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1. The mercantilists would have objected to:
   a. Export promotion policies initiated by the government
   b. The use of tariffs or quotas to restrict imports
   c. Trade policies designed to accumulate gold and other precious metals
   d. International trade based on open markets

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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2. Unlike the mercantilists, Adam Smith maintained that:
   a. Trade benefits one nation only at the expense of another nation
   b. Government control of trade leads to maximum economic welfare
   c. All nations can gain from free international trade
   d. The world's output of goods must remain constant over time

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic Reflective Thi - BUSPROG: Reflective Thinking
United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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3. The trading principle formulated by Adam Smith maintained that:
   a. International prices are determined from the demand side of the market
   b. Differences in resource endowments determine comparative advantage
   c. Differences in income levels govern world trade patterns
   d. Absolute cost differences determine the immediate basis for trade

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False

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4. Unlike Adam Smith, David Ricardo's trading principle emphasizes the:
   a. Demand side of the market
   b. Supply side of the market
   c. Role of comparative costs
   d. Role of absolute costs

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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5. When a nation requires fewer resources than another nation to produce a product, the nation is said to have a:
   a. Absolute advantage in the production of the product
   b. Comparative advantage in the production of the product
   c. Lower marginal rate of transformation for the product
   d. Lower opportunity cost of producing the product

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Historical Development of Modern Trade Theory
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6. According to the principle of comparative advantage, specialization and trade increase a nation's total output since:
   a. Resources are directed to their highest productivity

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b. The output of the nation's trading partner declines
c. The nation can produce outside of its production possibilities curve
d. The problem of unemployment is eliminated

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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7. In a two-product, two-country world, international trade can lead to increases in:
a. Consumer welfare only if output of both products is increased
b. Output of both products and consumer welfare in both countries
c. Total production of both products, but not consumer welfare in both countries
d. Consumer welfare in both countries, but not total production of both products

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Historical Development of Modern Trade Theory
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8. As a result of international trade, specialization in production tends to be:
a. Complete with constant costs--complete with increasing costs
b. Complete with constant costs--incomplete with increasing costs
c. Incomplete with constant costs--complete with increasing costs
d. Incomplete with constant costs--incomplete with increasing costs

ANSWER: b
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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9. A nation that gains from trade will find its consumption point being located:
   a. Inside its production possibilities curve
   b. Along its production possibilities curve
   c. Outside its production possibilities curve
   d. None of the above

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
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Table 2.1. Output Possibilities of the U.S. and the U.K.

	Output per Worker per day	
Country	Tons of Steel	Televisions
United States	5	45
United Kingdom	10	20

10. Referring to Table 2.1, the United States has the absolute advantage in the production of:
   a. Steel
   b. Televisions
   c. Both steel and televisions
   d. Neither steel nor televisions

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Analyze

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11. Referring to Table 2.1, the United Kingdom has a comparative advantage in the production of:
    a. Steel
    b. Televisions
    c. Both steel and televisions
    d. Neither steel nor televisions

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Analyze
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12. Refer to Table 2.1. If trade opens up between the United States and the United Kingdom, American firms should specialize in producing:
    a. Steel
    b. Televisions
    c. Both steel and televisions
    d. Neither steel nor televisions

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Analyze
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13. Referring to Table 2.1, the opportunity cost of producing one ton of steel in the United States is:
    a. 3 televisions
    b. 10 televisions
    c. 20 televisions

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d. 45 televisions

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Analyze
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14. Refer to Table 2.1. Mutually advantageous trade will occur between the United States and the United Kingdom so long as one ton of steel trades for:

a. At least 1 television, but no more than 2 televisions
b. At least 2 televisions, but no more than 3 televisions
c. At least 3 televisions, but no more than 4 televisions
d. At least 4 televisions, but no more than 5 televisions

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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15. Referring to Table 2.1, the United Kingdom gains most from trade if:

a. 1 ton of steel trades for 2 televisions
b. 1 ton of steel trades for 3 televisions
c. 2 tons of steel trade for 4 televisions
d. 2 tons of steel trade for 5 televisions

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.1

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KEYWORDS: BLOOM'S: Analyze
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16. Concerning international trade restrictions, which of the following is false? Trade restrictions:
    a. Limit specialization and the division of labor
    b. Reduce the volume of trade and the gains from trade
    c. Cause nations to produce inside their production possibilities curves
    d. May result in a country producing some of the product of its comparative disadvantage

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
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TOPICS: Production Possibilities Schedules
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17. If a production possibilities curve is bowed out (i.e., concave) in appearance, production occurs under conditions of:
    a. Constant opportunity costs
    b. Increasing opportunity costs
    c. Decreasing opportunity costs
    d. Zero opportunity costs

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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18. Increasing opportunity costs suggest that:

a. Resources are not perfectly shiftable between the production of two goods

b. Resources are fully shiftable between the production of two goods

c. A country's production possibilities curve appears as a straight line

d. A country's production possibilities curve is bowed inward (i.e., convex) in appearance

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Production Possibilities Schedules
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19. The trading-triangle concept is used to indicate a nation's:

a. Exports, marginal rate of transformation, terms of trade

b. Imports, terms of trade, marginal rate of transformation

c. Marginal rate of transformation, imports, exports

d. Terms of trade, exports, imports

ANSWER:	d
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Production Possibilities Schedules
KEYWORDS:	BLOOM'S: Understand
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20. Assuming increasing cost conditions, trade between two countries would <u>not</u> be likely if they have:

a. Identical demand conditions but different supply conditions

b. Identical supply conditions but different demand conditions

c. Different supply conditions and different demand conditions

d. Identical demand conditions and identical supply conditions

ANSWER:	d
POINTS:	1
DIFFICULTY:	Challenging

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QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Apply
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Table 2.2. Output possibilities for South Korea and Japan

	Output per worker per day	
Country	Tons of steel	VCRs
South Korea	80	40
Japan	20	20

21. Referring to Table 2.2, the opportunity cost of one VCR in Japan is:
    a. 1 ton of steel
    b. 2 tons of steel
    c. 3 tons of steel
    d. 4 tons of steel

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.2
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Apply
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22. Referring to Table 2.2, the opportunity cost of one VCR in South Korea is:
    a. 1/2 ton of steel
    b. 1 ton of steel
    c. 1 1/2 tons of steel
    d. 2 tons of steel

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False

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23. Refer to Table 2.2. According to the principle of absolute advantage, Japan should:
    a. Export steel
    b. Export VCRs
    c. Export steel and VCRs
    d. None of the above; there is no basis for gainful trade

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.2
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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24. Refer to Table 2.2. According to the principle of comparative advantage:
    a. South Korea should export steel
    b. South Korea should export steel and VCRs
    c. Japan should export steel
    d. Japan should export steel and VCRs

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.2
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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25. Refer to Table 2.2. With international trade, what would be the maximum amount of steel that South Korea would be willing to export to Japan in exchange for each VCR?

a. 1/2 ton of steel
b. 1 ton of steel
c. 1-1/2 tons of steel
d. 2 tons of steel

ANSWER: d
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.2
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Apply
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26. Refer to Table 2.2. With international trade, what would be the maximum number of VCRs that Japan would be willing to export to South Korea in exchange for each ton of steel?

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

ANSWER: a
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.2
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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27. The earliest statement of the principle of comparative advantage is associated with:

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a. Adam Smith
b. David Ricardo
c. Eli Heckscher
d. Bertil Ohlin

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
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28. If Hong Kong and Taiwan had identical labor costs but were subject to increasing costs of production:
a. Trade would depend on differences in demand conditions
b. Trade would depend on economies of large-scale production
c. Trade would depend on the use of different currencies
d. There would be no basis for gainful trade

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
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29. If the international terms of trade settle at a level that is between each country's opportunity cost:
a. There is no basis for gainful trade for either country
b. Both countries gain from trade
c. Only one country gains from trade
d. One country gains and the other country loses from trade

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice

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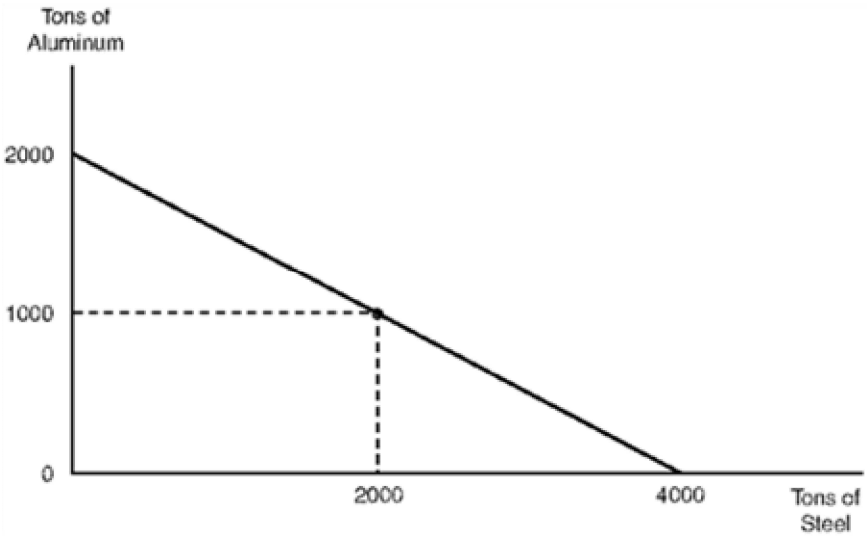
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TOPICS:	Production Possibilities Schedules
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30. International trade is based on the notion that:
    a. Different currencies are an obstacle to international trade
    b. Goods are more mobile internationally than are resources
    c. Resources are more mobile internationally than are goods
    d. A country's exports should always exceed its imports

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Production Possibilities Schedules
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Figure 2.1. Production Possibilities Schedule



31. Referring to Figure 2.1, the relative cost of steel in terms of aluminum is:
    a. 4.0 tons
    b. 2.0 tons

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c. 0.5 tons
d. 0.25 tons

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Apply
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32. Referring to Figure 2.1, the relative cost of aluminum in terms of steel is:
a. 4.0 tons
b. 2.0 tons
c. 0.5 tons
d. 0.25 tons

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Apply
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33. Refer to Figure 2.1. If the relative cost of steel were to rise, then the production possibilities schedule would:
a. Become steeper
b. Become flatter
c. Shift inward in a parallel manner
d. Shift outward in a parallel manner

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False

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PREFACE NAME: Figure 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Apply
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34. Refer to Figure 2.1. If the relative cost of aluminum were to rise, then the production possibilities schedule would:
    a. Become steeper
    b. Become flatter
    c. Shift inward in a parallel manner
    d. Shift outward in a parallel manner

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.1
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Apply
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35. When a nation achieves autarky equilibrium:
    a. Input price equals final product price
    b. Labor productivity equals the wage rate
    c. Imports equal exports
    d. Production equals consumption

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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36. When a nation is in autarky and maximizes its living standard, its consumption and production points are:
    a. Along the production possibilities schedule
    b. Above the production possibilities schedule
    c. Beneath the production possibilities schedule
    d. Any of the above

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Trading Under Constant-Cost Conditions
KEYWORDS:	BLOOM'S: Understand
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37. If Canada experiences increasing opportunity costs, its supply schedule of steel will be:
    a. Downward-sloping
    b. Upward-sloping
    c. Horizontal
    d. Vertical

ANSWER:	b
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Trading Under Increasing-Cost Conditions
KEYWORDS:	BLOOM'S: Understand
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38. If Canada experiences constant opportunity costs, its supply schedule of steel will be:
    a. Downward-sloping
    b. Upward-sloping
    c. Horizontal
    d. Vertical

ANSWER:	c
POINTS:	1

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DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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39. The gains from international trade increase as:
    a. A nation consumes inside of its production possibilities schedule
    b. A nation consumes along its production possibilities schedule
    c. The international terms of trade rises above the nation's autarky price
    d. The international terms of trade approaches the nation's autarky price

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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40. In a two-country, two-product world, the statement "Japan enjoys a comparative advantage over France in steel relative to bicycles" is equivalent to:
    a. France having a comparative advantage over Japan in bicycles relative to steel
    b. France having a comparative disadvantage against Japan in bicycles and steel
    c. Japan having a comparative advantage over France in steel and bicycles
    d. Japan having a comparative disadvantage against Japan in bicycles and steel

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Trading Under Constant-Cost Conditions
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41. Ricardo's theory of comparative advantage was of limited real-world validity because it was founded on the:
    a. Labor theory of value
    b. Capital theory of value
    c. Land theory of value
    d. Entrepreneur theory of value

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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42. Assume that labor is the only factor of production and that wages in the United States equal $20 per hour while wages in the United Kingdom equal $10 per hour. Production costs would be lower in the United States than the United Kingdom if:
    a. U.S. labor productivity equaled 40 units per hour while U.K. labor productivity equaled 15 units per hour
    b. U.S. labor productivity equaled 30 units per hour while U.K. labor productivity equaled 20 units per hour
    c. U.S. labor productivity equaled 20 units per hour while U.K. labor productivity equaled 30 units per hour
    d. U.S. labor productivity equaled 15 units per hour while U.K. labor productivity equaled 25 units per hour

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Productions Gains From Specialization
KEYWORDS: BLOOM'S: Understand
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43. According to Ricardo, a country will have a comparative advantage in the product in which its:
    a. Labor productivity is relatively low

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b. Labor productivity is relatively high
c. Labor mobility is relatively low
d. Labor mobility is relatively high

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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44. The Ricardian model of comparative advantage is based on all of the following assumptions except:
a. Only two nations and two products
b. Product quality varies among nations
c. Labor is the only factor of production
d. Labor can move freely within a nation

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
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45. The writings of G. MacDougall emphasized which of the following as an explanation of a country's competitive position?
a. National income levels
b. Relative endowments of natural resources
c. Domestic tastes and preferences
d. Labor compensation and productivity levels

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice

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HAS VARIABLES: False
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Empirical Evidence on Comparative Advantage
KEYWORDS: BLOOM'S: Remember
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46. The introduction of community indifference curves into our trading example focuses attention on the nation's:
    a. Income level
    b. Resource prices
    c. Tastes and preferences
    d. Productivity level

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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47. Introducing indifference curves into our trade model permits us to determine:
    a. Where a nation chooses to locate along its production possibilities curve in autarky
    b. The precise location of a nation's production possibilities curve
    c. Whether absolute cost or comparative cost conditions exist
    d. The currency price of one product in terms of another product

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
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48. In the absence of trade, a nation is in equilibrium where a community indifference curve:
    a. Lies above its production possibilities curve
    b. Is tangent to its production possibilities curve
    c. Intersects its production possibilities curve
    d. Lies below its production possibilities curve

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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49. The use of indifference curves helps us determine the point:
    a. Along the terms-of-trade line a country will choose
    b. Where a country maximizes its resource productivity
    c. At which a country ceases to become competitive
    d. Where the marginal rate of transformation approaches zero

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Apply
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50. With trade, a country will maximize its satisfaction when it:
    a. Moves to the highest possible indifference curve
    b. Forces the marginal rate of substitution to its lowest possible value
    c. Consumes more of both goods than it does in autarky
    d. Finds its marginal rate of substitution exceeding its marginal rate of transformation

ANSWER: a

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POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Apply
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51. Trade between two nations would <u>not</u> be possible if they have:
a. Identical community indifference curves but different production possibilities curves
b. Identical production possibilities curves but different community indifference curves
c. Different production possibilities curves and different community indifference curves
d. Identical production possibilities curves and identical community indifference curves
ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Apply
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52. Given a two-country and two-product world, the United States would enjoy <u>all</u> the attainable gains from free trade with Canada if it:
a. Trades at the U.S. rate of transformation
b. Trades at the Canadian rate of transformation
c. Specializes completely in the production of both goods
d. Specializes partially in the production of both goods
ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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specialization and trade

TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Apply
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53. John Stuart Mill's theory of reciprocal demand best applies when trading partners:
    a. Are of equal size and importance in the market
    b. Produce under increasing cost conditions
    c. Partially specialize in the production of commodities
    d. Have similar taste and preference levels

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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54. The equilibrium prices and quantities established after trade are fully determinate if we know:
    a. The location of all countries' indifference curves
    b. The shape of each country's production possibilities curve
    c. The comparative costs of each trading partner
    d. The strength of world supply and demand for each good

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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55. "The equilibrium relative commodity price at which trade takes place is determined by the conditions of demand and supply for each commodity in both nations. Other things being equal, the nation with the more intense demand for the other nation's exported good will gain less from trade than the nation with the less intense demand." This statement was

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first proposed by:

a. Alfred Marshall with offer curve analysis
b. John Stuart Mill with the theory of reciprocal demand
c. Adam Smith with the theory of absolute advantage
d. David Ricardo with the theory of comparative advantage

ANSWER:	b
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Historical Development of Modern Trade Theory
KEYWORDS:	BLOOM'S: Remember
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56. Which of the following terms-of-trade concepts is calculated by dividing the change in a country's export price index by the change in its import price index between two points in time, multiplied by 100 to express the terms of trade in percentages?

a. Commodity terms of trade
b. Marginal rate of transformation
c. Marginal rate of substitution
d. Autarky price ratio

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Equilibrium Terms of Trade
KEYWORDS:	BLOOM'S: Understand
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57. The best explanation of the gains from trade that David Ricardo could provide was to describe only the outer limits within which the equilibrium terms of trade would fall. This is because Ricardo's theory did not recognize how market prices are influenced by:

a. Demand conditions
b. Supply conditions
c. Business expectations
d. Profit patterns

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ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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58. Under free trade, Sweden enjoys all of the gains from trade with Holland if Sweden:
    a. Trades at Holland's rate of transformation
    b. Trades at Sweden's rate of transformation
    c. Specializes completely in the production of its export good
    d. Specializes partially in the production of its export good

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Apply
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59. Because the Ricardian trade theory recognized only how supply conditions influence international prices, it could determine:
    a. The equilibrium terms of trade
    b. The outer limits for the terms of trade
    c. Where a country chooses to locate along its production possibilities curve
    d. Where a country chooses to locate along its trade triangle

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Understand
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60. The terms of trade is given by the prices:
    a. Paid for all goods imported by the home country
    b. Received for all goods exported by the home country
    c. Received for exports and paid for imports
    d. Of primary products as opposed to manufactured products

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Understand
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Table 2.3. Terms of Trade

		Export Price Index		Import Price Index
Country	1990	2004	1990	2004
Mexico	100	220	100	200
Sweden	100	160	100	150
Spain	100	155	100	155
France	100	170	100	230
Denmark	100	120	100	125

61. Referring to Table 2.3, which countries' terms of trade improved between 1990 and 2004?
    a. Mexico and Denmark
    b. Sweden and Denmark
    c. Sweden and Spain
    d. Mexico and Sweden

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.3
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic

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TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Apply
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62. Referring to Table 2.3, which countries' terms of trade worsened between 1990 and 2004?
a. Spain and Mexico
b. Mexico and France
c. France and Denmark
d. Denmark and Sweden

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.3
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Apply
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63. Referring to Table 2.3, which country's terms of trade did not change between 1990 and 2004?
a. Spain
b. Sweden
c. France
d. Denmark

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Table 2.3
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Apply
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64. Given free trade, small nations tend to benefit the most from trade since they:

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a. Are more productive than their large trading partners
b. Are less productive than their large trading partners
c. Have demand preferences and income levels lower than their large trading partners
d. Enjoy terms of trade lying near the opportunity costs of their large trading partners

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Understand
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65. A terms-of-trade index that equals 150 indicates that compared to the base year:
a. It requires a greater output of domestic goods to obtain the same amount of foreign goods
b. It requires a lesser amount of domestic goods to obtain the same amount of foreign goods
c. The price of exports has risen from $100 to $150
d. The price of imports has risen from $100 to $150

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Understand
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66. A term-of-trade index that equals 90 indicates that compared to the base year:
a. It requires a greater output of domestic goods to obtain the same amount of foreign goods
b. It requires a lesser amount of domestic goods to obtain the same amount of foreign goods
c. The price of exports has fallen from $100 to $90
d. The price of imports has fallen from $100 to $90

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice

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HAS VARIABLES: False
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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67. The theory of reciprocal demand does not well apply when one country:
    a. Produces under constant cost conditions
    b. Produces along its production possibilities curve
    c. Is of minor economic importance in the world marketplace
    d. Partially specializes the production of its export good

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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68. The terms of trade is given by:
    a. (Price of exports/price of imports) − 100
    b. (Price of exports/price of imports) + 100
    c. (Price of exports/price of imports) ÷ 100
    d. (Price of exports/price of imports) × 100

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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69. If Japan and France have identical production possibilities curves and identical community indifference curves:
    a. Japan will enjoy all the gains from trade
    b. France will enjoy all the gains from trade
    c. Japan and France share equally in the gains from trade
    d. Gainful specialization and trade are not possible

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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70. A rise in the price of imports or a fall in the price of exports will:
    a. Improve the terms of trade
    b. Worsen the terms of trade
    c. Expand the production possibilities curve
    d. Contract the production possibilities curve

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Equilibrium Terms of Trade
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71. A fall in the price of imports or a rise in the price of exports will:
    a. Improve the terms of trade
    b. Worsen the terms of trade
    c. Expand the production possibilities curve
    d. Contract the production possibilities curve

ANSWER: a

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POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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72. Under free trade, Canada would not enjoy any gains from trade with Sweden if Canada:
    a. Trades at the Canadian rate of transformation
    b. Trades at Sweden's rate of transformation
    c. Specializes completely in the production of its export good
    d. Specializes partially in the production of its export good

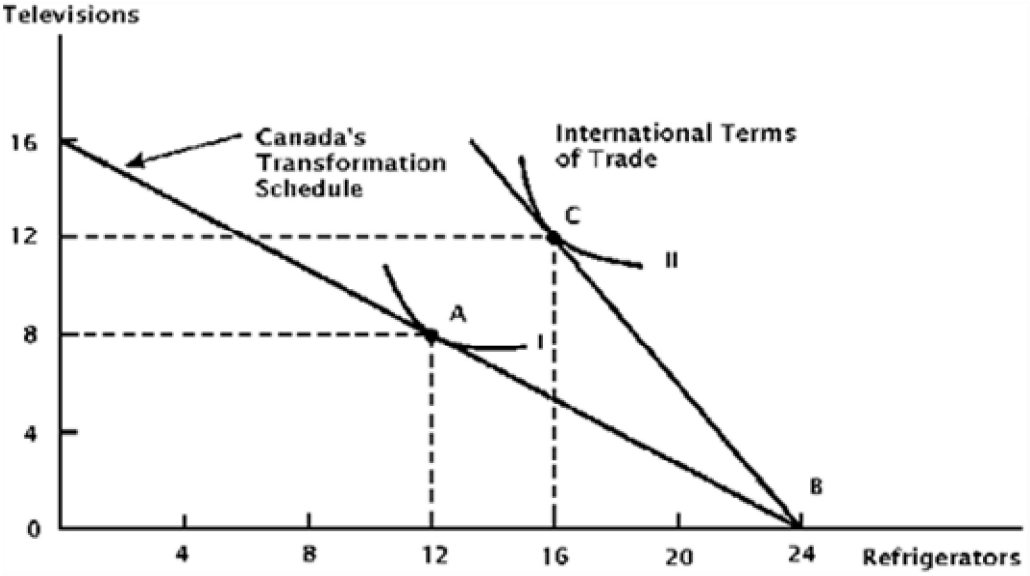
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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Figure 2.2 illustrates trade data for Canada. The figure assumes that Canada attains international trade equilibrium at point C.

Figure 2.2. Canadian Trade Possibilities

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73. Consider Figure 2.2. In the absence of trade, Canada would produce and consume:
    a. 8 televisions and 16 refrigerators
    b. 12 televisions and 16 refrigerators
    c. 8 televisions and 12 refrigerators
    d. 12 televisions and 8 refrigerators

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.2
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Reading and interpreting g - DISC: Reading and interpreting graphs
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Analyze
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74. Referring to Figure 2.2, Canada has a comparative advantage in:
    a. Televisions
    b. Refrigerators
    c. Televisions and refrigerators
    d. Neither televisions nor refrigerators

ANSWER: b
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.2
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75. Consider Figure 2.2. With specialization, Canada produces:
    a. 16 televisions
    b. 12 televisions and 8 refrigerators
    c. 8 televisions and 16 refrigerators
    d. 24 refrigerators
ANSWER: d
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.2
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Reading and interpreting g - DISC: Reading and interpreting graphs
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Analyze
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76. Consider Figure 2.2. With trade, Canada consumes:
    a. 12 televisions and 8 refrigerators
    b. 12 televisions and 16 refrigerators
    c. 8 televisions and 16 refrigerators
    d. 24 refrigerators
ANSWER: b
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.2
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77. According to Figure 2.2, exports for Canada total:
    a. 16 refrigerators
    b. 8 refrigerators
    c. 12 refrigerators
    d. 16 refrigerators

ANSWER:	b
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
PREFACE NAME:	Figure 2.2
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Reading and interpreting g - DISC: Reading and interpreting graphs
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KEYWORDS:	BLOOM'S: Analyze
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78. According to Figure 2.2, imports for Canada total:
    a. 6 televisions
    b. 8 televisions
    c. 12 televisions
    d. 16 televisions

ANSWER:	c
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
PREFACE NAME:	Figure 2.2
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Reading and interpreting g - DISC: Reading and interpreting graphs
TOPICS:	Production Possibilities Schedules
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79. Concerning possible determinants of international trade, which are sources of comparative advantage? Differences in:
    a. Methods of production
    b. Tastes and preferences
    c. Technological know-how
    d. All of the above

ANSWER:	d

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POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
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80. Ricardo's model of comparative advantage assumed all of the following except:
    a. In each nation, labor is the only input
    b. Costs do not vary with the level of production
    c. Perfect competition prevails in all markets
    d. Transportation costs rise as distance increases between countries

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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81. Ricardo's model of comparative advantage assumed all of the following except:
    a. Trade is balanced, thus ruling out flows of money between nations
    b. Firms make production decisions in an attempt to maximize profits
    c. Free trade occurs between nations
    d. Labor is immobile within a country, but is incapable of moving between countries

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Historical Development of Modern Trade Theory

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82. The dynamic gains from trade include all of the following except:
    a. Economies of large-scale production resulting in decreasing unit cost
    b. Increased saving and investment resulting in economic growth
    c. Increased competition resulting in lower prices and wider range of output
    d. Increasing comparative advantage leading to specialization

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Dynamic Gains from Trade
KEYWORDS: BLOOM'S: Understand
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83. All of the following may be exit barriers except
    a. Employee health benefit costs
    b. Treatment, storage and disposal costs
    c. Penalties for terminating contracts with raw material suppliers
    d. Increasing opportunity cost of production

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Exit Barriers
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84. Incomplete specialization may be caused by
    a. Increasing opportunity cost
    b. Unrestricted trade
    c. Constant opportunity cost
    d. Decreasing opportunity cost

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ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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85. Improvements in productivity may lead to decreasing comparative costs if
    a. The assumption of fixed technologies under constant costs is relaxed
    b. Technologies available to each nation is allowed to differ
    c. Resource endowments are allowed to vary
    d. All of the above

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Productions Gains From Specialization
KEYWORDS: BLOOM'S: Understand
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86. Adam Smith
    a. Was a leading advocate of free trade
    b. Developed the concept of absolute advantage
    c. Maintained that labor costs represent the major determinant of production cost
    d. All of the above

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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87. Modern trade theory contends that the pattern of world trade is governed by
    a. Differences in supply conditions and demand conditions
    b. Supply conditions only
    c. Demand conditions only
    d. None of the above

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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88. When nations are of similar size, and have similar taste patterns, the gains from trade
    a. Are shared equally between them
    b. Are impossible to determine
    c. Are too small, so that trading is not beneficial
    d. Are determined by the nation that has comparative advantage in the more essential product

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Apply
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89. The commodity terms of trade measures
    a. The rate at which exports exchange for imports
    b. The influence trade has on productivity levels
    c. The effect on income of the trading nation

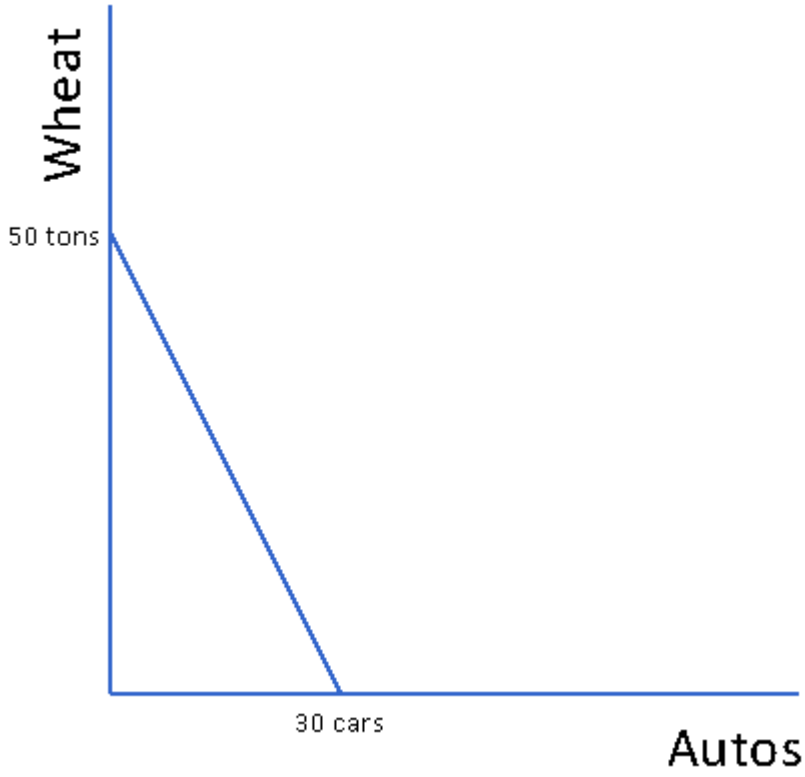
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d. The improvement in a nation's welfare

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
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Figure 2.4 Production Possibilities Frontier



90. In Figure 2.4 the marginal rate of transformation of wheat into autos is
a. one and two-thirds
b. two and one-third
c. three fifths
d. three sevenths

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice

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TOPICS: Trading Under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Analyze
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91. In Figure 2.4 the marginal rate of transformation of autos into wheat is
    a. one and two-thirds
    b. two and one-third
    c. three fifths
    d. three sevenths
ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.4
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Reading and interpreting g - DISC: Reading and interpreting graphs
TOPICS: Trading Under Constant-Cost Conditions
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92. In Figure 2.4 one car can be produced at a cost of
    a. one and two-thirds tons of wheat
    b. two and one-third tons of wheat
    c. three fifths tons of wheat
    d. three sevenths tons of wheat
ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.4
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Reading and interpreting g - DISC: Reading and interpreting graphs
TOPICS: Trading Under Constant-Cost Conditions
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93. In Figure 2.4 one ton of wheat can be produced at a cost of
    a. one and two-thirds cars
    b. two and one-third cars
    c. three fifths of a car
    d. three sevenths of a car

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Figure 2.4
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Reading and interpreting g - DISC: Reading and interpreting graphs
TOPICS: Trading Under Constant-Cost Conditions
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94. According to the mercantilists, a nation's welfare would improve if it maintained a surplus of exports over imports.
    a. True
    b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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95. The mercantilists maintained that a free-trade policy best enhances a nation's welfare.
    a. True
    b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False

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96. The mercantilists contended that because one nation's gains from trade come the expense of its trading partners, not all nations could simultaneously realize gains from trade.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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97. According to the price-specie-flow-doctrine, a trade-surplus nation would experience gold outflows, a decrease in its money supply, and a fall in its price level.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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98. The trade theories of Adam Smith and David Ricardo viewed the determination of competitiveness from the demand side of the market.

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a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
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99. According to the principle of absolute advantage, international trade is beneficial to the world if one nation has an absolute cost advantage in the production of one good while the other nation has an absolute cost advantage in the other good.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
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100. The principle of absolute advantage asserts that mutually beneficial trade can occur even if one nation is absolutely more efficient in the production of all goods.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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101. The basis for trade is explained by the principle of absolute advantage according to David Ricardo and the principle of comparative advantage according to Adam Smith.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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102. The principle of comparative advantage contends that a nation should specialize in and export the good in which its absolute advantage is smallest or its absolute disadvantage is greatest.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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103. The Ricardian theory of comparative advantage assumes only two nations and two products, labor can move freely within a nation, and perfect competition exists in all markets.

a. True

b. False

ANSWER:	True

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POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
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104. Assume that the United States is more efficient than the United Kingdom in the production of all goods. Mutually beneficial trade is possible according to the principle of absolute advantage, but is impossible according to the principle of comparative advantage.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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105. It is possible for a nation not to have an absolute advantage in anything; but it is not possible for one nation to have a comparative advantage in everything and the other nation to have a comparative advantage in nothing.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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106. Ricardo's theory of comparative advantage was of limited relevance to the real world since it assumed that labor was only one of several factors of production.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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107. Compared to Ricardian trade theory, modern trade theory provides a more general view of comparative advantage since it is based on all factors of production rather than just labor.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Production Possibilities Schedules
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108. Constant opportunity costs suggest that the relative cost of producing one product in terms of the other will remain the same no matter where a nation chooses to locate on its production-possibilities schedule.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False

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HAS VARIABLES:	False
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STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Production Possibilities Schedules
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109. There are two explanations of constant opportunity costs: (1) factors of production are imperfect substitutes for each other; (2) all units of a given factor have different qualities.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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TOPICS:	Production Possibilities Schedules
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110. With increasing opportunity costs, a nation totally specializes in the production of the commodity of its comparative advantage; with constant opportunity costs, a nation partially specializes in the production of the commodity of its comparative advantage.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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111. A nation's trade triangle denotes its exports, imports, and terms of trade.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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112. International trade leads to increased welfare if a nation can achieve a post-trade consumption point lying inside of its production-possibilities schedule.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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113. If the U.S. post-trade consumption point lies along its production possibilities schedule, the United States achieves a higher level of welfare with trade than without trade.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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114. If productivity in the German computer industry grows faster than it does in the Japanese computer industry, the opportunity cost of each computer produced in Japan increases relative to the opportunity cost of a computer produced in Germany.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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115. If Japan loses competitiveness in computers, Japanese computer workers lose jobs to foreign computer workers and the wages of Japanese computer workers tend to fall relative to the wages of foreign computer workers.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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116. With constant opportunity costs, a nation will achieve the greatest possible gains from trade if it partially specializes in the production of the commodity of its comparative disadvantage.

a. True

b. False

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ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
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United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Constant-Cost Conditions
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117. By reducing the overall volume of trade, import restrictions tend to reduce a nation's gains from trade.
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading Under Constant-Cost Conditions
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118. According to the principle of comparative advantage, an open trading system results in resources being channeled from uses of low productivity to those of high productivity.
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Distributing the Gains From Trade
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119. With increasing opportunity costs, comparative advantage depends on a nation's supply conditions and demand conditions; with constant opportunity costs, comparative advantage depends only on demand conditions.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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120. The existence of exit barriers tends to delay the closing of inefficient firms that face international competitive disadvantages.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Exit Barriers
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121. MacDougall's empirical study of comparative advantage was based on the notion that a product's labor cost is underlaid by labor productivity and the wage rate.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False

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HAS VARIABLES: False
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Empirical Evidence on Comparative Advantage
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122. The MacDougall study of comparative advantage hypothesized that in those industries in which U.S. labor productivity was relatively high, U.S. exports to the world should be lower than U.K. exports to the world, after adjusting for wage differentials.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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123. The basic idea of mercantilism was that wealth consisted of the goods and services produced by a nation.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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124. According to Adam Smith, international trade was a "win-win" situation since all nations could enjoy gains from

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trade.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
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125. The price-specie-flow mechanism illustrated why one nation's gains from trade were accompanied by another country's losses.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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126. Complete specialization usually occurs under the assumption of increasing opportunity costs.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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TOPICS: Trading Under Constant-Cost Conditions
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127. Adam Smith contended that gold, silver, and other precious metals constituted the wealth of a nation.
a. True
b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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128. The price-specie-flow mechanism illustrated why nations could not maintain trade surpluses or trade deficits over the long run.
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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129. The marginal rate of transformation equals the absolute slope of a country's production possibilities schedule.
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Moderate

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130. Assume that Germany has higher labor productivity and higher wage levels than France. Germany can produce a commodity more cheaply than France if its productivity differential more than offsets its wage differential.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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131. Ricardo's theory of comparative advantage does <u>not</u> take into account demand conditions when determining relative commodity prices.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
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TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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132. If Canada has a higher wage level and higher labor productivity than Mexico, Canada will necessarily produce a good at a higher labor cost than Mexico.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Trading Under Constant-Cost Conditions
KEYWORDS:	BLOOM'S: Understand
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133. If Argentina has a comparative advantage over Brazil in beef relative to coffee, Argentina will specialize in beef production.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Trading Under Constant-Cost Conditions
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134. Modern trade theory recognizes that the pattern of world trade is governed by both demand conditions and supply conditions.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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	specialization and trade
TOPICS:	Comparative Advantage Extended to Many Products an
KEYWORDS:	BLOOM'S: Understand
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135. A nation achieves autarky equilibrium at the point where its community indifference curve is tangent to its production possibilities schedule.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Equilibrium Terms of Trade
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136. In autarky equilibrium, a nation realizes the lowest possible level of satisfaction given the constraint of its production possibilities schedule.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Equilibrium Terms of Trade
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137. A nation benefits from international trade if it can achieve a higher indifference curve than it can in autarky.

a. True

b. False

ANSWER:	True
POINTS:	1

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DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
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138. A nation realizes maximum gains from trade at the point where the international terms-of-trade line is tangent to its community indifference curve.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
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139. The Ricardian theory of comparative advantage could fully explain the distribution of the gains from trade among trading partners.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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140. Because the Ricardian theory of comparative advantage was based only on a nation's demand conditions, it could not fully explain the distribution of the gains from trade among trading partners.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Historical Development of Modern Trade Theory
KEYWORDS:	BLOOM'S: Understand
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141. Because the Ricardian theory of comparative advantage was based only on a nation's supply conditions, it could only determine the outer limits within which the equilibrium terms of trade would lie.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Historical Development of Modern Trade Theory
KEYWORDS:	BLOOM'S: Understand
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142. The domestic cost ratios of nations set the outer limits to the equilibrium terms of trade.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking

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143. Mutually beneficial trade for two countries occurs if the equilibrium terms of trade lies between the two countries' domestic cost ratios.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Equilibrium Terms of Trade
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144. Assume that the United States and Canada engage in trade. If the international terms of trade coincides with the U.S. cost ratio, the United States realizes all of the gains from trade with Canada.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Understand
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145. Assume that the United States and Canada engage in trade. If the international terms of trade coincides with the Canadian cost ratio, the United States realizes all of the gains from trade with Canada.

a. True
b. False

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ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Equilibrium Terms of Trade
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146. If the international terms of trade lies beneath (inside) the Mexican cost ratio, Mexico is worse off with trade than without trade.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
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147. Although J. S. Mill recognized that the region of mutually beneficial trade is bounded by the cost ratios of two countries, it was not until David Ricardo developed the theory of reciprocal demand that the equilibrium terms of trade could be determined.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Distributing the Gains From Trade

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148. According to J. S. Mill, if we know the domestic demand expressed by both trading partners for both products, the equilibrium terms of trade can be defined.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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149. The theory of reciprocal demand asserts that as the U.S. demand for Canadian wheat rises, the equilibrium terms of trade improve for the United States.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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TOPICS:	Distributing the Gains From Trade
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150. Assume that Canada has a comparative advantage in wheat and a comparative disadvantage in autos. As the Canadian demand for wheat increases, Canada's equilibrium terms of trade improves.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Challenging

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QUESTION TYPE: True / False
HAS VARIABLES: False
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TOPICS: Changing Comparative Advantage
KEYWORDS: BLOOM'S: Understand
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151. The theory of reciprocal demand best applies when two countries are of equal economic size, so that the demand conditions of each nation have a noticeable impact on market prices.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Distributing the Gains From Trade
KEYWORDS: BLOOM'S: Understand
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152. The theory of reciprocal demand best applies when one country has a "large" economy and the other country has a "small" economy.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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TOPICS: Distributing the Gains From Trade
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153. If two nations of approximately the same size and with similar taste patterns participate in international trade, the gains from trade tend to be shared about equally between them.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
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154. The expression "importance of being unimportant" suggests that if one nation is much larger than the other, the larger nation realizes most of the gains from trade while the smaller nation realizes fewer gains from trade.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Equilibrium Terms of Trade
KEYWORDS:	BLOOM'S: Understand
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155. An improvement in a nation's terms of trade occurs if the prices of its exports rise relative to the prices of its imports over a given time period.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking

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156. If a country's terms of trade worsen, it must exchange fewer exports for a given amount of imports.
a. True
b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Equilibrium Terms of Trade
KEYWORDS: BLOOM'S: Understand
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157. If a country's terms of trade improve, it must exchange more exports for a given amount of imports.
a. True
b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
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158. The terms of trade represents the rate of exchange between a country's exports and imports.
a. True
b. False
ANSWER: True
POINTS: 1

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DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
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159. Assume 1990 to be the base year. If by the end of 2004 a country's export price index rose from 100 to 130 while its import price index rose from 100 to 115, its terms of trade would equal 113.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Terms-of-Trade Estimates
KEYWORDS: BLOOM'S: Apply
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160. Assume 1990 to be the base year. If by the end of 2004 a country's export price index rose from 100 to 140 while its import price index rose from 100 to 160, its terms of trade would equal 120.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Terms-of-Trade Estimates
KEYWORDS: BLOOM'S: Apply
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161. Assume 1990 to be the base year. If by the end of 2004 a country's export price index rose from 100 to 125 while its import price index rose from 100 to 125, its terms of trade would equal 100.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Terms-of-Trade Estimates
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162. The commodity terms of trade are found by dividing a country's import price index by its export price index.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Terms-of-Trade Estimates
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163. For the commodity terms of trade to improve, a country's export price index must rise relative to its import price index over a given time period.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic
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	specialization and trade
TOPICS:	Terms-of-Trade Estimates
KEYWORDS:	BLOOM'S: Apply
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164. For the commodity terms of trade to improve, a country's import price index must rise relative to its export price index over a given time period.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Terms-of-Trade Estimates
KEYWORDS:	BLOOM'S: Apply
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165. Is it possible to add up the preferences of all consumers in an entire nation?

ANSWER:	No. It is impossible to make interpersonal comparisons of satisfaction, and thus it is not possible to add up preferences.
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	Subjective Short Answer
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Trading Under Increasing-Cost Conditions
KEYWORDS:	BLOOM'S: Understand
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166. Who gains more from trade, when nations are of unequal economic size?

ANSWER:	If one nation is significantly larger than the other, the larger nation attains fewer gains from trade, while the smaller nation captures most of the gains from trade.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Subjective Short Answer
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic

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167. Is it possible for comparative advantage to change, thus changing the direction of trade?

ANSWER:	Lagging productivity growth may cause a country to lose its comparative advantage. In a two-product, two-country model, this would change the direction of trade.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Subjective Short Answer
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Changing Comparative Advantage
KEYWORDS:	BLOOM'S: Understand
DATE CREATED:	6/22/2016 3:10 PM
DATE MODIFIED:	6/22/2016 3:10 PM

168. Explain the Law of Comparative Advantage.

ANSWER:	The Law of Comparative Advantage asserts that with trade, each country will find it favorable to specialize in the production of the good of its comparative advantage, and will trade part of this for the good of its comparative disadvantage. Taking advantage of specialization can result in production gains.
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Subjective Short Answer
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Promotion - BUSPROG: Analytic United States - BUSPROG: Reflective Thinking
STATE STANDARDS:	United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS:	Production Gains from Specialization
KEYWORDS:	BLOOM'S: Understand
DATE CREATED:	6/22/2016 3:10 PM
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169. Discuss the pitfalls of outsourcing, especially as experienced by Boeing.

ANSWER:	Boeing outsourced its production capabilities for the Boeing 787 Dreamliner to facilities in several different countries, each of which made one component part of the aircraft. The plane would be assembled in the U.S. Boeing also required these manufacturers, as a condition of getting the contract for production, to fund part of the development of the plane. To save money, some manufacturers outsourced a portion of their part of the job, causing quality

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problems and production delays. B giving up control over its supply chain, Boeing suffered from delays and parts that did not meet the requirements, and could not be assembled. Production of the planes was 4 years behind schedule, and costly.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Essay
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Understand
DATE CREATED: 6/22/2016 3:10 PM
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170. Is it possible to estimate the gains from trade?
ANSWER: When a nation trades, it enjoys a larger income, owing to a wider range of goods available to consumers. Trade also has a positive influence on productivity levels. However, it is extremely difficult to measure these gains, since it requires knowledge of what a nation's imports would cost if it produced them itself, instead of purchasing them from a less expensive source abroad.
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Essay
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
United States - BUSPROG: Reflective Thinking
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Empirical Evidence on Comparative Advantage
KEYWORDS: BLOOM'S: Understand
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171. Modern trade theory concerns the following questions
a. What constitutes the basis for trade?
b. At what terms of trade are products exchange in the world market?
c. What are the gains from trade regarding production and consumption?
d. All of the above
ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade,

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specialization and trade
TOPICS: Introduction
KEYWORDS: BLOOM'S: Remember
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172. Which theory attempted to explain why a favorable balance of trade could only exist in the short run, since it would automatically be eliminated in the long run?
a. price-specie flow doctrine
b. theory of absolute advantage
c. theory of comparative advantage
d. theory of fluctuating incomes
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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DATE MODIFIED: 7/4/2016 7:52 AM

173. Both Adam Smith and David Ricardo
a. were advocates of free trade and opponents of protectionism
b. were advocates of protectionism and opponents of free trade
c. developed trade theories based on the demand side of an economy
d. maintained that precious metals represented the wealth of a nation
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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174. In Adam Smith's trade theory, _____ is the only factor of production and is of one quality (homogeneous)
a. land
b. labor
c. capital
d. entrepreneurship

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ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Labor markets
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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175. David Ricardo's simplified trade model is based on all of the assumptions except
    a. costs do not vary with the level of production
    b. the level of technology is fixed for all nations
    c. capital is the only factor of production
    d. perfect competition prevails in all markets
ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 7:59 AM
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176. David Ricardo's simplified trade model assumes all of the following except
    a. trade is balanced, thus ruling out money flows between nations
    b. firms make production decisions in an attempt to maximize profit
    c. transportation costs are zero
    d. tariffs and quotas are used to protect a nation's producers from foreign competition
ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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177. Which of the following trade theories asserts that within the outer limits of the terms of trade, the actual terms of trade is determined by the relative strength of each country's demand for the other country's product?

a. theory of reciprocal demand
b. overlapping demand theory
c. theory of income determination
d. theory of negative externalities

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 8:08 AM
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178. Referring to the textbook's example of Babe Ruth, the famous player for the New York Yankees-- Ruth switched from being a pitcher to being an outfielder and batter because of the

a. principle of absolute advantage
b. principle of comparative advantage
c. desire to be a mercantilist
d. concept to economies of scale

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Perfect competition
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 8:11 AM
DATE MODIFIED: 7/4/2016 8:13 AM

179. All of the following are sources of dynamic gains from trade except

a. specialization and the reallocation of existing resources
b. additional saving and investment that occurs over a period of time
c. economies of large-scale production
d. economic stimulus provided by increasing levels of competition

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice

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HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Dynamic Gains from Trade
KEYWORDS: BLOOM'S: Understand
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180. During the 1980s, U.S. iron ore workers realized dynamic gains from trade due to
a. diseconomies of large-scale production of iron ore
b. foreign competition inspiring greater productivity for iron ore producers
c. higher oil prices resulting in increased cost of producing iron ore
d. less investment occurring in the iron ore business

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Dynamic Gains from Trade
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 8:16 AM
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181. The presence of increasing opportunity costs gives rises to production possibilities schedules that are
a. downward-sloping straight lines
b. upward-sloping straight lines
c. bowed outward from the diagram's origin
d. bowed inward toward the diagram's origin

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Remember
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182. The United States benefits from outsourcing in all of the following ways except
a. reduced costs and increased competitiveness for American producers

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b. new exports for American producers
c. repatriated earnings into the American economy
d. less tax revenue for the American government

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 8:22 AM
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183. Differences in relative product prices between two nations can be attributed to differences in
a. tastes and preferences
b. the level of technology
c. endowments of resources
d. all of the above

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Costs of production
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
DATE CREATED: 7/4/2016 8:24 AM
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184. Suppose that a country's post-trade consumption point lies inside of its production possibilities curve. This means that the country
a. gains from trade
b. loses from trade
c. is not affected by trade
d. none of the above

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance

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TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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185. Suppose that a country's post-trade consumption point lies outside of its production possibilities curve. As a result, the country

a. gains from trade
b. loses from trade
c. is not affected by trade
d. none of the above

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
DATE CREATED: 7/4/2016 8:27 AM
DATE MODIFIED: 7/4/2016 8:29 AM

186. If a production possibilities schedule appears as a downward sloping straight line, there occurs

a. increasing opportunity cost
b. decreasing opportunity cost
c. constant opportunity cost
d. negative opportunity cost

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Costs of production
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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187. International trade tend to be complete, rather than partial, when there occurs

a. constant opportunity cost
b. increasing opportunity cost
c. negative opportunity cost
d. positive opportunity cost

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ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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188. The so-called _____ shows the amount of one product that a nation must sacrifice in order to obtain one more unit of the second product

a. autarkic cost
b. marginal rate of transformation
c. technology cost
d. accounting cost

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Production Possibilities Schedules
KEYWORDS: BLOOM'S: Remember
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189. Which of the following is <u>not</u> an argument to support international trade

a. trade can be a powerful antimonopoly tool
b. trade is a way to take advantage of economies of large scale production
c. trade is a method of transferring knowledge and information
d. trade is a method of achieving income equality across sectors of an economy

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Dynamic Gains from Trade
KEYWORDS: BLOOM'S: Understand

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190. International economists use production possibilities curve to help explain
a. relative prices of products
b. levels of production
c. levels of consumption
d. all of the above

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Understand
DATE CREATED: 7/4/2016 8:37 AM
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191. The British economist, G. MacDougall compared the labor productivity ratios and export ratios for the United Kingdom and the United States in order to test
a. Adam Smith's principle of absolute advantage
b. David Hume's price specie flow mechanism
c. David Ricardo's principle of comparative advantage
d. William Benoit's theory of mercantilism

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Empirical Evidence on Comparative Advantage
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 8:40 AM
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192. Suppose that international trade results in an outward shift in a country's production possibilities curve. This would be described as
a. dynamic gains from trade
b. static gains from trade
c. protectionist gains from trade
d. allocative gains from trade

ANSWER: a
POINTS: 1

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DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Dynamic Gains from Trade
KEYWORDS: BLOOM'S: Understand
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193. Outsourcing (offshoring)
a. harms off of the economy's domestic sectors including households and business
b. applies only to manufacturing industries instead of service industries
c. is the transfer of work previously done by domestic workers to workers located in foreign countries
d. refers to the transfer of money capital from domestic banks to foreign banks
ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Remember
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194. Advocates of outsourcing by American firms maintain that its advantages consist of
a. enabling American firms to remain profitable by holding down the cost of production
b. increasing the demand for American workers in complementary jobs
c. holding down prices for American consumers
d. all of the above
ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Understand
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195. For the United States, outsourcing tends to result from

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a. a change in the pattern of comparative advantage
b. the desire of domestic firms to keep domestic labor unions happy
c. poor educational systems that result in domestic workers becoming less productive
d. highly restrictive import tariffs and import quotas

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Remember
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196. Southwestern Airlines justifies its outsourcing of some of its telephone reservation work to people in India on the grounds that outsourcing
a. helps reduce the firm's costs and increase its competitiveness
b. allows the firm to repatriate its earnings to the parent company in the United States
c. allows the firm to purchase goods from other American companies as business expands
d. all of the above

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 8:50 AM
DATE MODIFIED: 7/4/2016 8:52 AM

197. Although Apple Inc. employees some 40,000 workers in the United States, it licenses most of the production of its Ipads and Ipods to Foxconn Technology Group, a company located in
a. Mexico
b. China
c. Vietnam
d. Cambodia

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False

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STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Remember
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198. In defending its strategy of production outsourcing, Apple Inc. notes that
a. U.S. import tariffs and import quotas are too high
b. the export subsidies of the U.S. government are too low
c. there are not enough American workers with the skills the company needs
d. wages are too low in the United States to motivate people to work hard
ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Labor markets
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 8:55 AM
DATE MODIFIED: 7/4/2016 8:57 AM

199. Today, about _____ percent of a typical Ford vehicle comes from parts, components, and services purchased from external suppliers, many of which are outside of the United States.
a. 5 percent
b. 15 percent
c. 35 percent
d. 70 percent
ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Remember
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200. According to Adam Smith, mutually beneficial trade requires each nation to be the least-cost producer of at least one good that it can export to its trading partner.
a. True
b. False

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ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Remember
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201. If an economy is characterized by increasing opportunity costs, increasing the production of steel by constant amounts results in a constant rate of decrease in the production of autos.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Costs of production
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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202. If Canada produces computers at a lower relative cost than Germany, Canada is said to have a comparative disadvantage in computers.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Costs of production
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: BLOOM'S: Understand
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203. If Mexico was to realize an increase in its factors of production, its production possibilities curve would shift inward toward the origin of the diagram.

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a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Trading Under Increasing-Cost Conditions
KEYWORDS: BLOOM'S: Remember
DATE CREATED: 7/4/2016 9:04 AM
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204. Mercantilism refers to a system of restraints on imports and the promotion of exports, as used by governments in the 1600s and 1700s.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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Answer questions 205 and 206 using the information in the following table

	Output per labor hour (tons)	
	Steel	Aluminum
Germany	30	80
Brazil	20	40

205. Germany has the absolute advantage in producing both steel and aluminum.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
PREFACE NAME: Questions 205 and 206

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NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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DATE MODIFIED: 7/5/2016 12:40 AM

206. Germany has the comparative advantage in producing steel.
a. True
b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
PREFACE NAME: Questions 205 and 206
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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DATE MODIFIED: 7/5/2016 12:40 AM

207. According to the trade model of David Ricardo, the direction of trade is determined by absolute advantage.
a. True
b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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208. The gains from trade are closely related to the difference between the autarky price and the international terms of trade (international price).
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False

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HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade
TOPICS: Trading under Constant-Cost Conditions
KEYWORDS: Keywords: BLOOM'S: Understand
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209. Adam Smith and David Ricardo reasoned that in a world of two countries, at least one country will be worse off as the result of trade.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Challenging
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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210. As international trade proceeds, a country will produce more of its import- competing product.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: International trade and fi - DISC: International trade and finance
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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211. A country with high wages can export to a country with low wages, given sufficiently high labor productivity in the exporting country.

a. True
b. False

ANSWER: True
POINTS: 1

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DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Labor markets
TOPICS: Historical Development of Modern Trade Theory
KEYWORDS: BLOOM'S: Understand
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212. In his empirical test of the principle of comparative advantage, G. MacDougall found that relatively high export ratios are associated with relatively high labor productivity.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Productivity and growth
TOPICS: Empirical Evidence on Comparative Advantage
KEYWORDS: BLOOM'S: Remember
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213. Critics maintain that outsourcing by American businesses results in jobs moving to low-wage countries, to the disadvantage of American workers.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Understand
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214. In justifying its production outsourcing strategy, Apple Inc. notes that American workers lack the speed and flexibility the firm needs to produce its electrical products such as Ipod and Ipad.

a. True
b. False

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ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Labor markets
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Understand
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215. Analysts wide agree that Boeing's use of production outsourcing for its 787 has been highly successful in generating greater efficiencies in jetliner production.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Promotion - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC: Supply and demand
TOPICS: Comparative Advantage and Global Supply Chains
KEYWORDS: BLOOM'S: Understand
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