Name: ______________________ Date: ___________

1. The ability of one producer to produce one good or service using fewer inputs than another producer is:
   A) comparative advantage.
   B) absolute advantage.
   C) opportunity cost.
   D) competition.

2. A producer has a comparative advantage over other producers if his production of the good involves:
   A) more inputs.
   B) fewer inputs.
   C) a higher opportunity cost.
   D) a lower opportunity cost.

3. Suppose France can produce 4 phones or 3 computers with 1 unit of labor, and Sweden can produce 1 phone or 2 computers with 1 unit of labor. If France can trade only with Sweden, then the theory of comparative advantage suggests that:
   A) France should specialize in producing phones and import computers from Sweden.
   B) France should specialize in producing computers and import phones from Sweden.
   C) France should produce both phones and computers, and import nothing from Sweden.
   D) France should import both phones and computers from Sweden.

4. The real cost of producing a good is:
   A) the dollar cost of inputs used to make the item.
   B) the opportunity cost of producing the good.
   C) the resources that were used to make the good.
   D) the dollar amount it costs to sell the good.

5. In Colombia, it takes three workers to produce 2 pounds of coffee. In Mexico, it takes four workers to produce 1 pound of coffee. Therefore:
   A) Colombia has a comparative advantage in the production of coffee.
   B) Mexico has a comparative advantage in the production of coffee.
   C) in Colombia, the opportunity cost of producing 1 pound of coffee is two-thirds.
   D) Colombia has an absolute advantage in the production of coffee.

6. Imposing a restrictive quota on the import of sugar will likely:
   A) increase the price of sugar and decrease the quantity consumed.
   B) increase the price of sugar and increase the quantity consumed.
   C) leave the price of sugar unchanged and decrease the quantity consumed.
   D) leave the price of sugar unchanged and increase the quantity consumed.

7. A tariff is a:
   A) tax credit for domestic exports.
   B) tax on imports.
   C) temporary grant of monopoly rights.
   D) renewable subsidy to the energy industry.

8. Restricting the importation of foreign automobiles will:
   A) raise the price of foreign automobiles but decrease the price of domestic automobiles.
   B) raise the price of both foreign and domestic automobiles.
   C) cause domestic producers to sell their automobiles at lower prices because of reduced competition.
   D) lower the price of foreign automobiles but raise the price of domestic automobiles.

9. In terms of economics, international trade is very similar to trade between two people in a small local neighborhood, except:
   A) for the impact of specialization which does not occur in local trade.
   B) for political considerations, for example country borders.
   C) that international trade is based on the concept of comparative advantage whereas local trade is not.
   D) for the impact of division of knowledge which does not exist in local trade.

10. The benefits of trade include:
   I. higher output due to specialization.
   II. lower unit costs due to economies of scale.
   III. lower prices due to competition.
   A) I and II only
   B) II and III only
   C) I and III only
   D) I, II, and III

Answer Key

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