MULTIPLE CHOICE

Table 3-1

	Labor Hours Needed to Make 1 Pound of:		Pounds produced in 40 hours:	
	Meat	Potatoes	Meat	Potatoes
Farmer	8	2	5	20
Rancher	4	5	10	8

1. **Refer to Table 3-1**. The opportunity cost of 1 pound of meat for the farmer is
   a. 1/4 hour of labour.
   b. 4 hours of labour.
   c. 4 pounds of potatoes.
   d. 1/4 pound of potatoes.

   ANS: C DIF: Challenging REF: 53

2. **Refer to Table 3-1**. The opportunity cost of 1 pound of meat for the rancher is
   a. 4 hours of labour.
   b. 5 hours of labour.
   c. 5/4 pounds of potatoes.
   d. 4/5 pound of potatoes.

   ANS: D DIF: Challenging REF: 53

3. **Refer to Table 3-1**. The opportunity cost of 1 pound of potatoes for the farmer is
   a. 8 hours of labour.
   b. 2 hours of labour.
   c. 4 pounds of meat.
   d. 1/4 pound of meat.

   ANS: D DIF: Challenging REF: 53

4. **Refer to Table 3-1**. The opportunity cost of 1 pound of potatoes for the rancher is
   a. 4 hours of labour.
   b. 5 hours of labour.
   c. 5/4 pounds of meat.
   d. 4/5 pound of meat.

   ANS: C DIF: Challenging REF: 53

5. **Refer to Table 3-1**. The Farmer has an absolute advantage in
   a. meat, and the Rancher has an absolute advantage in potatoes.
   b. potatoes, and the Rancher has an absolute advantage in meat.
   c. meat, and the Rancher has an absolute advantage in meat.
   d. neither good, and the Rancher has an absolute advantage in both goods.

   ANS: B DIF: Average REF: 53

6. **Refer to Table 3-1**. The Rancher has an absolute advantage in
   a. both goods, and the Farmer has a comparative advantage in meat.

b. meat, and the Farmer has a comparative advantage in potatoes.
c. meat, and the Farmer has a comparative advantage in neither good.
d. both goods, and the Farmer has a comparative advantage in potatoes.

ANS: B DIF: Challenging REF: 53

7. **Refer to Table 3-1**. The Farmer has an absolute advantage in
a. potatoes, and the Rancher has a comparative advantage in meat.
b. meat, and the Rancher has a comparative advantage in potatoes.
c. neither good, and the Rancher has a comparative advantage in potatoes.
d. neither good, and the Rancher has a comparative advantage in meat.

ANS: A DIF: Challenging REF: 53

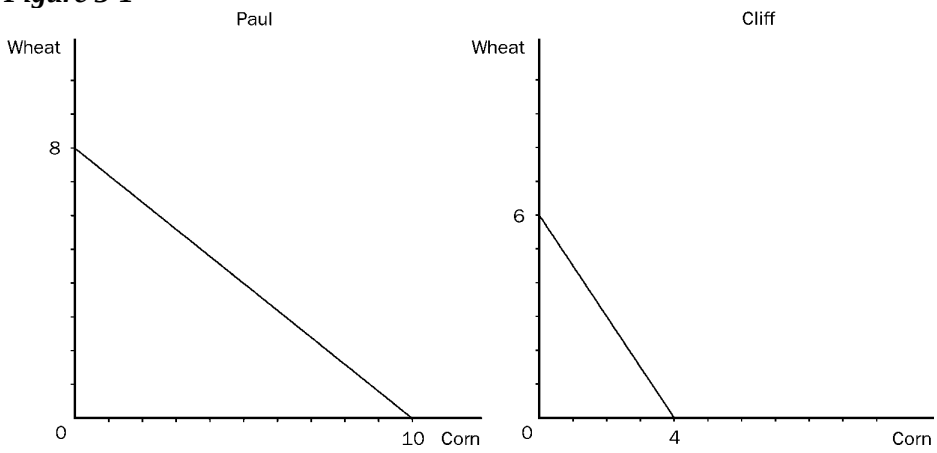
8. **Refer to Table 3-1**. The Rancher has a comparative advantage in
a. neither good, and the Farmer has a comparative advantage in both goods.
b. both goods, and the Farmer has a comparative advantage in neither good.
c. meat, and the Farmer has a comparative advantage in potatoes.
d. potatoes, and the Farmer has a comparative advantage in meat.

ANS: C DIF: Challenging REF: 53

9. **Refer to Table 3-1**. The Farmer and Rancher both could benefit by the Farmer specializing in
a. meat and the Rancher specializing in potatoes.
b. potatoes and the Rancher specializing in meat.
c. neither good and the Rancher specializing in both goods.
d. They cannot benefit by specialization and trade.

ANS: B DIF: Average REF: 53

Figure 3-1



10. **Refer to Figure 3-1**. If Paul divides his time equally between corn and wheat, he will be able to produce
a. 2 bushels of wheat and 2 bushels of corn.
b. 3 bushels of wheat and 3 bushels of corn.
c. 4 bushels of wheat and 5 bushels of corn.
d. 4 bushels of wheat and 6 bushels of corn.

ANS: C DIF: Average REF: 53

11. **Refer to Figure 3-1**. The opportunity cost of 1 bushel of wheat for Cliff is

a. 1/3 bushel of corn.
b. 2/3 bushel of corn.
c. 1 bushel of corn.
d. 3/2 bushels of corn.

ANS: B DIF: Average REF: 53

12. **Refer to Figure 3-1**. Assume that both Paul and Cliff divide their time equally between the production of corn and wheat, and they do not trade. If they were the only producers of corn and wheat, then total production of wheat and corn would be
a. 8 bushels of wheat and 7 bushels of corn.
b. 7 bushels of wheat and 6 bushels of corn.
c. 6 bushels of wheat and 8 bushels of corn.
d. 7 bushels of wheat and 7 bushels of corn.

ANS: D DIF: Challenging REF: 53

13. **Refer to Figure 3-1**. Assume that Cliff and Paul were both producing wheat and corn, and each were dividing their time equally between the two. Then they decide to specialize in the product they have a comparative advantage in. As a result, total production of corn would
a. increase by 1 bushel.
b. increase by 3 bushels.
c. increase by 5 bushels.
d. decrease by 2 bushels.

ANS: B DIF: Challenging REF: 53

14. **Refer to Figure 3-1**. Assume that Cliff and Paul were both producing wheat and corn, and each were dividing their time equally between the two. Then they decide to specialize in the product they have a comparative advantage in and trade 3 bushels of wheat for 3 bushels of corn. Cliff would now be able to consume.
a. 4 bushels of wheat and 3 bushels of corn.
b. 3 bushels of wheat and 4 bushels of corn.
c. 3 bushels of wheat and 3 bushels of corn.
d. 2 bushels of wheat and 3 bushels of corn.

ANS: C DIF: Challenging REF: 53

15. **Refer to Figure 3-1**. Which of the following is true for Cliff and Paul?
a. Paul has an absolute advantage in both wheat and corn.
b. Paul has an absolute advantage in wheat and Cliff has an absolute advantage in corn.
c. Cliff has an absolute advantage in wheat and Paul has an absolute advantage in corn.
d. Cliff has an absolute advantage in both wheat and corn.

ANS: A DIF: Average REF: 53

16. **Refer to Figure 3-1**. Which of the following is true for Cliff and Paul?
a. Paul has a comparative advantage in both wheat and corn.
b. Paul has a comparative advantage in wheat and Cliff has a comparative advantage in corn.
c. Cliff has a comparative advantage in wheat and Paul has a comparative advantage in corn.
d. Cliff has a comparative advantage in both wheat and corn.

ANS: C DIF: Challenging REF: 53