Chap09 - Test bank

Introduction to Micro Economics (International University - VNU-HCM)

Chapter 9
Application: International Trade

MULTIPLE CHOICE

1. When goods that are produced in the United States are sold to China, the goods are
a. exported by the United States and imported by China.
b. imported by the United States and exported by China.
c. exported by the United States and exported by China.
d. imported by the United States and imported by China.
ANSWER: a. exported by the United States and imported by China.
TYPE: M KEY1: C OBJECTIVE: 1 RANDOM: Y

2. When the United States engages in international trade with China,
a. China reaps economic benefits and the United States loses.
b. both China and the United States reap economic benefits.
c. it is an equal tradeoff so neither country benefits nor loses.
d. China loses and the United States reaps economic benefits.
ANSWER: b. both China and the United States reap economic benefits.
TYPE: M KEY1: C OBJECTIVE: 1 RANDOM: Y

3. When Ford and General Motors import automobile parts from Mexico at prices below those they must pay in the United States,
a. workers who assemble Ford and General Motors vehicles become worse off.
b. United States consumers, taken as a group, become worse off.
c. Mexican consumers, taken as a group, become worse off.
d. American companies that manufacture automobile parts become worse off.
ANSWER: d. American companies that manufacture automobile parts become worse off.
TYPE: M KEY1: C OBJECTIVE: 1 RANDOM: Y

4. Countries usually impose restrictions on free foreign trade to
a. protect foreign producers.
b. protect foreign consumers.
c. protect domestic producers.
d. protect domestic consumers.
ANSWER: c. protect domestic producers.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

5. If a country allows trade and the domestic price of a good is higher than the world price,
a. the country will become an exporter of the good.
b. the country will become an importer of the good.
c. the country will neither export nor import the good.
d. additional information about demand is needed to determine whether the country will export or import the good.
ANSWER: b. the country will become an importer of the good.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

6. If a country allows trade and the domestic price of a good is lower than the world price,
a. the country will become an exporter of the good.
b. the country will become an importer of the good.
c. the country will neither export nor import the good.
d. additional information about demand is needed to determine whether the country will export or import the good.
ANSWER: a. the country will become an exporter of the good.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

7. If the United States exports cars to France, and imports cheese from Switzerland,
a. the United States has a comparative advantage in producing cars, and Switzerland has a comparative advantage in producing cheese.
b. the United States has a comparative advantage in producing cheese, and Switzerland has a comparative advantage in producing cars.
c. the United States and France would both be better off if they each produced cars and cheese.
d. comparative advantage cannot be determined without knowing absolute prices.
ANSWER: a. the United States has a comparative advantage in producing cars, and Switzerland has a comparative advantage in producing cheese.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

8. Trade among nations is ultimately based on
a. absolute advantage.
b. political advantage.
c. comparative advantage.
d. technical advantage.
ANSWER: c. comparative advantage.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

9. A country has a comparative advantage in a product if
a. the world price is lower than its domestic price.
b. the world price is higher than its domestic price.
c. the world price is equal to its domestic price.
d. none of the above
ANSWER: b. the world price is higher than its domestic price.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

10. Trade is beneficial because
a. it creates jobs for middlemen.
b. it creates jobs for shippers.
c. it allows each nation to apply economic pressure on other nations.
d. it allows each nation to specialize in doing what it does best.
ANSWER: d. it allows each nation to specialize in doing what it does best.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

11. Which of the following is NOT a benefit of trade?
a. an increased variety of goods
b. lower costs through economies of scale
c. increased competition
d. an ability to control domestic and world prices
ANSWER: d. an ability to control domestic and world prices
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

12. If Brazil has a comparative advantage in producing rubber, and trade in rubber is allowed,
a. Brazil will become an importer of rubber.
b. Brazil will become an exporter of rubber.
c. Brazil could become either an exporter or an importer of rubber.
d. it is impossible to determine whether Brazil will become an importer or an exporter of rubber without additional information about rubber prices.
ANSWER: b. Brazil will become an exporter of rubber.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

13. When a country allows trade and becomes an exporter of a good,
a. both domestic producers and domestic consumers are better off.
b. domestic producers are better off, and domestic consumers are worse off.
c. domestic producers are worse off, and domestic consumers are better off.
d. both domestic producers and domestic consumers are worse off.
ANSWER: b. domestic producers are better off, and domestic consumers are worse off.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

14. When a country allows trade and becomes an importer of a good,
a. both domestic producers and domestic consumers are better off.
b. domestic producers are better off, and domestic consumers are worse off.
c. domestic producers are worse off, and domestic consumers are better off.
d. both domestic producers and domestic consumers are worse off.
ANSWER: c. domestic producers are worse off, and domestic consumers are better off.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

15. When a country allows trade and becomes an importer of a good,
a. everyone in the country benefits.
b. the gains of the winners exceed the losses of the losers.
c. the losses of the losers exceed the gains of the winners.
d. everyone in the country loses.
ANSWER: b. the gains of the winners exceed the losses of the losers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

16. When a country allows trade and becomes an exporter of a good,
a. everyone in the country benefits.
b. everyone in the country loses.
c. the gains of the winners exceed the losses of the losers.
d. the losses of the losers exceed the gains of the winners.
ANSWER: c. the gains of the winners exceed the losses of the losers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

17. When a country allows trade and becomes an exporter of a good, which of the following would NOT be true?
a. The price paid by domestic consumers of the good increases.
b. The price received by domestic producers of the good increases.
c. The losses of domestic consumers exceed the gains of domestic producers.
d. The gains of domestic producers exceed the losses of domestic consumers.
ANSWER: c. The losses of domestic consumers exceed the gains of domestic producers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

18. When a country allows trade and becomes an importer of a good, which of the following would NOT be true?
a. The gains of domestic consumers exceed the losses of domestic producers.
b. The losses of domestic producers exceed the gains of domestic consumers.
c. The price paid by domestic consumers of the good decreases.
d. The price received by domestic producers of the good decreases.
ANSWER: b. The losses of domestic producers exceed the gains of domestic consumers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

19. When a country allows trade and becomes an exporter of a good
a. consumer surplus and producer surplus will increase.
b. consumer surplus and producer surplus will decrease.
c. consumer surplus will increase and producer surplus will decrease.
d. consumer surplus will decrease and producer surplus will increase.
ANSWER: d. consumer surplus will decrease and producer surplus will increase.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

20. When a country allows trade and becomes an importer of a good
a. consumer surplus and producer surplus will increase.
b. consumer surplus and producer surplus will decrease.
c. consumer surplus will increase and producer surplus will decrease.
d. consumer surplus will decrease and producer surplus will increase.
ANSWER: c. consumer surplus will increase and producer surplus will decrease.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

21. When a country allows free trade,
a. the domestic price will be greater than the world price.
b. the domestic price will be lower than the world price.
c. the domestic price will equal the world price.
d. it does not matter what the world price is, the domestic price is the prevailing price.
ANSWER: c. the domestic price will equal the world price.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

The before-trade domestic price of pineapple in the United States is $500 per ton. The world price of pineapple is $600 per ton. The U.S. is a price-taker in the pineapple market.

22. If trade in pineapple is allowed,
a. the U.S. will become an importer of pineapple.
b. the U.S. will become an exporter of pineapple.
c. the U.S. may become either an importer or an exporter of pineapple.
d. it is impossible to determine whether the U.S. will become an importer of pineapple or an exporter of pineapple.
ANSWER: b. the U.S. will become an exporter of pineapple.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

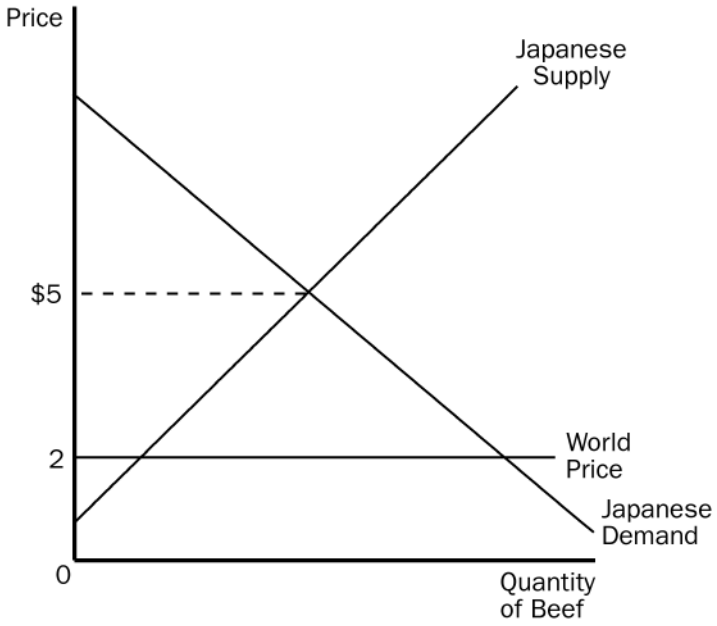
23. If trade in pineapple is allowed,
a. the price of pineapple in the U.S. will increase.
b. the price of pineapple in the U.S. will decrease.
c. the price of pineapple in the U.S. will be unaffected.
d. the price of pineapple in the U.S. could increase or decrease.
ANSWER: a. the price of pineapple in the U.S. will increase.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

24. If trade in pineapple is allowed,
a. the price of pineapple in the U.S. will be greater than the world price.
b. the price of pineapple in the U.S. will be equal to the world price.
c. the price of pineapple in the U.S. will be less than the world price.
d. the price of pineapple in the U.S. would be greater than, equal to, or less than the world price.
ANSWER: b. the price of pineapple in the U.S. will be equal to the world price.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

25. If trade in pineapple is allowed,
a. U.S. consumers of pineapple will be better off.
b. U.S. consumers of pineapple will be worse off.
c. U.S. consumers of pineapple will be unaffected.
d. U.S. consumers of pineapple could be helped or hurt.
ANSWER: b. U.S. consumers of pineapple will be worse off.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

26. If trade in pineapple is allowed,
a. U.S. producers of pineapple will be better off.
b. U.S. producers of pineapple will be worse off.
c. U.S. producers of pineapple will be unaffected.
d. U.S. producers of pineapple could be helped or hurt.
ANSWER: a. U.S. producers of pineapple will be better off.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

27. If trade in pineapple is allowed,
a. total well-being in the U.S. will increase.
b. total well-being in the U.S. will decrease.
c. total well-being in the U.S. will be unaffected.
d. total well-being in the U.S. could increase or decrease.
ANSWER: a. total well-being in the U.S. will increase.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y



28. According to the graph, if trade in beef is allowed,
a. Japan will become an importer of beef.
b. Japan will become an exporter of beef.
c. Japan could become either an importer of beef or an exporter of beef.
d. Japan will neither import nor export beef.
ANSWER: a. Japan will become an importer of beef.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH: RANDOM: Y

29. According to the graph, if trade in beef is allowed,
a. the price of beef in Japan will be $5 per pound.
b. the price of beef in Japan will be $2 per pound.
c. the price of beef in Japan will be between $2 per pound and $5 per pound.
d. the price of beef in Japan will be higher than $5 per pound.
ANSWER: b. the price of beef in Japan will be $2 per pound.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH: RANDOM: Y

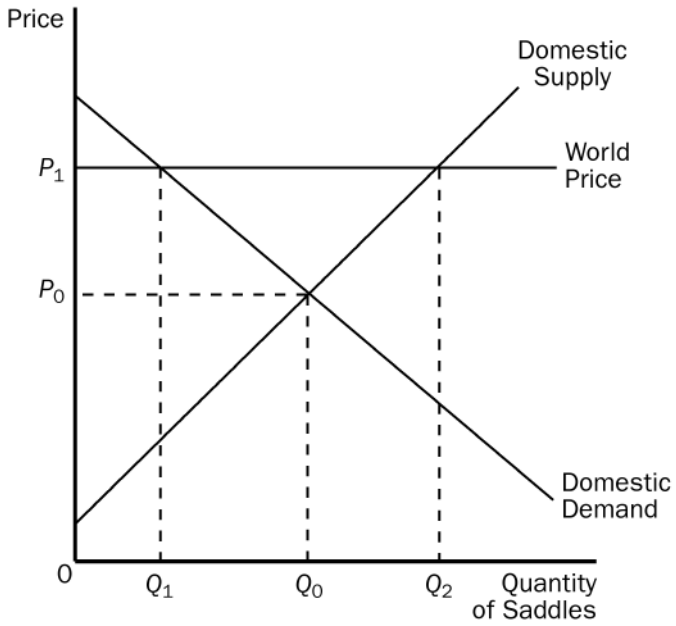
30. According to the graph, if trade in beef is allowed,
a. Japanese beef consumers and Japanese beef producers will gain.
b. Japanese beef consumers and Japanese beef producers will lose.
c. Japanese beef consumers will gain, and Japanese beef producers will lose.
d. Japanese beef producers will gain, and Japanese beef consumers will lose.
ANSWER: c. Japanese beef consumers will gain, and Japanese beef producers will lose.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH: RANDOM: Y

31. According to the graph, if trade in beef is allowed,
a. Japanese consumer surplus will increase and producer surplus will decrease.
b. Japanese consumer surplus will decrease and producer surplus will increase.
c. Japanese producer surplus and consumer surplus will increase.
d. Japanese producer surplus and consumer surplus will be unaffected.
ANSWER: a. Japanese consumer surplus will increase and producer surplus will decrease.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH: RANDOM: Y

The before-trade price of cotton in Egypt is $200 per ton. The world price of cotton is $300 per ton. Egypt is a price-taker in the cotton market.

32. If trade in cotton is allowed
a. Egypt will become an importer of cotton and the price of cotton in Egypt will be $200.
b. Egypt will become an importer of cotton and the price of cotton in Egypt will be $300.
c. Egypt will become an exporter of cotton and the price of cotton in Egypt will be $200.
d. Egypt will become an exporter of cotton and the price of cotton in Egypt will be $300.
ANSWER: d. Egypt will become an exporter of cotton and the price of cotton in Egypt will be $300.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 3 INSTRUCTION: 6 RANDOM: N

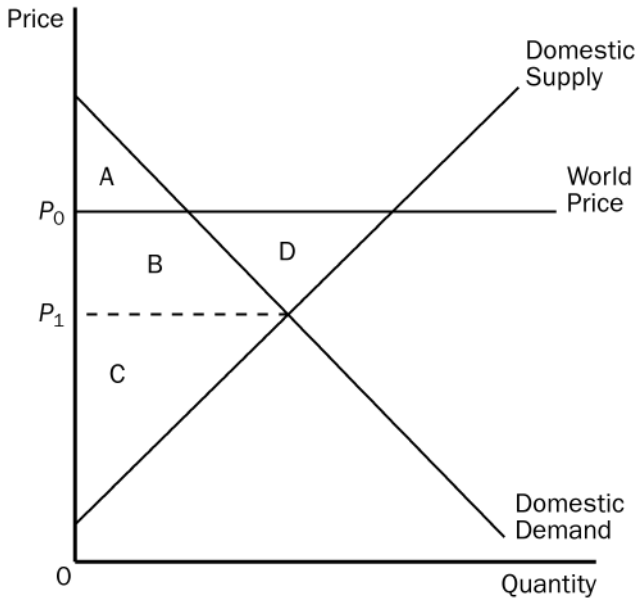
33. If Egypt allows trade in cotton
a. consumers of cotton will be worse off and producers of cotton will be better off.
b. consumers of cotton will be better off and producers of cotton will be better off.
c. consumers of cotton will be worse off and producers of cotton will be worse off.
d. consumers of cotton will be worse off and producers of cotton will be unaffected.
ANSWER: a. consumers of cotton will be worse off and producers of cotton will be better off.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 3 INSTRUCTION: 6 RANDOM: N



34. According to the graph, the equilibrium price and the equilibrium quantity of saddles in Argentina before trade would be
a. P1, Q2.
b. P1, Q1.
c. P0, Q0.
d. P0, Q1.
ANSWER: c. P0, Q0.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

35. According to the graph, the price and quantity demanded of saddles in Argentina after trade would be
a. P1, Q2.
b. P1, Q1.
c. P0, Q0.
d. P0, Q1.
ANSWER: b. P1, Q1.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

36. According to the graph, the quantity of saddles exported from Argentina is
a. Qo minus Q1.
b. Q2 minus Q1.
c. Q2 minus Q0.
d. Q0.
ANSWER: b. Q2 minus Q1.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y



37. According to the graph, consumer surplus in Argentina before trade is
a. A.
b. A + B.
c. A + B + D.
d. C.
ANSWER: b. A + B.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

38. According to the graph, consumer surplus in Argentina after trade is
a. A.
b. A + B.
c. A + B + D.
d. C.
ANSWER: a. A.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

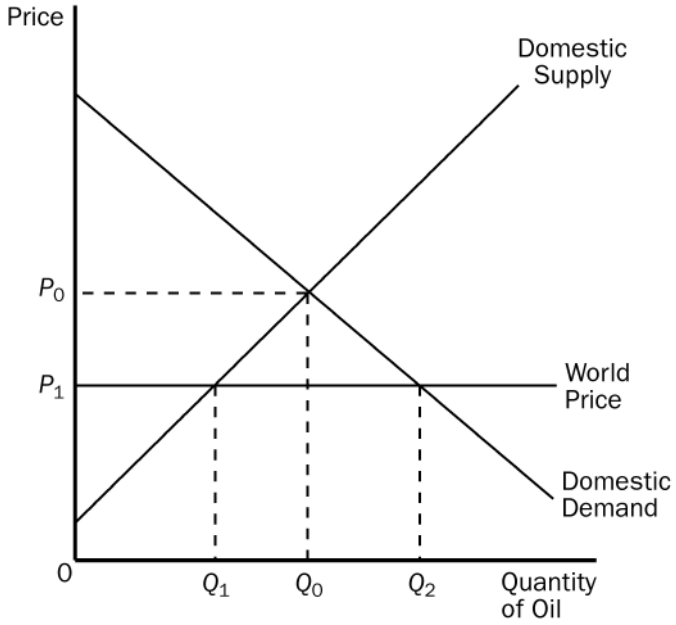
39. According to the graph, producer surplus in Argentina before trade is
a. A.
b. A + B.
c. C + B + D.
d. C.
ANSWER: d. C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

40. According to the graph, producer surplus in Argentina after trade is
a. A.
b. A + B.
c. C + B + D.
d. C.
ANSWER: c. C + B + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

41. According to the graph, total surplus in Argentina before trade is
a. A + B.
b. A + B + C.
c. A + B + C + D.
d. B + C + D.
ANSWER: b. A + B + C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

42. According to the graph, total surplus in Argentina after trade is
a. A + B.
b. A + B + C.
c. A + B + C + D.
d. B + C + D.
ANSWER: c. A + B + C + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

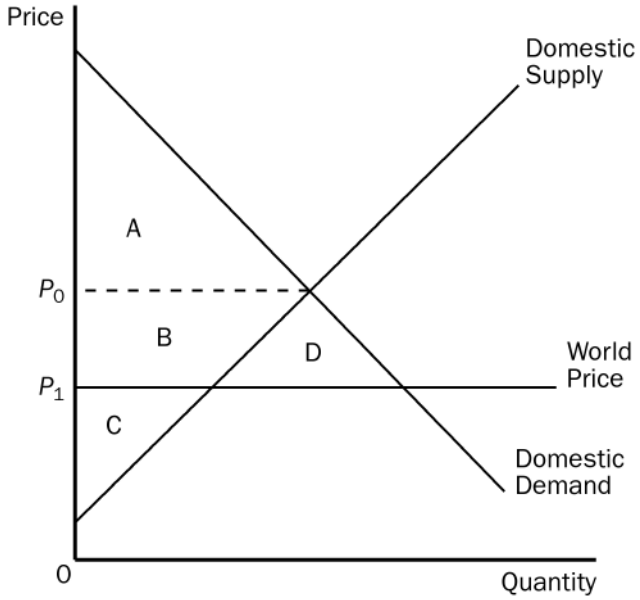
43. According to the graph, the change in total surplus in Argentina because of trade is
a. A.
b. B.
c. C.
d. D.
ANSWER: d. D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y



44. According to the graph, the price and quantity of oil in Spain before trade would be
a. P0, Q0.
b. P1, Q1.
c. P1, Q2.
d. P1, Q0.
ANSWER: a. P0, Q0.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

45. According to the graph, the price of oil and the quantity demanded in Spain after trade would be
a. P1, Q1.
b. P1, Q2.
c. P1, Q0.
d. P0, Q0.
ANSWER: b. P1, Q2.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

46. According to the graph, the quantity of oil imported into Spain is
a. Q0.
b. Q1.
c. Q2.
d. Q2 minus Q1.
ANSWER: d. Q2 minus Q1.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y



47. According to the graph, consumer surplus in Spain before trade would be
a. A.
b. B + C.
c. A + B + D.
d. C.
ANSWER: a. A.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

48. According to the graph, consumer surplus in Spain after trade would be
a. A.
b. C + B.
c. A + B + D
d. B + C + D.
ANSWER: c. A + B + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

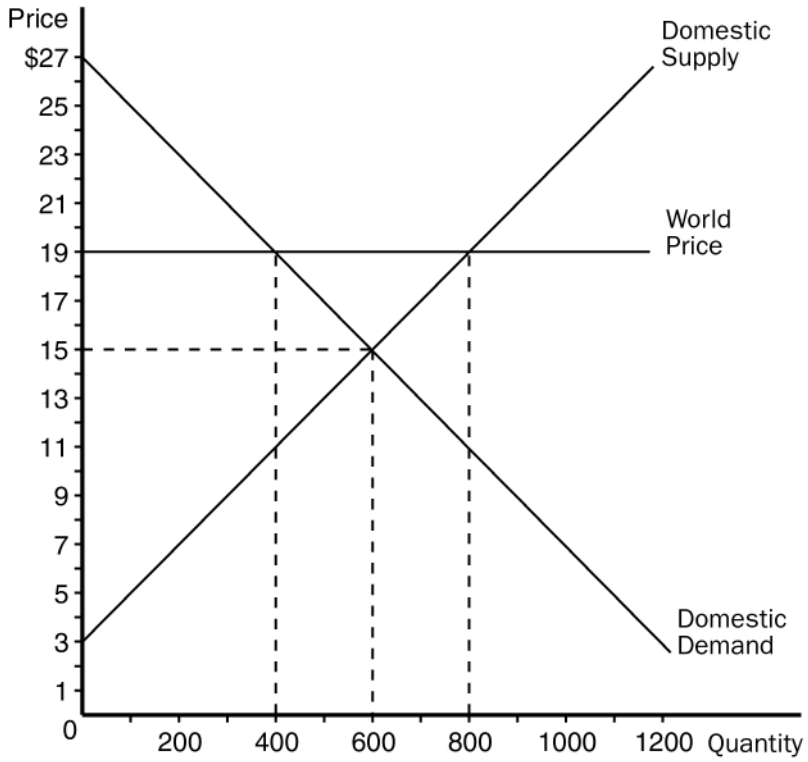
49. According to the graph, producer surplus in Spain before trade would be
a. C.
b. B + C.
c. A + B + D.
d. B + C + D.
ANSWER: b. B + C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

50. According to the graph, producer surplus in Spain after trade would be
a. C.
b. C + B.
c. A + B + D.
d. B + C + D.
ANSWER: a. C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

51. According to the graph, producer surplus plus consumer surplus in Spain before trade is
a. A + B.
b. A + B + C.
c. A + B + C + D.
d. B + C + D.
ANSWER: b. A + B + C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

52. According to the graph, producer surplus plus consumer surplus in Spain after trade is
a. A + B.
b. A + B + C.
c. A + B + C + D.
d. B + C + D.
ANSWER: c. A + B + C + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

53. According to the graph, the change in total surplus in Spain because of trade is
a. A.
b. B.
c. C.
d. D.
ANSWER: d. D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y



54. According to the graph, equilibrium price and quantity before trade would be
a. $19, 400.
b. $19, 800.
c. $15, 400.
d. $15, 600.
ANSWER: d. $15, 600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

55. According to the graph, the price and quantity demanded after trade would be
a. $19, 400.
b. $19, 800.
c. $15, 400.
d. $15, 600.
ANSWER: a. $19, 400.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

56. According to the graph, domestic production and domestic consumption after trade would be
a. 600, 400.
b. 800, 400.
c. 400, 600.
d. 400, 800.
ANSWER: b. 800, 400.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

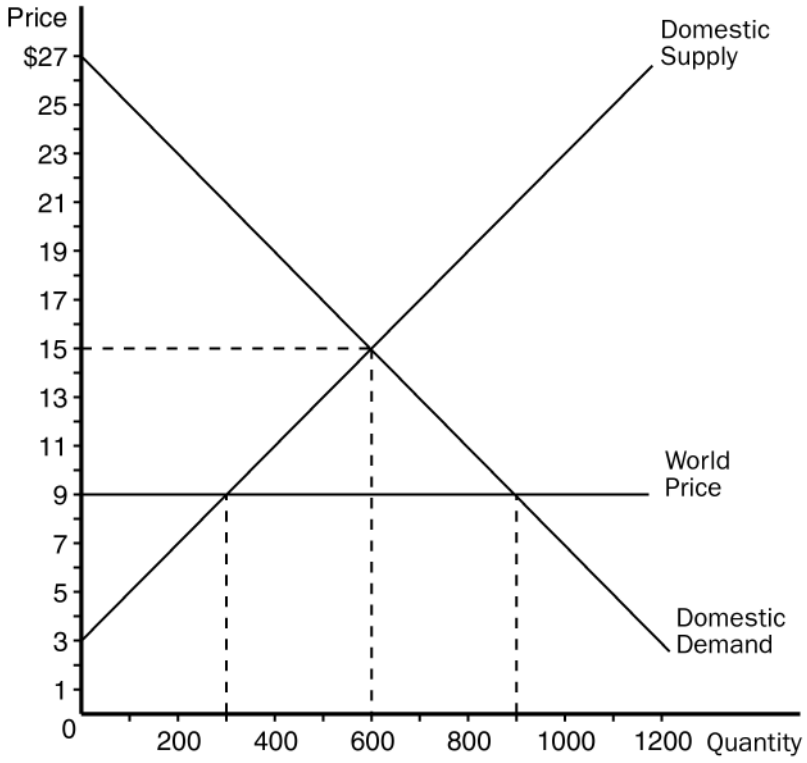
57. According to the graph, consumer surplus before trade would be
a. $1600.
b. $2400.
c. $3200.
d. $3600.
ANSWER: d. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

58. According to the graph, consumer surplus after trade would be
a. $1600.
b. $2400.
c. $3200.
d. $3600.
ANSWER: a. $1600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

59. According to the graph, producer surplus before trade would be
a. $3600.
b. $4400.
c. $5200.
d. $6600.
ANSWER: a. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

60. According to the graph, producer surplus after trade would be
a. $4800.
b. $5600.
c. $6400.
d. $7000.
ANSWER: c. $6400.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

61. According to the graph, how many units of this product would be exported after trade is allowed?
a. 200
b. 400
c. 600
d. 800
ANSWER: b. 400
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y



62. According to the graph, equilibrium price and quantity before trade would be
a. $19, 400.
b. $19, 800.
c. $15, 400.
d. $15, 600.
ANSWER: d. $15, 600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

63. According to the graph, the price and quantity demanded after trade would be
a. $9, 300.
b. $9, 900.
c. $15, 400.
d. $15, 600.
ANSWER: b. $9, 900.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

64. According to the graph, domestic production and domestic consumption after trade would be
a. 600, 600.
b. 600, 300.
c. 300, 900.
d. 600, 900.
ANSWER: c. 300, 900.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

65. According to the graph, consumer surplus before trade would be
a. $1600.
b. $2400.
c. $3200.
d. $3600.
ANSWER: d. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

66. According to the graph, consumer surplus after trade would be
a. $3600.
b. $5400.
c. $7200.
d. $8100.
ANSWER: d. $8100.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

67. According to the graph, producer surplus before trade would be
a. $3600.
b. $4400.
c. $5200.
d. $6600.
ANSWER: a. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

68. According to the graph, producer surplus after trade would be
a. $ 900.
b. $1100.
c. $1500.
d. $2000.
ANSWER: a. $900.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

69. According to the graph, how many units of this product would be imported after trade?
a. 200
b. 400
c. 600
d. 800
ANSWER: c. 600
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

70. A tariff on a product
a. makes domestic sellers better off and domestic buyers worse off.
b. makes domestic sellers worse off and domestic buyers worse off.
c. makes domestic sellers better off and domestic buyers better off.
d. makes domestic sellers worse off and domestic buyers better off.
ANSWER: a. makes domestic sellers better off and domestic buyers worse off.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

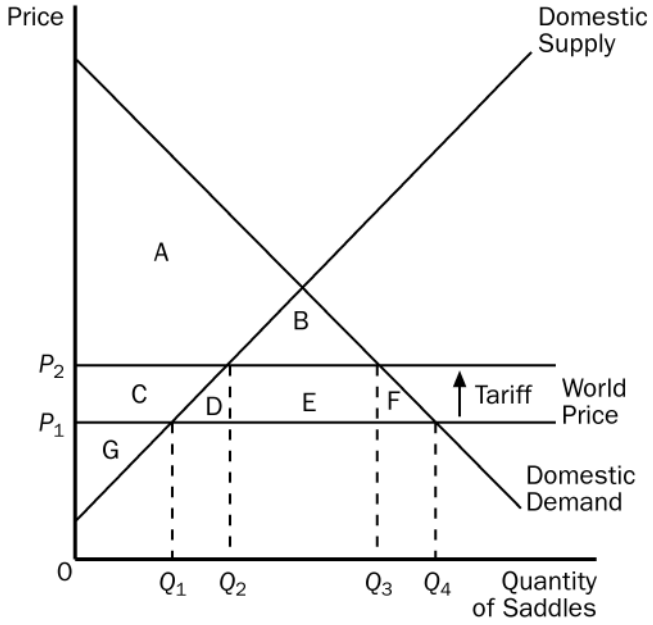
71. A tariff is
a. a tax on imported goods.
b. a tax on exported goods.
c. a limit on imported goods.
d. a tax on luxuries.
ANSWER: a. a tax on imported goods.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

72. A tariff
a. lowers the price of the exported good below the world price.
b. keeps the price of the exported good the same as the world price.
c. raises the price of the imported good above the world price.
d. lowers the price of the imported good below the world price.
ANSWER: c. raises the price of the imported good above the world price.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

The U.S. is an importer of down pillows. The world price of these pillows is $25. The U.S. imposes a $10 tariff on pillows. The U.S. is a price-taker in the pillow market.

73. As a result of the tariff
a. the U.S. price of pillows will be $25 and the quantity of pillows purchased will decrease.
b. the U.S. price of pillows will be $35 and the quantity of pillows purchased will decrease.
c. the U.S. price of pillows will be $25 and the quantity of pillows purchased will increase.
d. the U.S. price of pillows will be $35 and the quantity of pillows purchased will increase.
ANSWER: b. the U.S. price of pillows will be $35 and the quantity of pillows purchased will decrease.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 4 INSTRUCTION: 2 RANDOM: N

74. As a result of the tariff
a. U.S. consumers of pillows will gain and U.S. producers of pillows will lose.
b. U.S. consumers of pillows will lose and U.S. producers of pillows will gain.
c. U.S. consumers of pillows will gain and U.S. producers of pillows will gain.
d. U.S. consumers of pillows will lose and U.S. producers of pillows will lose.
ANSWER: b. U.S. consumers of pillows will lose and U.S. producers of pillows will gain.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 4 INSTRUCTION: 2 RANDOM: N



75. In the figure shown, the free-trade price and quantity demanded would be
a. P1, Q1.
b. P1, Q4.
c. P2, Q2.
d. P2, Q3.
ANSWER: b. P1, Q4.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

76. In the figure shown, the domestic price and quantity demanded after the tariff would be
a. P1, Q1.
b. P1, Q4.
c. P2, Q2.
d. P2, Q3.
ANSWER: d. P2, Q3.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

77. In the figure shown, consumer surplus with free trade would be
a. A.
b. A + B.
c. A + C + G.
d. A + B + C + D + E + F.
ANSWER: d. A + B + C + D + E + F.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

78. In the figure shown, producer surplus with free trade would be
a. G.
b. C + G.
c. A + C + G.
d. A + B + C + G.
ANSWER: a. G.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

79. In the figure shown, consumer surplus after the tariff would be
a. A.
b. A + B.
c. A + C + G.
d. A + B + C + D +E + F.
ANSWER: b. A + B.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

80. In the figure shown, producer surplus after the tariff would be
a. G.
b. C + G.
c. A + C + G.
d. A + B + C + G.
ANSWER: b. C + G.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

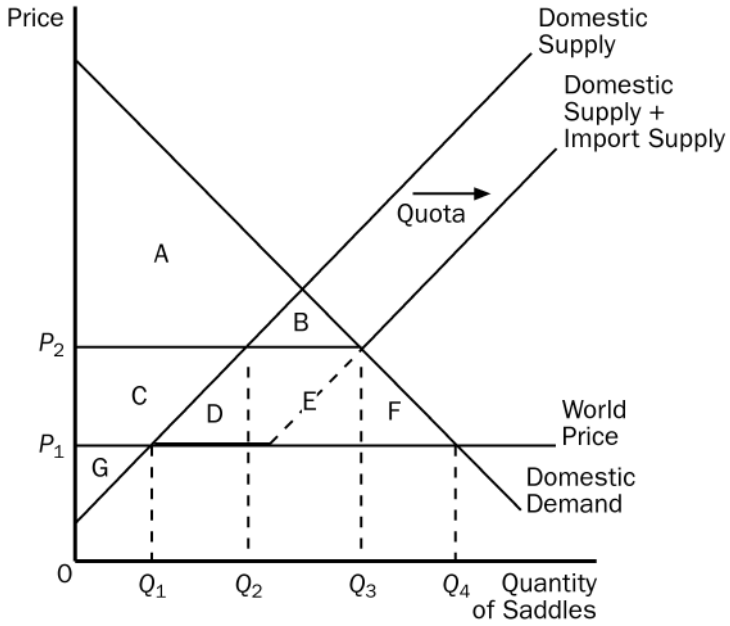
81. In the figure shown, as a result of the tariff, government tariff revenue would be
a. E.
b. B.
c. D + F.
d. B + D + E + F.
ANSWER: a. E.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

82. In the figure shown, as a result of the tariff, deadweight loss would be
a. E.
b. B.
c. D + F.
d. B + D + E + F.
ANSWER: c. D + F.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

83. A quota is
a. a tax placed on imports.
b. a limit on the quantity of imports.
c. a tax on exports to other countries.
d. an excess of exports over imports.
ANSWER: b. a limit on the quantity of imports.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

84. When a quota is imposed on a market
a. the supply curve (above the world price) shifts to the right by the amount of the quota.
b. the supply curve (above the world price) shifts to the left by the amount of the quota.
c. the demand curve (above the world price) shifts to the right by the amount of the quota.
d. the demand curve (above the world price) shifts to the left by the amount of the quota.
ANSWER: a. the supply curve (above the world price) shifts to the right by the amount of the quota.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

85. A tariff and an import quota will both
a. increase the quantity of imports and raise domestic price.
b. increase the quantity of imports and lower domestic price.
c. reduce the quantity of imports and raise domestic price.
d. reduce the quantity of imports and lower domestic price.
ANSWER: c. reduce the quantity of imports and raise domestic price.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y



86. In the figure shown, the free-trade price and quantity demanded would be
a. P1, Q1.
b. P1, Q4.
c. P2, Q2.
d. P2, Q3.
ANSWER: b. P1, Q4.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

87. In the figure shown, the equilibrium price and quantity after the quota would be
a. P1, Q1.
b. P1, Q4.
c. P2, Q2.
d. P2, Q3.
ANSWER: d. P2, Q3.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

88. In the figure shown, after the quota, imports would be equal to
a. Q4 minus Q1.
b. Q3 minus Q2.
c. Q3 minus Q1.
d. Q2 minus Q1.
ANSWER: b. Q3 minus Q2.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

89. In the figure shown, after the quota, deadweight loss would be equal to
a. E.
b. B.
c. D + F.
d. B + D + E + F.
ANSWER: c. D + F.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

90. In the figure shown, area E represents
a. a part of consumer surplus.
b. a part of producer surplus.
c. a surplus for import license holders.
d. government revenue.
ANSWER: c. a surplus for import license holders.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

91. The major difference between tariffs and import quotas is that
a. tariffs create deadweight losses, but import quotas do not.
b. tariffs help domestic consumers, and import quotas help domestic producers.
c. tariffs raise revenue for the government, but import quotas create a surplus for import license holders.
d. All of the above are correct.
ANSWER: c. tariffs raise revenue for the government, but import quotas create a surplus for import license holders.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

92. Which of the following is an argument for restricting trade?
a. Trade restrictions make all Americans better off.
b. Trade restrictions increase economic efficiency.
c. Trade restrictions are necessary for economic growth.
d. Trade restrictions are necessary for national security.
ANSWER: d. trade restrictions are necessary for national security.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

93. Which of the following is NOT an argument for restricting trade?
a. the jobs argument
b. the national security argument
c. the infant-industry argument
d. the efficiency argument
ANSWER: d. the efficiency argument
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

94. Workers displaced by trade will eventually find jobs in
a. another country.
b. the government sector.
c. the industries in which the country has a comparative advantage.
d. a different company in the same industry.
ANSWER: c. the industries in which the country has a comparative advantage.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

95. The infant-industry argument
a. is based on the belief that protecting industries when they are young will pay off later.
b. is based on the belief that protecting industries producing goods and services for infants is necessary if a country is to have healthy children.
c. has the support of most economists.
d. has proven to be correct in nearly all cases.
ANSWER: a. is based on the belief that protecting industries when they are young will pay off later.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

96. Which of the following is the most accurate statement?
a. Protection is necessary in order for young industries to grow up and be successful.
b. Protection is not necessary for an industry to grow.
c. Protection is necessary because if young industries are not protected, they may suffer losses.
d. Protection may not always be necessary for infant industries, but it has proven to be useful in most cases.
ANSWER: b. Protection is not necessary for an industry to grow.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

97. If the Japanese steel industry subsidizes the steel which it sells to the U.S.,
a. the U.S. should protect its domestic steel industry from this unfair competition.
b. the harm done to U.S. steel producers from this unfair competition exceeds the gain to U.S. consumers of cheap Japanese steel.
c. the harm done to U.S. steel producers is less than the benefit to U.S. consumers of steel.
d. the U.S. should subsidize the products it sells to Japan.
ANSWER: c. the harm done to U.S. steel producers is less than the benefit to U.S. consumers of steel.
TYPE: M KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

98. If the U.S. threatens to impose a tariff on German cars if Germany does not remove agricultural subsidies,
a. the U.S. will be better off no matter how Germany responds.
b. the U.S. will be better off if Germany gives in, and will be no worse off if it doesn't.
c. the U.S. will be worse off if Germany doesn’t give in to the threat.
d. the U.S. will be worse off no matter how Germany responds.
ANSWER: c. the U.S. will be worse off if Germany doesn’t give in to the threat.
TYPE: M KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

99. Which of the following is NOT true about the multilateral approach to free trade?
a. The multilateral approach has the potential to result in freer trade than does the unilateral approach.
b. The multilateral approach may have a political advantage over the unilateral approach.
c. The multilateral approach is simpler than the unilateral approach.
d. NAFTA and GATT are both multilateral approaches to free trade.
ANSWER: c. The multilateral approach is simpler than the unilateral approach.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

100. Russia has threatened to impose trade barriers on its imports of U.S.
a. tractors.
b. computers.
c. chickens.
d. beef.
ANSWER: c. chickens.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

101. Since World War II, GATT has been responsible for reducing the average tariff among member countries from
a. about 40 percent to about 5 percent.
b. about 40 percent to about 20 percent.
c. about 80 percent to about 20 percent.
d. about 20 percent to about 10 percent.
ANSWER: a. about 40 percent to about 5 percent.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

102. The North American Free Trade Agreement
a. increased trade restrictions among Canada, Mexico and the U.S.
b. eliminated tariffs on imports to North America from the rest of the world.
c. reduced trade restrictions among Canada, Mexico and the U.S.
d. none of the above
ANSWER: c. reduced trade restrictions among Canada, Mexico and the U.S.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

103. Economists and the public
a. often disagree about free trade.
b. always agree about free trade.
c. always disagree about free trade.
d. seldom disagree about free trade.
ANSWER: a. often disagree about free trade.
TYPE: M KEY1: D SECTION: 4 OBJECTIVE: 5 RANDOM: Y

TRUE/FALSE

104. Trade decisions are based on the concept of absolute advantage.
ANSWER: F
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

105. The sum of consumer and producer surplus measures the total benefits that buyers and sellers receive in a market.
ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

106. According to the principle of comparative advantage, all countries can benefit from trading with one another because trade allows each country to specialize in doing what it does best.
ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

107. Policymakers often consider trade restrictions in order to protect domestic producers from foreign competitors.
ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

108. If the world price of a good is greater than the domestic price in a country that can engage in international trade, that country would become an importer of that good.
ANSWER: F
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

109. If the domestic price of a good is low relative to the world price, the country has a comparative advantage in producing that good.
ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

110. Without free trade, the domestic price of a good must be equal to the world price of a good.
ANSWER: F
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

111. When a country allows trade and becomes an exporter of a good, domestic producers of the good are better off and domestic consumers are worse off.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

112. If Peru exports coffee to the rest of the world, Peruvian producers of coffee are worse off as a result of trade, but Peruvian consumers of coffee are better off.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

113. If the United States imports toys from other countries, U.S. producers of toys are better off as a result of trade, but U.S. consumers of toys are worse off.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

114. If Belgium exports chocolate to the rest of the world, Belgian chocolate sellers benefit from higher producer surplus, Belgian chocolate buyers are worse off because of lower consumer surplus, but total surplus in Belgium increases because of trade.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

115. In general, if a country allows trade and becomes an importer of a good, domestic producers of the good are worse off, domestic consumers of the good are better off, but the economic well-being of the country decreases.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

116. In principle, trade can make everyone better off, since the gains to the winners exceed the losses to the losers.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

117. Since losers from international trade are always compensated for their losses, international trade increases the size of the economic pie and the size of the pieces such that everyone is better off.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

118. Suppose the Ivory Coast, a small country, imports wheat at the world price of $4 per bushel. If the Ivory Coast imposes a tariff of $1 per bushel on imported wheat, the price of wheat in Ivory Coast will increase, but by less than $1, ceteris paribus.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

119. If a tariff is placed on clocks, the price of both domestic and imported clocks will rise by the amount of the tariff.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

120. When a government imposes a tariff on a product, the domestic price will equal the world price.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

121. A tariff increases the quantity of imports and moves the market further from its equilibrium without trade.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

122. Suppose France imposes a tariff on imported U.S. computers. The tariff will raise the price of computers, and will make both French producers and consumers of computers worse off.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

123. The decrease in total surplus that results from a tariff or quota is called deadweight loss.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

124. If a small country imposes a tariff on an imported good, domestic sellers will gain producer surplus, the government will gain tariff revenue, and domestic consumers will gain consumer surplus.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

125. Suppose that the U.S. imposes a tariff on imported computer chips. If the increase in producer surplus is $100 million, the increase in tariff revenue is $200 million, and the reduction in consumer surplus is $500 million, the deadweight loss of the tariff is $800 million.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

126. Tariffs cause deadweight loss because they move the price of an imported product closer to the equilibrium without trade, thus reducing the gains from trade.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

127. Import quotas lower the domestic price of the product below the world price.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

128. Import quotas and tariffs both cause the quantity of imports to fall.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

129. Import quotas make domestic sellers better off and domestic buyers worse off.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

130. An import quota increases domestic producer surplus and the surplus of import license holders, reduces domestic consumer surplus, and creates deadweight loss.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

131. Both tariffs and import quotas raise the domestic price of the good, raise government tariff revenues, and create surplus for license holders.
ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

132. Depending on the mechanism used to allocate import licenses, a quota can potentially cause an even larger deadweight loss than a tariff.
ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

133. Economists agree that trade ought to be restricted if free trade means that domestic jobs might be lost because of foreign competition.
ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

134. Benefits from free trade include increased variety of goods and increased competition.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

135. While it is true that some jobs may be lost in the short run because of free trade, jobs are also created because of trade, and free trade allows a country as a whole to enjoy a higher standard of living.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

136. Free trade causes job losses in industries in which a country does not have a comparative advantage, but it also causes job gains in industries in which the country has a comparative advantage.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

137. Sometimes countries suffer a net loss of jobs due to free trade because they do not have a comparative advantage in producing anything.
ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

138. Economists contend that imposing trade restrictions in order to protect industries for national security reasons is never justified.
ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

139. Economists fear that national security arguments are used too quickly by producers at consumers' expense.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

140. Most economists support the infant-industry argument because it is so easy to implement in practice.
ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

141. In practice, it has proven to be extraordinarily difficult for governments to pick the right infant industries to protect.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

142. It is not necessary for a young industry to be protected in order to grow and succeed in international markets.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

143. If Canada were to subsidize the production of wool blankets, and sell them in the U.S. at artificially low prices, the U.S. economy would be worse off.
ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

144. One-third of all American exports to Russia is poultry, which has caused Russia to threaten to impose trade barriers on imported chickens.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

145. GATT is an example of a successful unilateral approach to achieving free trade.
ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

146. GATT has reduced the average tariff among member countries from about 40 percent after World War II to about 25 percent today.
ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

147. A multilateral approach to free trade can sometimes win political support when a unilateral approach cannot.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

148. A multilateral approach to free trade has the potential to increase the gains from trade more than does a unilateral approach because the multilateral approach can reduce trade restrictions abroad as well as at home.
ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

149. If the Constitution of the United States did not forbid the imposition of tariffs between states, and if such tariffs were imposed, the standard of living in the United States would be substantially lower.
ANSWER: T
TYPE: T KEY1: D SECTION: 4 OBJECTIVE: 5 RANDOM: Y

SHORT ANSWER

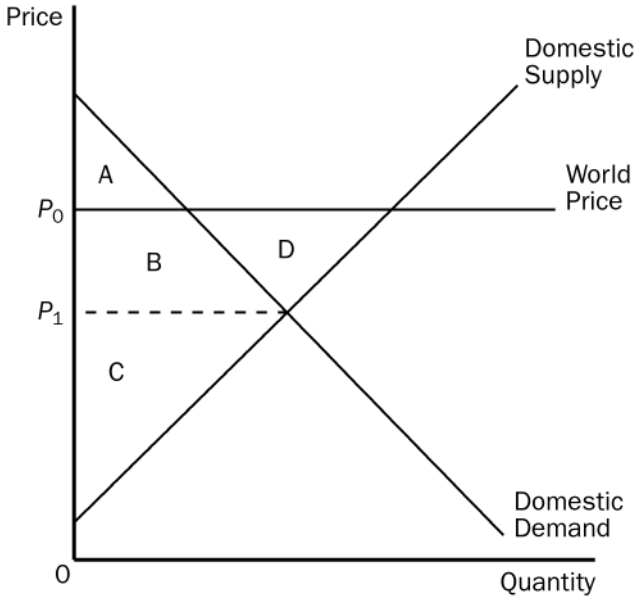
150. Suppose that a country that has been isolated from the rest of the world decides to open its borders to international trade. The country produces chickens and soccer balls. On what basis can the country decide which good to import and which good to export?
ANSWER: The country should export the good in which it has a comparative advantage. Comparative advantage is determined by looking at the domestic price relative to the world price. If the domestic price is lower than the world price, the country has a comparative advantage and should export the product. If the domestic price is higher than the world price, the country does not have a comparative advantage and should import the product.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

151. If Country A allows trade and becomes an exporter of food to Country B, which group or groups in each country are better off, and which are worse off?
ANSWER: Producers of food in Country A are better off and producers of food in Country B are worse off. Consumers of food in Country A are worse off, and consumers of food in Country B are better off.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

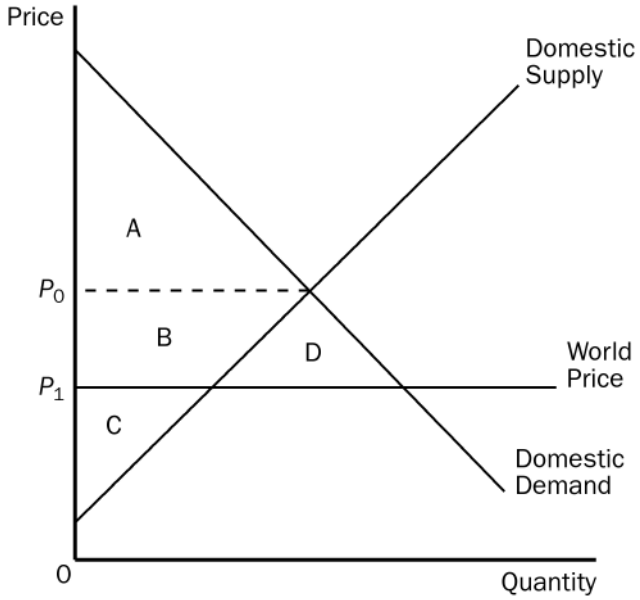
152. If Country A allows trade and becomes an importer of clothing from Country B, which group or groups in each country are better off, and which are worse off?
ANSWER: Producers of clothing in Country A are worse off and producers of clothing in Country B are better off. Consumers of clothing in Country A are better off, and consumers of clothing in Country B are worse off.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

153. Suppose that Canada can produce every product at an absolutely lower cost than can Great Britain. Does it pay for Canada to trade with Great Britain? Explain.
ANSWER: Since international trade is based on comparative advantage, and comparative advantage depends on relative prices or opportunity cost, it is almost certain that Canada and Great Britain will each have comparative advantage in the production of some goods; hence, it will pay for them to trade with each other.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

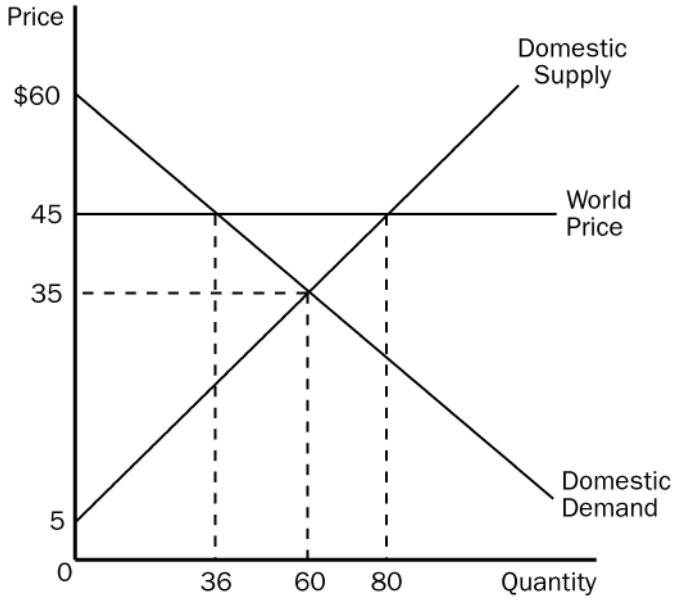
154. The before-trade domestic price of honey in the United States is $6 per gallon. The world price of honey is $5 per gallon. The U.S. is a price-taker in the honey market. Given this information, answer the following questions.
a. Will the U.S. import or export honey?
b. What will the price of honey be in the U.S. if free trade is allowed?
c. Who will benefit from free trade in this case?
d. Who will lose from free trade?
ANSWER: a. The U.S. will import honey because the world price is below the domestic price.
b. The price of honey in the U.S. will now be $5, the same as the world price.
c. Consumers in the U.S. will benefit because of a lower price for honey.
d. Producers will lose because they will have to take a lower price for their honey.
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y



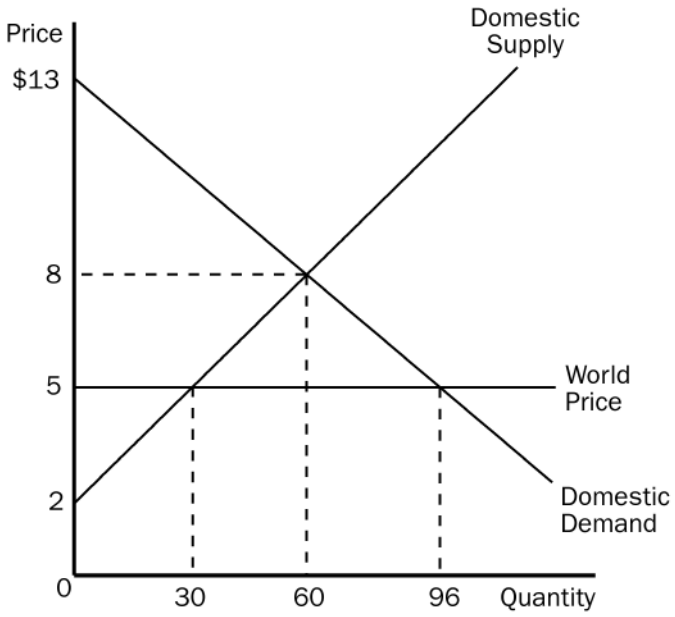
155. According to the graph shown, fill in the answers for the following questions.
a. Consumer surplus before trade would be _____.
b. Consumer surplus after trade would be _____.
c. Producer surplus before trade would be _____.
d. Producer surplus after trade would be _____.
e. Total surplus before trade would be _____.
f. Total surplus after trade would be _____.
ANSWER: a. A + B
b. A
c. C
d. C + B + D
e. A + B + C
f. A + B + C + D
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y



156. According to the graph shown, fill in the answers for the following questions.
a. Consumer surplus before trade would be _____.
b. Consumer surplus after trade would be_____.
c. Producer surplus before trade would be _____.
d. Producer surplus after trade would be _____.
e. Total surplus before trade would be _____.
f. Total surplus after trade would be _____.
ANSWER: a. A
b. A + B + D
c. B + C
d. C
e. A + B + C
f. A + B + C + D
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y



157. According to the graph, answer the following questions about lamps.
a. What is the equilibrium price of lamps before trade?
b. What is the equilibrium quantity of lamps before trade?
c. What is the price of lamps after trade is allowed?
d. What is the quantity of lamps exported?
e. What is the amount of consumer surplus before trade?
f. What is the amount of consumer surplus after trade?
g. What is the amount of producer surplus before trade?
h. What is the amount of producer surplus after trade?
i. What is the change in total surplus because of trade?
ANSWER: a. $35
b. 60
c. $45
d. 44
e. $750
f. $270
g. $900
h. $1600
i. 220
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y



158. According to the graph shown, answer the following questions about hammers.
a. What is the equilibrium price of hammers before trade?
b. What is the equilibrium quantity of hammers before trade?
c. What is the price of hammers after trade is allowed?
d. What is the quantity of hammers imported?
e. What is the amount of consumer surplus before trade?
f. What is the amount of consumer surplus after trade?
g. What is the amount of producer surplus before trade?
h. What is the amount of producer surplus after trade?
i. What is the change in total surplus because of trade?
ANSWER: a. $8
b. 60
c. $5
d. 66
e. $150
f. $384
g. $180
h. $45
i. $99
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM

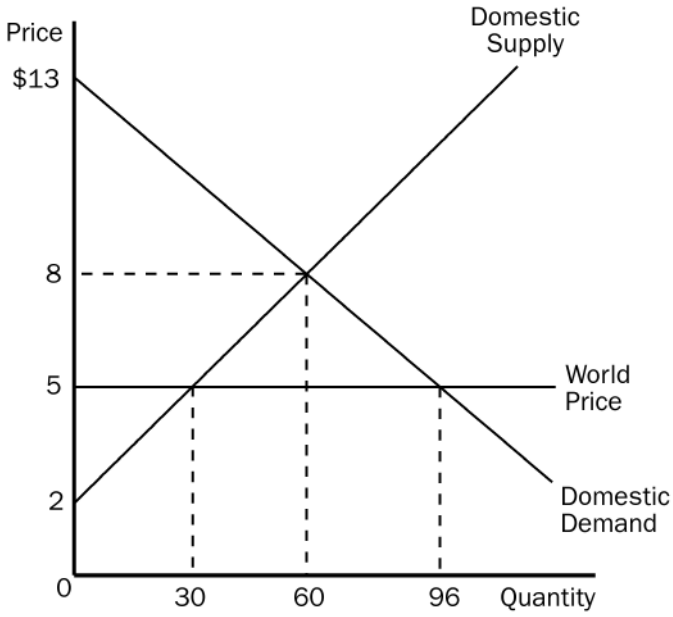
159. Suppose that the country of Pennsyl allows trade in pencils. If the world price is higher than the domestic price, will Pennsyl import or export pencils? On a graph, show Pennsyl's pre-trade and post-trade equilibrium. Identify areas corresponding to pre-trade and post-trade producer surplus and consumer surplus. Determine who wins and who loses in Pennsyl as a result of the pencil trade and whether total surplus in Pennsyl increases or decreases trade. Assume that Pennsyl is a price-taker in the pencil market.
ANSWER: Because the relative world price is higher than the domestic price, Pennsyl will export pencils. A useful way of identifying producer and consumer surplus, winners and losers, and the increase in total surplus as a result of trade is shown in Figure 9-3 and Table 9-1 in the text.
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y

160. Suppose that the country of Florid allows trade in oranges. If the world price is lower than the domestic price, will Florid import or export oranges? On a graph, show Florid's pre-trade and post-trade equilibrium. Identify areas corresponding to pre-trade and post-trade producer surplus and consumer surplus. Determine who wins and who loses in Florid as a result of the orange trade, and whether total surplus in Florid increases or decreases. Assume that Florid is a price-taker in the orange market.
ANSWER: Because the relative world price is lower than the domestic price, Florid will import oranges. A useful way of identifying producer and consumer surplus, winners and losers, and the increase in total surplus is shown in Figure 9-5 and Table 9-2 in the text.
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 3 RANDOM: Y

161. If the U.S. is a price-taker in the shoe industry, and the U.S. shoe industry succeeds in obtaining tariff protection, which groups in the U.S. win, and which lose from tariff protection? What does the tariff do to the overall level of economic well-being in the U.S.? A graph would be useful in answering these questions.

ANSWER: U.S. shoe producers gain from tariff protection, U.S. shoe consumers lose, and the government gains some tariff revenue, unless the tariff is so high that no shoes are imported. The overall level of economic well-being is reduced, because the market is moved closer to the no-trade equilibrium, and a deadweight loss is created. A useful way to answer this question is shown in Figure 9-6 and Table 9-3 in the text.

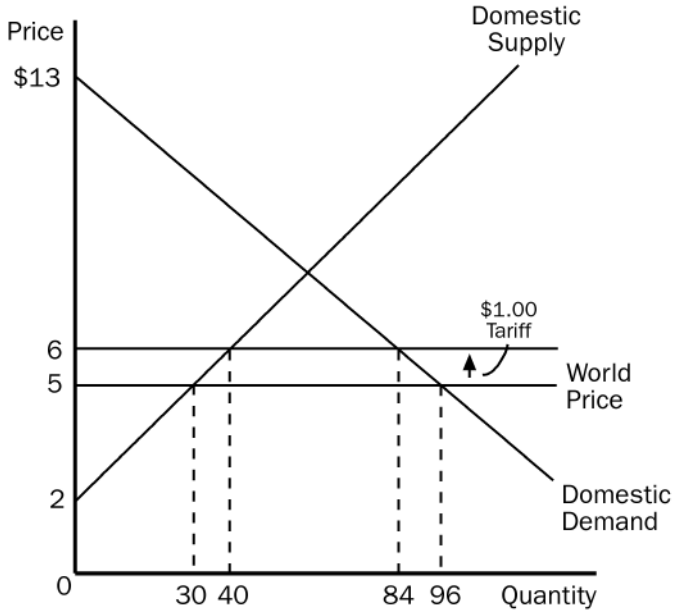
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y



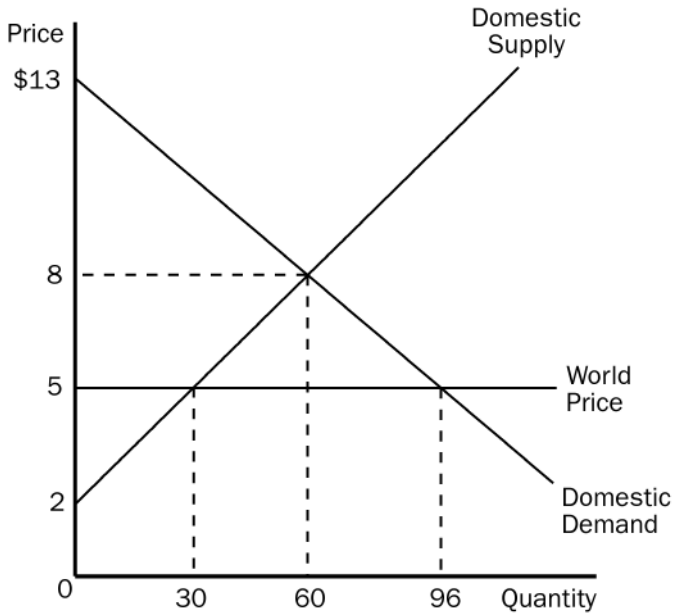
162. Using the graph shown, assume that the government imposes a $1 tariff on hammers. Answer the following questions given this information.

a. What is the domestic price and quantity demanded of hammers after the tariff is imposed?
b. What is the quantity of hammers imported before the tariff?
c. What is the quantity of hammers imported after the tariff?
d. What would be the amount of consumer surplus before the tariff?
e. What would be the amount of consumer surplus after the tariff?
f. What would be the amount of producer surplus before the tariff?

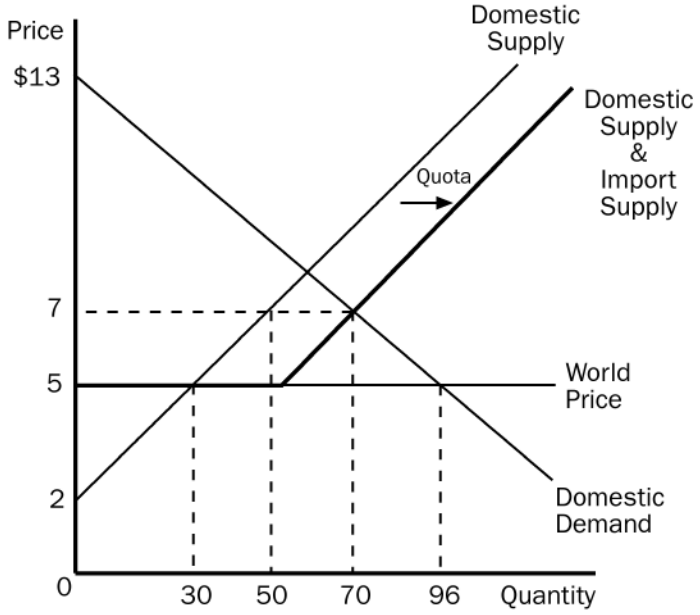
g. What would be the amount of producer surplus after the tariff?
h. What would be the amount of government revenue because of the tariff?
i. What would be the total amount of deadweight loss due to the tariff?
ANSWER:



a. $6, 84
b. 66
c. 44
d. $384
e. $294
f. $45
g. $80
h. $44
i. $11
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 4 RANDOM



163. Using the graph shown, assume that the government imposes an import quota of 20 hammers. Answer the following questions given this information.
a. What is the equilibrium price and quantity of hammers after the quota is imposed?
b. What is the quantity of hammers imported before the quota?
c. What is the quantity of hammers imported after the quota?
d. What is the amount of consumer surplus before the quota?
e. What is the amount of consumer surplus after the quota?
f. What is the amount of producer surplus before the quota?
g. What is the amount of producer surplus after the quota?
h. What would be the amount of deadweight loss due to the quota?
ANSWER:



a. $7, 70
b. 66
c. 20
d. $384
e. $210
f. $45
g. $125
h. $46
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 4 RANDOM

164. Can a government always gain revenue from imposing a tariff?
ANSWER: No, a tariff may be so high that it effectively prevents any of the good from being imported, hence, there will be no tariff revenue collected.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

165. What is the effect on the economic well-being of a nation if a tariff is imposed? Why?
ANSWER: A tariff reduces the economic well-being of a nation by reducing the quantity of imports and moving the domestic market closer to equilibrium without trade. As a result, the gains from trade are reduced and there is a deadweight loss.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

166. Suppose that you are advising Russian policymakers on trade issues, and the issue of protection of the Russian vodka industry comes up. You argue in favor of free trade, but the policymakers are convinced that some protection is needed. They are leaning in favor of an import quota. What will you tell them about the relative effects of import quotas and equivalent tariffs on the well-being of Russian vodka producers, Russian vodka consumers, and the Russian government budget?
ANSWER: A typical import quota has identical effects on Russian vodka producers (makes them better off) and Russian vodka consumers (makes them worse off) as does an equivalent tariff. The effect on the budget is different, however, since under the import quota there is no tariff revenue collected by the government, but an equivalent surplus accrues to the holders of the import licenses. The government could gain under an import quota if it charged a fee for the import licenses equal to the difference between the world price of vodka and the domestic price of vodka. Such a system would make the import quota exactly like the tariff.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

167. How does an import quota differ from an equivalent tariff?
ANSWER: Both the import quota and the tariff raise the domestic price of the good, reduce the welfare of domestic consumers, increase the welfare of domestic producers, and cause deadweight losses. The only difference for the economy is that the tariff raises revenue for the government, while the import quota creates surplus for license holders.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

168. Opponents of free trade often argue that trade must be restricted in order to save domestic jobs. As a free-trader, how would you counter this argument?
ANSWER: Even though free trade causes job losses in industries which do not have a comparative advantage, it creates jobs in industries which enjoy a comparative advantage. The short run hardship on some workers is more than balanced by the increased standard of living available to citizens as a whole. In the long run, workers displaced by trade will find employment in those industries which enjoy a comparative advantage and grow because of trade.
TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

169. Define the two approaches a nation can take to achieve free trade. Does one approach have an advantage over the other?
ANSWER: A unilateral approach is when a country removes its trade restrictions on its own. A multilateral approach is when a country removes its trade restrictions while other countries do the same. A multilateral approach has two advantages. The first is that it has the potential to result in freer trade because it can reduce trade restrictions abroad as well as at home. If international negotiations fail, however, the result could be more restricted trade than under a unilateral approach. Also, the multilateral approach may have a political advantage and can sometimes win political support when a unilateral reduction cannot.
TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

170. Did the American public feel the same as economists about whether the U.S. should ratify the 1993 North American Free Trade Agreement?
ANSWER: No. Economists overwhelmingly supported the agreement, but the U.S. public was about evenly split on the issue.
TYPE: S KEY1: C SECTION: 4 OBJECTIVE: 5 RANDOM: Y

171. What are the arguments in favor of trade restrictions, and what are the counter-arguments? As an economist, do any of these arguments justify trade restrictions? Explain.

ANSWER: Arguments mentioned in the text include the jobs argument, the national-security argument, the infant-industry argument, the unfair-competition argument, and the protection-as-a-bargaining-chip argument. These arguments and counter-arguments are outlined in section 9-3 of the text. Most economists would dismiss the jobs argument, the infant-industry argument, and the unfair-competition argument on strictly economic grounds. The bargaining-chip argument carries high risks of economic harm if the threat doesn't work. The national-security argument balances economic loss from trade restriction against the benefit of long-term national survival, and is probably the argument that economists would most likely buy if it was clear that the industry being protected was clearly crucial to national security.

TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

172. Suppose that Mexico has a comparative advantage over the United States in producing computers, and the United States has a comparative advantage over Mexico in producing automobiles. By reducing trade barriers, NAFTA allows both the U.S. and Mexico to export more of the product in which it enjoys a comparative advantage. Do all people in both countries benefit from this free-trade agreement? Explain.

ANSWER: While overall economic well-being in both countries increases, not everyone benefits in the short run. In particular, some workers in the U.S. computer industry become unemployed, and some workers in the Mexican automobile industry become unemployed. In the long run, displaced workers will find employment in the industries that enjoy a comparative advantage.

TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

173. Even if the United States had never engaged in trade with other nations, economists could still use the history of the United States as an example of the advantages of free trade. How is this so?

ANSWER: Since the adoption of the U.S. Constitution in 1787, there has been free trade among all of the states which make up the country. Because comparative advantage varies so much across the country, free trade among the states has contributed significantly to the high standard of living enjoyed by U.S. citizens.

TYPE: S KEY1: C SECTION: 4 OBJECTIVE: 5 RANDOM: Y

1 ANSWER: a. exported by the United States and imported by China.
TYPE: M KEY1: C OBJECTIVE: 1 RANDOM: Y

2 ANSWER: b. both China and the United States reap economic benefits.
TYPE: M KEY1: C OBJECTIVE: 1 RANDOM: Y

3 ANSWER: d. American companies that manufacture automobile parts become worse off.
TYPE: M KEY1: C OBJECTIVE: 1 RANDOM: Y

4 ANSWER: c. protect domestic producers.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

5 ANSWER: b. the country will become an importer of the good.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

6 ANSWER: a. the country will become an exporter of the good.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

7 ANSWER: a. the United States has a comparative advantage in producing cars, and Switzerland has a comparative advantage in producing cheese.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

8 ANSWER: c. comparative advantage.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

9 ANSWER: b. the world price is higher than its domestic price.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

10 ANSWER: d. it allows each nation to specialize in doing what it does best.
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

11 ANSWER: d. an ability to control domestic and world prices
TYPE: M KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

12 ANSWER: b. Brazil will become an exporter of rubber.
TYPE: M KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

13 ANSWER: b. domestic producers are better off, and domestic consumers are worse off.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

14 ANSWER: c. domestic producers are worse off, and domestic consumers are better off.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

15 ANSWER: b. the gains of the winners exceed the losses of the losers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

16 ANSWER: c. the gains of the winners exceed the losses of the losers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

17 ANSWER: c. The losses of domestic consumers exceed the gains of domestic producers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

18 ANSWER: b. The losses of domestic producers exceed the gains of domestic consumers.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

19 ANSWER: d. consumer surplus will decrease and producer surplus will increase.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

20 ANSWER: c. consumer surplus will increase and producer surplus will decrease.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

21 ANSWER: c. the domestic price will equal the world price.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

22 ANSWER: b. the U.S. will become an exporter of pineapple.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

23 ANSWER: a. the price of pineapple in the U.S. will increase.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

24 ANSWER: b. the price of pineapple in the U.S. will be equal to the world price.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

25 ANSWER: b. U.S. consumers of pineapple will be worse off.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

26 ANSWER: a. U.S. producers of pineapple will be better off.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

27 ANSWER: a. total well-being in the U.S. will increase.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 4 RANDOM: Y

28 ANSWER: a. Japan will become an importer of beef.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH:
RANDOM: Y

29 ANSWER: b. the price of beef in Japan will be $2 per pound.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH:
RANDOM: Y

30 ANSWER: c. Japanese beef consumers will gain, and Japanese beef producers will lose.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH:
RANDOM: Y

31 ANSWER: a. Japanese consumer surplus will increase and producer surplus will decrease.
TYPE: M KEY1: T SECTION: 2 OBJECTIVE: 2 INSTRUCTION: 5 QUESTION GRAPH:
RANDOM: Y

32 ANSWER: d. Egypt will become an exporter of cotton and the price of cotton in Egypt will be $300.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 3 INSTRUCTION: 6 RANDOM: N

33 ANSWER: a. consumers of cotton will be worse off and producers of cotton will be better off.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 3 INSTRUCTION: 6 RANDOM: N

34 ANSWER: c. P0, Q0.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH:
INSTRUCTION: 8 RANDOM: Y

35 ANSWER: b. P1, Q1.

TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

36 ANSWER: b. Q2 minus Q1.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

37 ANSWER: b. A + B.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

38 ANSWER: a. A.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

39 ANSWER: d. C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

40 ANSWER: c. C + B + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

41 ANSWER: b. A + B + C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

42 ANSWER: c. A + B + C + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

43 ANSWER: d. D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 8 RANDOM: Y

44 ANSWER: a. P0, Q0.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

45 ANSWER: b. P1, Q2.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

46 ANSWER: d. Q2 minus Q1.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

47 ANSWER: a. A.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

48 ANSWER: c. A + B + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

49 ANSWER: b. B + C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

50 ANSWER: a. C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

51 ANSWER: b. A + B + C.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

52 ANSWER: c. A + B + C + D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: N

53 ANSWER: d. D.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

54 ANSWER: d. $15, 600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

55 ANSWER: a. $19, 400.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

56 ANSWER: b. 800, 400.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

57 ANSWER: d. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

58 ANSWER: a. $1600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

59 ANSWER: a. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

60 ANSWER: c. $6400.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

61 ANSWER: b. 400
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

62 ANSWER: d. $15, 600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

63 ANSWER: b. $9, 900.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

64 ANSWER: c. 300, 900.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

65 ANSWER: d. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

66 ANSWER: d. $8100.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

67 ANSWER: a. $3600.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

68 ANSWER: a. $900.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

69 ANSWER: c. 600
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 3 GRAPH FORMAT: M QUESTION GRAPH: INSTRUCTION: 1 RANDOM: Y

70 ANSWER: a. makes domestic sellers better off and domestic buyers worse off.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

71 ANSWER: a. a tax on imported goods.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

72 ANSWER: c. raises the price of the imported good above the world price.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

73 ANSWER: b. the U.S. price of pillows will be $35 and the quantity of pillows purchased will decrease.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 4 INSTRUCTION: 2 RANDOM: N

74 ANSWER: b. U.S. consumers of pillows will lose and U.S. producers of pillows will gain.
TYPE: M KEY1: E SECTION: 2 OBJECTIVE: 4 INSTRUCTION: 2 RANDOM: N

75 ANSWER: b. P1, Q4.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

76 ANSWER: d. P2, Q3.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

77 ANSWER: d. A + B + C + D + E + F.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

78 ANSWER: a. G.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

79 ANSWER: b. A + B.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH: RANDOM: Y

80 ANSWER: b. C + G.

TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

81 ANSWER: a. E.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

82 ANSWER: c. D + F.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

83 ANSWER: b. a limit on the quantity of imports.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

84 ANSWER: a. the supply curve (above the world price) shifts to the right by the amount of the quota.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

85 ANSWER: c. reduce the quantity of imports and raise domestic price.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

86 ANSWER: b. P1, Q4.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

87 ANSWER: d. P2, Q3.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

88 ANSWER: b. Q3 minus Q2.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

89 ANSWER: c. D + F.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

90 ANSWER: c. a surplus for import license holders.
TYPE: M KEY1: G SECTION: 2 OBJECTIVE: 4 GRAPH FORMAT: M QUESTION GRAPH:
RANDOM: Y

91 ANSWER: c. tariffs raise revenue for the government, but import quotas create a surplus for import license holders.
TYPE: M KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

92 ANSWER: d. Trade restrictions are necessary for national security.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

93 ANSWER: d. the efficiency argument
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

94 ANSWER: c. the industries in which the country has a comparative advantage.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

95 ANSWER: a. is based on the belief that protecting industries when they are young will pay off later.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

96 ANSWER: b. Protection is not necessary for an industry to grow.

TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

97 ANSWER: c. the harm done to U.S. steel producers is less than the benefit to U.S. consumers of steel.
TYPE: M KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

98 ANSWER: c. the U.S. will be worse off if Germany doesn't give in to the threat.
TYPE: M KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

99 ANSWER: c. The multilateral approach is simpler than the unilateral approach.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

100 ANSWER: c. chickens.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

101 ANSWER: a. about 40 percent to about 5 percent.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

102 ANSWER: c. reduced trade restrictions among Canada, Mexico and the U.S.
TYPE: M KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

103 ANSWER: a. often disagree about free trade.
TYPE: M KEY1: D SECTION: 4 OBJECTIVE: 5 RANDOM: Y

104 ANSWER: F
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

105 ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

106 ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

107 ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

108 ANSWER: F
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

109 ANSWER: T
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

110 ANSWER: F
TYPE: T KEY1: D SECTION: 1 OBJECTIVE: 1 RANDOM: Y

111 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

112 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 2 RANDOM: Y

113 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

114 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

115 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

116 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

117 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 3 RANDOM: Y

118 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

119 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

120 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

121 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

122 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

123 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

124 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

125 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

126 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

127 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

128 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

129 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

130 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

131 ANSWER: F
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

132 ANSWER: T
TYPE: T KEY1: D SECTION: 2 OBJECTIVE: 4 RANDOM: Y

133 ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

134 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

135 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

136 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

137 ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

138 ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

139 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

140 ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

141 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

142 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

143 ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

144 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

145 ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

146 ANSWER: F
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

147 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

148 ANSWER: T
TYPE: T KEY1: D SECTION: 3 OBJECTIVE: 5 RANDOM: Y

149 ANSWER: T
TYPE: T KEY1: D SECTION: 4 OBJECTIVE: 5 RANDOM: Y

150 ANSWER: The country should export the good in which it has a comparative advantage. Comparative advantage is determined by looking at the domestic price relative to the world price. If the domestic price is lower than the world price, the country has a comparative advantage and should export the product. If the domestic price is higher than the world price, the country does not have a comparative advantage and should import the product.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

151 ANSWER: Producers of food in Country A are better off and producers of food in Country B are worse off. Consumers of food in Country A are worse off, and consumers of food in Country B are better off.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

152 ANSWER: Producers of clothing in Country A are worse off and producers of clothing in Country B are better off. Consumers of clothing in Country A are better off, and consumers of clothing in Country B are worse off.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

153 ANSWER: Since international trade is based on comparative advantage, and comparative advantage depends on relative prices or opportunity cost, it is almost certain that Canada and Great Britain will each have comparative advantage in the production of some goods; hence, it will pay for them to trade with each other.
TYPE: S KEY1: C SECTION: 1 OBJECTIVE: 1 RANDOM: Y

154 ANSWER: a. The U.S. will import honey because the world price is below the domestic price.
b. The price of honey in the U.S. will now be $5, the same as the world price.

155 ANSWER:
a. A + B
b. A
c. C
d. C + B + D
e. A + B + C
f. A + B + C + D
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y

156 ANSWER:
a. A
b. A + B + D
c. B + C
d. C
e. A + B + C
f. A + B + C + D
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y

157 ANSWER:
a. $35
b. 60
c. $45
d. 44
e. $750
f. $270
g. $900
h. $1600
i. 220
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y

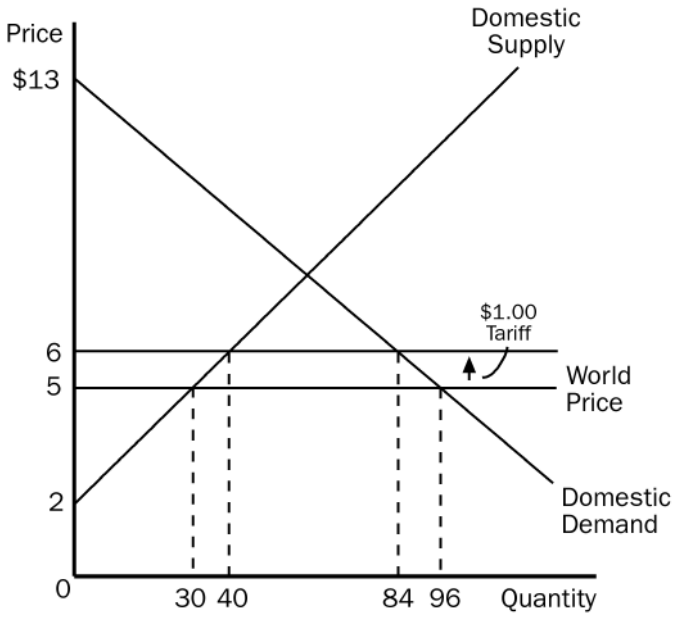
158 ANSWER:
a. $8
b. 60
c. $5
d. 66
e. $150
f. $384
g. $180
h. $45
i. $99
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM

159 ANSWER: Because the relative world price is higher than the domestic price, Pennsyl will export pencils. A useful way of identifying producer and consumer surplus, winners and losers, and the increase in total surplus as a result of trade is shown in Figure 9-3 and Table 9-1 in the text.
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 2 RANDOM: Y

160 ANSWER: Because the relative world price is lower than the domestic price, Florid will import oranges. A useful way of identifying producer and consumer surplus, winners and losers, and the increase in total surplus is shown in Figure 9-5 and Table 9-2 in the text.
TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 3 RANDOM: Y

161 ANSWER: U.S. shoe producers gain from tariff protection, U.S. shoe consumers lose, and the government gains some tariff revenue, unless the tariff is so high that no shoes are imported. The overall level of economic well-being is reduced, because the market is moved closer to the no-trade equilibrium, and a deadweight loss is created. A useful way to answer this question is shown in Figure 9-6 and Table 9-3 in the text.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

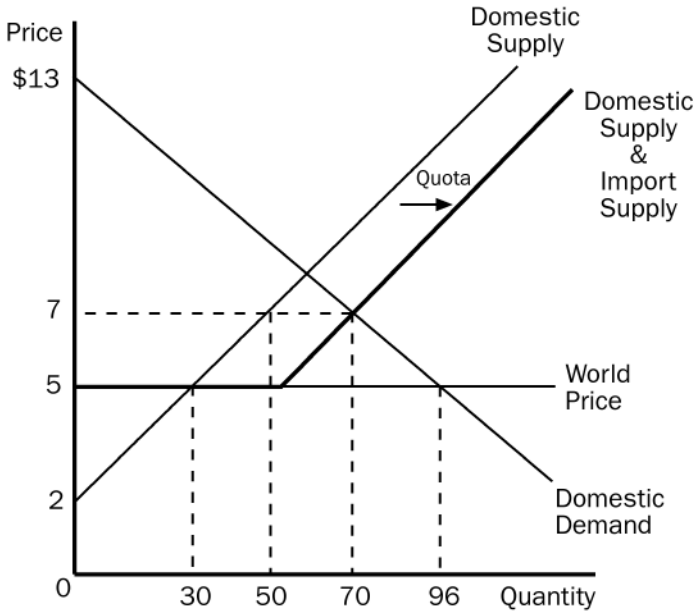
162



a. $6, 84
b. 66
c. 44
d. $384
e. $294
f. $45
g. $80
h. $44
i. $11

TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 4 RANDOM

163 ANSWER:



a. $7, 70
b. 66
c. 20
d. $384
e. $210
f. $45
g. $125
h. $46

TYPE: S KEY1: G SECTION: 2 OBJECTIVE: 4 RANDOM

164 ANSWER: No, a tariff may be so high that it effectively prevents any of the good from being imported, hence, there will be no tariff revenue collected.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

165 ANSWER: A tariff reduces the economic well-being of a nation by reducing the quantity of imports and moving the domestic market closer to equilibrium without trade. As a result, the gains from trade are reduced and there is a deadweight loss.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

166 ANSWER: A typical import quota has identical effects on Russian vodka producers (makes them better off) and Russian vodka consumers (makes them worse off) as does an equivalent tariff. The effect on the budget is different, however, since under the import quota there is no tariff revenue collected by the government, but an equivalent surplus accrues to the holders of the import licenses. The government could gain under an import quota if it charged a fee for the import licenses equal to the difference between the world price of vodka and the domestic price of vodka. Such a system would make the import quota exactly like the tariff.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

167 ANSWER: Both the import quota and the tariff raise the domestic price of the good, reduce the welfare of domestic consumers, increase the welfare of domestic producers, and cause deadweight losses. The only difference for the economy is that the tariff raises revenue for the government, while the import quota creates surplus for license holders.
TYPE: S KEY1: C SECTION: 2 OBJECTIVE: 4 RANDOM: Y

168 ANSWER: Even though free trade causes job losses in industries which do not have a comparative advantage, it creates jobs in industries which enjoy a comparative advantage. The short run hardship on some workers is more than balanced by the increased standard of living available to citizens as a whole. In the long run, workers displaced by trade will find employment in those industries which enjoy a comparative advantage and grow because of trade.
TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

169 ANSWER: A unilateral approach is when a country removes its trade restrictions on its own. A multilateral approach is when a country removes its trade restrictions while other countries do the same. A multilateral approach has two advantages. The first is that it has the potential to result in freer trade because it can reduce trade restrictions abroad as well as at home. If international negotiations fail, however, the result could be more restricted trade than under a unilateral approach. Also, the multilateral approach may have a political advantage and can sometimes win political support when a unilateral reduction cannot.
TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

170 ANSWER: No. Economists overwhelmingly supported the agreement, but the U.S. public was about evenly split on the issue.
TYPE: S KEY1: C SECTION: 4 OBJECTIVE: 5 RANDOM: Y

171 ANSWER: Arguments mentioned in the text include the jobs argument, the national-security argument, the infant-industry argument, the unfair-competition argument, and the protection-as-a-bargaining-chip argument. These arguments and counter-arguments are outlined in section 9-3 of the text. Most economists would dismiss the jobs argument, the infant-industry argument, and the unfair-competition argument on strictly economic grounds. The bargaining-chip argument carries high risks of economic harm if the threat doesn't work. The national-security argument balances economic loss from trade restriction against the benefit of long-term national survival, and is probably the argument that economists would most likely buy if it was clear that the industry being protected was clearly crucial to national security.
TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

172 ANSWER: While overall economic well-being in both countries increases, not everyone benefits in the short run. In particular, some workers in the U.S. computer industry become unemployed, and some workers in the Mexican automobile industry become unemployed. In the long run, displaced workers will find employment in the industries that enjoy a comparative advantage.
TYPE: S KEY1: C SECTION: 3 OBJECTIVE: 5 RANDOM: Y

173 ANSWER: Since the adoption of the U.S. Constitution in 1787, there has been free trade among all of the states which make up the country. Because comparative advantage varies so much across the country, free trade among the states has contributed significantly to the high standard of living enjoyed by U.S. citizens.
TYPE: S KEY1: C SECTION: 4 OBJECTIVE: 5 RANDOM: Y