
   c. 2 pounds of pork.
   d. 4 hours of labor.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
                   Opportunity Cost
   KEYWORDS: BLOOM'S: Application
   NOTES: r
79. **Refer to Table 3-23.** The opportunity cost of 1 pound of tomatoes for the rancher is
   a. 1 pound of pork.
   b. 1 hour of labor.
   c. 1.5 pounds of pork.
   d. 1.5 hours of labor.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:** 

80. **Refer to Table 3-23.** The farmer has an absolute advantage in the production of
   a. pork.
   b. tomatoes.
   c. both goods.
   d. neither good.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Absolute Advantage
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:** 
81. Refer to Table 3-23. The rancher has an absolute advantage in the production of
   a. pork.
   b. tomatoes.
   c. both goods.
   d. neither good.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Absolute Advantage
   KEYWORDS: BLOOM'S: Application
   NOTES: r

82. Refer to Table 3-23. The farmer has a comparative advantage in the production of
   a. pork.
   b. tomatoes.
   c. both goods.
   d. neither good.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Comparative Advantage
   KEYWORDS: BLOOM'S: Application
   NOTES: r
83. Refer to Table 3-23. The rancher has a comparative advantage in the production of
a. pork.
b. tomatoes.
c. both goods.
d. neither good.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Comparative Advantage

**NOTES:** r

84. Refer to Table 3-23. The farmer should specialize in the production of
a. pork and the rancher should specialize in the production of tomatoes.
b. tomatoes and the rancher should specialize in the production of pork.
c. both goods and the rancher should specialize in the production of neither good.
d. neither good and the rancher should specialize in the production of both goods.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Comparative Advantage

**NOTES:** r
85. Refer to Table 3-23. Assume that the farmer and the rancher each has 24 labor hours available. If each person spends all his time producing the good in which he has a comparative advantage, then total production is
a. 4 pounds of pork and 6 pounds of tomatoes.
b. 6 pounds of pork and 8 pounds of tomatoes.
c. 4 pounds of pork and 8 pounds of tomatoes.
d. 6 pounds of pork and 6 pounds of tomatoes.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
         Specialization
KEYWORDS: BLOOM'S: Application
NOTES: r

86. Refer to Table 3-23. Assume that the farmer and the rancher each has 24 labor hours available. If each person spends all his time producing the good in which he has a comparative advantage and trade takes place at a price of 1 pound of pork for 2 pounds of tomatoes, then
a. the farmer and the rancher will both gain from this trade.
b. the farmer will gain from this trade, but the rancher will not.
c. the rancher will gain from this trade, but the farmer will not.
d. neither the farmer nor the rancher will gain from this trade.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
         Comparative Advantage
KEYWORDS: BLOOM'S: Analysis
NOTES: r
87. Refer to Table 3-23. Without trade, the farmer produced and consumed 2 pounds of pork and 4 pounds of tomatoes and the rancher produced and consumed 4 pounds of pork and 2 pounds of tomatoes. Then, each person agreed to specialize in the production of the good in which he has a comparative advantage and trade 4 pounds of pork for 6 pounds of tomatoes. As a result, a. the farmer gained 3 hours worth of production and the rancher gained 4 hours worth of production.

b. the farmer gained 4 hours worth of production and the rancher gained 6 hours worth of production.

c. the farmer gained 6 hours worth of production and the rancher gained 8 hours worth of production.

d. the farmer gained 8 hours worth of production and the rancher gained 10 hours worth of production.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Analysis

**NOTES:** r

**Table 3-24**

Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1 Unit of Cheese</th>
<th>Number of Units Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>1</td>
<td>40</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
88. Refer to Table 3-24. The opportunity cost of 1 unit of cheese for England is
   a. 1/4 unit of bread.
   b. 1 hour of labor.
   c. 4 units of bread.
   d. 4 hours of labor.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application

89. Refer to Table 3-24. The opportunity cost of 1 unit of cheese for Spain is
   a. 1/2 unit of bread.
   b. 2 hours of labor.
   c. 2 units of bread.
   d. 4 hours of labor.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application
90. **Refer to Table 3-24.** The opportunity cost of 1 unit of bread for England is
   a. 1/4 unit of cheese.
   b. 1/4 hour of labor.
   c. 4 units of cheese.
   d. 4 hours of labor.

   **ANSWER:** c  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application

91. **Refer to Table 3-24.** The opportunity cost of 1 unit of bread for Spain is
   a. 1/2 unit of cheese.
   b. 1/2 hour of labor.
   c. 2 units of cheese.
   d. 8 hours of labor.

   **ANSWER:** c  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application
92. Refer to Table 3-24. England has an absolute advantage in the production of
   a. cheese and Spain has an absolute advantage in the production of bread.
   b. bread and Spain has an absolute advantage in the production of cheese.
   c. both goods and Spain has an absolute advantage in the production of neither good.
   d. neither good and Spain has an absolute advantage in the production of both goods.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Absolute Advantage
   KEYWORDS: BLOOM'S: Application

93. Refer to Table 3-24. England has a comparative advantage in the production of
   a. cheese and Spain has a comparative advantage in the production of bread.
   b. bread and Spain has a comparative advantage in the production of cheese.
   c. both goods and Spain has a comparative advantage in the production of neither good.
   d. neither good and Spain has a comparative advantage in the production of both goods.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Comparative Advantage
   KEYWORDS: BLOOM'S: Application
94. **Refer to Table 3-24.** England should specialize in the production of
   a. cheese and Spain should specialize in the production of bread.
   b. bread and Spain should specialize in the production of cheese.
   c. both goods and Spain should specialize in the production of neither good.
   d. neither good and Spain should specialize in the production of both goods.

**ANSWER:**

**POUNTS:**

**DIFFICULTY:**

**LEARNING OBJECTIVES:**

**NATIONAL STANDARDS:**

**TOPICS:**

**KEYWORDS:**

95. **Refer to Table 3-24.** Assume that England and Spain each has 40 labor hours available.
   Originally, each country divided its time equally between the production of cheese and bread.
   Now, each country spends all its time producing the good in which it has a comparative advantage. As a result, the total output of cheese increased by
   a. 15.
   b. 20.
   c. 25.
   d. 40.

**ANSWER:**

**POUNTS:**

**DIFFICULTY:**

**LEARNING OBJECTIVES:**

**NATIONAL STANDARDS:**

**TOPICS:**

**KEYWORDS:**
96. Refer to Table 3-24. At which of the following prices would both England and Spain gain from trade with each other?
   a. 16 units of bread for 16 units of cheese
   b. 16 units of bread for 24 units of cheese
   c. 16 units of bread for 48 units of cheese
   d. England and Spain could not both gain from trade with each other at any price.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM’S: Analysis

97. Refer to Table 3-24. If England and Spain each spends all its time producing the good in which it has a comparative advantage and the countries agree to trade 2 units of bread for 6 units of cheese, then England will consume
   a. 34 units of cheese and 2 units of bread and Spain will consume 6 units of cheese and 3 units of bread.
   b. 34 units of cheese and 2 units of bread and Spain will consume 16 units of cheese and 3 units of bread.
   c. 34 units of cheese and 12 units of bread and Spain will consume 6 units of cheese and 3 units of bread.
   d. 34 units of cheese and 12 units of bread and Spain will consume 16 units of cheese and 3 units of bread.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Comparative Advantage
   KEYWORDS: BLOOM’S: Analysis
98. **Refer to Table 3-24.** Without trade, England produced and consumed 32 units of cheese and 2 units of bread and Spain produced and consumed 6 units of cheese and 2 units of bread. Then, each country agreed to specialize in the production of the good in which it has a comparative advantage and trade 7 units of cheese for 2.5 units of bread. As a result, England gained

a. 0 units of cheese and 0.5 unit of bread and Spain gained 1 unit of cheese and 0.5 unit of bread.
b. 1 unit of cheese and 0.5 unit of bread and Spain gained 1 unit of cheese and 0.5 unit of bread.
c. 7 units of cheese and 2.5 units of bread and Spain gained 7 units of cheese and 2.5 units of bread.
d. 33 units of cheese and 2.5 units of bread and Spain gained 7 units of cheese and 2.5 units of bread.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Specialization

**BLOOM'S:** Analysis

**Table 3-25**

Assume that Maya and Miguel can switch between producing mixers and producing toasters at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Hours Needed To Make 1</th>
<th>Amount Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mixer</td>
<td>toaster</td>
</tr>
<tr>
<td>Maya</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Miguel</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

99. **Refer to Table 3-25.** The opportunity cost of 1 mixer for Maya is

a. 0.625 toasters.
b. 5 hours of labor.
c. 1.6 toasters.
d. 20 hours of labor.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Opportunity Cost

**BLOOM'S:** Application
100. **Refer to Table 3-25.** The opportunity cost of 1 mixer for Miguel is
   a. 1/2 toaster.
   b. 1/2 hour of labor.
   c. 2 toasters.
   d. 8 hours of labor.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application

101. **Refer to Table 3-25.** The opportunity cost of 1 toaster for Maya is
   a. 0.625 mixers.
   b. 1.6 hours of labor.
   c. 1.6 mixers.
   d. 8 hours of labor.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
102. **Refer to Table 3-25.** The opportunity cost of 1 toaster for Miguel is
   a. 1/2 mixer.
   b. 2 hours of labor.
   c. 2 mixers.
   d. 20 hours of labor.

   **ANSWER:**
   a

   **POINTS:**
   1

   **DIFFICULTY:**
   Difficulty: Moderate

   **LEARNING OBJECTIVES:**
   ECON.MANK.15.13 - LO: 3-2

   **NATIONAL STANDARDS:**
   United States - BUSPROG: Analytic

   **TOPICS:**
   DISC: Production Possibilities Model
   Opportunity Cost

   **KEYWORDS:**
   BLOOM'S: Application

103. **Refer to Table 3-25.** Maya has an absolute advantage in the production of
   a. both goods and a comparative advantage in the production of mixers.
   b. both goods and a comparative advantage in the production of toasters.
   c. neither good and a comparative advantage in the production of mixers.
   d. neither good and a comparative advantage in the production of toasters.

   **ANSWER:**
   a

   **POINTS:**
   1

   **DIFFICULTY:**
   Difficulty: Moderate

   **LEARNING OBJECTIVES:**
   ECON.MANK.15.13 - LO: 3-2

   **NATIONAL STANDARDS:**
   United States - BUSPROG: Analytic

   **TOPICS:**
   DISC: Production Possibilities Model
   Absolute Advantage

   **KEYWORDS:**
   BLOOM'S: Application
104. Refer to Table 3-25. Miguel has an absolute advantage in the production of
a. both goods and a comparative advantage in the production of mixers.
b. both goods and a comparative advantage in the production of toasters.
c. neither good and a comparative advantage in the production of mixers.
d. neither good and a comparative advantage in the production of toasters.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Absolut Advantage  
**KEYWORDS:** BLOOM'S: Application

105. Refer to Table 3-25. Maya should specialize in the production of
a. mixers and Miguel should specialize in the production of toasters.
b. toasters and Miguel should specialize in the production of mixers.
c. both goods and Miguel should specialize in the production of neither good.
d. neither good and Miguel should specialize in the production of both goods.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Application
106. Refer to Table 3-25. At which of the following prices would both Maya and Miguel gain from trade with each other?
   a. 4 mixers for 7 toasters
   b. 8 mixers for 10 toasters
   c. 12 mixers for 18 toasters
   d. Maya and Miguel could not both gain from trade with each other at any price.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Analysis

   **Table 3-26**

   Assume that Japan and Korea can switch between producing cars and producing airplanes at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Hours Needed to Make 1</th>
<th>Quantity Produced in 2400 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Car</td>
<td>Airplane</td>
</tr>
<tr>
<td>Japan</td>
<td>30</td>
<td>150</td>
</tr>
<tr>
<td>Korea</td>
<td>50</td>
<td>150</td>
</tr>
</tbody>
</table>

107. Refer to Table 3-26. Japan’s opportunity cost of one airplane is
   a. 1/5 car and Korea’s opportunity cost of one airplane is 1/3 car.
   b. 1/5 car and Korea’s opportunity cost of one airplane is 3 cars.
   c. 5 cars and Korea’s opportunity cost of one airplane is 1/3 car.
   d. 5 cars and Korea’s opportunity cost of one airplane is 3 cars.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
                Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
108. Refer to Table 3-26. Japan’s opportunity cost of one car is
   a. 1/5 airplane and Korea’s opportunity cost of one car is 1/3 airplane.
   b. 1/5 airplane and Korea’s opportunity cost of one car is 3 airplanes.
   c. 5 airplanes and Korea’s opportunity cost of one car is 1/3 airplane.
   d. 5 airplanes and Korea’s opportunity cost of one car is 3 airplanes.

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM’S: Application

109. Refer to Table 3-26. Suppose Japan decides to increase its production of cars by 45. What is the opportunity cost of this decision?  
   a. 9 airplanes  
   b. 15 airplanes  
   c. 135 airplanes  
   d. 225 airplanes

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM’S: Application
110. Refer to Table 3-26. Suppose Korea decides to increase its production of cars by 18. What is the opportunity cost of this decision?
   a. 3 airplanes
   b. 6 airplanes
   c. 16 airplanes
   d. 150 airplanes

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Opportunity Cost
   KEYWORDS: BLOOM'S: Application

111. Refer to Table 3-26. Japan has an absolute advantage in the production of
   a. cars and a comparative advantage in the production of cars.
   b. cars and a comparative advantage in the production of airplanes.
   c. neither good and a comparative advantage in the production of cars.
   d. neither good and a comparative advantage in the production of airplanes.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Absolute Advantage
   KEYWORDS: BLOOM'S: Application
112. **Refer to Table 3-26.** Korea has an absolute advantage in the production of
a. cars and a comparative advantage in the production of cars.
b. cars and a comparative advantage in the production of airplanes.
c. neither good and a comparative advantage in the production of cars.
d. neither good and a comparative advantage in the production of airplanes.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Absolute Advantage  
**KEYWORDS:** BLOOM’S: Application

113. **Refer to Table 3-26.** Assume that Japan and Korea each has 2400 hours available. Originally, each country divided its time equally between the production of cars and airplanes. Now, each country spends all its time producing the good in which it has a comparative advantage. As a result, the total output of cars increased by
a. 16.  
b. 40.  
c. 64.  
d. 80.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM’S: Analysis
114. **Refer to Table 3-26.** Japan and Korea would *not* be able to gain from trade if Korea's opportunity cost of one car changed to
a. 1/5 airplane.
b. 1/3 airplane.
c. 3 airplanes.
d. 5 airplanes.

**ANSWER:**
a

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Challenging

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:**
United States - BUSPROG: Analytic

**TOPICS:**
DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:**
BLOOM'S: Analysis

115. **Refer to Table 3-26.** Assume that Japan and Korea each has 2400 hours available. If each country spends all its time producing the good in which it has a comparative advantage and trade takes place at a price of 12 cars for 6 airplanes, then
a. Japan and Korea will both gain from this trade.
b. Japan will gain from this trade, but Korea will not.
c. Korea will gain from this trade, but Japan will not.
d. neither Japan nor Korea will gain from this trade.

**ANSWER:**
b

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Challenging

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:**
United States - BUSPROG: Analytic

**TOPICS:**
DISC: Production Possibilities Model
Specialization

**KEYWORDS:**
BLOOM'S: Analysis
116. **Refer to Table 3-26.** Without trade, Japan produced and consumed 50 cars and 6 airplanes and Korea produced and consumed 27 cars and 7 airplanes. Then, each country agreed to specialize in the production of the good in which it has a comparative advantage and trade 28 cars for 8 airplanes. As a result, Japan gained

a. 0 cars and 2 airplanes and Korea gained 1 car and 1 airplane.
b. 2 cars and 2 airplanes and Korea gained 1 car and 1 airplane.
c. 28 cars and 8 airplanes and Korea gained 28 cars and 8 airplanes.
d. 52 cars and 8 airplanes and Korea gained 28 cars and 8 airplanes.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Analysis

### Table 3-27

Assume that Huang and Min can switch between producing parasols and producing porcelain plates at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1</th>
<th>Quantity Produced in 36 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Parasol</td>
<td>Plate</td>
</tr>
<tr>
<td>Huang</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Min</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

117. **Refer to Table 3-27.** The opportunity cost of 1 parasol for Huang is

a. 1/3 plate.
b. 1/2 plate.
c. 3 plates.
d. 6 plates.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Application
118. Refer to Table 3-27. The opportunity cost of 1 parasol for Min is
   a. 1/3 plate.
   b. 1/2 plate.
   c. 2 plates.
   d. 3 plates.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOMS: Application

119. Refer to Table 3-27. The opportunity cost of 1 plate for Huang is
   a. 1/3 parasol.
   b. 1/2 parasol.
   c. 3 parasols.
   d. 4 parasols.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOMS: Application
120. Refer to Table 3-27. The opportunity cost of 1 plate for Min is
   a. 1/3 parasol.
   b. 1/2 parasol.
   c. 2 parasols.
   d. 3 parasols.

   ANSWER:  c
   POINTS:  1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES:  ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS:  United States - BUSPROG: Analytic
   TOPICS:  DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS:  BLOOM'S: Application

121. Refer to Table 3-27. Huang has an absolute advantage in the production of
   a. parasols and a comparative advantage in the production of parasols.
   b. parasols and a comparative advantage in the production of plates.
   c. neither good and a comparative advantage in the production of parasols.
   d. neither good and a comparative advantage in the production of plates.

   ANSWER:  c
   POINTS:  1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES:  ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS:  United States - BUSPROG: Analytic
   TOPICS:  DISC: Production Possibilities Model
            Absolute Advantage
   KEYWORDS:  BLOOM'S: Application
122. **Refer to Table 3-27.** Min has an absolute advantage in the production of
a. plates and a comparative advantage in the production of plates.
b. parasols and a comparative advantage in the production of plates.
c. neither good and a comparative advantage in the production of parasols.
d. neither good and a comparative advantage in the production of plates.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Absolute Advantage  
**KEYWORDS:** BLOOM'S: Application

123. **Refer to Table 3-27.** Assume that Huang and Min each has 36 labor hours available.
Originally, each person divided his/her time equally between the production of parasols and plates.
Now, each person spends all their time producing the good in which they have a comparative advantage. As a result, the total output of plates increased by
a. 0.  
b. 1.5.  
c. 3.  
d. 9.  

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis
124. **Refer to Table 3-27.** At which of the following prices would both Huang and Min gain from trade with each other?

- a. 15 parasols for 10 plates
- b. 15 parasols for 6 plates
- c. 15 parasols for 3 plates
- d. Huang and Min could not both gain from trade with each other at any price.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: International Trade  
**KEYWORDS:** BLOOM'S: Analysis

**Table 3-28**

Barb and Jim run a business that sets up and tests computers. Assume that Barb and Jim can switch between setting up and testing computers at a constant rate. The following table applies.

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to Set Up 1 Computer</th>
<th>Number of Computers Set Up or Tested in a 40-Hour Week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Test 1 Computer</td>
</tr>
<tr>
<td>Barb</td>
<td>48</td>
<td>?</td>
</tr>
<tr>
<td>Jim</td>
<td>30</td>
<td>40</td>
</tr>
</tbody>
</table>

125. **Refer to Table 3-28.** Barb’s opportunity cost of setting up one computer is testing  

- a. 4/5 computer and Jim’s opportunity cost of setting up one computer is testing 3/4 computer.  
- b. 4/5 computer and Jim’s opportunity cost of setting up one computer is testing 4/3 computers.  
- c. 5/4 computers and Jim’s opportunity cost of setting up one computer is testing 3/4 computer.  
- d. 5/4 computers and Jim’s opportunity cost of setting up one computer is testing 4/3 computers.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Application
126. Refer to Table 3-28. Barb’s opportunity cost of testing one computer is setting up
   a. 4/5 computer and Jim’s opportunity cost of testing one computer is setting up 3/4 computer.
   b. 4/5 computer and Jim’s opportunity cost of testing one computer is setting up 4/3 computers.
   c. 5/4 computers and Jim’s opportunity cost of testing one computer is setting up 3/4 computer.
   d. 5/4 computers and Jim’s opportunity cost of testing one computer is setting up 4/3 computers.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM’S: Application

127. Refer to Table 3-28. Barb has an absolute advantage in
   a. both setting up and testing computers and a comparative advantage in setting up computers.
   b. both setting up and testing computers and a comparative advantage in testing computers.
   c. neither setting up nor testing computers and a comparative advantage in setting up computers.
   d. neither setting up nor testing computers and a comparative advantage in testing computers.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   TOPICS: DISC: Production Possibilities Model
           Absolute Advantage
   KEYWORDS: BLOOM’S: Application
128. Refer to Table 3-28. Jim has an absolute advantage in
   a. both setting up and testing computers and a comparative advantage in setting up computers.
   b. both setting up and testing computers and a comparative advantage in testing computers.
   c. neither setting up nor testing computers and a comparative advantage in setting up computers.
   d. neither setting up nor testing computers and a comparative advantage in testing computers.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate

   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Absolute Advantage
   **KEYWORDS:** BLOOM’S: Application

   **Table 3-29**

   Juanita and Shantala run a business that programs and tests cellular phones. Assume that Juanita and Shantala can switch between programming and testing cellular phones at a constant rate. The following table applies.

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to</th>
<th>Number of Cellular Phones Programmed or Tested in a 40-Hour Week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program 1</td>
<td>Test 1</td>
</tr>
<tr>
<td></td>
<td>Cellular Phone</td>
<td>Cellular Phone</td>
</tr>
<tr>
<td>Juanita</td>
<td>?</td>
<td>2</td>
</tr>
<tr>
<td>Shantala</td>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>

129. Refer to Table 3-29. Juanita has an absolute advantage in
   a. programming cellular phones and a comparative advantage in programming cellular phones.
   b. programming cellular phones and a comparative advantage in testing cellular phones.
   c. testing cellular phones and a comparative advantage in programming cellular phones.
   d. testing cellular phones and a comparative advantage in testing cellular phones.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate

   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Absolute Advantage
   **KEYWORDS:** BLOOM’S: Application
130. Refer to Table 3-29. Juanita’s opportunity cost of programming one cellular phone is testing
   a. 7.5 cellular phones and Shantala’s opportunity cost of programming one cellular phone is testing 5/2 cellular phones.
   b. 2/15 cellular phones and Shantala’s opportunity cost of programming one cellular phone is testing 5/2 cellular phones.
   c. 7.5 cellular phones and Shantala’s opportunity cost of programming one cellular phone is testing 2/5 cellular phones.
   d. 2/15 cellular phones and Shantala’s opportunity cost of programming one cellular phone is testing 2/5 cellular phones.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application

131. Refer to Table 3-29. Juanita’s opportunity cost of testing one cellular phone is programming
   a. 0.133 cellular phones and Shantala’s opportunity cost of testing one cellular phone is programming 2.5 cellular phones.
   b. 0.133 cellular phones and Shantala’s opportunity cost of testing one cellular phone is programming 0.4 cellular phones.
   c. 7.5 cellular phones and Shantala’s opportunity cost of testing one cellular phone is programming 2.5 cellular phones.
   d. 7.5 cellular phones and Shantala’s opportunity cost of testing one cellular phone is programming 0.4 cellular phones.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application
132. **Refer to Table 3-29.** Shantala has an absolute advantage in
a. programming cellular phones and a comparative advantage in programming cellular phones.
b. programming cellular phones and a comparative advantage in testing cellular phones.
c. testing cellular phones and a comparative advantage in programming cellular phones.
d. testing cellular phones and a comparative advantage in testing cellular phones.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
            Absolute Advantage  
**KEYWORDS:** BLOOM’S: Application  

**Table 3-30**

Assume that Falda and Varick can switch between producing wheat and producing cloth at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Quantity Produced in 1 Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bushels of Wheat</td>
</tr>
<tr>
<td>Falda</td>
<td>8</td>
</tr>
<tr>
<td>Varick</td>
<td>6</td>
</tr>
</tbody>
</table>

133. **Refer to Table 3-30.** Falda has an absolute advantage in the production of
a. wheat.  
b. cloth.  
c. both goods.  
d. neither good.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
            Absolute Advantage  
**KEYWORDS:** BLOOM’S: Application
134. **Refer to Table 3-30.** Varick has an absolute advantage in the production of
a. wheat.
b. cloth.
c. both goods.
d. neither good.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Absolute Advantage

**KEYWORDS:** BLOOM'S: Application

135. **Refer to Table 3-30.** Falda has a comparative advantage in the production of
a. wheat.
b. cloth.
c. both goods.
d. neither good.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Comparative Advantage

**KEYWORDS:** BLOOM'S: Application
136. **Refer to Table 3-30.** Varick has a comparative advantage in the production of
a. wheat.
b. cloth.
c. both goods.
d. neither good.

**ANSWER:** b
**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
           Comparative Advantage

**KEYWORDS:** BLOOM'S: Application

**Figure 3-13**

**Peru’s Production Possibilities Frontier**
137. **Refer to Figure 3-13.** Suppose Peru decides to increase its production of rubies by 30. What is the opportunity cost of this decision?
   a. 1/8 emerald
   b. 1/3 emerald
   c. 1 emerald
   d. 3 emeralds

   **ANSWER:** c  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application

138. **Refer to Figure 3-13.** Suppose Peru decides to increase its production of emeralds by 2. What is the opportunity cost of this decision?
   a. 30 rubies
   b. 40 rubies
   c. 60 rubies
   d. 120 rubies

   **ANSWER:** c  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application
139. **Refer to Figure 3-13.** Suppose Madagascar is willing to trade 40 rubies to Peru for each emerald that Peru produces and sends to Madagascar. Which of the following combinations of emeralds and rubies could Peru then consume, assuming Peru specializes in emerald production?

a. 2 emeralds and 240 rubies  
b. 3 emeralds and 220 rubies  
c. 4 emeralds and 200 rubies  
d. 5 emeralds and 140 rubies

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis

**Figure 3-14**

**Arturo’s Production Possibilities Frontier**  
**Dina’s Production Possibilities Frontier**
140. **Refer to Figure 3-14.** Arturo’s opportunity cost of one burrito is
  a. $\frac{3}{4}$ taco and Dina’s opportunity cost of one burrito is $\frac{1}{2}$ taco.
  b. $\frac{3}{4}$ taco and Dina’s opportunity cost of one burrito is 2 tacos.
  c. $\frac{4}{3}$ tacos and Dina’s opportunity cost of one burrito is $\frac{1}{2}$ taco.
  d. $\frac{4}{3}$ tacos and Dina’s opportunity cost of one burrito is 2 tacos.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
          Opportunity Cost

**KEYWORDS:** BLOOM'S: Application

141. **Refer to Figure 3-14.** Arturo would incur an opportunity cost of 36 burritos if he increased his production of tacos by
  a. 27.
  b. 48.
  c. 108.
  d. 144.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
          Opportunity Cost

**KEYWORDS:** BLOOM'S: Analysis
142. Refer to Figure 3-14. Which of the following is not correct?
   a. Arturo and Dina could each consume 100 tacos and 100 burritos without trade.
   b. Neither Arturo nor Dina could each consume 200 tacos and 200 burritos without trade.
   c. Arturo and Dina could each consume 200 tacos and 200 burritos with trade.
   d. Total consumption of burritos could not be 600 either with or without trade.

   \[ \text{ANSWER: } \text{c} \]
   \[ \text{POINTS: } 1 \]
   \[ \text{DIFFICULTY:} \ \text{Difficulty: Challenging} \]
   \[ \text{LEARNING OBJECTIVES:} \ ECON.MANK.15.13 \ - \ LO: 3-2 \]
   \[ \text{NATIONAL STANDARDS:} \ United \ States \ - \ BUSPROG: \ Analytic \]
   \[ \text{TOPICS:} \ DISC: \ Production \ Possibilities \ Model \]
   \[ \text{Specialization} \]
   \[ \text{KEYWORDS:} \ BLOOM’S: \ Analysis \]

143. Refer to Figure 3-14. Suppose Arturo is willing to trade 6 burritos to Dina for each 10 tacos that Dina produces and sends to Arturo. Which of the following combinations of tacos and burritos could Dina then consume, assuming Dina specializes in taco production and Arturo specializes in burrito production?
   a. 100 tacos and 200 burritos
   b. 200 tacos and 130 burritos
   c. 300 tacos and 60 burritos
   d. 340 tacos and 40 burritos

   \[ \text{ANSWER: } \text{c} \]
   \[ \text{POINTS: } 1 \]
   \[ \text{DIFFICULTY:} \ \text{Difficulty: Challenging} \]
   \[ \text{LEARNING OBJECTIVES:} \ ECON.MANK.15.13 \ - \ LO: 3-2 \]
   \[ \text{NATIONAL STANDARDS:} \ United \ States \ - \ BUSPROG: \ Analytic \]
   \[ \text{TOPICS:} \ DISC: \ Production \ Possibilities \ Model \]
   \[ \text{Specialization} \]
   \[ \text{KEYWORDS:} \ BLOOM’S: \ Analysis \]
144. **Refer to Figure 3-14.** Arturo has an absolute advantage in the production of
a. burritos and a comparative advantage in the production of tacos.
b. burritos and a comparative advantage in the production of burritos.
c. neither good and a comparative advantage in the production of tacos.
d. neither good and a comparative advantage in the production of burritos.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Absolute Advantage

145. **Refer to Figure 3-14.** Dina has an absolute advantage in the production of
a. burritos and a comparative advantage in the production of tacos.
b. burritos and a comparative advantage in the production of burritos.
c. neither good and a comparative advantage in the production of tacos.
d. neither good and a comparative advantage in the production of burritos.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Absolute Advantage

**BLOOMS:** Application
146. Refer to Figure 3-14. Arturo should specialize in the production of
   a. tacos and Dina should specialize in the production of burritos.
   b. burritos and Dina should specialize in the production of tacos.
   c. both goods and Dina should specialize in the production of neither good.
   d. neither good and Dina should specialize in the production of both goods.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model Specialization
   KEYWORDS: BLOOM'S: Application

147. Refer to Figure 3-14. If Arturo and Dina switch from each person dividing their time equally
   between the production of tacos and burritos to each person spending all of their time producing
   the good in which they have a comparative advantage, then total production of burritos will
   increase by
   a. 50.
   b. 100.
   c. 150.
   d. 300.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model Specialization
   KEYWORDS: BLOOM'S: Analysis
148. **Refer to Figure 3-14.** At which of the following prices would both Arturo and Dina gain from trade with each other?
   a. 12 burritos for 21 tacos
   b. 12 burritos for 27 tacos
   c. 12 burritos for 36 tacos
   d. Arturo and Dina could not both gain from trade with each other at any price.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Analysis

149. **Refer to Figure 3-14.** Arturo and Dina would *not* be able to gain from trade if Dina's opportunity cost of one taco changed to
   a. 1/2 burrito.
   b. 3/4 burrito.
   c. 4/3 burritos.
   d. 2 burritos.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **Opportunity Cost**
   **KEYWORDS:** BLOOM'S: Analysis
150. Refer to Figure 3-14. Without trade, Arturo produced and consumed 240 tacos and 120 burritos and Dina produced and consumed 100 tacos and 150 burritos. Then, each person agreed to specialize in the production of the good in which they have a comparative advantage and trade 260 tacos for 156 burritos. As a result, Arturo gained
a. 20 tacos and 24 burritos and Dina gained 40 tacos and 6 burritos.

b. 20 tacos and 36 burritos and Dina gained 160 tacos and 6 burritos.

c. 260 tacos and 144 burritos and Dina gained 140 tacos and 156 burritos.

d. 260 tacos and 156 burritos and Dina gained 260 tacos and 156 burritos.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Specialization

**KEYWORDS:** BLOOM'S: Analysis

**Figure 3-15**

**Perry’s Production Possibilities Frontier**

**Jordan’s Production Possibilities Frontier**
151. **Refer to Figure 3-15.** The opportunity cost of 1 novel for Perry is
   a. 1/6 poem.
   b. 2 poems.
   c. 6 poems.
   d. 12 poems.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
                Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application

152. **Refer to Figure 3-15.** The opportunity cost of 1 novel for Jordan is
   a. 1/3 poem.
   b. 3 poems.
   c. 4 poems.
   d. 12 poems.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
                Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
153. Refer to Figure 3-15. The opportunity cost of 1 poem for Perry is
a. 1/12 novel.
b. 1/6 novel.
c. 2 novels.
d. 6 novels.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:** BLOOM'S: Application

154. Refer to Figure 3-15. The opportunity cost of 1 poem for Jordan is
a. 1/2 novel.
b. 1/3 novel.
c. 3 novels.
d. 4 novels.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:** BLOOM'S: Application
155. Refer to Figure 3-15. Which of the following is not correct?
   a. Perry and Jordan could each consume 2 novels and 6 poems without trade.
   b. Jordan could consume 2 novels and 6 poems both with and without trade.
   c. Perry and Jordan could each consume 2 novels and 6 poems with trade.
   d. Perry and Jordan could each consume 12 poems without trade.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Analysis

156. Refer to Figure 3-15. Suppose Perry is willing to trade 4 poems to Jordan for each novel that Jordan writes and sends to Perry. Which of the following combinations of novels and poems could Jordan then consume, assuming Jordan specializes in novel production and Perry specializes in poem production?
   a. 1 novel and 14 poems
   b. 2 novels and 8 poems
   c. 3 novels and 6 poems
   d. 4 novels and 2 poems

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
               Specialization
   KEYWORDS: BLOOM'S: Analysis
157. Refer to Figure 3-15. Perry has an absolute advantage in the production of
   a. novels and Jordan has an absolute advantage in the production of poems.
   b. poems and Jordan has an absolute advantage in the production of novels.
   c. novels and Jordan has an absolute advantage in the production of neither good.
   d. neither good and Jordan has an absolute advantage in the production of novels.

   ANSWER:  d
   POINTS:  1
   DIFFICULTY:  Difficulty: Moderate
   LEARNING OBJECTIVES:  ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS:  United States - BUSPROG: Analytic
   TOPICS:  DISC: Production Possibilities Model
            Absolute Advantage
   KEYWORDS:  BLOOM'S: Application

158. Refer to Figure 3-15. Perry has a comparative advantage in the production of
   a. novels and Jordan has a comparative advantage in the production of poems.
   b. poems and Jordan has a comparative advantage in the production of novels.
   c. novels and Jordan has a comparative advantage in the production of neither good.
   d. neither good and Jordan has a comparative advantage in the production of novels.

   ANSWER:  b
   POINTS:  1
   DIFFICULTY:  Difficulty: Moderate
   LEARNING OBJECTIVES:  ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS:  United States - BUSPROG: Analytic
   TOPICS:  DISC: Production Possibilities Model
            Comparative Advantage
   KEYWORDS:  BLOOM'S: Application
159. **Refer to Figure 3-15.** Perry should specialize in the production of
   a. novels.
   b. poems.
   c. both goods.
   d. neither good.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Specialization
   **KEYWORDS:** BLOOM'S: Application

160. **Refer to Figure 3-15.** Jordan should specialize in the production of
   a. novels.
   b. poems.
   c. both goods.
   d. neither good.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Specialization
   **KEYWORDS:** BLOOM'S: Application
161. **Refer to Figure 3-15.** If Perry and Jordan switch from each person dividing their time equally between the production of novels and poems to each person spending all of their time producing the good in which they have a comparative advantage, then total production of novels will increase by

a. 1.
b. 2.
c. 3.
d. 4.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Specialization

**KEYWORDS:** BLOOM'S: Analysis

162. **Refer to Figure 3-15.** If Perry and Jordan each spends all of his/her time producing the good in which s/he has a comparative advantage and trade takes place at a price of 1 novel for 7 poems, then

a. Perry and Jordan will both gain from this trade.
b. Perry will gain from this trade, but Jordan will not.
c. Jordan will gain from this trade, but Perry will not.
d. neither Perry nor Jordan will gain from this trade.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Specialization

**KEYWORDS:** BLOOM'S: Analysis
163. **Refer to Figure 3-16.** Hosne’s opportunity cost of one purse is

a. $\frac{4}{5}$ wallet and Merve’s opportunity cost of one purse is $\frac{2}{3}$ wallet.

b. $\frac{4}{5}$ wallet and Merve’s opportunity cost of one purse is $\frac{3}{2}$ wallets.

c. $\frac{5}{4}$ wallets and Merve’s opportunity cost of one purse is $\frac{2}{3}$ wallet.

d. $\frac{5}{4}$ wallets and Merve’s opportunity cost of one purse is $\frac{3}{2}$ wallets.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOMS: Application
164. Refer to Figure 3-16. Hosne’s opportunity cost of one wallet is
   a. 4/5 purse and Merve’s opportunity cost of one wallet is 2/3 purse.
   b. 4/5 purse and Merve’s opportunity cost of one wallet is 3/2 purses.
   c. 5/4 purses and Merve’s opportunity cost of one wallet is 2/3 purse.
   d. 5/4 purses and Merve’s opportunity cost of one wallet is 3/2 purses.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM’S: Application

165. Refer to Figure 3-16. Hosne has an absolute advantage in the production of
   a. purses and Merve has an absolute advantage in the production of wallets.
   b. wallets and Merve has an absolute advantage in the production of purses.
   c. both goods and Merve has an absolute advantage in the production of neither good.
   d. neither good and Merve has an absolute advantage in the production of both goods.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Absolute Advantage
   KEYWORDS: BLOOM’S: Application
166. Refer to Figure 3-16. Hosne has a comparative advantage in the production of
a. purses and Merve has a comparative advantage in the production of wallets.
b. wallets and Merve has a comparative advantage in the production of purses.
c. both goods and Merve has a comparative advantage in the production of neither good.
d. neither good and Merve has a comparative advantage in the production of both goods.

**ANSWER:**

**POINTS:**

**DIFFICULTY:**

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:**

**KEYWORDS:**

BLOOM’S: Application

167. Refer to Figure 3-16. Hosne should specialize in the production of
a. purses.
b. wallets.
c. both goods.
d. neither good.

**ANSWER:**

**POINTS:**

**DIFFICULTY:**

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:**

**KEYWORDS:**

BLOOM’S: Application
168. **Refer to Figure 3-16.** Merve should specialize in the production of
   a. purses.
   b. wallets.
   c. both goods.
   d. neither good.

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Specialization  
   **KEYWORDS:** BLOOM'S: Application  

169. **Refer to Figure 3-16.** If Hosne and Merve switch from each person dividing her time equally between the production of purses and wallets to each person spending all of her time producing the good in which she has a comparative advantage, then total production of purses will increase by
   a. 2.  
   b. 3.  
   c. 5.  
   d. 10.  

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Challenging  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Specialization  
   **KEYWORDS:** BLOOM'S: Analysis
170. **Refer to Figure 3-16.** At which of the following prices would both Hosne and Merve gain from trade with each other?

a. 5 wallets for 1.25 purses  
b. 5 wallets for 2.5 purses  
c. 5 wallets for 3.75 purses  
d. Hosne and Merve could not both gain from trade with each other at any price.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis

**Figure 3-17**

Maxine’s Production Possibilities Frontier  
Daisy’s Production Possibilities Frontier
171. Refer to Figure 3-17. Suppose Maxine decides to increase her production of tarts by 5. What is the opportunity cost of this decision?
   a. 2/5 pie
   b. 2 pies
   c. 5/2 pies
   d. 10 pies

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
               Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application

172. Refer to Figure 3-17. Suppose Daisy decides to increase her production of pies by 6. What is the opportunity cost of this decision?
   a. 8/3 tarts
   b. 4.5 tarts
   c. 8 tarts
   d. 10 tarts

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
               Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
173. **Refer to Figure 3-17.** Suppose Daisy is willing to trade 3/4 tart to Maxine for each pie that Maxine makes and sends to Daisy. Which of the following combinations of pies and tarts could Maxine _not_ then consume, assuming Maxine specializes in making pies and Daisy specializes in making tarts?

a. 4 pies and 6 tarts  
b. 6 pies and 5 tarts  
c. 8 pies and 3 tarts  
d. 10 pies and 1.5 tarts

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis

174. **Refer to Figure 3-17.** Maxine has an absolute advantage in the production of

a. both goods and a comparative advantage in the production of pies.  
b. both goods and a comparative advantage in the production of tarts.  
c. neither good and a comparative advantage in the production of pies.  
d. neither good and a comparative advantage in the production of tarts.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Absolute Advantage  
**KEYWORDS:** BLOOM’S: Application
175. **Refer to Figure 3-17.** Daisy has an absolute advantage in the production of
a. both goods and a comparative advantage in the production of pies.
b. both goods and a comparative advantage in the production of tarts.
c. neither good and a comparative advantage in the production of pies.
d. neither good and a comparative advantage in the production of tarts.

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Difficulty: Moderate  
*LEARNING OBJECTIVES:* ECON.MANK.15.13 - LO: 3-2  
*NATIONAL STANDARDS:* United States - BUSPROG: Analytic  
*TOPICS:* DISC: Production Possibilities Model  
Absolute Advantage  
*KEYWORDS:* BLOOM'S: Application

176. **Refer to Figure 3-17.** If Maxine and Daisy switch from each person dividing her time equally between the production of pies and tarts to each person spending all of her time producing the good in which she has a comparative advantage, then total production of tarts will increase by
a. 7.  
b. 10.  
c. 17.  
d. 20.

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Difficulty: Challenging  
*LEARNING OBJECTIVES:* ECON.MANK.15.13 - LO: 3-2  
*NATIONAL STANDARDS:* United States - BUSPROG: Analytic  
*TOPICS:* DISC: Production Possibilities Model  
Specialization  
*KEYWORDS:* BLOOM'S: Analysis
177. **Refer to Figure 3-17.** At which of the following prices would both Maxine and Daisy gain from trade with each other?

   a. 4 tarts for 2 pies  
   b. 8 tarts for 12 pies  
   c. 12 tarts for 28 pies  
   d. Maxine and Daisy could not both gain from trade with each other at any price.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Analysis

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**Figure 3-18**

**Bintu’s Production Possibilities Frontier**  
**Juba’s Production Possibilities Frontier**
178. Refer to Figure 3-18. The opportunity cost of 1 bowl for Bintu is
   a. 1/4 cup.
   b. 1/2 cup.
   c. 2 cups.
   d. 4 cups.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application

179. Refer to Figure 3-18. The opportunity cost of 1 bowl for Juba is
   a. 1/4 cup.
   b. 2/3 cup.
   c. 3/2 cups.
   d. 4 cups.

   ANSWER: c
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application
180. **Refer to Figure 3-18.** The opportunity cost of 1 cup for Bintu is
   a. 1/8 bowl.
   b. 1/4 bowl.
   c. 4 bowls.
   d. 8 bowls.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application

181. **Refer to Figure 3-18.** The opportunity cost of 1 cup for Juba is
   a. 1/6 bowl.
   b. 2/3 bowl.
   c. 3/2 bowls.
   d. 6 bowls.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
182. **Refer to Figure 3-18.** Suppose Juba is willing to trade one bowl to Bintu for every two cups that Bintu makes and sends to Juba. Which of the following combinations of bowls and cups could Bintu then consume, assuming Bintu specializes in making cups and Juba specializes in making bowls?

a. 1 bowl and 7 cups  
b. 2 bowls and 4 cups  
c. 3 bowls and 3 cups  
d. 4 bowls and 1 cup

**ANSWER:** b  
**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis

183. **Refer to Figure 3-18.** Bintu has an absolute advantage in the production of

a. bowls and Juba has an absolute advantage in the production of cups.  
b. cups and Juba has an absolute advantage in the production of bowls.  
c. both goods and Juba has an absolute advantage in the production of neither good.  
d. neither good and Juba has an absolute advantage in the production of both goods.

**ANSWER:** b  
**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Absolute Advantage  
**KEYWORDS:** BLOOM'S: Application
184. **Refer to Figure 3-18.** Bintu has a comparative advantage in the production of
a. bowls and Juba has a comparative advantage in the production of cups.
b. cups and Juba has a comparative advantage in the production of bowls.
c. both goods and Juba has a comparative advantage in the production of neither good.
d. neither good and Juba has a comparative advantage in the production of both goods.

**ANSWER:** b  
**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**TOPICS:** DISC: Production Possibilities Model  
Comparative Advantage

**KEYWORDS:** BLOOM’S: Application

185. **Refer to Figure 3-18.** If Bintu and Juba switch from each person dividing her time equally between the production of cups and bowls to each person spending all of her time producing the good in which she has a comparative advantage, then total production will increase by
a. 1 bowl and 1 cup.
b. 2 bowls and 4 cups.
c. 3 bowls and 5 cups.
d. 4 bowls and 8 cups.

**ANSWER:** a  
**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**TOPICS:** DISC: Production Possibilities Model  
Specialization

**KEYWORDS:** BLOOM’S: Analysis
186. Refer to Figure 3-19. Chile’s opportunity cost of one pound of coffee is

a. 3/4 pound of soybeans and Colombia’s opportunity cost of one pound of coffee is 1/2 pound of soybeans.

b. 3/4 pound of soybeans and Colombia’s opportunity cost of one pound of coffee is 2 pounds of soybeans.

c. 4/3 pounds of soybeans and Colombia’s opportunity cost of one pound of coffee is 1/2 pound of soybeans.

d. 4/3 pounds of soybeans and Colombia’s opportunity cost of one pound of coffee is 2 pounds of soybeans.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model

Opportunity Cost

KEYWORDS: BLOOM’S: Application
187. Refer to Figure 3-19. Chile’s opportunity cost of one pound of soybeans is
   a. $\frac{3}{4}$ pound of coffee and Colombia’s opportunity cost of one pound of soybeans is $\frac{1}{2}$ pound of coffee.
   b. $\frac{3}{4}$ pound of coffee and Colombia’s opportunity cost of one pound of soybeans is 2 pounds of coffee.
   c. $\frac{4}{3}$ pounds of coffee and Colombia’s opportunity cost of one pound of soybeans is $\frac{1}{2}$ pound of coffee.
   d. $\frac{4}{3}$ pounds of coffee and Colombia’s opportunity cost of one pound of soybeans is 2 pounds of coffee.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Application

188. Refer to Figure 3-19. Chile would incur an opportunity cost of 36 pounds of coffee if it increased its production of soybeans by
   a. 12 pounds.
   b. 27 pounds.
   c. 30 pounds.
   d. 48 pounds.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Analysis
189. **Refer to Figure 3-19.** Colombia would incur an opportunity cost of 24 pounds of coffee if it increased its production of soybeans by
   a. 12 pounds.
   b. 18 pounds.
   c. 36 pounds.
   d. 48 pounds.

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Challenging  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Analysis

190. **Refer to Figure 3-19.** Chile has an absolute advantage in the production of
   a. coffee and Colombia has an absolute advantage in the production of soybeans.
   b. soybeans and Colombia has an absolute advantage in the production of coffee.
   c. both goods and Colombia has an absolute advantage in the production of neither good.
   d. neither good and Colombia has an absolute advantage in the production of both goods.

   **ANSWER:** c  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Absolute Advantage  
   **KEYWORDS:** BLOOM'S: Application
191. Refer to Figure 3-19. Chile has a comparative advantage in the production of
a. coffee and Colombia has a comparative advantage in the production of soybeans.
b. soybeans and Colombia has a comparative advantage in the production of coffee.
c. both goods and Colombia has a comparative advantage in the production of neither good.
d. neither good and Colombia has a comparative advantage in the production of both goods.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
Comparative Advantage
KEYWORDS: BLOOM'S: Application

192. Refer to Figure 3-19. If Chile and Colombia switch from each country dividing its time equally
between the production of coffee and soybeans to each country spending all of its time producing
the good in which it has a comparative advantage, then total production of soybeans will
increase by
a. 3 pounds.
b. 6 pounds.
c. 9 pounds.
d. 12 pounds.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
Specialization
KEYWORDS: BLOOM'S: Analysis
193. **Refer to Figure 3-19.** At which of the following prices would both Chile and Colombia gain from trade with each other?
   a. 6 pounds of soybeans for 9 pounds of coffee
   b. 8 pounds of soybeans for 20 pounds of coffee
   c. 11 pounds of soybeans for 33 pounds of coffee
   d. Chile and Colombia could not both gain from trade with each other at any price.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Analysis

194. **Refer to Figure 3-19.** If Chile and Colombia each spends all of its time producing the good in which it has a comparative advantage and the countries agree to trade 7 pounds of coffee for 5 pounds of soybeans, then Chile will consume
   a. 7 pounds of coffee and 7 pounds of soybeans and Colombia will consume 5 pounds of coffee and 5 pounds of soybeans.
   b. 7 pounds of coffee and 7 pounds of soybeans and Colombia will consume 5 pounds of coffee and 11 pounds of soybeans.
   c. 23 pounds of coffee and 7 pounds of soybeans and Colombia will consume 5 pounds of coffee and 5 pounds of soybeans.
   d. 23 pounds of coffee and 7 pounds of soybeans and Colombia will consume 5 pounds of coffee and 11 pounds of soybeans.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model Specialization
   **KEYWORDS:** BLOOM'S: Analysis
195. Refer to Figure 3-19. Chile and Colombia would not be able to gain from trade if Colombia's opportunity cost of one pound of soybeans changed to
a. 1/2 pound of coffee.
b. 3/4 pound of coffee.
c. 4/3 pounds of coffee.
d. 2 pounds of coffee.

ANSWER: c

POUNTS: 1

DIFFICULTY: Difficulty: Challenging

LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model

Opportunity Cost

KEYWORDS: BLOOM'S: Analysis

Figure 3-20

Canada’s Production Possibilities Frontier

Mexico’s Production Possibilities Frontier
196. **Refer to Figure 3-20.** Canada’s opportunity cost of one unit of Good X is
a. 1/2 unit of Good Y and Mexico’s opportunity cost of one unit of Good X is 1/2 unit of Good Y.
b. 2 unit of Good Y and Mexico’s opportunity cost of one unit of Good X is 2 units of Good Y.
c. 2 units of Good Y and Mexico’s opportunity cost of one unit of Good X is 1/2 unit of Good Y.
d. 2 units of Good Y and Mexico’s opportunity cost of one unit of Good X is 2 units of Good Y.

**ANSWER:** c  
**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model  
Opportunity Cost

**KEYWORDS:** BLOOM'S: Application

**NOTES:** n

197. **Refer to Figure 3-20.** Canada’s opportunity cost of one unit of Good Y is
a. 1/2 unit of Good X and Mexico’s opportunity cost of one unit of Good Y is 1/2 unit of Good X.
b. 1/2 unit of Good X and Mexico’s opportunity cost of one unit of Good Y is 2 units of Good X.
c. 2 units of Good X and Mexico’s opportunity cost of one unit of Good Y is 1/2 unit of Good X.
d. 2 units of Good X and Mexico’s opportunity cost of one unit of Good Y is 2 units of Good X.

**ANSWER:** b  
**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model  
Opportunity Cost

**KEYWORDS:** BLOOM'S: Application

**NOTES:** n
198. **Refer to Figure 3-20.** Canada would incur an opportunity cost of 6 units of Good X if it increased its production of Good Y by

a. 3 units.
b. 6 units.
c. 9 units.
d. 12 units.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** Opportunity Cost  
**NOTES:** n

199. **Refer to Figure 3-20.** Mexico would incur an opportunity cost of 8 units of Good X if it increased its production of Good Y by

a. 2 units.
b. 4 units.
c. 6 units.
d. 8 units.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** Opportunity Cost  
**NOTES:** n
200. **Refer to Figure 3-20.** Canada has an absolute advantage in the production of
a. Good X and Mexico has an absolute advantage in the production of Good Y.
b. Good Y and Mexico has an absolute advantage in the production of Good X.
c. both goods and Mexico has an absolute advantage in the production of neither good.
d. neither good and Mexico has an absolute advantage in the production of both goods.

*ANSWER: b*

*POINTS: 1*

*DIFFICULTY: Difficulty: Moderate*

*LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2*

*NATIONAL STANDARDS: United States - BUSPROG: Analytic*

*TOPICS: DISC: Production Possibilities Model*

  *Absolute Advantage*

*KEYWORDS: BLOOM'S: Application*

*NOTES: n*

201. **Refer to Figure 3-20.** Canada has a comparative advantage in the production of
a. Good X and Mexico has a comparative advantage in the production of Good Y.
b. Good Y and Mexico has a comparative advantage in the production of Good X.
c. both goods and Mexico has a comparative advantage in the production of neither good.
d. neither good and Mexico has a comparative advantage in the production of both goods.

*ANSWER: b*

*POINTS: 1*

*DIFFICULTY: Difficulty: Moderate*

*LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2*

*NATIONAL STANDARDS: United States - BUSPROG: Analytic*

*TOPICS: DISC: Production Possibilities model*

  *Comparative Advantage*

*KEYWORDS: BLOOM'S: Application*

*NOTES: n*
202. Refer to Figure 3-20. If Canada and Mexico switch from each country dividing its time equally between the production of Good X and Good Y to each country spending all of its time producing the good in which it has a comparative advantage, then total production of Good X will increase by

a. 3 units.
b. 6 units.
c. 9 units.
d. 12 units.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Analysis

**NOTES:** n

203. Refer to Figure 3-20. If Canada and Mexico switch from each country dividing its time equally between the production of Good X and Good Y to each country spending all of its time producing the good in which it has a comparative advantage, then total production of Good Y will increase by

a. 3 units.
b. 6 units.
c. 9 units.
d. 12 units.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Analysis

**NOTES:** n
204. Refer to Figure 3-20. At which of the following prices would both Canada and Mexico gain from trade with each other?
   a. 9 units of Good Y for 6 units of Good X
   b. 8 units of Good Y for 20 units of Good X
   c. 70 units of Good Y for 30 units of Good X
   d. Canada and Mexico could not both gain from trade with each other at any price.

   **ANSWER:**      a
   **POINTS:**       1
   **DIFFICULTY:**   Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:**       DISC: Production Possibilities Model
   **KEYWORDS:**     BLOOM'S: Analysis
   **NOTES:**        n

   **Figure 3-21**

   Uzbekistan’s Production Possibilities Frontier    Azerbaijan’s Production Possibilities Frontier

   ![Graphs showing production possibilities frontiers for Uzbekistan and Azerbaijan]
205. **Refer to Figure 3-21.** Azerbaijan’s opportunity cost of one nail is

a. 1/4 bolt and Uzbekistan’s opportunity cost of one nail is 1/2 bolt.
b. 1/4 bolt and Uzbekistan’s opportunity cost of one nail is 2 bolts.
c. 4 bolts and Uzbekistan’s opportunity cost of one nail is 1/2 bolt.
d. 4 bolts and Uzbekistan’s opportunity cost of one nail is 2 bolts.

**ANSWER:**
a
**POINTS:**
1

**DIFFICULTY:**
Difficulty: Moderate

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**TOPICS:**
DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:**
BLOOM’S: Application

206. **Refer to Figure 3-21.** Azerbaijan’s opportunity cost of one bolt is

a. 1/4 nail and Uzbekistan’s opportunity cost of one bolt is 1/2 nail.
b. 1/4 nail and Uzbekistan’s opportunity cost of one bolt is 2 nails.
c. 4 nails and Uzbekistan’s opportunity cost of one bolt is 1/2 nail.
d. 4 nails and Uzbekistan’s opportunity cost of one bolt is 2 nails.

**ANSWER:**
d

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Moderate

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**TOPICS:**
DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:**
BLOOM’S: Application
207. Refer to Figure 3-21. Suppose Uzbekistan decides to increase its production of bolts by 10. What is the opportunity cost of this decision?
   a. 1/2 nail
   b. 2 nails
   c. 5 nails
   d. 20 nails

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application

208. Refer to Figure 3-21. Suppose Azerbaijan decides to increase its production of nails by 20. What is the opportunity cost of this decision?
   a. 1/4 bolt
   b. 4 bolts
   c. 5 bolts
   d. 80 bolts

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
209. **Refer to Figure 3-21.** Suppose Azerbaijan is willing to trade 3 nails to Uzbekistan for every bolt that Uzbekistan makes and sends to Azerbaijan. Which of the following combinations of bolts and nails could Azerbaijan then consume, assuming Uzbekistan specializes in making bolts and Azerbaijan specializes in making nails?

a. 8 bolts and 56 nails  
b. 14 bolts and 44 nails  
c. 18 bolts and 32 nails  
d. 20 bolts and 26 nails

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis

210. **Refer to Figure 3-21.** Suppose Azerbaijan is willing to trade 3 nails to Uzbekistan for every bolt that Uzbekistan makes and sends to Azerbaijan. Which of the following combinations of bolts and nails could Uzbekistan then consume, assuming Uzbekistan specializes in making bolts and Azerbaijan specializes in making nails?

a. 7 bolts and 70 nails  
b. 12 bolts and 56 nails  
c. 17 bolts and 40 nails  
d. 25 bolts and 15 nails

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis
211. **Refer to Figure 3-21.** Azerbaijan has an absolute advantage in the production of
a. bolts and a comparative advantage in the production of bolts.
b. bolts and a comparative advantage in the production of nails.
c. nails and a comparative advantage in the production of bolts.
d. nails and a comparative advantage in the production of nails.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
        Absolute Advantage

**KEYWORDS:** BLOOM'S: Application

212. **Refer to Figure 3-21.** If Uzbekistan and Azerbaijan switch from each country dividing its time
equally between the production of bolts and nails to each country spending all of its time producing
the good in which it has a comparative advantage, then total production will increase by
a. 5 bolts and 10 nails.
b. 15 bolts and 40 nails.
c. 20 bolts and 50 nails.
d. 30 bolts and 80 nails.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
        Specialization

**KEYWORDS:** BLOOM'S: Analysis
213. Refer to Figure 3-21. If Uzbekistan and Azerbaijan each spends all its time producing the good in which it has a comparative advantage and trade takes place at a price of 12 bolts for 36 nails, then
a. neither Uzbekistan nor Azerbaijan will gain from this trade.
b. Uzbekistan will gain from this trade, but Azerbaijan will not.
c. Azerbaijan will gain from this trade, but Uzbekistan will not.
d. both Uzbekistan and Azerbaijan will gain from this trade.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
Comparative Advantage
KEYWORDS: BLOOM’S: Analysis

214. Refer to Figure 3-21. Without trade, Uzbekistan produced and consumed 12 bolts and 36 nails and Azerbaijan produced and consumed 14 bolts and 24 nails. Then, each country agreed to specialize in the production of the good in which it has a comparative advantage and trade 16 bolts for 38 nails. As a result, Uzbekistan gained
a. 2 bolts and 2 nails and Azerbaijan gained 2 bolts and 18 nails.
b. 4 bolts and 2 nails and Azerbaijan gained 2 bolts and 14 nails.
c. 14 bolts and 38 nails and Azerbaijan gained 16 bolts and 42 nails.
d. 16 bolts and 38 nails and Azerbaijan gained 16 bolts and 38 nails.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Challenging
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
Specialization
KEYWORDS: BLOOM’S: Analysis
Figure 3-22

Alice and Betty’s Production Possibilities in one 8-hour day.

Alice’s Production Possibilities Frontier

Betty’s Production Possibilities Frontier

215. Refer to Figure 3-22. What are Alice and Betty’s opportunity costs of 1 pizza?
   a. Alice’s opportunity cost of 1 pizza is 1/2 of a pitcher of lemonade and Betty’s opportunity cost of 1 pizza is 2/3 of a pitcher of lemonade.
   b. Alice’s opportunity cost of 1 pizza is 1 pitcher of lemonade and Betty’s opportunity cost of 1 pizza is 3 pitchers of lemonade.
   c. Alice’s opportunity cost of 1 pizza is 2 pitchers of lemonade and Betty’s opportunity cost of 1 pizza is 1.5 pitchers of lemonade.
   d. Alice’s opportunity cost of 1 pizza is 400 pitchers of lemonade and Betty’s opportunity cost of 1 pizza is 450 pitchers of lemonade.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model
          Opportunity Cost

KEYWORDS: BLOOM'S: Application
216. Refer to Figure 3-22. What are Alice and Betty’s opportunity costs of 1 pitcher of lemonade?
   a. Alice’s opportunity cost of 1 pitcher of lemonade is 1/2 of a pizza and Betty’s opportunity cost of 1 pitcher of lemonade is 2/3 of a pizza.
   b. Alice’s opportunity cost of 1 pitcher of lemonade is 2 pizzas and Betty’s opportunity cost of 1 pitcher of lemonade is 1.5 pizzas.
   c. Alice’s opportunity cost of 1 pitcher of lemonade is 10 pizzas and Betty’s opportunity cost of 1 pitcher of lemonade is 10 pizzas.
   d. Alice’s opportunity cost of 1 pitcher of lemonade is 200 pizzas and Betty’s opportunity cost of 1 pitcher of lemonade is 300 pizzas.

   ANSWER: a  
   POINTS: 1  
   DIFFICULTY: Difficulty: Moderate  
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2  
   NATIONAL STANDARDS: United States - BUSPROG: Analytic  
   TOPICS: DISC: Production Possibilities Model  
            Opportunity Cost  
   KEYWORDS: BLOOM’S: Application

217. Refer to Figure 3-22. Which of the following statements is correct regarding absolute advantage?
   a. Alice has an absolute advantage in the production of both lemonade and pizzas.
   b. Betty has an absolute advantage in the production of both lemonade and pizzas.
   c. Alice has an absolute advantage in the production of pizzas while Betty has an absolute advantage in the production of lemonade.
   d. Alice has an absolute advantage in the production of lemonade while Betty has an absolute advantage in the production of pizzas.

   ANSWER: b  
   POINTS: 1  
   DIFFICULTY: Difficulty: Moderate  
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2  
   NATIONAL STANDARDS: United States - BUSPROG: Analytic  
   TOPICS: DISC: Production Possibilities Model  
            Absolute Advantage  
   KEYWORDS: BLOOM’S: Application
218. **Refer to Figure 3-22.** Which of the following statements is correct regarding comparative advantage?
   a. Alice has a comparative advantage in the production of both lemonade and pizzas.
   b. Betty has a comparative advantage in the production of both lemonade and pizzas.
   c. Alice has a comparative advantage in the production of pizzas while Betty has a comparative advantage in the production of lemonade.
   d. Alice has a comparative advantage in the production of lemonade while Betty has a comparative advantage in the production of pizzas.

   **ANSWER:** d
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
            Comparative Advantage
   **KEYWORDS:** BLOOM'S: Application

219. **Refer to Figure 3-22.** Which of the following prices would result in a mutually advantageous trade for Alice and Betty?
   a. 100 pizzas for 100 pitchers of lemonade
   b. 100 pizzas for 125 pitchers of lemonade
   c. 100 pizzas for 180 pitchers of lemonade
   d. 100 pizzas for 220 pitchers of lemonade

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Application
Table 3-31

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1 Pound of:</th>
<th>Amount Produced in 40 hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Meat</td>
<td>Potatoes</td>
</tr>
<tr>
<td>Farmer</td>
<td>8 hours/pound</td>
<td>5 hours/pound</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 pounds</td>
</tr>
<tr>
<td>Rancher</td>
<td>4 hours/pound</td>
<td>10 hours/pound</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 pounds</td>
</tr>
</tbody>
</table>

220. Refer to Table 3-31. For the farmer, the opportunity cost of 1 pound of meat is
   a. 0.625 pound of potatoes.
   b. 1.6 pounds of potatoes.
   c. 5 pounds of potatoes.
   d. 8 pounds of potatoes.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOMS: Application

221. Refer to Table 3-31. For the farmer, the opportunity cost of 15 pounds of meat is
   a. 12 pounds of potatoes.
   b. 16 pounds of potatoes.
   c. 20 pounds of potatoes.
   d. 24 pounds of potatoes.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOMS: Application
222. **Refer to Table 3-31.** For the rancher, the opportunity cost of 1 pound of meat is
   a. 0.4 pound of potatoes.
   b. 2.5 pounds of potatoes.
   c. 4 pounds of potatoes.
   d. 10 pounds of potatoes.

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model
               Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application

223. **Refer to Table 3-31.** For the rancher, the opportunity cost of 16 pounds of meat is
   a. 4.0 pounds of potatoes.
   b. 5.2 pounds of potatoes.
   c. 6.4 pounds of potatoes.
   d. 9.6 pounds of potatoes.

   **ANSWER:** c  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model
               Opportunity Cost  
   **KEYWORDS:** BLOOM'S: Application
224. Refer to Table 3-31. For the farmer, the opportunity cost of 1 pound of potatoes is
   a. 0.625 pound of meat.
   b. 1.0 pounds of meat.
   c. 1.6 pounds of meat.
   d. 3.2 pounds of meat.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOM'S: Application

225. Refer to Table 3-31. For the farmer, 12.8 pounds of
   a. meat is the opportunity cost of 10.6 pounds of potatoes.
   b. meat is the opportunity cost of 16.0 pounds of potatoes.
   c. potatoes is the opportunity cost of 6.8 pounds of meat.
   d. potatoes is the opportunity cost of 8.0 pounds of meat.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Challenging
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOM'S: Application
226. Refer to Table 3-31. In 10 hours,
   a. the rancher could produce 2.5 pounds of meat and 1.0 pound of potatoes.
   b. the rancher could produce 1.0 pound of meat and 1.0 pound of potatoes.
   c. the farmer could produce 0.25 pounds of meat and 1.6 pounds of potatoes.
   d. the farmer could produce 0.75 pounds of meat and 1.25 pounds of potatoes.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Productive Efficiency
   **KEYWORDS:** BLOOM’S: Application

227. Refer to Table 3-31. Relative to the farmer, the rancher has an absolute advantage in the
   production of
   a. meat, but not in the production of potatoes.
   b. potatoes, but not in the production of meat.
   c. both meat and potatoes.
   d. neither meat nor potatoes.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Absolute Advantage
   **KEYWORDS:** BLOOM’S: Application
228. **Refer to Table 3-31.** Relative to the rancher, the farmer has a comparative advantage in the production of

a. meat, but not in the production of potatoes.
b. potatoes, but not in the production of meat.
c. both meat and potatoes.
d. neither meat nor potatoes.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Comparative Advantage  
**KEYWORDS:** BLOOM’S: Application

229. **Refer to Table 3-31.** Relative to the rancher, the farmer has

a. a comparative advantage in the production of meat, because the farmer’s opportunity cost of a pound of meat is lower than the rancher’s opportunity cost of a pound of meat.
b. a comparative advantage in the production of potatoes, because the rancher requires less time than the farmer to produce a pound of potatoes.
c. a comparative advantage in the production of potatoes; relative to the farmer, the rancher has a comparative advantage in the production of meat.
d. an absolute advantage in the production of both meat and potatoes.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Comparative Advantage  
**KEYWORDS:** BLOOM’S: Application
Figure 3-23

The graph below represents the various combinations of ham and cheese (in pounds) that the nation of Bonovia could produce in a given month.

230. Refer to Figure 3-23. For Bonovia, what is the opportunity cost of a pound of cheese?
   a. 0.8 pounds of ham
   b. 1.25 pounds of ham
   c. 8 pounds of ham
   d. 16 pounds of ham

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Opportunity Cost
   KEYWORDS: BLOOM'S: Application
231. **Refer to Figure 3-23.** Whenever Bonovia increases its production of ham by 1 pound per month, then it must decrease its production of cheese by
a. 0.75 pound.
b. 0.80 pound.
c. 1.00 pounds.
d. 1.25 pounds.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Opportunity Cost  
**KEYWORDS:** BLOOMS: Application

232. **Refer to Figure 3-23.** The nation of Cropitia has a comparative advantage over Bonovia in producing ham if
a. Cropitia can produce more than 400 pounds of ham per month.  
b. Cropitia can produce more than 320 pounds of cheese per month.  
c. Cropitia’s opportunity cost of producing a pound of ham is less than 0.8 pounds of cheese.  
d. Cropitia’s opportunity cost of producing a pound of ham is greater than 0.8 pounds of cheese.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Comparative Advantage  
**KEYWORDS:** BLOOMS: Analysis
233. **Refer to Figure 3-23.** In the nation of Cropitia, the opportunity cost of a pound of cheese is 1.5 pounds of ham. Bonovia and Cropitia both can gain from trading with one another if one pound of cheese trades for
a. 1.0 pound of ham.
b. 1.4 pounds of ham.
c. 2.1 pounds of ham.
d. All of the above are correct.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Opportunity Cost  
**KEYWORDS:** BLOOM’S: Application

234. **Refer to Figure 3-23.** In the nation of Cropitia, the opportunity cost of a pound of ham is 0.3 pounds of cheese. Bonovia and Cropitia both can gain from trading with one another if one pound of ham trades for
a. 0.40 pounds of cheese.
b. 0.55 pounds of cheese.
c. 0.75 pounds of cheese.
d. All of the above are correct.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Opportunity Cost  
**KEYWORDS:** BLOOM’S: Application

**Table 3-32**

**US and French Production Opportunities**

<table>
<thead>
<tr>
<th></th>
<th>Wine (in millions of gallons)</th>
<th>Cheese (in millions of lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>France</td>
<td>8</td>
<td>4</td>
</tr>
</tbody>
</table>
235. Refer to Table 3-32 The US has a comparative advantage in the production of
   a. wine.
   b. cheese.
   c. both wine and cheese.
   d. neither wine nor cheese.

   ANSWER: b
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Comparative Advantage
   KEYWORDS: BLOOM'S: Application

236. Refer to Table 3-32 France has an absolute advantage in the production of
   a. wine.
   b. cheese.
   c. both wine and cheese.
   d. neither wine nor cheese.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Absolute Advantage
   KEYWORDS: BLOOM'S: Application
237. **Refer to Table 3-32** The opportunity costs for the US and France are as follows:

- a. In the US 1 million gallons of wine costs 1/2 million pounds of cheese and in France 1 million gallons of wine costs 2 million pounds of cheese.
- b. In the US 1 million gallons of wine costs 2 million pounds of cheese and in France 1 million gallons of wine costs 1/2 million pounds of cheese.
- c. In the US 1 million pounds of cheese costs 1/2 million gallons of wine and in France 1 million pounds of cheese costs 2 million gallons of wine.
- d. In the US 1 million pounds of cheese costs 16 million gallons of wine and in France 1 million pounds of cheese costs 8 million gallons of wine.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Opportunity Cost  
**KEYWORDS:** BLOOM'S: Application

### Table 3-33

**Chris and Tony’s Production Opportunities**

<table>
<thead>
<tr>
<th></th>
<th>Tomatoes</th>
<th>Pasta Sauce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris</td>
<td>10 lbs</td>
<td>300 jars</td>
</tr>
<tr>
<td>Tony</td>
<td>14 lbs</td>
<td>280 jars</td>
</tr>
</tbody>
</table>

238. **Refer to Table 3-33** Chris and Tony both produce tomatoes and pasta sauce. The table shows their possible production per month if both work the same number of 8 hour days. Given this information, Chris’s opportunity cost of 1 lb. of tomatoes is

- a. 2 jars of sauce and Tony’s opportunity cost of 1 lb. of tomatoes is 3 jars of sauce.
- b. 3 jars of sauce and Tony’s opportunity cost of 1 lb. of tomatoes is 2 jars of sauce.
- c. 20 jars of sauce and Tony’s opportunity cost of 1 lb. of tomatoes is 30 jars of sauce.
- d. 30 jars of sauce and Tony’s opportunity cost of 1 lb. of tomatoes is 20 jars of sauce.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Opportunity Cost  
**KEYWORDS:** BLOOM'S: Application
239. Refer to Table 3-33 Chris and Tony both produce tomatoes and pasta sauce. The table shows their possible production per month if both work the same number of 8 hour days. If Chris and Tony both decide to specialize and produce only the good in which they have a comparative advantage, then
a. Chris will produce only sauce and Tony will produce only tomatoes.
b. Chris will produce only tomatoes and Tony will produce only sauce.
c. Both Chris and Tony will produce only sauce.
d. Both Chris and Tony will produce only tomatoes.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model

KEYWORDS: BLOOM'S: Application

240. Refer to Table 3-33 Chris and Tony both produce tomatoes and pasta sauce. The table shows their possible production per month if both work the same number of 8 hour days. Which of the following statements is correct?
a. Tony has a comparative advantage in the production of sauce.
b. Chris has a comparative advantage in the production of tomatoes.
c. Tony has an absolute advantage in the production of tomatoes.
d. Chris has an absolute advantage in the production of tomatoes.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic

TOPICS: DISC: Production Possibilities Model

KEYWORDS: BLOOM'S: Application
241. Refer to Table 3-33 Chris and Tony both produce tomatoes and pasta sauce. The table shows their possible production per month if both work the same number of 8 hour days. Which of the following prices would result in a mutually advantageous trade between Chris and Tony?

a. 1 lb. of tomatoes for 23 jars of sauce
b. 1 lb. of tomatoes for 27 jars of sauce
c. 1 lb. of tomatoes for 33 jars of sauce
d. Both a and b are correct.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
KEYWORDS: BLOOM'S: Application

242. Adam Smith

a. and David Ricardo both opposed free trade.
b. opposed free trade, but David Ricardo supported it.
c. supported free trade, but David Ricardo opposed it.
d. and David Ricardo both supported free trade.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Thinking Like an Economist
KEYWORDS: BLOOM'S: Comprehension
243. Adam Smith asserted that a person should never attempt to make at home
   a. what it will cost him more to make than to buy.
   b. any good in which that person does not have an absolute advantage.
   c. any luxury good.
   d. any necessity.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   **KEYWORDS:** BLOOM'S: Comprehension

244. Which famous economist developed the principle of comparative advantage as we know it today?
   a. Adam Smith
   b. David Ricardo
   c. John Maynard Keynes
   d. Milton Friedman

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   **KEYWORDS:** BLOOM'S: Knowledge
245. Which of the following is not correct?
   a. Economists are generally united in their support of free trade.
   b. The conclusions of Adam Smith and David Ricardo on the gains from trade have held up well over time.
   c. David Ricardo argued that Britain should not restrict imports of grain.
   d. Economists’ opposition to trade restrictions is still based largely on the principle of absolute advantage.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Easy  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Thinking Like an Economist  
**KEYWORDS:** BLOOM’S: Knowledge

246. Economists generally support
   a. trade restrictions.
   b. government management of trade.
   c. export subsidies.
   d. free international trade.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: International Trade  
Free Trade  
**KEYWORDS:** BLOOM’S: Comprehension
Multiple Choice – Section 02B: Comparative Advantage: The Driving Force of Specialization

Table 3-34

Assume that Indonesia and India can switch between producing rice and bananas at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Make 1 Unit of</th>
<th>Number of Units Produced in 40 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rice</td>
<td>Bananas</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>India</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

1. Refer to Table 3-34. Indonesia’s opportunity cost of producing bananas is
   a. 2.5 units of rice. This is higher than India’s opportunity cost of producing bananas.
   b. 2.5 units of rice. This is lower than India’s opportunity cost of producing bananas.
   c. 2/5 units of rice. This is higher than India’s opportunity cost of producing bananas.
   d. 2/5 units of rice. This is lower than India’s opportunity cost of producing bananas.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
         Opportunity Cost
KEYWORDS: BLOOMS: Application

2. Refer to Table 3-34. India’s opportunity cost of producing rice is
   a. 1/2 units of bananas. This is higher than Indonesia’s opportunity cost of producing rice.
   b. 1/2 units of bananas. This is lower than Indonesia’s opportunity cost of producing rice.
   c. 2 units of bananas. This is higher than Indonesia’s opportunity cost of producing rice.
   d. 2 units of bananas. This is lower than Indonesia’s opportunity cost of producing rice.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
         Opportunity Cost
KEYWORDS: BLOOMS: Application
3. **Refer to Table 3-34.** For which good(s) does Indonesia have a comparative advantage
   a. rice and bananas.
   b. rice but not bananas.
   c. bananas but not rice.
   d. neither rice nor bananas.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM'S: Application

4. **Refer to Table 3-34.** At which of the following prices, if any, can India and Indonesia both gain from trade?
   a. 1/5 units of bananas per unit of rice.
   b. 1/3 units of bananas per unit of rice.
   c. 3/5 units of bananas per unit of rice.
   d. None of the above.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Application

### Table 3-35

<table>
<thead>
<tr>
<th></th>
<th>Labor Hours Needed to Produce</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Dozen Eggs</td>
</tr>
<tr>
<td>Denmark</td>
<td>10</td>
</tr>
<tr>
<td>Finland</td>
<td>6</td>
</tr>
</tbody>
</table>
5. Refer to Table 3-35. Denmark’s opportunity cost of producing 1 dozen eggs is
   a. 5/4 pounds of ham. This is higher than Finland’s opportunity cost of producing 1 dozen eggs.
   b. 5/4 pounds of ham. This is lower than Finland’s opportunity cost of producing 1 dozen eggs.
   c. 4/5 pounds of ham. This is higher than Finland’s opportunity cost of producing 1 dozen eggs.
   d. 4/5 pounds of ham. This is lower than Finland’s opportunity cost of producing 1 dozen eggs.

   ANSWER:       b
   POINTS:        1
   DIFFICULTY:    Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS:        DISC: Production Possibilities Model
                   Opportunity Cost
   KEYWORDS:      BLOOM'S: Application

6. Refer to Table 3-35. Finland’s opportunity cost of producing 1 unit of ham is
   a. 3/2 dozen eggs. This is higher than Denmark’s opportunity cost.
   b. 3/2 dozen eggs. This is lower than Denmark’s opportunity cost.
   c. 2/3 dozen eggs. This is higher than Denmark’s opportunity cost.
   d. 2/3 dozen eggs. This is lower than Denmark’s opportunity cost.

   ANSWER:       d
   POINTS:        1
   DIFFICULTY:    Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS:        DISC: Production Possibilities Model
                   Opportunity Cost
   KEYWORDS:      BLOOM'S: Application
7. **Refer to Table 3-35.** Which good(s) does Denmark have an absolute advantage producing?
   a. both eggs and ham.
   b. eggs but not ham.
   c. ham but not eggs.
   d. neither ham nor eggs.

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   **KEYWORDS:** Absolute Advantage  

8. **Refer to Table 3-35.** Which good(s) does Finland have an absolute advantage producing?
   a. both eggs and ham.
   b. eggs but not ham.
   c. ham but not eggs.
   d. neither ham nor eggs.

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   **KEYWORDS:** Absolute Advantage  

   **BLOOM'S:** Application
9. **Refer to Table 3-35.** At which of the following prices, if any, could both Denmark and Finland gain from trade?
   a. 2/3 pounds of ham per dozen eggs.
   b. 1 pound of ham per dozen eggs.
   c. 1.4 pounds of ham per dozen eggs.
   d. None of the above are correct.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Analysis

**Figure 3-24**

The production possibilities frontiers below show how much Bob and Betty can each produce in 8 hours of time.
10. **Refer to Figure 3-24.** Bob has
   a. an absolute and comparative advantage producing good x.
   b. an absolute but not a comparative advantage producing good x.
   c. a comparative but not an absolute advantage producing good x.
   d. neither a comparative nor an absolute advantage producing good x.

   **ANSWER:** c  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Comparative Advantage  
   **KEYWORDS:** BLOOM’S: Application

11. **Refer to Figure 3-24.** Betty has
   a. an absolute and comparative advantage producing good x.
   b. an absolute but not a comparative advantage producing good x.
   c. a comparative but not an absolute advantage producing good x.
   d. neither a comparative nor an absolute advantage producing good x.

   **ANSWER:** b  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Absolute Advantage  
   **KEYWORDS:** BLOOM’S: Application

**Table 3-36**

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to Make 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Towel</td>
</tr>
<tr>
<td>Antigua</td>
<td>12</td>
</tr>
<tr>
<td>Barbuda</td>
<td>15</td>
</tr>
</tbody>
</table>
12. **Refer to Table 3-36.** What is Antigua’s opportunity cost of one towel?
   a. $\frac{3}{5}$ umbrellas  
   b. $\frac{2}{3}$ umbrellas  
   c. $\frac{3}{2}$ umbrellas  
   d. $\frac{5}{3}$ umbrellas  

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Challenging  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model, Opportunity Cost  
   **KEYWORDS:** BLOOM’S: Application

13. **Refer to Table 3-36.** What is Antigua’s opportunity cost of one umbrella?
   a. $\frac{3}{5}$ towels  
   b. $\frac{2}{3}$ towels  
   c. $\frac{3}{2}$ towels  
   d. $\frac{5}{3}$ towels  

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Challenging  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model, Opportunity Cost  
   **KEYWORDS:** BLOOM’S: Application
14. Refer to Table 3-36. What is Barbuda’s opportunity cost of one towel?
   a. 3/5 umbrellas
   b. 2/3 umbrellas
   c. 3/2 umbrellas
   d. 5/3 umbrellas

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
             Opportunity Cost
   **KEYWORDS:** BLOOM’S: Application

15. Refer to Table 3-36. What is Barbuda’s opportunity cost of one umbrella?
   a. 3/5 towels
   b. 2/3 towels
   c. 3/2 towels
   d. 5/3 towels

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Challenging
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
             Opportunity Cost
   **KEYWORDS:** BLOOM’S: Application
16. Refer to Table 3-36. Antigua has an absolute advantage in the production of
   a. towels and Barbuda has an absolute advantage in the production of umbrellas.
   b. umbrellas and Barbuda has an absolute advantage in the production of towels.
   c. both goods and Barbuda has an absolute advantage in the production of neither good.
   d. neither good and Barbuda has an absolute advantage in the production of both goods.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Absolute Advantage
   KEYWORDS: BLOOM'S: Application

17. Refer to Table 3-36. Antigua has a comparative advantage in the production of
   a. towels and Barbuda has a comparative advantage in the production of umbrellas.
   b. umbrellas and Barbuda has a comparative advantage in the production of towels.
   c. both goods and Barbuda has a comparative advantage in the production of neither good.
   d. neither good and Barbuda has a comparative advantage in the production of both goods.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Comparative Advantage
   KEYWORDS: BLOOM'S: Application
18. **Refer to Table 3-36.** If Antigua and Barbuda decide to trade with each other, Antigua should specialize in the production of
   a. towels and Barbuda should specialize in the production of umbrellas.
   b. umbrellas and Barbuda should specialize in the production of towels.
   c. both goods and Barbuda should specialize in the production of neither good.
   d. neither good and Barbuda should specialize in the production of both goods.

   **ANSWER:** a 
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model Specialization
   **KEYWORDS:** BLOOM’S: Application

19. **Refer to Table 3-36.** Assume that Antigua and Barbuda each has 60 minutes available. If each island spends all its time producing the good in which it has a comparative advantage, then total production is
   a. 4 towels and 3 umbrellas.
   b. 5 towels and 6 umbrellas.
   c. 8 towels and 10 umbrellas.
   d. 9 towels and 9 umbrellas.

   **ANSWER:** b 
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model Specialization
   **KEYWORDS:** BLOOM’S: Application
Multiple Choice – Section 03: Applications of Comparative Advantage

1. By definition, imports are
   a. people who work in foreign countries.
   b. goods in which a country has an absolute advantage.
   c. limits placed on the quantity of goods leaving a country.
   d. goods produced abroad and sold domestically.

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Easy  
   **LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: International Trade Imports  
   **KEYWORDS:** BLOOM’S: Knowledge

2. By definition, exports are
   a. limits placed on the quantity of goods brought into a country.
   b. goods in which a country has an absolute advantage.
   c. people who work in foreign countries.
   d. goods produced domestically and sold abroad.

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Easy  
   **LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: International Trade Exports  
   **KEYWORDS:** BLOOM’S: Knowledge
3. Goods produced abroad and sold domestically are called
   a. exports.
   b. imports.
   c. exchange rates.
   d. opportunity costs.

   \textit{ANSWER:} \quad b

   \textit{POINTS:} \quad 1

   \textit{DIFFICULTY:} \quad \text{Difficulty: Easy}

   \textit{LEARNING OBJECTIVES:} \quad \text{ECON.MANK.15.14 - LO: 3-3}

   \textit{NATIONAL STANDARDS:} \quad \text{United States - BUSPROG: Analytic}

   \textit{TOPICS:} \quad \text{DISC: International Trade Imports}

   \textit{KEYWORDS:} \quad \text{BLOOM'S: Knowledge}

4. Trade between countries
   a. allows each country to consume at a point outside its production possibilities frontier.
   b. limits a country’s ability to produce goods and services on its own.
   c. must benefit both countries equally; otherwise, trade is not mutually beneficial.
   d. can best be understood by examining the countries’ absolute advantages.

   \textit{ANSWER:} \quad a

   \textit{POINTS:} \quad 1

   \textit{DIFFICULTY:} \quad \text{Difficulty: Moderate}

   \textit{LEARNING OBJECTIVES:} \quad \text{ECON.MANK.15.14 - LO: 3-3}

   \textit{NATIONAL STANDARDS:} \quad \text{United States - BUSPROG: Analytic}

   \textit{TOPICS:} \quad \text{DISC: International Trade Imports}

   \textit{KEYWORDS:} \quad \text{BLOOM'S: Comprehension}
5. When a country has a comparative advantage in producing a certain good,
   a. the country should import that good.
   b. the country should produce just enough of that good for its own consumption.
   c. the country’s opportunity cost of that good is high relative to other countries’ opportunity costs of that same good.
   d. None of the above is correct.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Comparative Advantage
   KEYWORDS: BLOOM’S: Comprehension

6. Which of the following would not result from all countries specializing according to the principle of comparative advantage?
   a. The size of the economic pie would increase.
   b. Worldwide production of goods and services would increase.
   c. The well-being of citizens in each country would be enhanced.
   d. Each country’s production possibilities frontier would shift inward.

   ANSWER: d
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Specialization
   KEYWORDS: BLOOM’S: Comprehension
7. A country that currently does not trade with other countries could benefit by
   a. restricting imports and promoting exports.
   b. promoting imports and restricting exports.
   c. restricting both imports and exports.
   d. not restricting trade.

   ANSWER: d  
   POINTS: 1  
   DIFFICULTY: Difficulty: Moderate  
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3  
   NATIONAL STANDARDS: United States - BUSPROG: Analytic  
   TOPICS: DISC: International Trade  
            Open Economy  
   KEYWORDS: BLOOM'S: Comprehension

8. Suppose the United States has a comparative advantage over Mexico in producing pork. The
   principle of comparative advantage asserts that
   a. the United States should produce more pork than what it requires and export some of it to
      Mexico.
   b. the United States should produce a moderate quantity of pork and import the remainder of what
      it requires from Mexico.
   c. the United States should refrain altogether from producing pork and import all of what it requires
      from Mexico.
   d. Mexico has nothing to gain from importing United States pork.

   ANSWER: a  
   POINTS: 1  
   DIFFICULTY: Difficulty: Moderate  
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3  
   NATIONAL STANDARDS: United States - BUSPROG: Analytic  
   TOPICS: DISC: Production Possibilities Model  
            Comparative Advantage  
   KEYWORDS: BLOOM'S: Application
9. Belarus has a comparative advantage in the production of linen, but Russia has an absolute advantage in the production of linen. If these two countries decide to trade,
a. Belarus should export linen to Russia.
b. Russia should export linen to Belarus.
c. trading linen would provide no net advantage to either country.
d. Without additional information about opportunity costs, this question cannot be answered.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Comparative Advantage  
**KEYWORDS:** BLOOM'S: Application

10. Suppose that a worker in Boatland can produce either 5 units of wheat or 25 units of fish per year, and a worker in Farmland can produce either 25 units of wheat or 5 units of fish per year. There are 10 workers in each country. Political pressure from the fish lobby in Farmland and from the wheat lobby in Boatland has prevented trade between the two countries on the grounds that cheap imports would kill the fish industry in Farmland and the wheat industry in Boatland. As a result, Boatland produces and consumes 25 units of wheat and 125 units of fish per year while Farmland produces and consumes 125 units of wheat and 25 units of fish per year. If the political pressure were overcome and trade were to occur, each country would completely specialize in the product in which it has a comparative advantage. If trade were to occur, the combined output of the two countries would increase by
a. 25 units of wheat and 25 units of fish.  
b. 50 units of wheat and 50 units of fish.  
c. 75 units of wheat and 75 units of fish.  
d. 100 units of wheat and 100 units of fish.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis
11. Suppose that a worker in Boatland can produce either 5 units of wheat or 25 units of fish per year, and a worker in Farmland can produce either 25 units of wheat or 5 units of fish per year. There are 30 workers in each country. No trade occurs between the two countries. Boatland produces and consumes 75 units of wheat and 375 units of fish per year while Farmland produces and consumes 375 units of wheat and 75 units of fish per year. If trade were to occur, Boatland would trade 90 units of fish to Farmland in exchange for 80 units of wheat. If Boatland now completely specializes in fish production, how many units of fish could it now consume along with the 80 units of imported wheat?

a. 490 units  
b. 500 units  
c. 610 units  
d. 660 units

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Challenging  
**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Specialization  
**KEYWORDS:** BLOOM'S: Analysis

12. In which of the following cases should the United States produce more noodles than it wants for its own use and trade some of those noodles to Italy in exchange for wine?

a. Americans know less than Italians know about cooking noodles.  
b. The United States has an absolute advantage over Italy in producing noodles.  
c. Italy has a comparative advantage over the United States in producing wine.  
d. The opportunity cost of producing a gallon of wine is the same for Italy as it is for the United States.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
Comparative Advantage  
**KEYWORDS:** BLOOM'S: Comprehension
13. Suppose the U.S. and Japan can both produce airplanes and televisions and the U.S. has a comparative advantage in the production of airplanes while Japan has a comparative advantage in the production of televisions. Also suppose the U.S. has an absolute advantage in the production of both airplanes and televisions. The U.S. should:
   a. not trade airplanes or televisions with Japan.
   b. import airplanes from Japan and export televisions to Japan.
   c. export airplanes to Japan and import televisions from Japan.
   d. export both airplanes and televisions to Japan.

   **ANSWER:** c
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3
   **TOPICS:** DISC: Production Possibilities Model
      Comparative Advantage
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:**

14. Suppose the U.S. and Japan both produce airplanes and televisions and the U.S. has a comparative advantage in the production of airplanes while Japan has a comparative advantage in the production of televisions. If the U.S. exports airplanes to Japan and imports televisions from Japan,:
   a. both countries, as a whole, will be better off.
   b. all individuals in both countries will be better off.
   c. both countries, as a whole, will be worse off.
   d. all individuals in both countries will be worse off.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3
   **TOPICS:** DISC: Production Possibilities Model
      Comparative Advantage
   **KEYWORDS:** BLOOM'S: Application
   **NOTES:**
15. Tom Brady should pay someone else to mow his lawn instead of mowing it himself, unless
   a. Brady has an absolute advantage over everyone else in mowing his lawn.
   b. Brady has a comparative advantage over everyone else in mowing his lawn.
   c. Brady’s opportunity cost of mowing his lawn is higher than it is for everyone else.
   d. All of the above are correct.

   ANSWER:   b
   POINTS:    1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Comparative Advantage
   KEYWORDS: BLOOM’S: Comprehension

16. Tom Brady should probably not mow his own lawn because
   a. his opportunity cost of mowing his lawn is higher than the cost of paying someone to mow it for him.
   b. he has a comparative advantage in mowing his lawn relative to a landscaping service.
   c. he has an absolute advantage in mowing his lawn relative to a landscaping service.
   d. he might sprain his ankle.

   ANSWER:   a
   POINTS:    1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Opportunity Cost
   KEYWORDS: BLOOM’S: Comprehension
17. When two countries trade with one another, it is most likely because
   a. the wealthy people in each of the two countries are able to benefit, through trade, by taking
      advantage of other people who are poor.
   b. some people involved in the trade do not understand that one of the two countries will become
      worse-off because of the trade.
   c. the opportunity costs of producing various goods are identical for the two countries.
   d. the two countries wish to take advantage of the principle of comparative advantage.

   \textit{ANSWER:} \quad \textbf{d}

   \textit{POINTS:} \quad \textbf{1}

   \textit{DIFFICULTY:} \quad \text{Difficulty: Moderate}

   \textit{LEARNING OBJECTIVES:} \quad \text{ECON.MANK.15.14 - LO: 3-3}

   \textit{NATIONAL STANDARDS:} \quad \text{United States - BUSPROG: Analytic}

   \textit{TOPICS:} \quad \text{DISC: Production Possibilities Model}
   \text{Comparative Advantage}

   \textit{KEYWORDS:} \quad \text{BLOOM'S: Comprehension}

\textbf{Table 3-37}

Assume that Aruba and Iceland can switch between producing coolers and producing radios at a constant rate.

\begin{table}[h]
\begin{center}
\begin{tabular}{|l|c|c|}
\hline
      & Labor Hours Needed to Make 1 Cooler & Radio \\
\hline
Aruba  & 2       & 5     \\
Iceland& 1       & 4     \\
\hline
\end{tabular}
\end{center}
\end{table}

18. \textbf{Refer to Table 3-37}. Aruba should export
   a. coolers and import radios.
   b. radios and import coolers.
   c. both goods and import neither good.
   d. neither good and import both goods.

   \textit{ANSWER:} \quad \textbf{b}

   \textit{POINTS:} \quad \textbf{1}

   \textit{DIFFICULTY:} \quad \text{Difficulty: Moderate}

   \textit{LEARNING OBJECTIVES:} \quad \text{ECON.MANK.15.14 - LO: 3-3}

   \textit{NATIONAL STANDARDS:} \quad \text{United States - BUSPROG: Analytic}

   \textit{TOPICS:} \quad \text{DISC: Production Possibilities Model}
   \text{Comparative Advantage}

   \textit{KEYWORDS:} \quad \text{BLOOM'S: Application}
19. Refer to Table 3-37. Iceland should export
   a. coolers and import radios.
   b. radios and import coolers.
   c. both goods and import neither good.
   d. neither good and import both goods.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Comparative Advantage
   KEYWORDS: BLOOM'S: Application

   Table 3-38

   Assume that England and Spain can switch between producing cheese and producing bread at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Cheese</th>
<th>Bread</th>
<th>Cheese</th>
<th>Bread</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>1</td>
<td>4</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
<td>8</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

20. Refer to Table 3-38. England should export
   a. cheese and import bread.
   b. bread and import cheese.
   c. both goods and import neither good.
   d. neither good and import both goods.

   ANSWER: a
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Comparative Advantage
   KEYWORDS: BLOOM'S: Application
21. Refer to Table 3-38. Spain should export
   a. cheese and import bread.
   b. bread and import cheese.
   c. both goods and import neither good.
   d. neither good and import both goods.

   ANSWER:  b
   POINTS:  1

22. Refer to Table 3-39. Japan should specialize in the production of
   a. cars and import airplanes.
   b. airplanes and import cars.
   c. both goods and import neither good.
   d. neither good and import both goods.

   ANSWER:  a
   POINTS:  1

Table 3-39

Assume that Japan and Korea can switch between producing cars and producing airplanes at a constant rate.

<table>
<thead>
<tr>
<th></th>
<th>Hours Needed to Make 1 Car</th>
<th>Quantity Produced in 2400 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Car</td>
<td>Airplane</td>
</tr>
<tr>
<td>Japan</td>
<td>30</td>
<td>150</td>
</tr>
<tr>
<td>Korea</td>
<td>50</td>
<td>150</td>
</tr>
</tbody>
</table>
23. **Refer to Table 3-39.** Korea should specialize in the production of
   a. cars and import airplanes.
   b. airplanes and import cars.
   c. both goods and import neither good.
   d. neither good and import both goods.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate
**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic
**TOPICS:** DISC: Production Possibilities Model  
Specialization
**KEYWORDS:** BLOOM’S: Application

**Figure 3-25**

- **Chile’s Production Possibilities Frontier**
- **Colombia’s Production Possibilities Frontier**
24. **Refer to Figure 3-25.** Chile should specialize in the production of
   a. coffee and import soybeans.
   b. soybeans and import coffee.
   c. both goods and import neither good.
   d. neither good and import both goods.

   **ANSWER:** b
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Specialization
   **KEYWORDS:** BLOOM'S: Application

25. **Refer to Figure 3-25.** Colombia should specialize in the production of
   a. coffee and import soybeans.
   b. soybeans and import coffee.
   c. both goods and import neither good.
   d. neither good and import both goods.

   **ANSWER:** a
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Specialization
   **KEYWORDS:** BLOOM'S: Application
26. Alexis is a lawyer. She bills her clients $100 an hour for her services. She can also mow her lawn in 30 minutes. She can hire someone to mow her lawn who takes an hour. Of the following prices, which is the highest Alexis would pay someone to mow her lawn?

a. $99
b. $49
c. $29
d. Alexis would always mow her own lawn because she can do it faster.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application

### Table 3-40

<table>
<thead>
<tr>
<th></th>
<th>Hours Needed to Make 1</th>
<th>Quantity Produced in 2400 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Boat</td>
<td>Car</td>
</tr>
<tr>
<td>Germany</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>Italy</td>
<td>40</td>
<td>50</td>
</tr>
</tbody>
</table>

27. **Refer to Table 3-40.** Germany should specialize in the production of

a. boats and import cars.
b. cars and import boats.
c. both goods and import neither good.
d. neither good and import both goods.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application
28. **Refer to Table 3-40.** Italy should specialize in the production of
   a. boats and import cars.
   b. cars and import boats.
   c. both goods and import neither good.
   d. neither good and import both goods.

   **ANSWER:** a  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
   Specialization  
   **KEYWORDS:** BLOOM'S: Application

**Multiple Choice – Section 04: Conclusion**

1. Which of the following is *not* an example of the principle that trade can make everyone better off? 
   a. Americans buy tube socks from China.  
   b. Residents of Maine drink orange juice from Florida.  
   c. A homeowner hires the kid next door to mow the lawn.  
   d. All of the above are examples of the principle that trade can make everyone better off. 

   **ANSWER:** d  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Easy  
   **LEARNING OBJECTIVES:** ECON.MANK.15.15 - LO: 3-4  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: International Trade  
   **KEYWORDS:** BLOOM'S: Application
True/False and Short Answer

1. In most countries today, many goods and services consumed are imported from abroad, and many goods and services produced are exported to foreign customers.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.11 - LO: 3-0
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Knowledge

2. Interdependence among individuals and interdependence among nations are both based on the gains from trade.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.11 - LO: 3-0
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension

3. If a person chooses self-sufficiency, then she can only consume what she produces.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Thinking Like an Economist
   KEYWORDS: BLOOM'S: Knowledge
4. If Wrex can produce more math problems per hour and more book reports per hour than Maxine can, then Wrex cannot gain from trading math problems and book reports with Maxine.

a. True
b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application

5. Assume a farmer has the ability to produce corn and/or beans. Whenever the farmer spends 1 hour less producing corn and 1 hour more producing beans, he reduces his output of corn by 2 bushels and raises his output of beans by 3 bushels. In view of these assumptions, the farmer’s production possibilities frontier is bowed out.

a. True
b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Comprehension

6. To produce 100 bushels of wheat, Farmer A requires fewer inputs than does Farmer B. We can conclude that Farmer A has an absolute advantage over Farmer B in producing wheat.

a. True
b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Knowledge
7. It is possible for the U.S. to gain from trade with Germany even if it takes U.S. workers fewer hours to produce every good than it takes German workers.
   a. True
   b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: International Trade  
**KEYWORDS:** BLOOM'S: Application

8. A production possibilities frontier is a graph that shows the combination of outputs that an economy should produce.
   a. True
   b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Moderate  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model  
**KEYWORDS:** BLOOM'S: Comprehension

9. Production possibilities frontiers cannot be used to illustrate tradeoffs.
   a. True
   b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Difficulty: Easy  
**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**TOPICS:** DISC: Production Possibilities Model Tradeoffs  
**KEYWORDS:** BLOOM'S: Knowledge
10. The production possibilities frontier shows the trade-offs that the producer faces but does not identify the choice the producer will make.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Tradeoffs
   KEYWORDS: BLOOM'S: Comprehension

11. An economy can produce at any point on or inside its production possibilities frontier, but it cannot produce at points outside its production possibilities frontier.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Comprehension

12. An assumption of the production possibilities frontier model is that technology is fixed.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.12 - LO: 3-1
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   KEYWORDS: BLOOM'S: Comprehension
13. Trade allows a country to consume outside its production possibilities frontier.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** BLOOM'S: Comprehension

14. Opportunity cost refers to how many inputs a producer requires to produce a good.
   a. True
   b. False

   **ANSWER:** False
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** Opportunity Cost
   **BLOOM'S:** Knowledge

15. Opportunity cost measures the trade-off between two goods that each producer faces.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   **KEYWORDS:** Opportunity Cost
   **BLOOM'S:** Knowledge
16. For a country producing two goods, the opportunity cost of one good will be the inverse of the opportunity cost of the other good.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Comprehension

17. Henry can make a bird house in 3 hours and he can make a bird feeder in 1 hour. The opportunity cost to Henry of making a bird house is 1/3 bird feeder.
   a. True
   b. False

   **ANSWER:** False
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application

18. In one month, Moira can knit 2 sweaters or 4 scarves. In one month, Tori can knit 1 sweater or 3 scarves. Moira’s opportunity cost of knitting scarves is lower than Tori’s opportunity cost of knitting scarves.
   a. True
   b. False

   **ANSWER:** False
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
19. Suppose that in one hour Dewey can produce either 10 bushels of corn or 20 yards of cloth. Dewey’s opportunity cost of producing one bushel of corn is 1/2 yard of cloth.
   a. True
   b. False

   **Answer:** False
   **Points:** 1
   **Difficulty:** Difficulty: Moderate
   **Learning Objectives:** ECON.MANK.15.13 - LO: 3-2
   **National Standards:** United States - BUSPROG: Analytic
   **Topics:** DISC: Production Possibilities Model
               Opportunity Cost
   **Keywords:** BLOOM’S: Application

20. Jake can complete an oil change in 45 minutes and he can write a poem in 90 minutes. Ming-la can complete an oil change in 30 minutes and she can write a poem in 90 minutes. Jake's opportunity cost of writing a poem is lower than Ming-la's opportunity cost of writing a poem.
   a. True
   b. False

   **Answer:** True
   **Points:** 1
   **Difficulty:** Difficulty: Moderate
   **Learning Objectives:** ECON.MANK.15.13 - LO: 3-2
   **National Standards:** United States - BUSPROG: Analytic
   **Topics:** DISC: Production Possibilities Model
               Opportunity Cost
   **Keywords:** BLOOM’S: Application
21. Harry is a computer company executive, earning $200 per hour managing the company and promoting its products. His daughter Quinn is a high school student, earning $6 per hour helping her grandmother on the farm. Harry's computer is broken. He can repair it himself in one hour. Quinn can repair it in 10 hours. Harry’s opportunity cost of repairing the computer is lower than Quinn’s.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Opportunity Cost
   KEYWORDS: BLOOM’S: Application

22. If one producer has the absolute advantage in the production of all goods, then that same producer will have the comparative advantage in the production of all goods as well.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Absolute Advantage
   KEYWORDS: BLOOM’S: Comprehension
23. If a country has the comparative advantage in producing a product, then that country must also have the absolute advantage in producing that product.
   a. True
   b. False

   **ANSWER:** False  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
               Comparative Advantage  
   **KEYWORDS:** BLOOM'S: Comprehension

24. In an economy consisting of two people producing two goods, it is possible for one person to have the absolute advantage and the comparative advantage in both goods.
   a. True
   b. False

   **ANSWER:** False  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Moderate  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
               Absolute Advantage  
   **KEYWORDS:** BLOOM'S: Comprehension

25. If one producer is able to produce a good at a lower opportunity cost than some other producer, then the producer with the lower opportunity cost is said to have an absolute advantage in the production of that good.
   a. True
   b. False

   **ANSWER:** False  
   **POINTS:** 1  
   **DIFFICULTY:** Difficulty: Easy  
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2  
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
   **TOPICS:** DISC: Production Possibilities Model  
               Absolute Advantage  
   **KEYWORDS:** BLOOM'S: Knowledge
26. Unless two people who are producing two goods have exactly the same opportunity costs, then one person will have a comparative advantage in one good, and the other person will have a comparative advantage in the other good.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
               Comparative Advantage
   **KEYWORDS:** BLOOM'S: Comprehension

27. When there are two people and each is capable of producing two goods, it is possible for one person to have a comparative advantage over the other in both goods.
   a. True
   b. False

   **ANSWER:** False
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
               Comparative Advantage
   **KEYWORDS:** BLOOM'S: Comprehension
28. Zora can produce 4 quilts in a week and she can produce 1 corporate website in a week. Lou can produce 9 quilts in a week and he can produce 2 corporate websites in a week. Zora has the comparative advantage in quilts and the absolute advantage in neither good, while Lou has the comparative advantage in corporate websites and the absolute advantage in both goods.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Comparative Advantage
   KEYWORDS: BLOOM'S: Application

29. Timmy can edit 2 pages in one minute and he can type 80 words in one minute. Olivia can edit 1 page in one minute and she can type 100 words in one minute. Timmy has an absolute advantage and a comparative advantage in editing, while Olivia has an absolute advantage and a comparative advantage in typing.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Absolute Advantage
   KEYWORDS: BLOOM'S: Application
30. Suppose Hank and Tony can both produce corn. If Hank’s opportunity cost of producing a bushel of corn is 2 bushels of soybeans and Tony’s opportunity cost of producing a bushel of corn is 3 bushels of soybeans, then Hank has the comparative advantage in the production of corn.

a. True
b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Comparative Advantage

**KEYWORDS:** BLOOM’S: Application

31. It takes Anne 3 hours to make a pie and 4 hours to make a shirt. It takes Mary 2 hours to make a pie and 5 hours to make a shirt. Anne should specialize in making shirts and Mary should specialize in making pies, and they should trade.

a. True
b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Specialization

**KEYWORDS:** BLOOM’S: Application
32. In one month, Moira can knit 2 sweaters or 4 scarves. In one month, Tori can knit 1 sweater or 3 scarves. Together, they could produce more output in total if Moira knits only sweaters and Tori knits only scarves.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Specialization
   **KEYWORDS:** BLOOM'S: Application

33. Ellie and Brendan both produce apple pies and vanilla ice cream. If Ellie’s opportunity cost of one apple pie is 1/2 gallon of ice cream and Brendan’s opportunity cost of one apple pie is 1/4 gallon of ice cream, Ellie has a comparative advantage in the production of ice cream.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Comparative Advantage
   **KEYWORDS:** BLOOM'S: Application
34. The principle of comparative advantage states that, regardless of the price at which trade takes place, everyone will benefit from trade if they specialize in the production of the good for which they have a comparative advantage.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate

   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Specialization
   KEYWORDS: BLOOM'S: Comprehension

35. The gains from specialization and trade are based on absolute advantage.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Easy

   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Absolute Advantage
   KEYWORDS: BLOOM'S: Knowledge

36. Trade can benefit everyone in society because it allows people to specialize in activities in which they have a comparative advantage.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Easy

   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
            Specialization
   KEYWORDS: BLOOM'S: Knowledge
37. Two countries can achieve gains from trade even if one country has an absolute advantage in the production of both goods.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Comprehension

38. It takes Ross 6 hours to produce a bushel of corn and 2 hours to wash and polish a car. It takes Courtney 6 hours to produce a bushel of corn and 1 hour to wash and polish a car. Courtney and Ross cannot gain from specialization and trade, since it takes each of them 6 hours to produce 1 bushel of corn.
   a. True
   b. False

   **ANSWER:** False
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: International Trade
   **KEYWORDS:** BLOOM'S: Application

39. Fred trades 2 tomatoes to Barney in exchange for 1 pumpkin. Fred and Barney both gain from the exchange. We can conclude that, for Barney, the opportunity cost of producing 1 pumpkin is greater than 2 tomatoes.
   a. True
   b. False

   **ANSWER:** False
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Moderate
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Production Possibilities Model
   Opportunity Cost
   **KEYWORDS:** BLOOM'S: Application
40. Differences in opportunity cost allow for gains from trade.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Thinking Like an Economist
           Opportunity Cost
   KEYWORDS: BLOOM'S: Comprehension

41. As long as two people have different opportunity costs, each can gain from trade with the other, since trade allows each person to obtain a good at a price lower than his or her opportunity cost.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Comprehension

42. Trade allows a person to obtain goods at prices that are less than that person's opportunity cost because each person specializes in the activity for which he or she has the lower opportunity cost.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Opportunity Cost
   KEYWORDS: BLOOM'S: Comprehension
43. Specialization and trade can make everyone better off if a person can obtain goods at prices that are less than that person's opportunity cost.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Specialization
   KEYWORDS: BLOOM'S: Comprehension

44. When each person specializes in producing the good in which he or she has a comparative advantage, each person can gain from trade but total production in the economy is unchanged.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
           Specialization
   KEYWORDS: BLOOM'S: Comprehension

45. For both parties to gain from trade, the price at which they trade must lie exactly in the middle of the two opportunity costs.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension
46. For both parties to gain from trade, the price at which they trade must lie between the two
opportunity costs.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: International Trade
KEYWORDS: BLOOM'S: Knowledge

47. Ellie and Brendan both produce apple pies and vanilla ice cream. If Ellie’s opportunity cost of one
apple pie is 1/2 gallon of ice cream and Brendan’s opportunity cost of one apple pie is 1/4 gallon
of ice cream, a mutually advantageous trade can be struck at a price of one apple pie for 1/3
gallon of ice cream.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
Opportunity Cost
KEYWORDS: BLOOM'S: Application

48. Adam Smith was the author of the 1776 book An Inquiry into the Nature and Causes of the
Wealth of Nations.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Difficulty: Easy
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Thinking Like an Economist
KEYWORDS: BLOOM'S: Knowledge
49. David Ricardo was the author of the 1817 book *Principles of Political Economy and Taxation*.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   **KEYWORDS:** BLOOM'S: Knowledge

50. Adam Smith wrote that a person should never attempt to make at home what it will cost him more to make than to buy.
   a. True
   b. False

   **ANSWER:** True
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   **KEYWORDS:** BLOOM'S: Knowledge

51. Adam Smith developed the theory of comparative advantage as we know it today.
   a. True
   b. False

   **ANSWER:** False
   **POINTS:** 1
   **DIFFICULTY:** Difficulty: Easy
   **LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2
   **NATIONAL STANDARDS:** United States - BUSPROG: Analytic
   **TOPICS:** DISC: Thinking Like an Economist
   **KEYWORDS:** BLOOM'S: Knowledge
52. If US workers can produce everything in less time than Mexican workers, it is not possible for the US to gain from trade with Mexico.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: Disc: Production Possibilities Model
           Comparative Advantage
   KEYWORDS: Bloom's: Application

53. Goods produced abroad and sold domestically are called exports and goods produced domestically and sold abroad are called imports.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: Disc: International Trade
   KEYWORDS: Bloom's: Knowledge

54. International trade may make some individuals in a nation better off, while other individuals are made worse off.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: Disc: International Trade
   KEYWORDS: Bloom's: Comprehension
55. For international trade to benefit a country, it must benefit all citizens of that country.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension

56. Some countries win in international trade, while other countries lose.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension

57. If a country has a lower opportunity cost than its potential trading partner, the country should decide to be self-sufficient.
   a. True
   b. False

   ANSWER: False
   POINTS: 1
   DIFFICULTY: Difficulty: Moderate
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: Production Possibilities Model
   Opportunity Cost
   KEYWORDS: BLOOM'S: Comprehension
58. International trade can make some individuals within a country worse off, even as it makes the country as a whole better off.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Comprehension

59. Trade allows all countries to achieve greater prosperity.
   a. True
   b. False

   ANSWER: True
   POINTS: 1
   DIFFICULTY: Difficulty: Easy
   LEARNING OBJECTIVES: ECON.MANK.15.14 - LO: 3-3
   NATIONAL STANDARDS: United States - BUSPROG: Analytic
   TOPICS: DISC: International Trade
   KEYWORDS: BLOOM'S: Knowledge
60. Explain the difference between absolute advantage and comparative advantage. Which is more important in determining trade patterns, absolute advantage or comparative advantage? Why?

**ANSWER:** Absolute advantage refers to productivity, as in the producer who can produce a product at a lower cost in terms of the resources used in production. Comparative advantage refers to the producer who can produce a product at a lower opportunity cost. Comparative advantage is the principle upon which trade patterns are based. Comparative advantage is based on opportunity cost, and opportunity cost measures the real cost to an individual or country of producing a particular product. Opportunity cost is therefore the information necessary for an individual or nation to determine whether to produce a good or buy it from someone else.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Absolute Advantage

**KEYWORDS:** BLOOM'S: Comprehension
61. The only two countries in the world, Alpha and Omega, face the following production possibilities frontiers.

**Alpha’s Production Possibilities Frontier**

**Omega’s Production Possibilities Frontier**

a. Assume that each country decides to use half of its resources in the production of each good. Show these points on the graphs for each country as point A.

b. If these countries choose not to trade, what would be the total world production of popcorn and peanuts?

c. Now suppose that each country decides to specialize in the good in which each has a comparative advantage. By specializing, what is the total world production of each product now?

d. If each country decides to trade 100 units of popcorn for 100 units of peanuts, show on the graphs the gain each country would receive from trade. Label these points B.
**ANSWER:**

**Alpha's Production Possibilities Frontier**

<table>
<thead>
<tr>
<th>peanuts</th>
<th>popcorn</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>150</td>
</tr>
<tr>
<td>50</td>
<td>125</td>
</tr>
<tr>
<td>100</td>
<td>75</td>
</tr>
<tr>
<td>125</td>
<td>50</td>
</tr>
<tr>
<td>150</td>
<td>25</td>
</tr>
</tbody>
</table>

**Omega's Production Possibilities Frontier**

<table>
<thead>
<tr>
<th>peanuts</th>
<th>popcorn</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>150</td>
</tr>
<tr>
<td>50</td>
<td>125</td>
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<td>125</td>
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<td>150</td>
<td>25</td>
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</tbody>
</table>

**a.** Alpha would be producing 125 units of peanuts and 75 units of popcorn (point A on production possibilities frontier) and Omega would be producing 50 units of peanuts and 150 units of popcorn (point A on its production possibilities frontier).

**b.** The total world production of peanuts would be 175 units and the total world production of popcorn would be 225 units.

**c.** The total world production of peanuts would now be 250 units and the total world production of popcorn would now be 300 units.

**d.** Alpha would be producing 250 units of peanuts and would trade 100 of them to Omega, leaving Alpha with 150 units of peanuts. Alpha would then receive 100 units of popcorn from Omega. Omega would be producing 300 units of popcorn and would trade 100 of them to Alpha, leaving Omega with 200 units of popcorn. Omega would then receive 100 units of peanuts from Alpha.

**POINTS:**

1

**DIFFICULTY:**

Difficulty: Moderate

**LEARNING OBJECTIVES:**

ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:**

United States - BUSPROG: Analytic

**TOPICS:**

DISC: Production Possibilities Model

**KEYWORDS:**

BLOOM'S: Application
62. Julia can fix a meal in 1 hour, and her opportunity cost of one hour is $50. Jacque can fix the same kind of meal in 2 hours, and his opportunity cost of one hour is $20. Will both Julia and Jacque be better off if she pays him $45 per meal to fix her meals? Explain.

**ANSWER:** Since Julia's opportunity cost of preparing a meal is $50, and Jacque's opportunity cost of preparing a meal is $40, each of them will be better off by $5 per meal if this arrangement is made.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application

63. Gary and Diane must prepare a presentation for their marketing class. As part of their presentation, they must do a series of calculations and prepare 50 PowerPoint slides. It would take Gary 10 hours to do the required calculation and 10 hours to prepare the slides. It would take Diane 12 hours to do the calculations and 20 hours to prepare the slides.

a. How much time would it take the two to complete the project if they divide the calculations equally and the slides equally?

b. How much time would it take the two to complete the project if they use comparative advantage and specialize in calculating or preparing slides?

c. If Diane and Gary have the same opportunity cost of $5 per hour, is there a better solution than for each to specialize in calculating or preparing slides?

**ANSWER:**

a. If both tasks are divided equally, it will take 11 hours for the calculations and 15 hours for the writing, for a total of 26 hours.

b. If Diane specializes in calculating and Gary specializes in preparing slides, it will take 22 hours to complete the project.

c. If Diane specializes in calculating, her opportunity cost will be $60; hence, Diane would be better off if she paid Gary any amount less than $60 to do the calculating. Since Gary's opportunity cost of doing the calculations is only $50, he would be better off if Diane paid him between $50 and $60 dollars to do the calculations. In this case, the total time spent on the project would be 20 hours.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application
Interdependence and the Gains from Trade

Problems

1. Suppose that Venezuela produces beef and oil and it can switch production between each at a constant rate. If the most beef it can produce is 300 million pounds and the most oil it can produce is 50 million barrels, then what is the opportunity cost of a pound of beef and what is the opportunity cost of a barrel of oil?

*ANSWER:* The opportunity cost of a pound of beef is 50 barrels of oil/300 = 1/6 barrels of oil.
The opportunity cost of a barrel of oil is 300 pounds of beef/50 = 6 pounds of beef.

*POINTS:* 1

*DIFFICULTY:* Difficulty: Easy

*LEARNING OBJECTIVES:* ECON.MANK.15.12 - LO: 3-1

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*TOPICS:* DISC: Production Possibilities Model

*KEYWORDS:* BLOOM'S: Application

2. Charlotte can produce pork and beans and can switch between producing them at a constant rate. If it takes her 10 hours to produce a pound of pork and 5 hours to produce a pound of beans, what is her opportunity cost of pork and what is her opportunity cost of beans?

*ANSWER:* The opportunity cost of pork is 10 pounds of beans/5 = 2 pounds of beans.
The opportunity cost of beans is 5 pounds of pork/10 pounds of pork = 1/2 pound of pork.

*POINTS:* 1

*DIFFICULTY:* Difficulty: Easy

*LEARNING OBJECTIVES:* ECON.MANK.15.12 - LO: 3-1

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*TOPICS:* DISC: Production Possibilities Model

*KEYWORDS:* BLOOM'S: Application
Scenario 3-1

The production possibilities frontiers below show how much Greg and Catherine can each produce in 8 hours of time.

**Greg’s Production Possibilities**

**Catherine’s Production Possibilities**

3. Refer to Scenario 3-1. What is Greg’s opportunity cost of producing ice cream? Explain how you derived your answer.

**ANSWER:**
It takes Greg 1 hour to produce a quart of ice cream and 2 hours to produce a cake.
So, the opportunity cost of producing a quart of ice cream is 1/2 cake.

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Moderate

**LEARNING OBJECTIVES:**
ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:**
United States - BUSPROG: Analytic

**TOPICS:**
DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:**
BLOOM’S: Analysis
4. **Refer to Scenario 3-1.** What is Greg’s opportunity cost of producing cake? Explain how you derived your answer.

*ANSWER:* It takes Greg 2 hours to produce a cake and 1 hour to produce a quart of ice cream. So, the opportunity cost of producing a cake is 2 quarts of ice cream.

*POINTS:* 1

*DIFFICULTY:* Difficulty: Moderate

*LEARNING OBJECTIVES:* ECON.MANK.15.12 - LO: 3-1

*TOPICS:* DISC: Production Possibilities Model
  Opportunity Cost

*KEYWORDS:* BLOOM’S: Application

5. **Refer to Scenario 3-1.** What is Catherine’s opportunity cost of producing ice cream? Explain how you derived your answer.

*ANSWER:* It takes Catherine 8/5 of an hour (96 minutes) to produce a quart of ice cream and 4 hours (240 minutes) to produce a cake. So, her opportunity cost of a quart of ice cream is 96/240 = 2/5 cakes.

*POINTS:* 1

*DIFFICULTY:* Difficulty: Moderate

*LEARNING OBJECTIVES:* ECON.MANK.15.12 - LO: 3-1

*TOPICS:* DISC: Production Possibilities Model
  Opportunity Cost

*KEYWORDS:* BLOOM’S: Application

6. **Refer to Scenario 3-1.** What is Catherine’s opportunity cost of producing cake? Explain how you derived your answer.

*ANSWER:* It takes Catherine 4 hours (240 minutes) to produce a cake and 8/5 of an hour (96 minutes) to produce a quart of ice cream. So, her opportunity cost of cake is 240/96 = 5/2 = 2.5 quarts of ice cream.

*POINTS:* 1

*DIFFICULTY:* Difficulty: Moderate

*LEARNING OBJECTIVES:* ECON.MANK.15.12 - LO: 3-1

*TOPICS:* DISC: Production Possibilities Model
  Opportunity Cost

*KEYWORDS:* BLOOM’S: Application
7. **Refer to Scenario 3-1.** Which if any good(s) does Greg have an absolute advantage producing?

**ANSWER:** Greg has an absolute advantage in both the production of ice cream and cake.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Absolute Advantage

8. **Refer to Scenario 3-1.** Which if any good(s) does Catherine have an absolute advantage producing?

**ANSWER:** Catherine does not have an absolute advantage in the production of either good.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Absolute Advantage

9. **Refer to Scenario 3-1.** Is it possible for Greg and Catherine to gain from trade? Defend your answer.

**ANSWER:** Yes. Greg has a comparative advantage producing cake because he has a lower opportunity cost. Catherine has a comparative advantage producing ice cream because she has a lower opportunity cost.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Absolute Advantage
10. Under what conditions is an economy’s production possibilities frontier also its consumption possibilities frontier?

**ANSWER:** When the economy is self-sufficient; when there is no trade

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Comprehension

11. What does a production possibilities frontier represent?

**ANSWER:** The combinations of output that an economy can produce.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Knowledge

12. What does a consumption possibilities frontier represent?

**ANSWER:** The combinations of output that an economy can consume.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.12 - LO: 3-1

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Knowledge


**ANSWER:** Absolute advantage means a producer can produce a good using fewer inputs than another producer.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Absolute Advantage

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Absolute Advantage

**BLOOM’S:** Knowledge

**ANSWER:** Comparative advantage means a producer can produce a good at a lower opportunity cost than another producer.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Knowledge

15. Jennifer takes 2 hours to make a loaf of bread and 1 hour to make a dozen cookies. Janet takes 3 hours to make a loaf of bread and 3/4 hours to make a dozen cookies. Who, if either, has an absolute advantage baking bread? Who, if either, has an absolute advantage making cookies?

**ANSWER:** Jennifer has an absolute advantage baking bread. Janet has an absolute advantage baking cookies.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Comprehension

16. Frank can make 20 hot dogs an hour or 10 pints of potato salad an hour. Earnest can make 30 hot dogs an hour or 20 pints of potato salad an hour. Who has the comparative advantage making hot dogs and who has the comparative advantage making potato salad?

**ANSWER:** Frank has the comparative advantage making hot dogs and Earnest has the comparative advantage making potato salad.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Application
**Scenario 3-2**

In country A a worker who works 40 hours can produce 200 pounds of rice or 100 pounds of broccoli. In country B a worker who works 40 hours can produce 160 pounds of rice or 120 pounds of broccoli.

17. Refer to Scenario 3-2. Which country, if either, has an absolute advantage producing rice? Defend your answer.

**ANSWER:** Country A has an absolute advantage producing rice because it produces more in 40 hours than country B.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Absolute Advantage

**KEYWORDS:** BLOOM'S: Application

18. Refer to Scenario 3-2. Which country, if either, has an absolute advantage producing broccoli? Defend your answer.

**ANSWER:** Country B has an absolute advantage producing broccoli because it produces more in 40 hours than country A.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Absolute Advantage

**KEYWORDS:** BLOOM'S: Application
19. **Refer to Scenario 3-2.** Which country, if either, has a comparative advantage producing rice? Defend your answer using the numbers given.

**ANSWER:** Country A has a comparative advantage producing rice because its opportunity cost is 1/2 of a pound of broccoli and Country B’s opportunity cost is 3/4 of a pound of broccoli.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Application

20. **Refer to Scenario 3-2.** Which country, if either, has a comparative advantage producing broccoli? Defend your answer using the numbers given.

**ANSWER:** Country B has a comparative advantage producing broccoli because its opportunity cost is 4/3 units of rice and Country A’s opportunity cost is 2 units of rice.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM’S: Application

21. **Refer to Scenario 3-2.** Give a range of prices in terms of pounds of rice per pound of broccoli at which the two countries would be both be willing to trade.

**ANSWER:** Any price which is less than 2 pounds of rice per pound of broccoli but greater than 4/3 pound of rice per pound of broccoli.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM’S: Analysis
22. Mark can produce 24 footballs or 48 basketballs in 8 hours. Maria can produce 64 basketballs in 8 hours. In order for Maria to have a comparative advantage producing basketballs, the number of footballs she can produce in 8 hours has to be less than ________.

**ANSWER:** 32.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Comparative Advantage

**BLOOM'S:** Analysis

23. It takes Heather 1 hour to change the oil in the car and 20 minutes to do the dishes. It takes Zach 1.5 hours to change the oil in the car. For Zach to have a comparative advantage changing the oil it must take him more than ________ minutes to do the dishes.

**ANSWER:** 30

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** Comparative Advantage

**BLOOM'S:** Analysis

24. Tom’s opportunity cost of mowing a lawn is 2 loads of laundry. Jen’s opportunity cost of mowing a lawn is 1.5 loads of laundry. What is the range of prices for mowing a lawn at which Tom and Jen could both benefit from trade?

**ANSWER:** Less than 2 loads of laundry but greater than 1.5 loads of laundry.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application
25. Sally can make 8 cups of soup per hour or 20 crackers per hour. Harry can make 10 cups of soup per hour or 30 crackers per hour. Can Sally and Harry gain from trade? If so, what is the range of prices of crackers for soup at which they would both find trade advantageous?

**ANSWER:** Yes. More than 2.5 crackers per cup of soup but less than 3 crackers per cup of soup.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application

26. Economists use the term _______ to refer to the ability to produce a good using fewer inputs than another producer.

**ANSWER:** absolute advantage

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Thinking Like an Economist

**KEYWORDS:** BLOOM'S: Knowledge

27. Economists use the term _______ to refer to the ability to produce a good at a lower opportunity cost than another producer.

**ANSWER:** comparative advantage

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Thinking Like an Economist

**KEYWORDS:** BLOOM'S: Knowledge
28. The gains from specialization and trade are based on ________ advantage.

**ANSWER:** comparative

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Comparative Advantage

**KEYWORDS:** BLOOM'S: Comprehension

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**Table 3-41**

<table>
<thead>
<tr>
<th></th>
<th>Minutes Needed to Make 1</th>
<th>Quantity Produced in 4 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Compass</td>
<td>Radio</td>
</tr>
<tr>
<td>Russia</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>England</td>
<td>20</td>
<td>5</td>
</tr>
</tbody>
</table>

29. Refer to Table 3-41. What is Russia’s opportunity cost of one compass?

**ANSWER:** 2 radios.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Opportunity Cost

**KEYWORDS:** BLOOM'S: Application

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30. Refer to Table 3-41. What is Russia’s opportunity cost of one radio?

**ANSWER:** 0.5 compass.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Opportunity Cost

**KEYWORDS:** BLOOM'S: Application
31. Refer to Table 3-41. What is England’s opportunity cost of one compass?

**ANSWER:** 4 radios.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application

32. Refer to Table 3-41. What is England’s opportunity cost of one radio?

**ANSWER:** 0.25 compass.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Opportunity Cost

**KEYWORDS:** BLOOM'S: Application

33. Refer to Table 3-41. Which country has an absolute advantage in producing compasses?

**ANSWER:** England.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Absolute Advantage

**KEYWORDS:** BLOOM'S: Application

34. Refer to Table 3-41. Which country has an absolute advantage in producing radios?

**ANSWER:** England.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Absolute Advantage

**KEYWORDS:** BLOOM'S: Application
35. **Refer to Table 3-41.** Which country has a comparative advantage in producing compasses?

**ANSWER:** Russia.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Comparative Advantage

**KEYWORDS:** BLOOM'S: Application

36. **Refer to Table 3-41.** Which country has a comparative advantage in producing radios?

**ANSWER:** England.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Comparative Advantage

**KEYWORDS:** BLOOM'S: Application

37. **Refer to Table 3-41.** If the two countries decide to trade with each other, which country should specialize in producing compasses?

**ANSWER:** Russia.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

Specialization

**KEYWORDS:** BLOOM'S: Application
38. **Refer to Table 3-41.** If the two countries decide to trade with each other, which country should specialize in producing radios?

**ANSWER:** England.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model

**KEYWORDS:** BLOOM'S: Application

39. **Refer to Table 3-41.** If the two countries specialize and trade with each other, which country will import compasses?

**ANSWER:** England.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application

40. **Refer to Table 3-41.** If the two countries specialize and trade with each other, which country will import radios?

**ANSWER:** Russia.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application
41. Refer to Figure 3-26. What is Mary’s opportunity cost of one muffin?

ANSWER: 2 cookies
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
          Opportunity Cost
KEYWORDS: BLOOM’S: Application

42. Refer to Figure 3-26. What is Mary’s opportunity cost of one cookie?

ANSWER: 0.5 muffin
POINTS: 1
DIFFICULTY: Difficulty: Moderate
LEARNING OBJECTIVES: ECON.MANK.15.13 - LO: 3-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic
TOPICS: DISC: Production Possibilities Model
          Opportunity Cost
KEYWORDS: BLOOM’S: Application
43. Refer to Figure 3-26. What is Kate’s opportunity cost of one muffin?

**ANSWER:**
4 cookies

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Moderate

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:**
United States - BUSPROG: Analytic

**TOPICS:**
DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:**
BLOOM’S: Application

44. Refer to Figure 3-26. What is Kate’s opportunity cost of one cookie?

**ANSWER:**
0.25 muffin

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Moderate

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:**
United States - BUSPROG: Analytic

**TOPICS:**
DISC: Production Possibilities Model
Opportunity Cost

**KEYWORDS:**
BLOOM’S: Application

45. Refer to Figure 3-26. Who has a comparative advantage in making cookies?

**ANSWER:**
Kate

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Moderate

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:**
United States - BUSPROG: Analytic

**TOPICS:**
DISC: Production Possibilities Model
Comparative Advantage

**KEYWORDS:**
BLOOM’S: Application

46. Refer to Figure 3-26. Who has a comparative advantage in making muffins?

**ANSWER:**
Mary

**POINTS:**
1

**DIFFICULTY:**
Difficulty: Moderate

**LEARNING OBJECTIVES:**
ECON.MANK.15.13 - LO: 3-2

**NATIONAL STANDARDS:**
United States - BUSPROG: Analytic

**TOPICS:**
DISC: Production Possibilities Model
Comparative Advantage

**KEYWORDS:**
BLOOM’S: Application
47. **Refer to Figure 3-26.** If Mary and Kate trade foods with each other, who will trade away muffins in exchange for cookies?

**ANSWER:** Because Mary has a comparative advantage in making muffins, she will make muffins and exchange them for cookies that Kate makes.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Challenging

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Comparative Advantage

**KEYWORDS:** BLOOM'S: Analysis

48. Country A and country B both produce shirts and shorts. Country B has an absolute advantage producing both shirts and shorts. Is there any condition under which the two countries could gain from trade?

**ANSWER:** Yes, if each has a comparative advantage producing one of the goods.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Easy

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: Production Possibilities Model
Comparative Advantage

**KEYWORDS:** BLOOM'S: Application

49. With eight hours of work Elmer can produce 20 pounds of carrots or 15 pounds of peas. With eight hours Bugs can produce 10 pounds of carrots or 7.5 pounds of peas. Can Elmer and Bugs gain from trade? Defend your answer.

**ANSWER:** No, their opportunity costs are the same so neither has a comparative advantage.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application
50. If the U.S. could produce 5 televisions per hour of labor and China could produce 3 televisions per hour of labor, would it necessarily follow that the U.S. should specialize in television production? Explain your answer using the concepts of comparative and or absolute advantage.

**ANSWER:** No. Although the U.S. has an absolute advantage, it might not have a comparative advantage.

**POINTS:** 1

**DIFFICULTY:** Difficulty: Moderate

**LEARNING OBJECTIVES:** ECON.MANK.15.14 - LO: 3-3

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**TOPICS:** DISC: International Trade

**KEYWORDS:** BLOOM'S: Application

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