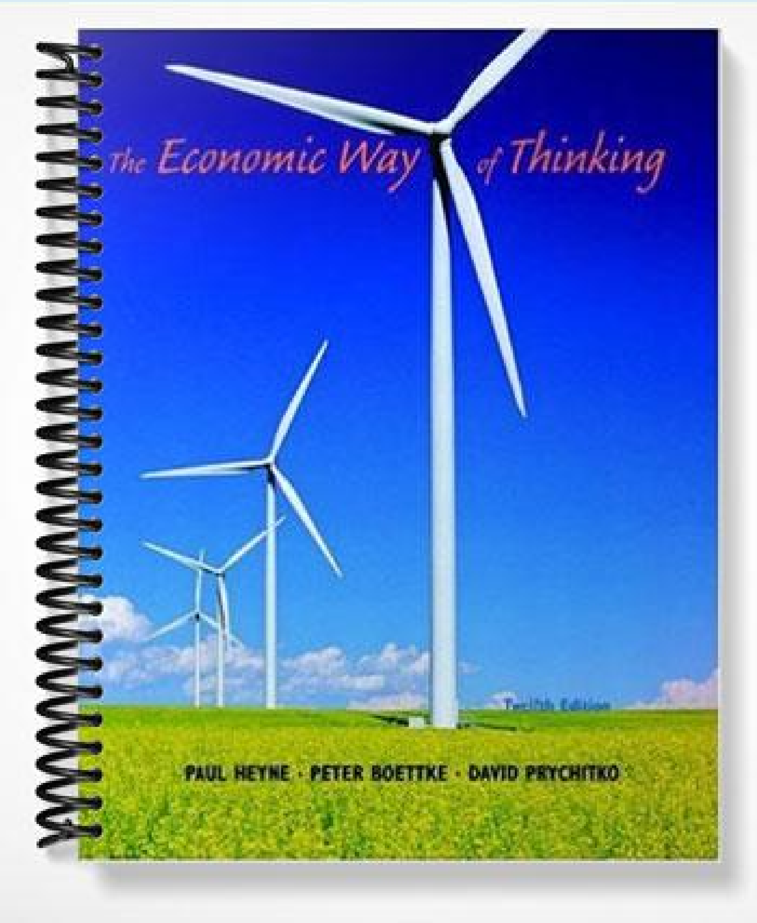
TEST BANK


The Economic Way of Thinking
Twelfth Edition
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CHAPTER TWO
EFFICIENCY, EXCHANGE, AND COMPARATIVE ADVANTAGE

Scott: 1. We need questions on goods – free, scarce – definitions and examples.
2. More opportunity cost examples.
3. More production possibilities/comparative advantage/gains from trade examples.

1. In the economic way of thinking, the identification of wealth with material objects
A. is at the foundation of modern capitalism.
B. is good economics but antithetical to religious precepts.
C. is usually rejected by socialists.
D. must be rejected because it makes no sense.

MODERATE

2. Wealth consists ultimately of
A. gold.
B. land.
C. money.
D. whatever people value.

EASY

3. Which of the following constitutes wealth?
A. John Deere tractors.
B. Sun Beam toasters.
C. Harry Potter novels.
D. Money deposited in a savings account.
E. all of the above, as long as people value all of the goods listed above.

EASY

4. Fill in the blank: Wealth, in the economic way of thinking, is ___________.
A. whatever people value.
B. owned financial assets.
C. impossible to study scientifically.
D. indefinable.
E. any material thing.

EASY

5. Bill Gates wants billions of dollars, and has them. Buddha wanted nothing, and had nothing. What can an economist conclude?
A. Gates is wealthy, Buddha wasn't.
B. Buddha was wealthy, Gates isn't.
C. Gates is wealthy, and so was Buddha.
D. Nothing.

EASY

6. In one northern town, the snowmobilers enjoy snow while non-snowmobilers hate it. When the town gets two feet of fresh snow, which group is made wealthier?
A. Non-snowmobilers.
B. Snowmobilers.
C. Everybody.
D. Nobody.

EASY

7. Economic growth means people produce
A. money.
B. material things.
C. whatever people value.
D. only durable and high-quality goods.

MODERATE

8. According to your authors, "wealth = material things"
A. must be rejected.
B. makes sense to economists, but not non-economists.
C. is the correct definition of wealth.
D. helps us understand the foundations of what Adam Smith called the commercial society.

MODERATE

9. "Material" wealth cannot be distinguished in any useful way from wealth (with no modifying adjective) because
A. all wealth consists finally of valued experiences.
B. material objects are not essential to the creation of wealth.
C. wealth includes anything a person can purchase with money, whether material or not.
D. wealth usually fluctuates in value while matter cannot be created or destroyed.

HARD

10. Economic growth entails an increase in the rate of production of
A. material goods.
B. services.
C. the money supply.
D. wealth.

MODERATE

11. A truly voluntary exchange
A. has nothing to do with values, only with things.
B. is always an exchange of equal values.
C. is not an exchange of equal values.
D. is usually an exchange of equal values.

MODERATE

12. In a voluntary exchange,
A. both parties tend to receive more in value than they give up.
B. people trade goods of equal value.
C. neither party can gain more than the other.
D. one trader's gain must be the other's loss.

MODERATE

13. Aristotle believed voluntary trade should be
A. an exchange of unequal values.
B. an exchange of equal values.
C. an exchange of equal material possessions.
D. an exchange of unequal material possessions.

MODERATE

14. Individuals tend to trade because
A. they place different values on their property.
B. they expect to gain more than they give up.
C. they expect to increase their own wealth as a result of the trade.
D. all the above are true.

EASY

15. Which of the following is the best example of a "free" good?
A. HIV/AIDS cocktails freely distributed to people in developing countries.
B. The air you are currently breathing.
C. Public roads.
D. Public schooling in states where education is subsidized.

MODERATE

16. According to your textbook, a "free" good is
A. a good paid for by someone else.
B. a stolen good.
C. a good given away by charities.
D. a good obtained without any sacrifice whatsoever.

MODERATE

17. Which of the following is a “free” good?
    - A. Elderly health care, which is covered by Medicare.
    - B. Health care for the poor, which is covered by Medicaid.
    - C. Higher education in Georgia, which is paid for by lottery revenue.
    - D. All of the above.
    - **E. None of the above.**

EASY

18. Which of the following is the best example of a free good?
    - A. Tap water drawn from one’s kitchen sink.
    - B. A can full of garbage put out for trash collectors.
    - C. Interstate highways.
    - D. Free concert tickets, which were given to you by a friend.

MODERATE

19. Which is more scarce: a chicken or an egg?
    - A. Both are equally scarce.
    - B. Both are abundant and therefore not scarce.
    - **C. The chicken.**
    - D. The egg.

MODERATE

20. The famous saying, “There is no such thing as a free lunch” means
    - A. we do not live in a free country.
    - B. the value of our dollar keeps declining.
    - **C. people face tradeoffs.**
    - D. people do not care about others enough.

EASY

21. An event is productive as long as
A. it is incurred without any opportunity cost.
B. it increases wealth.
C. the value of the inputs exactly equals the value of the output.
D. it creates a new material object.
E. all of the above are true.

MODERATE

22. Jack trades his basketball for Jim’s baseball glove. This simple trade is
A. unproductive, because nothing new has been produced.
B. productive, because Jack and Jim expect to be better off by trading.
C. costless, because no money was involved in the deal.
D. a cost to the manufacturer because neither Jack nor Jim bought a new ball or glove.
E. not good for the overall economy, for reasons A and D above.

MODERATE

23. When a 13-year-old girl consents to babysit John's children for $5 per hour, economists assume
    A. The girl was made worse off while John was made better off.
    B. The girl was made better off while John was made worse off.
    C. Both parties were made worse off.
    D. Both parties were made better off.

EASY

24. When a man with a lawnmower in his trunk stops at Bill's house and offers to mow Bill's yard, economists assume the man
    A. expects to be made better off by mowing Bill's yard for a fee.
    B. is desperate.
    C. is being exploited.
    D. both A and B.

MODERATE

25. When can two people gain from trade?
    A. Whenever one of them is good at producing just one good.
    B. Whenever one of them is good at producing both goods.
    C. Whenever one of them is good at producing neither good.
    D. All of the above.

EASY

26. A mugger steals $25 from John Doe. What can an economist conclude?
A. Nobody gained in the "exchange."
B. Both parties gained in the "exchange."
C. Only the mugger's wealth has increased.
D. Nothing, because economists study strictly voluntary exchanges.

EASY

27. Chelsea buys bottled water from the vending machine for 75 cents. As long as the transaction was voluntary,
A. Chelsea values the water more than 75 cents.
B. The vendor values the water less than 75 cents.
C. The vendor's wealth has increased.
D. Chelsea's wealth has increased.
E. All of the above.

EASY

28. Which statement most adequately describes the productivity of trade relative to the productivity of agriculture and manufacturing?
A. Trade is essential in an economy once agriculture and manufacturing have developed, even though it is not productive.
B. Trade is less productive than agriculture or manufacturing.
C. The word *productive* must be applied to agriculture or manufacturing in the same way it is applied to trade.
D. Trade is productive only insofar as it distributes newly produced agricultural or manufactured goods.
E. Trade is rarely productive because it almost never increases the quantity of goods in the economy.

HARD

29. The economic efficiency of any process will be evaluated by
A. the proportion of marginal to non-marginal costs.
B. the ratio of work done to energy supplied.
C. comparing what is gained from what is sacrificed.
D. the relationship of supply to demand.

MODERATE

30. Technical efficiency
A. ignores the values of the chooser.
B. is a necessary precondition for the attainment of economic efficiency.
C. is always attained if economic efficiency is achieved.
D. is attained whenever the ratio of physical output to physical input is greater than unity.
E. is easier to achieve than economic efficiency.

MODERATE

31. Technological efficiency, defined in terms of completely objective relationships,
A. has no useful meaning.
B. influences the decisions of engineers but not of business executives.
C. influences the decisions of engineers but not of economists.
D. is more important in the long run than in the short run, where profitability tends to dominate decisions.

MODERATE

32. Physical or technological facts are by themselves never sufficient to measure efficiency because
A. what is efficient changes over time.
B. efficiency is a ratio between evaluations.
C. more complex technological processes are inevitably more efficient.
D. physical or technological data can never be known precisely.
E. we can never be sure we are using the most advanced technology.

HARD

33. Efficiency is best understood as a relationship between
A. ends and means.
B. energy created and energy destroyed.
C. energy output and energy input.
D. pleasure and pain.

EASY

34. Fill in the blank: When a chooser asks herself "Is it worth it?," she is trying to evaluate the ___________ of a particular project or plan of action.
A. technical efficiency
B. objective efficiency
C. economic efficiency
D. engineering efficiency

EASY

35. In light of higher gas prices, Skip Miles asks himself if it's worth keeping his 10 cylinder Chevy Suburban. His concern is ultimately about
A. engineering efficiency.
B. economic efficiency.
C. technical efficiency.
D. environmental efficiency.

EASY

36. Should I buy a new or a used copy of the textbook? According to the economic way of thinking, the person is asking about
A. economic efficiency.
B. educational efficiency.
C. scholastic efficiency.
D. motivational efficiency.
E. academic efficiency.

EASY

37. Car A gets 12 miles per gallon. Car B gets 30 miles per gallon. Which is the most economically efficient car?
A. Car A.
B. Car B.
C. They are equal in there economic efficiency.
D. It is impossible to determine without more information.

MODERATE

38. To say individuals seek an "economically efficient" course of action is another way of saying they
A. waste precious resources.
B. are not concerned about the wellbeing of anybody else.
C. economize.
D. measure everything according to the bottom line: money.

EASY

39. The ultimate or absolute measure of value in the opportunity cost perspective
A. does not exist.
B. is the labor embodied in goods.
C. is the money price of the goods.
D. is the nonrenewable resources consumed in producing the goods.

MODERATE

40. Making bread at home would be more efficient than making it in commercial bakeries
A. for people who place a sufficiently high value on home baked bread.
B. if the ingredients used to make bread increased sufficiently in price.
C. if the price of bread made in commercial bakeries did not reflect the efficiency of bakeries.
D. if there were no labor costs in home baked bread.

MODERATE

41. Someone can become an inefficient producer of a particular good by becoming an extremely potent producer of some other good
A. if efficiency and inefficiency are not calculated in terms of opportunity costs.
B. if efficiency is measured in terms of labor hours required to produce each good.
C. if a larger output of one good entails a smaller output of the other
D. if the demand for one of the goods declines.

HARD

42. Which of the following would be likely to change the relative efficiency of trucks versus trains in carrying freight?
A. Higher wages for truck drivers.
B. More powerful locomotives.
C. Tolls on interstate highways.
D. All of the above.

EASY

43. Larry Lawnlover is trying to decide whether it would be more efficient to trim his lawn with a hand-operated clipper or to buy and use an electrically operated weed-trimmer. Which of the items below will help determine the more efficient choice for Larry?
A. Larry's dislike for the noise created by power tools.
B. Larry's fear of being injured while using power tools.
C. The sensitive skin on Larry's hand, which causes him to develop, blisters easily.
D. All of the above.
E. None of the above.

EASY

44. Land can be used to grow commercial Christmas trees or pulpwood. What is the more efficient use of the land?
A. Raising commercial Christmas trees.
B. Raising pulpwood.
C. Raising a mixed combination of commercial Christmas trees and pulpwood.
D. It depends in part on the relative prices of Christmas trees and pulpwood.

MODERATE

45. Suppose shoppers typically pay twice as much for frozen “convenience” foods compared to similar dinners they could prepare themselves. An economist would say
A. the purchase is inefficient because the consumer doesn’t really need to pay twice as much for essentially the same dinner.
B. the purchase is inefficient because the frozen dinner is of even lower quality than the homemade dinner, yet twice as expensive.
C. the purchase is efficient if the consumer feels the savings in preparation time justifies the higher price.
D. the purchase is efficient, but the consumer is still probably behaving irrationally.

MODERATE

46. Bobby drives her car to work; Bill takes the bus. They are both behaving efficiently as long as we assume
A. it costs the same for Bobby to drive the car as it does for Bill to take the bus.
B. both Bobby and Bill value their trips equally.
C. Bobby and Bill are traveling to different locations.
D. both Bobby and Bill voluntarily selected the forms of transportation they take to work.

MODERATE

47. The Williams’ household uses natural gas hot water heat, the Reynolds’ use a wood stove. Whose household heating system is most efficient?
A. Without more information, the question is meaningless.
B. Williams’.
C. Reynolds’.
D. It depends on the BTU’s (the amount of heat produced) per unit of heat-source input.

MODERATE

48. What is the more efficient choice: sending one's child to John Q. Public High School at zero dollar tuition or to Purebred Prep School at several thousand dollars a year?
A. High school, because it's much cheaper.
B. Prep school, because it's much higher in quality of instruction.
C. Prep school, because what matters most is not what you know, but who you know.
D. It depends on the decision makers' own evaluations of cost and benefit.

EASY

49. What is the more efficient use of one's tight budget: going to a first-run movie at $7.50 or waiting to rent the video at $3.50?
A. Going to the first-run movie.
B. Waiting for the video.
C. Doing neither, especially if one's budget is tight.
D. It depends on the chooser's own evaluations of costs and benefits.

EASY

50. Prior to the 1960s, Catholic masses were officially conducted throughout the world only in the Latin language. Since the Vatican II reforms, Catholic masses are now conducted in the language spoken and understood by the local parishioners. What can an economist conclude?
A. Catholic church authorities discovered Latin services were inefficient.
B. Catholic church authorities once thought the use of Latin was efficient; during Vatican II the authorities in power decided it was inefficient.
C. Catholic church authorities didn't like Latin anymore.
D. Nothing, because decisions related to religion are non-economic.

MODERATE

51. A large and diverse community has suffered a two-month drought. In attempting to deal with the crisis, four identifiable groups emerge: one decides to pray, a second decides to engage in a rain dance, a third decides to use modern meteorological principles and "seed" the clouds, and a fourth decides to do nothing. From the standpoint of economic theory,
A. individuals in the first and second groups are acting irrationally and inefficiently.
B. individuals in each group are acting efficiently, given their own values and understanding of ends and means.
C. the third group is the smartest.
D. the fourth group is the most selfish.

MODERATE

52. What is an efficient way to study for an economics exam?
A. Attend every lecture and take copious notes.
B. Read the assigned material once before each class and once after.
C. Form study sessions with others in class.
D. Put off everything and instead cram the night before the exam.
E. Any of the above might be efficient, depending on one's perceived costs and benefits.

EASY

53. Instead of studying for his calculus exam, Dicky Cribsheets decides to cheat. In the economic way of thinking, Dicky's decision is
A. inefficient and wrong.
B. inefficient and desirable.
C. efficient and desirable
D. not necessarily any of the above.

MODERATE

54. Using the economic way of thinking, what is the least efficient use of water?
A. Drinking.
B. Bathing
C. Filling balloons.
D. It depends on the water user's estimate of cost and benefit.

MODERATE

55. Car A gets 20 miles per gallon, and sells for $17,000. Car B gets 40 miles per gallon, and sells for $34,000. In the economic way of thinking, which car is more efficient?
A. Car A.
B. Car B.
C. Both are equally efficient.
D. It depends on the car buyer's estimate of cost and benefit.
E. It depends on a number of statistical tests done by economists, the results of which are not stated in the question.

MODERATE

56. A college bookstore offers both new and used Physics 101 textbooks. Vicki pays $120 for a new copy, Darrel pays $85 for a used copy. Who made an efficient choice?
A. Vicki.
B. Darrel.
C. Both Vicki and Darrel.
D. Neither one of them – they could have found a better deal on the Internet.

MODERATE

57. Is it more efficient for a group of musicians to perform a show "unplugged" (with acoustic instruments) or with state-of-the-art electric instruments?
A. Unplugged is more efficient because the instruments are considerably less expensive to operate.
B. It depends on what the musicians are trying to accomplish.
C. The use of electric instruments is more efficient because acoustic instruments have become more expensive in recent years.
D. It depends exclusively on the relative ratios of energy output to energy input in each instrument class.

EASY

58. What's the most efficient way to get from New York to L.A.?
A. By plane.
B. By train.
C. By automobile.
D. By foot.
E. Any of the above might be, depending on one's circumstances.

MODERATE

59. Coal-fired steam locomotives become more efficient for railroads relative to oil-burning diesel locomotives as
A. the price of coal increases.
B. the price of oil increases.
C. coal-fired steam locomotives become larger.
D. railroad freight rates increase.

MODERATE

60. New airplanes, which normally consume less fuel per passenger-mile, become less efficient for commercial airlines to purchase and use as
A. average flight distances lengthen.
B. fewer non-stop flights are scheduled.
C. fuel prices fall.
D. the demand for airline travel increases.
E. the price of new airplanes falls.

EASY

61. The most accurate procedure for finding out whether it is more efficient for a commercial airline to use 727s or 757s for its domestic flights is to
A. compare the fuel efficiency of 727s and 757s.
B. compare the fuel efficiency and operating cost of 727s and 757s.
C. compare the acquisition cost, operating cost, and fuel efficiency of 727s and 757s.
D. compare the acquisition cost, operating cost, and fuel efficiency per passenger seat of 727s and 757s.
E. see whether the airline has chosen to use 727s or 757s.

MODERATE

62. If the government keeps the price of bread low through subsidies, and farmers consequently buy bread to feed to their pigs, we can infer that
A. pigs are more valuable than people.
B. pork is more valuable than people.
C. the farmers find it efficient to feed bread to pigs.
D. the market system is not working.
E. waste is occurring because marginal benefit is less than marginal cost.

MODERATE

63. It makes sense to measure relative costs in terms of leisure time
A. because leisure time is of equal value to everyone.
B. because leisure time is the ultimate good.
C. only if leisure time is of equal value to everyone.
D. only in societies with labor-saving technologies.

MODERATE

64. When airlines overbook a flight and passengers are paid to take a later flight, which category of passenger is most likely to give up their reservations?
A. Passengers not in a hurry.
B. Poor passengers.
C. Selfish passengers.
D. Unselfish passengers.
E. Wealthy passengers.

EASY

65. Which of the following might make it inefficient for a farmer to continue growing crops on a particular piece of farmland?
A. A fall in crop prices.
B. A rise in the price developers are willing to pay for the land.
C. Erosion of the top soil.
D. Rezoning of the land by the county government.
E. Any of the above could do it.

EASY

66. There are very few gasoline stations in the downtown areas of large cities basically because
A. it would be too dangerous.
B. it would be an inefficient use of land for the land's owners.
C. most people don't want to buy gasoline while they are downtown.
D. zoning laws prohibit it.

MODERATE

67. A woman who decides to drive to work rather than take the bus
A. is wasting scarce resources.
B. is behaving inefficiently.
C. thinks driving is more economically efficient for her.
D. is probably paying attention to personal comfort and convenience rather than economic efficiency.

MODERATE

68. A man who thinks he would save money by driving to work rather than taking the bus, but who nonetheless elects to take the bus because driving in rush-hour traffic frightens him, is
A. behaving inefficiently.
B. choosing what is for him the most efficient way to commute.
C. rejecting economic efficiency for personal reasons.
D. wasting scarce resources.

MODERATE

69. Is cutting down a tree in two hours with an ax more efficient than cutting it down in ten minutes with a gasoline-powered chain saw?
A. No, because time is valuable.
B. Yes, because hand tools conserve nonrenewable energy resources.
C. It could be, if the person cutting down the tree places a high enough value on the exercise.
D. There is no way to answer the question.

MODERATE

70. A pumped storage reservoir used regularly by an electrical utility is efficient for the utility to operate
A. even if it takes twice as much electricity to operate as it generates.
B. only if it generates more electricity in the long run than it uses up.
C. only if it generates more electricity in the short run than it uses up.
D. only if the second law of thermodynamics ceases to hold.
E. only when the utility ignores sunk costs.

HARD

71. According to your text, disagreements about the relative efficiency of particular projects are usually disagreements about
A. the best way to conserve energy.
B. the best way to conserve non-renewable resources of all kinds
C. scientific facts or technical processes.
D. the relative value of particular goods to different people.
E. who is entitled to make money from one project or another.

HARD

72. The question, "What is really more efficient?" could usefully be translated into the question:
A. "What is the best long-term solution?"
B. "What will best promote social welfare?"
C. "What will produce the most economic value?"
D. "Who should have the right to decide?"
E. "What will produce the most rapid rate of economic growth?"

HARD

73. People who disagree vehemently about whether or not it is efficient to clear-cut forests or strip-mine for coal are basically disagreeing about

A. the importance of material wealth.
B. the importance of the economy.
C. the proper relationship of human beings to the natural world.
D. who should have which rights.

MODERATE

74. A social system in which rights are clearly defined and participants are free to exchange as they choose will tend to allocate resources to

A. their most efficient uses.
B. their most highly valued uses.
C. uses on which the highest monetary value is placed.
D. uses which maximize social welfare.
E. uses which produce the greatest good for the greatest member.

MODERATE

75. "Opportunity cost" is

A. any lost opportunity.
B. the next-best opportunity one sacrifices when making a choice.
C. equal to the ratio between an opportunity gained and an opportunity sacrificed.
D. measured only by monetary payments for a scarce good or service.

MODERATE

76. Fill in the blank: An opportunity cost is the ___________ opportunity a person sacrifices when making a choice.

A. every
B. least desirable
C. next-best
D. strictly financial

EASY

77. Fill in the blank: ____________ cost refers to the next-best option a person gives up when making a choice.

A. Accounting
B. Objective
C. Efficient
D. Opportunity
E. Regrettable

EASY

78. “Opportunity cost” is
A. the monetary cost of one’s actions.
B. the objective cost of one’s actions.
C. the regret one feels when making a sacrifice.
D. the value one places on the item, project, or plan he has chosen to pursue.
E. none of the above.

MODERATE

79. Samantha is at a friend’s house for dinner. Her friend says “I can re-heat either the lasagna or the fried rice.” Samantha likes them both, but chooses the fried rice. Does Samantha’s choice entail a cost?
A. No – as long as her friend didn’t charge Samantha for the meal.
B. Yes -- Samantha sacrificed the opportunity to eat lasagna.
C. Yes – as long as Samantha reimburses her friend for the cost of re-heating the meal.
D. Both A and C above.

EASY

80. George was assigned to read a chapter in economics tonight, but he has a math exam tomorrow. He chooses to study for the math exam and postpone his economics studies till after the exam. What is the opportunity cost of George’s decision?
A. The lower math grade he would have received had he not studied for the math exam.
B. The economics knowledge he sacrificed by not reading the assigned chapter.
C. Both A and B above.
D. Without information regarding the price of the textbook and the value to George of the math exam, George’s opportunity cost cannot be determined.

MODERATE

81. Henry David Thoreau faced a choice: Stay in the village of Concord or move out to Walden Pond. He decided to move to Walden. What was his” opportunity cost”?
A. There was no opportunity cost if he didn’t pay rent for his cabin on Walden Pond.
B. The satisfaction he would have enjoyed were he to stay in Concord.
C. The sweat and toil of building his own cabin and living off the land at Walden Pond.
D. There was no opportunity cost, because he made a free and voluntary decision to live the way he preferred to live.

MODERATE

82. There is *no* opportunity cost of obtaining
A. a free good.
B. a scarce good.
C. any good a person acquires, as long as they value it highly enough.
D. any good a person acquires, as long a they think it is worth the effort.

HARD

83. Suppose a consumer is torn between buying a Chevy Tahoe or a Ford Expedition, each selling for $30,000. He eventually decides on the Tahoe. What's his opportunity cost?
A. $30,000.
B. $30,000 plus taxes, tags, insurance, etc.
C. The satisfaction he would have experienced owning the Ford Expedition.
D. The frustration he will face owning the Chevy Tahoe.
E. B, C, and D above.

EASY

84. Who among the following faced an opportunity cost?
A. The fiancée.
B. The recently married bride.
C. The cheating spouse.
D. The divorcee.
E. All of the above.

EASY

85. "Dad said he'd pay for my education whether I go to State or to Ivy College. So I chose Ivy College, even though it'll cost him $15,000 more in tuition each year!" Pick the correct statement:
A. Her opportunity cost is $15,000 each year.
B. Her opportunity cost is the satisfaction she would have experienced at State.
C. Whether she realizes it or not, her opportunity cost infinite, just like her dad's love is infinite.
D. She has no opportunity cost, because her dad will pay for her education.

MODERATE

86. Which of the following faces opportunity costs?
A. Birds.
B. Cats.
C. Dogs.
D. Any of the above, but only *if*, in fact, they face choices.

EASY

87. The Skinned Knee Corporation can produce either 300 skateboards each month or 500 snowboards each month. What is their opportunity cost of producing 300 skateboards each month?
A. 300 skateboards.
B. 200 snowboards.
C. 500 snowboards.
D. 800 snowboards.

EASY

88. Lu Thier is an accomplished violin and viola maker. He can make either 6 violins or 6 violas each year, or a combination such as 3 violins and 3 violas. Which statement below is true?

A. The opportunity cost of producing 1 violin is 1 viola.
B. The opportunity cost of producing 1 violin is 3 violas.
C. The opportunity cost of producing 1 violin is 6 violas.
D. The opportunity cost of producing 1violin is 9 violas.

EASY

89. Lu Thier is an accomplished violin and viola maker. He can make either 6 violins or 6 violas each year, or a combination such as 3 violins and 3 violas. Which statement below is true?

A. The opportunity cost of producing 1 viola is 6 violins.
B. The opportunity cost of producing 1 viola is 3 violins.
C. The opportunity cost of producing 1 viola is 1 violin.
D. George has a comparative advantage in violin production.

EASY

90. When we look at a production possibilities curve, the opportunity cost can be understood as

A. The point of maximum production of one good.
B. The amount of the other good that must be given up for one more unit of production.
C. The total cost of producing the good
D. The price people will pay for the additional amount produced.

HARD

91. Suppose the US economy produces two goods, automobiles and computers. Assume the economy is operating on the production possibility frontier. In 2008, it produced 50 automobiles and 100 computers. In 2009, it produced 52 automobiles and 120 computers. Which of the following events explains the increase in production?

A. A decrease in available labor.
B. A law that prohibits new innovations from being introduced.
C. Higher taxation and regulation of auto and computer manufacturers.
D. Immigration policies that allow more skilled workers to be employed by the auto and computer industries.

EASY

92. Suppose the US economy produces two goods, automobiles and computers. Assume the economy is operating on the production possibility frontier. In 2008, it produced 50 automobiles and 100 computers. In 2009, it produced 52 automobiles and 120 computers. Which of the following events *DOES NOT* explain the increase in production?

A. The economy experiences a decline in overall output.
B. Technology in the economy improves.
C. More idle capital is put to use.
D. The economy experiences economic growth.

EASY

93. Suppose the economy of Georgia can produce pecans and peanuts. Suppose the economy can either produce 10,000 pecans or 15,000 peanuts if full specialization in one good were to occur. What is the opportunity cost of increasing pecan production from 5,000 to 10,000 pecans?

A. 1,000 peanuts.
B. 5,000 peanuts.
C. 7,500 peanuts.
D. 10,000 peanuts.

EASY

94. Jones can brew 10 gallons of lager or 5 gallons of stout every three months, or any linear combination in between. Which statement below is true?

A. It costs Jones 5 gallons of stout for every 10 gallons of lager brewed.
B. It costs Jones 1 gallon of stout for every 2 gallons of lager brewed.
C. It costs Jones ½ gallon of stout for every 1 gallon of lager brewed.
D. All of the above are true.

EASY

95. Brown can brew 4 gallons of stout or 3 gallons of lager every three months, or any linear combination in between. Which statement is true?

A. Brown sacrifices ¾ gallons of lager for every gallon of stout brewed.
B. Brown sacrifices 1 1/3 gallons of stout for every gallon of lager brewed.
C. Both of the above are true.
D. None of the above are true.

EASY

96. A single production possibilities frontier assumes

A. a given set of resources.
B. only one good can be produced from a given set of resources.
C. resources are free.
D. there are no opportunity costs of production.
E. all of the above.

EASY

97. The production possibilities frontier is used by economists to depict

A. the strictly financial costs of production.
B. the opportunity costs of production.
C. the strictly financial benefits of production.
D. the opportunity benefits of production.

EASY

98. The production possibilities frontier illustrates
A. the maximum amount of inputs used to produce a particular output.
B. the minimum amount of inputs used to produce a particular output.
C. the maximum combination of two goods that can be produced with a given set of resources.
D. the minimum combination of two goods that can be produced with a given set of resources.
E. none of the above.

MODERATE

99. Any combination of two goods that lies *beyond* the production possibilities frontier
A. is currently impossible to produce.
B. is currently possible to produce, but not worth trying.
C. represents economic waste.
D. represents a more efficient combination of output than anything lying on the frontier.

EASY

100. Any combination of two goods that lies *within* the production possibilities frontier
A. is currently impossible to produce.
B. is currently possible to produce.
C. represents a more efficient combination of output than anything lying beyond the frontier.
D. represents a more efficient combination of output than anything lying on the frontier.

EASY

101. Fill in the blank: a combination of two goods that lies beyond the production possibilities frontier ________________.
A. can be produced with the current set of resources.
B. cannot be produced with the current set of resources.
C. can never be produced with any set of resources.
D. can be produced but only if the producer becomes more greedy.

EASY

102. Commercial society provides incentives to specialize by
A. following one's comparative disadvantage.
B. pursuing one's comparative advantage.
C. producing somewhere outside the production possibilities frontier.
D. producing a narrowly defined good without an interest in the wealth it generates to the producer.

EASY

103. For Adam Smith, commercial society is characterized by
A private property rights.
B. specialization in production.
C. voluntary exchange.
D. all of the above.

EASY

104. According to the Law of Comparative Advantage,

A. production should be based on who can produce a product using the fewest resources.
B. production should be based on who can produce more of a good.
C. production should take into account strategic interests, such as national security.
D. production should be for the people instead of for profit.

MODERATE

105. When countries specialize in what they do best and trade, the material wealth of nations

A. expands.
B. contracts
C. remains the same.
D. Need more information to answer this question.

EASY

106. According to your textbook, what famous economist followed Adam Smith in supporting free trade and first developing the “law of comparative advantage”?

A. John Stuart Mill
B. Karl Marx
C. Thomas Hobbes
D. David Ricardo
E. John Locke

107. Pursuing comparative advantage means

A. adding up the plusses and minuses after a transaction.
B. doing it to the other person first.
C. making equal, fair exchanges for equally valued goods or services.
D. sacrificing something less valuable for the sake of something more valuable.
E. seeking relative status rather than absolute welfare.

MODERATE

108. People specialize in activities in which they have a comparative advantage

A. if they know they are more productive than anyone else in the particular activity.
B. only if they understand the logic of comparative advantage.
C. when they expect to obtain more of whatever they want by doing so.
D. only when all of the above are true.

HARD

109. You and your roommate must divide the cooking and cleaning duties. Which of the following will contribute toward giving you a comparative advantage in cleaning?

A. You develop a contagious disease.
B. Your roommate develops an allergy to dust.
C. Your roommate takes a course in cooking.
D. All of the above.
E. None of the above.

EASY

110. George Herman (Babe) Ruth was a superb baseball player, both an excellent pitcher and a record-breaking batter. Other members of the New York Yankee team, who were not as competent pitchers as Ruth, nonetheless had a comparative advantage over Ruth in pitching because
A. Ruth was such a competent batter.
B. the owners of the Yankees were more interested in monetary profits than in winning baseball games.
C. the price system failed to provide adequate information and incentive.
D. they were allowed to pitch more often and practice increased their productivity.
E. too many players preferred batting to pitching.

MODERATE

111. Should you type your own term paper or hire a specialist to do it for you? Your comparative advantage as a typist increases as you
A. find you have completed all your studying.
B. get laid off from your job working afternoons at the gas station.
C. improve your skills as a typist.
D. encounter any of the above changes in your situation.

EASY

112. Someone who earns her living rolling out pizza dough
A. is inefficiently employed if she could shift to another occupation and produce more than the person she replaces.
B. is inefficiently employed if someone else could roll out more dough in less time.
C. thinks she has a comparative advantage in rolling out pizza dough.
D. All of the above are true.

MODERATE

113. Could an increase in the demand for compact cars give an American automobile producer a comparative advantage in their production?
A. No, because comparative advantage depends entirely on productive capabilities.
B. No, because changes in demand can only affect the price of compact cars.
C. Yes, but only if it leads to a change in the techniques of production.
D. Yes, by making compact-car production more profitable.

MODERATE

114. Suppose Maria can make 12 pizzas or 4 lasagnas every Saturday afternoon, while Gina can make 10 pizzas or 2 lasagnas every Saturday afternoon. Which statement is true?
A. Maria is the most efficient producer of both pizza and lasagna.
B. Gina is the least efficient producer of both pizza and lasagna.
C. It costs Maria 3 pizzas to produce 1 lasagna.
D. It costs Gina 5 lasagnas to produce 1 pizza.
E. All of the above are true.

MODERATE

115. Suppose Maria can make 12 pizzas or 4 lasagnas every Saturday afternoon, while Gina can make 10 pizzas or 2 lasagnas every Saturday afternoon. Which statement is true?
A. Nobody has a comparative advantage in pizza or in lasagna.
B. Maria has a comparative advantage only in lasagna.
C. Maria has a comparative advantage in pizza and in lasagna.
D. Gina has a comparative disadvantage in pizza and in lasagna.

MODERATE

116. Suppose Maria can make 12 pizzas or 4 lasagnas every Saturday afternoon, while Gina can make 10 pizzas or 2 lasagnas every Saturday afternoon. Which statement is true?
A. It costs Maria 1/3 of a pizza to make 1 lasagna.
B. It costs Maria 1 pizza to make 1 lasagna.
C. It costs Gina 2 pizzas to make 1 lasagna.
D. It costs Gina 5 pizzas to make 1 lasagna.

MODERATE

117. Suppose Maria can make 12 pizzas or 4 lasagnas every Saturday afternoon, while Gina can make 10 pizzas or 2 lasagnas every Saturday afternoon. Both Maria and Gina can potentially produce a larger combination of pizza and lasagna
A. if Gina specializes in pizza and Maria specializes in lasagna, and they exchange with each other.
B. if Gina specializes in lasagna and Maria specializes in pizza and they exchange with each other.
C. only if Maria continues to make both pizza and lasagna.
D. as long as Gina can make both pizza and lasagna as efficiently as Maria.

EASY

118. Harry and Gus fish the same lake together from the same boat. Each morning Harry typically catches either 20 bluegills or 5 walleyes (depending on how deep he fishes) while Gus typically catches either 20 bluegills or 2 walleyes (depending on how deep he fishes). Which statement below is true?
A. Harry is the more efficient catcher of bluegills.
B. Gus is the more efficient catcher of bluegills.
C. Harry is the more efficient catcher of walleyes.
D. Both B and C are true.

EASY

119. Harry and Gus fish the same lake together from the same boat. Each morning Harry typically catches either 20 bluegills or 5 walleyes (depending on how deep he fishes) while Gus typically catches either 20 bluegills or 2 walleyes (depending on how deep he fishes). Which statement below is true?
A. Gus has a comparative advantage in bluegills and in walleyes.
B. Harry has a comparative advantage in bluegills and in walleyes.
C. Harry has a comparative advantage in walleyes, not bluegills.
D. Because they fish from the same boat, neither one of them has a comparative advantage.

MODERATE

120. Harry and Gus fish the same lake together from the same boat. Each morning Harry typically catches either 20 bluegills or 5 walleyes (depending on how deep he fishes) while Gus typically catches either 20 bluegills or 2 walleyes (depending on how deep he fishes). Other things constant, if they wish to maximize the total number of fish they catch together tomorrow morning, *regardless of species*,

A. Harry should fish and Gus should row.
B. Harry should fish only for bluegills and Gus should fish only for walleyes.
C. Gus should fish only for bluegills and Harry should fish only for walleyes.
D. both Harry and Gus should fish for bluegills.

EASY

121. Harry and Gus fish the same lake together from the same boat. Each morning Harry typically catches either 20 bluegills or 5 walleyes (depending on how deep he fishes) while Gus typically catches either 20 bluegills or 2 walleyes (depending on how deep he fishes). If they wish to fill their boat with the largest combination of bluegills and walleyes tomorrow morning,

A. Harry should try to catch both bluegills and walleyes, and Gus ought to row.
B. Harry should fish only for walleyes and Gus should fish only for bluegills.
C. Harry should fish only for bluegills and Gus should fish only for walleyes.
D. they best not bother trying.

MODERATE

122. Gomer can make either 200 gallons of corn liquor (L) or 200 gallons of strawberry wine (W) every six months. Goober can make only 100 gallons of corn liquor (L) or 50 gallons of strawberry wine (W) every six months. Which statement below is true?

A. It costs Gomer 200 W to make 1 L.
B. It costs Gomer 200 L to make 1 W.
C. It costs Goober 50 W to make 100 L.
D. None of the above.

MODERATE

123. Gomer can make either 200 gallons of corn liquor (L) or 200 gallons of strawberry wine (W) every six months. Goober can make only 100 gallons of corn liquor (L) or 50 gallons of strawberry wine (W) every six months. Which statement below is true?

A. It costs Gomer 1 W to make ½ L.
B. It costs Gomer 1 L to make 1 W.
C. It costs Gomer 2 L to make 1 W.
D. It costs Goober 2 W to make 1 L.

EASY

124. Gomer can make either 200 gallons of corn liquor (L) or 200 gallons of strawberry wine (W) every six months. Goober can make only 100 gallons of corn liquor (L) or 50 gallons of strawberry wine (W) every six months. Which statement below is true?

A. Gomer produces L more efficiently than Goober.
B. Gomer producers W more efficiently than Goober.
C. Goober produces W more efficiently than Gomer.
D. Both A and B is true.

EASY

125. Gomer can make either 200 gallons of corn liquor (L) or 200 gallons of strawberry wine (W) every six months. Goober can make only 100 gallons of corn liquor (L) or 50 gallons of strawberry wine (W) every six months. Which statement below is true?
A. Gomer produces W more efficiently than Goober.
B. Gomer produces L less efficiently than Goober.
C. Goober produces L more efficiently than Gomer.
D. All of the above are true.

EASY

126. Gomer can make either 200 gallons of corn liquor (L) or 200 gallons of strawberry wine (W) every six months. Goober can make only 100 gallons of corn liquor (L) or 50 gallons of strawberry wine (W) every six months. Which statement below is true?
A. Goober has a comparative advantage only in W.
B. Goober has a comparative advantage in both L and W.
C. Gomer has a comparative advantage only in W.
D. Gomer has a comparative advantage in both L and W.
E. None of the above.

MODERATE

127. Gomer can make either 200 gallons of corn liquor (L) or 200 gallons of strawberry wine (W) every six months. Goober can make only 100 gallons of corn liquor (L) or 50 gallons of strawberry wine (W) every six months. Which statement below is true?
A. Neither can gain from specialization and exchange.
B. Only Goober can gain from specialization and exchange.
C. Both can gain through exchange if Gomer specializes in W and Goober specializes in L.
D. Both can gain through exchange if Gomer specializes in L and Goober specializes in W.

EASY

128. If Robinson makes 40 purses or 5 wallets per week, and Chamberlin makes 16 purses or 2 wallets per week, then
A. Robinson produces purses more efficiently than Chamberlin.
B. Robinson produces wallets more efficiently than Chamberlin.
C. Chamberlin produces purses more efficiently than Robinson.
D. Chamberlin produces wallets more efficiently than Robinson.
E. none of the above is true.

HARD

129. If Robinson makes 40 purses or 5 wallets per week, and Chamberlin makes 16 purses or 2 wallets per week, then
A. Chamberlin has a comparative advantage in wallets.
B. Robinson has a comparative advantage in wallets.
C. Chamberlin has a comparative advantage in purses.
D. neither Robinson nor Chamberlin has a comparative advantage.

HARD

130. If Robinson makes 40 purses or 5 wallets per week, and Chamberlin makes 16 purses or 2 wallets per week, then

A. neither Robinson nor Chamberlin stands to gain by specialization and exchange.
B. both would gain through exchange if Robinson specialized in purses, Chamberlin in wallets.
C. both would gain through exchange if Robinson specialized in wallets, Chamberlin in purses.
D. only Robinson would gain through specialization and exchange.

HARD

131. Jones and Smith are teaching assistants. Jones can grade 20 essays or 50 problem sets a day, while Smith can grade 20 essays or 10 problem sets a day. Therefore

A. Smith sacrifices 2 graded essays for every 2 problem sets she grades.
B. Smith sacrifices 10 graded essays for every 20 problem sets she grades.
C. Jones sacrifices 2 graded essays for every 5 problem sets he grades.
D. Both Smith and Jones have a comparative advantage in grading essays.

MODERATE

132. Jones and Smith are teaching assistants. Jones can grade 20 essays or 50 problem sets a day, while Smith can grade 20 essays or 10 problem sets a day. Therefore

A. Smith is more efficient than Jones at grading essays.
B. Jones has a comparative advantage in grading problem sets.
C. a larger combination of essays and problem sets can be graded in a day if Jones specializes in problem sets and Smith specializes in essays.
D. all of the above are true.

MODERATE

133. Suppose Ann can produce 8 units of a material good (M) or 4 units of a spiritual good (S) in a day, while Ben can produce only 3 Ms or 3 Ss in a day. Which statement below is true?

A. Ann is the most efficient producer of spiritual goods.
B. Ann is the most efficient producer of material goods.
C. Ben is the least efficient producer of spiritual goods.
D. All of the above are true.

EASY

134. Suppose Ann can produce 8 units of a material good (M) or 4 units of a spiritual good (S) in a day, while Ben can produce only 3 Ms or 3 Ss in a day. Which statement below is true?

A. Ben has a comparative advantage in spiritual goods.
B. Ann has a comparative advantage in spiritual goods.
C. Ben has a comparative advantage in material goods.
D. Ann has a comparative advantage in both spiritual and material goods.

MODERATE

135. Suppose Ann can produce 8 units of a material good (M) or 4 units of a spiritual good (S) in a day, while Ben can produce only 3 Ms or 3 Ss in a day. Which statement below is true?
A. Ann is the low-cost producer of spiritual goods.
B. Ben is the low-cost producer of material goods.
C. Ann is the low-cost producer of material good.
D. Both A and C are true.

MODERATE

136. Suppose Ann can produce 8 units of a material good (M) or 4 units of a spiritual good (S) in a day, while Ben can produce only 3 Ms or 3 Ss in a day. Which statement below is true?
A. Ben is the inefficient producer of material goods.
B. Ben is the inefficient producer of spiritual goods.
C. Ann is the efficient producer of spiritual goods.
D. All of the above are true.

MODERATE

137. Suppose Ann can produce 8 units of a material good (M) or 4 units of a spiritual good (S) in a day, while Ben can produce only 3 Ms or 3 Ss in a day. Both Ben and Ann can potentially produce a larger combination of M and S if
A. Ann produces both M and S and Ben produces neither.
B. Ann specializes in M and Ben specializes in S and neither of them trade.
C. Ann specializes in S and Ben specializes in M and they exchange with one another.
D. Ann specializes in M and Ben specializes in S and they exchange with one another.

MODERATE

138. Let’s assume Ben can produce 3 units of a material good (M) or 3 units of a spiritual good (S) in a day, while Cal can produce 1 M or 2 Ss in a day. Which statement below is true?
A. Ben can produce spiritual goods more efficiently than Cal.
B. Cal can produce material goods more efficiently than Ben.
C. Ben can produce material goods more efficiently than Cal.
D. Ben can produce both material and spiritual goods more efficiently than Cal.

EASY

139. Let’s assume Ben can produce 3 units of a material good (M) or 3 units of a spiritual good (S) in a day, while Cal can produce 1 M or 2 Ss in a day. Which statement below is true?
A. Ben has a comparative advantage in producing spiritual goods.
B. Ben has a comparative advantage in producing material goods.
C. Cal has a comparative advantage in producing material goods.
D. Both A and B are true.

MODERATE

140. Let's assume Ben can produce 3 units of a material good (M) or 3 units of a spiritual good (S) in a day, while Cal can produce 1 M or 2 Ss in a day. Which statement below is true?
A. It costs Ben 1 S to produce 3 Ms.
B. It costs Ben 1 M to produce 3 Ss.
C. It costs Cal 2 Ss to produce 1 M.
D. None of the above.

EASY

141. Let's assume Ben can produce 3 units of a material good (M) or 3 units of a spiritual good (S) in a day, while Cal can produce 1 M or 2 Ss in a day. Which statement below is true?
A. It costs Cal ½ M to produce 1 S.
B. It costs Cal 2 Ss to produce 1 M.
C. It costs Ben 1 S to produce 1 M.
D. All of the above are true.

EASY

142. Let's assume Ben can produce 3 units of a material good (M) or 3 units of a spiritual good (S) in a day, while Cal can produce 1 M or 2 Ss in a day. Both Ben and Cal can potentially produce a larger combination of M and S
A. if Ben specializes in S and Cal in M and they exchange with one another.
B. if Ben specializes in M and Cal in S and they exchange with one another.
C. if Ben specializes in both goods and doesn't exchange with Cal.
D. only if Cal finds a way to also produce 3 M and 3 S per day.

MODERATE

143. Suppose in Italy producers can make 10,000 dresses or 1,000 coats per day, while in Canada producers can make 14,000 similar dresses or 2,000 similar coats per day. Therefore
A. 1 dress costs 7 coats in Italy.
B. 1 dress costs 10 coats in Italy.
C. 1 coat costs 7 dresses in Canada.
D. 1 coat costs 10 dresses in Canada.

EASY

144. Suppose in Italy producers can make 10,000 dresses or 1,000 coats per day, while in Canada producers can make 14,000 similar dresses or 2,000 similar coats per day. Therefore
A. Canadians have a comparative advantage in coats.
B. Canadians have a comparative advantage in dresses.
C. Italians have comparative disadvantage in dresses.
D. all of the above are true.

MODERATE

145. Suppose in Italy producers can make 10,000 dresses or 1,000 coats per day, while in Canada producers can make 14,000 similar dresses or 2,000 similar coats per day. Therefore
A. the Italians are relatively more efficient at producing coats.
B. the Italians are relatively more efficient at producing dresses.
C. the Italians are relatively less efficient at producing both coats and dresses.
D. the Canadians have a comparative advantage in both coats and dresses.

MODERATE

146. Suppose in Italy producers can make 10,000 dresses or 1,000 coats per day, while in Canada producers can make 14,000 similar dresses or 2,000 similar coats per day. Therefore
A. only the Italians can gain through specialization and exchange.
B. only the Canadians can gain through specialization and exchange.
C. Canadians have an incentive to specialize in coats.
D. Italians have an incentive to specialize in coats.

MODERATE

147. If Croatian firms can make 600 pitchforks or 100 hammers in a week and Slovenian firms can make 200 pitchforks or 200 hammers in a week, then
A. 1 pitchfork costs 3 hammers in Croatia.
B. 1 pitchfork costs 6 hammers in Croatia.
C. 1 pitchfork costs 2 hammers in Slovenia.
D. 1 pitchfork costs 1 hammer in Slovenia.

EASY

148. If Croatian firms can make 600 pitchforks or 100 hammers in a week and Slovenian firms can make 200 pitchforks or 200 hammers in a week, then
A. Croatia has a comparative advantage in hammers.
B. Slovenia has a comparative advantage in hammers.
C. Slovenia has a comparative advantage in pitchforks.
D. Slovenia has a comparative advantage in neither hammers nor pitchforks.

MODERATE

149. If Croatian firms can make 600 pitchforks or 100 hammers in a week and Slovenian firms can make 200 pitchforks or 200 hammers in a week, then
A. the costs of production differ in each country.
B. the Croats have an incentive to specialize in hammers.
C. the Slovenes have an incentive to specialize in pitchforks.
D. all of the above are true.

EASY

150. Suppose firms in Hong Kong can produce 40,000 plastic dolls or 80,000 squirt guns each week, while firms in Taiwan can produce 40,000 plastic dolls or 40,000 squirt guns each week. Therefore

A. People in Hong Kong sacrifice two dolls for every squirt gun produced.
B. People in Taiwan sacrifice two dolls for every squirt gun produced.
C. People in Hong Kong sacrifice 2 squirt guns for every doll produced.
D. none of the above are true.

EASY

151. Suppose firms in Hong Kong can produce 40,000 plastic dolls or 80,000 squirt guns each week, while firms in Taiwan can produce 40,000 plastic dolls or 40,000 squirt guns each week. Therefore, when we compare the two groups:

A. The costs of production are the same in each country.
B. The people in Hong Kong are the most efficient producers of both plastic dolls and squirt guns.
C. The people in Taiwan produce plastic dolls with the same efficiency as Hong Kong.
D. none of the above are true.

MODERATE

152. Suppose firms in Hong Kong can produce 40,000 plastic dolls or 80,000 squirt guns each week, while firms in Taiwan can produce 40,000 plastic dolls or 40,000 squirt guns each week. Therefore

A. nobody has an incentive to specialize and exchange.
B. people in both countries have an incentive to specialize and exchange.
C. only people in Hong Kong have an incentive to specialize and exchange.
D. only people in Taiwan have an incentive to specialize and exchange.

EASY

153. Bonnie can produce either 10 hats or 20 scarves in a month. Phil can produce either 5 hats or 10 scarves in a month. Therefore:

A. Phil has a comparative advantage in hats, Bonnie in scarves.
B. Bonnie has a comparative advantage in hats, Phil in scarves.
C. Phil has a comparative advantage in both hats and scarves.
D. Bonnie has a comparative advantage in both hats and scarves.
E. Neither of them has a comparative advantage in hats or scarves.

HARD

154. If Bonnie can produce either 10 hats or 20 scarves in a month, and Phil can produce either 5 hats or 10 scarves in a month then

A. Bonnie is more efficient at producing hats, compared to Phil.
B. Bonnie is more efficient at producing scarves, compared to Phil.
C. both A and B above are true.
D. none of the above are true.

HARD

155. Bonnie can produce either 20 hats or 10 scarves in a month. Phil can produce either 5 hats or 10 scarves in a month. Therefore:
A. Phil has a comparative advantage in hats, Bonnie in scarves.
B. Bonnie has a comparative advantage in hats, Phil in scarves.
C. Phil has a comparative advantage in both hats and scarves.
D. Bonnie has a comparative advantage in both hats and scarves.
E. Neither of them has a comparative advantage in scarves.

MODERATE

156. If Bonnie can produce either 20 hats or 10 scarves in a month, and Phil can produce either 5 hats or 10 scarves in a month, then
A. Bonnie is more efficient at producing hats, compared to Phil.
B. Bonnie is equally efficient at producing scarves, compared to Phil.
C. both A and B above are true.
D. none of the above are true.

MODERATE

157. Bonnie can produce either 10 hats or 20 scarves in a month. Phil can produce either 10 hats or 5 scarves in a month. Therefore:
A. Phil has a comparative advantage in hats, Bonnie in scarves.
B. Bonnie has a comparative advantage in hats, Phil in scarves.
C. Phil has a comparative advantage in both hats and scarves.
D. Bonnie has a comparative advantage in both hats and scarves.
E. Neither of them has a comparative advantage in hats.

MODERATE

158. If Bonnie can produce either 10 hats or 20 scarves in a month, and Phil can produce either 10 hats or 5 scarves in a month, then
A. Bonnie is equally efficient at producing hats, compared to Phil.
B. Bonnie is more efficient at producing hats, compared to Phil.
C. Bonnie is more efficient at producing scarves, compared to Phil.
D. Phil is more efficient at producing scarves, compared to Bonnie.

MODERATE

159. The most important function of middlemen is to
A. act as marketing agents for producers.
B. expand the number of jobs in the economy.
C. produce valuable information.
D. protect consumers from exploitation.
E. stand between buyers and sellers to control markups.

EASY

160. Retailers and other middlemen provide benefits to patrons
A. because people don't realize how much they could save by cutting out middlemen.
B. but the middlemen benefit far more.
C. by lowering the cost to their customers of acquiring valuable information.
D. only because their customers are irrational.

MODERATE

161. A grocery shopper considers "eliminating" the middleman. What might she do?
A. Raise her own cows, slaughter them, and butcher her own meat.
B. Grow her own wheat, mill it into flour, and bake her own bread.
C. Build her own fishing boat and begin halibut fishing.
D. All of the above.

EASY

162. Middlemen would serve no productive function if
A. information is scarce and transactions costs are zero.
B. information is free and transactions costs are significant.
C. information is free and transactions costs are zero.
D. people only purchased what they need, rather than what they want.

HARD

163. Fill in the blank: Middlemen tend to have ___________ in information production.
A. no interest
B. a comparative advantage
C. a monopoly.
D. little time to engage
E. a wasteful way of engaging

EASY

164. According to your text, who among the following have a comparative advantage in providing information that reduce transaction costs?
A. The consumer.
B. The bureaucrat.
C. The middleman.
D. The career politician.

EASY

165. The common habit of viewing middlemen as unproductive bandits on the highway of free trade assumes
A. transaction costs are zero.
B. information is a free good.
C. voluntary exchange is not mutually beneficial.
D. all of the above.
E. none of the above.

EASY

166. Middlemen have a comparative advantage in
A. lowering transaction costs.
B. raising transaction costs.
C. robbery and theft.
D. tax evasion.
E. buying products at a high price and selling them at a lower price.

MODERATE

167. Information is a scarce good because
A. buyers typically know more than sellers about the products they are selling.
B. competition encourages buyers and sellers to conceal a portion of what they know.
C. its possession enables people to increase their wealth, and it cannot be acquired without cost.
D. sellers typically know more than buyers about the products they are selling.

HARD

168. Sensible buyers or sellers will want to continue acquiring information
A. as long as the additional information extends their choices.
B. as long as the anticipated additional benefit exceeds the additional cost of doing so.
C. as long as they can be assured of acquiring correct information.
D. indefinitely, because more information is better than less.

MODERATE

169. A sensible buyer will want to acquire additional information before committing herself as long as the expected value of the information she is gathering
A. is greater than the anticipated value of the purchase.
B. is greater than the expected cost of acquiring it.
C. will enable her to avoid all mistakes.
D. will enable her to avoid possible mistakes she will subsequently regret having made.

MODERATE

170. Fill in the blank: Information is a __________ good.
A. free.
B. scarce.
C. futile.
D. non-economic.

EASY

171. In the economic way of thinking, information is a scarce economic good because
A. people need more information.
B. modern-day capitalism turned information into a tradable commodity.
C. it is valuable, and there are opportunity costs to get it.
D. a political conspiracy limits its production to keep citizens uninformed.

MODERATE

172. Pick the best answer using the economic way of thinking. If information is a scarce good, then ignorance might be
A. a sin.
B. stupid.
C. bliss.
D. rational.
E. inefficient.

MODERATE

173. Failing to be fully informed may be efficient if information
A. is free.
B. is scarce.
C. is subject to increasing returns.
D. has no opportunity cost of production.

MODERATE

174. What might prompt a fresh college graduate to turn down the first job offer he or she receives?
A. They do not wish to begin working.
B. They'd rather continue straight into graduate school.
C. They expect a better job offer is right around the corner.
D**. All of the above.**

EASY

175. Which of the following increases the information available to prospective buyers?
A. The auto dealer that allows customers to test drive their cars.
B. The grocer that packages its meat in cellophane.
C. The college that organizes orientation sessions for potential students.
D. The baker that gives customers free samples.
E. All of the above.

EASY

176. A professor posts his course syllabi and past exams on the Internet. From the economic point of view, the professor's behavior
A. demonstrates the arrogance of the professor.
B. better informs prospective students.
C. is a costless use of scarce resources, because it avoids paper, ink, and mimeos.
D. is irrational.

MODERATE

177. From the economic point of view, what does a professor who posts her syllabus on the Internet and a restaurant that posts its menu outside have in common?
A. They are attempting to exploit others.
B. They are reducing competition.
C. They are expanding the range of opportunities available to others.
D. They are solely in it for the money.

EASY

178. Which of the following expands the range of opportunities available to customers?
A. The bookstore that provides comfortable chairs and couches for book browsers.
B. The used car dealer who posts prices on the windshields of the cars.
C. The bank that advertises it will place ten dollars into any newly-opened savings account.
D. All of the above.
E. None of the above.

EASY

179. Back in the 1980s, the typical music store had one recording playing throughout the entire store. Today, many music stores provide a variety of selections with headphones, which allow customers to sample music their own. When music stores provide headphones to their customers, they
A. further inform customers.
B. further reduce customer search costs.
C. further expand the range of opportunities available to customers.
D. do all of the above.

EASY

180. "We offer the best deal in town. If somebody charges a lower price, bring in their ad and we'll beat it!" From the economic point of view, the firm promising to match its competitor's low prices is attempting to
A. lie.
B. cheat.
C. learn more about the market.
D. do nothing more than bait and switch their customers.

MODERATE

181. One well-established full-service stock brokerage charges $35 commissions per trade. A new online brokerage charges $7.95 per trade. Yet, many people still elect to use the traditional, full service broker. Why?
A. They're fools.
B. They must not be aware of online brokers.
C. They might perceive the low commission to be a sign of low reliability.
D. They are failing to economize.

MODERATE

182. In economics as well as in social relations in general, clear and concise information
A. eliminates the need for cooperation.
B. guarantees effective cooperation.
C. makes cooperation easier to achieve.
D. makes cooperation more difficult to achieve.

EASY

183. The textbook defines a "well-organized" market as a market in which
A. all information available to sellers and buyers is also available to other parties to exchange transactions.
B. bids and offers of buyers and sellers are brought together to establish a single price over a wide area.
C. the government regulates maximum and minimum prices.
D. the terms of exchange between buyers and sellers are controlled by a professional marketing association.

EASY

184. Fill in the blank: Your authors claim _________ has been the rule rather than the exception through almost all of human history.
A. price stability
B. poverty
C. disinflation
D. wealth

EASY

185. How did Adam Smith explain the cause of the wealth of nations?
A. The growth of the middle class.
B. The growth in the average level of prices.
C. The growth of the division of labor.
D. People’s unending urge to consume.

MODERATE

186. If households were to switch production away from an equal division of chores (e.g., doing dishes, mowing the lawn, etc.) to a system based on specialization and trade, the efficiency of household production would probably _______________ and leisure time would probably ___________.
A. decrease; decrease
B. decrease; increase
C. increase; increase
D. increase; decrease

EASY

187. Which of the following economists rejected the notion that economic growth was caused by the evolution of commercial society?
A. Adam Smith.
B. Paul Heyne.
C. Karl Marx.
D. All of the above.
E. None of the above.

MODERATE

188. According to your authors, a necessary condition for the evolution of a successful commercial society includes
A. stable interest rates.

B. reasonably secure property rights.
C. a superabundance of natural resources.
D. zero economic losses.

MODERATE

189. Fill in the blank: According to the text a commercial society cannot develop successfully in the absence of ______________.
A. the rule of law.
B. low interest rates.
C. central economic planning.
D. massive government works projects.
E. perfect and complete information.

MODERATE