

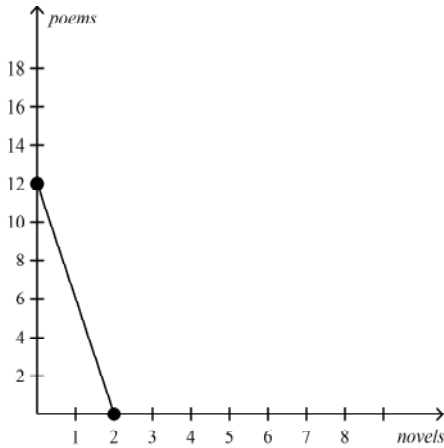
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Multiple Choice

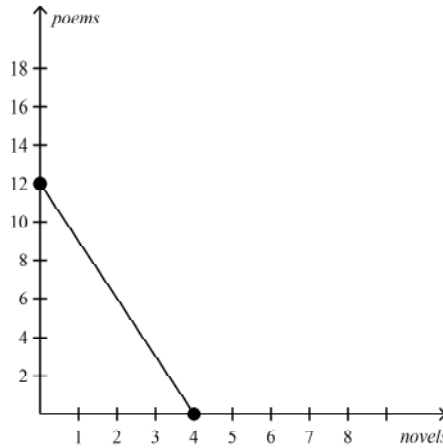
Identify the choice that best completes the statement or answers the question.

Figure 3-4

Perry's Production Possibilities Frontier



Jordan's Production Possibilities Frontier



1. **Refer to Figure 3-4.** If Jordan must work 3 months to write each novel, then her production possibilities frontier is based on how many months of work?
 - a. 1 month
 - b. 3 months
 - c. 4 months
 - d. 12 months
 - e. 20 months
2. **Refer to Figure 3-4.** If Perry and Jordan both spend all of their time writing poems, then total production is
 - a. 3 poems.
 - b. 6 poems.
 - c. 12 poems.
 - d. 24 poems.
 - e. 30 poems.
3. **Refer to Figure 3-4.** If the production possibilities frontiers shown are each for one year of writing, then which of the following combinations of novels and poems could Perry and Jordan together write in a given year?
 - a. 1 novel and 22 poems
 - b. 2 novels and 18 poems
 - c. 3 novels and 16 poems
 - d. 5 novels and 8 poems
 - e. 5 novels and 22 poems

4. **Refer to Figure 3-4.** The opportunity cost of 1 novel for Perry is
 - a. 1/6 poem.
 - b. 2 poems.
 - c. 6 poems.
 - d. 12 poems.
 - e. 1/12 poem.
5. **Refer to Figure 3-4.** The opportunity cost of 1 poem for Jordan is
 - a. 1/2 novel.
 - b. 1/3 novel.
 - c. 2 novels.
 - d. 3 novels.
 - e. 4 novels.
6. **Refer to Figure 3-4.** Suppose Perry is willing to trade 4 poems to Jordan for each novel that Jordan writes and sends to Perry. Which of the following combinations of novels and poems could Jordan then consume, assuming Jordan specializes in novel production and Perry specializes in poem production?
 - a. 1 novel and 14 poems
 - b. 2 novels and 8 poems
 - c. 3 novels and 6 poems
 - d. 4 novels and 2 poems
 - e. 5 novels and 14 poems
7. **Refer to Figure 3-4.** Perry has a comparative advantage in the production of
 - a. novels and Jordan has a comparative advantage in the production of poems.
 - b. poems and Jordan has a comparative advantage in the production of novels.
 - c. novels and Jordan has a comparative advantage in the production of neither good.
 - d. neither good and Jordan has a comparative advantage in the production of novels.
 - e. both goods.
8. **Refer to Figure 3-4.** Jordan should specialize in the production of
 - a. novels.
 - b. poems.
 - c. both goods.
 - d. neither good.
 - e. there is not enough information supplied to determine specialization.
9. A production possibilities frontier is bowed outward when
 - a. the more resources the economy uses to produce one good, the fewer resources it has available to produce the other good.
 - b. an economy is self-sufficient instead of interdependent and engaged in trade.
 - c. the rate of tradeoff between the two goods being produced is constant.
 - d. the rate of tradeoff between the two goods being produced depends on how much of each good is being produced.
 - e. an economy engages in trade.

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

Sweaters	Gloves
4	300
6	?
8	100

If the production possibilities frontier is bowed outward, then “?” could be

- a. 100.
 - b. 150.
 - c. 200.
 - d. 250.
 - e. 300.
11. If labor in Mexico is less productive than labor in the United States in all areas of production,
- a. then neither nation can benefit from trade.
 - b. then Mexico can benefit from trade but the United States cannot.
 - c. then the United States will have a comparative advantage relative to Mexico in the production of all goods.
 - d. then both Mexico and the United States still can benefit from trade.
 - e. then Mexico will have a comparative advantage relative to the United States in the production of all goods.
12. Total output in an economy increases when each person specializes because
- a. there is less competition for the same resources.
 - b. each person spends more time producing that product in which he or she has a comparative advantage.
 - c. a wider variety of products will be produced within each country due to specialization.
 - d. government necessarily plays a larger role in the economy due to specialization.
 - e. each person spends more time producing that product in which he or she has an absolute advantage.

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Answer Section

MULTIPLE CHOICE

1. D
2. D
3. B
4. C
5. B
6. B
7. B
8. A
9. D
10. D
11. D
12. B