Practice questions for international trade (Chapter 7)

39) The United States has a comparative advantage in producing airplanes if
A) it has a larger quantity of skilled workers than do other nations.
B) it can produce a larger quantity than can other nations.
C) it can produce them at a lower dollar cost than can other nations.
D) it can produce them at a lower opportunity cost than can other nations.

40) Prior to international trade, the price of good X is lower in country A than in country B. This means that we know that
A) country A has a comparative advantage in the production of product X.
B) country B has an absolute advantage in the production of product X.
C) country A has an absolute advantage in the production of product X.
D) country B has a comparative advantage in the production of product X.

41) A country specializes in the production of goods for which it has a comparative advantage, so
A) some producers and consumers win, some lose, but overall the gains exceed the losses.
B) producers win, consumers lose, but overall the gains exceed the losses.
C) all producers win.
D) all consumers win.

The figure shows the market for shirts in the United States, where \( D \) is the domestic demand curve and \( S \) is the domestic supply curve. The world price is $20 per shirt.

42) In the figure above, with international trade American consumers buy _______ million shirts per year.
A) 16     B) 24     C) 32     D) 48
43) Tariffs and import quotas both result in
A) higher levels of domestic consumption. B) the domestic government gaining revenue.
C) lower levels of domestic production. D) lower levels of imports.

44) An import quota on sugar
A) increases the demand for sugar and raises its price.
B) increases the imports of sugar and lowers its price.
C) increases the imports of sugar and raises its price.
D) decreases the imports of sugar and raises its price.

45) Who benefits from a tariff on a good?
A) Domestic producers of the good B) Foreign producers of the good
C) Domestic consumers of the good D) Foreign governments

46) When the United States imposes an import quota on a good, the amount of the ________ in U.S.
counter surplus is ________ the amount of the ________ in U.S. producer surplus.
A) decrease; equal to; increase  B) increase; smaller than; increase
C) decrease; larger than; increase  D) decrease; larger than; decrease

47) Import quotas ________ the price of imported goods and ________ the quantity consumed in the
country imposing the quota.
A) raise; increase  B) raise; decrease  C) lower; decrease  D) lower; increase

48) A key difference between tariffs and quotas is that
A) the government receives revenue with quotas, but the importer receives added profit with tariffs.
B) consumers are hurt with quotas but not with tariffs.
C) the government receives revenue with tariffs, but the importer receives added profit with quotas.
D) consumers are hurt with tariffs but not with quotas.

49) If the United States imposes a tariff on imported cars, the
A) U.S. demand curve shifts leftward.
B) U.S. supply curve shifts rightward.
C) U.S. demand curve shifts rightward.
D) the price in the United States rises but neither the U.S. demand curve nor the U.S. supply curve shift.

50) A tariff on imported peanuts ________ the quantity of peanuts imported and ________ the domestic
price of peanuts.
A) increases; lowers  B) decreases; decreases
C) decreases; increases  D) does not change; increases
The figure shows the market for shirts in the United States, where \( D \) is the U.S demand curve and \( S \) is the U.S. supply curve. The world price is $20 per shirt. The United States imposes a tariff on imported shirts, $4 per shirt.

51) In the figure above, with the tariff American consumers _______ million shirts per year.  
A) 32  B) 40  C) 16  D) 48

52) In the figure above, with the tariff the United States imports _______ million shirts per year.  
A) 16  B) 32  C) 24  D) 8

53) In the figure above, the tariff _______ U.S. imports of shirts by _______ million shirts per year.  
A) decreases; 16  B) increases; 8  C) increases; 4  D) decreases; 8

54) In the figure above, the tariff _______ the domestic production of shirts in the United States by _______ per year.  
A) increases; 8 million  B) increases; 4 million  
C) decreases; 8 million  D) decreases; 16 million

55) In the figure above, the U.S. government’s revenue from the tariff is ______.  
A) $64 million  B) $128 million  C) $32 million  D) $48 million

56) In the figure above, U.S. consumers’ ______ from the tariff is ______.  
A) loss; $80 million  B) loss; $176 million  C) gain; $128 million  D) gain; $64 million

57) In the figure above, U.S. producers’ ______ from the tariff is ______.  
A) gain; $128 million  B) loss; $64 million  C) loss; $32 million  D) gain; $80 million
58) In the figure above, the deadweight loss from the tariff is ________.
A) $80 million  B) zero  C) $16 million  D) $32 million

The figure shows the market for shirts in the United States, where \( D \) is the domestic demand curve and \( S \) is the domestic supply curve. The world price is $20 per shirt.

59) In the figure above, with international trade ________ million shirts per year are produced in the United States.
A) 32  B) 16  C) 20  D) 48

60) In the figure above, with international trade the United States ________ million shirts per year.
A) exports 16  B) imports 32  C) exports 32  D) imports 48

61) In the figure above, international trade ________ consumer surplus in the United States by ________.
A) decreases; $192 million  B) decreases; $320 million
C) increases; $192 million  D) increases; $320 million

62) In the figure above, international trade ________ producer surplus in the United States by ________.
A) decreases; $192 million  B) decreases; $320 million
C) increases; $320 million  D) increases; $192 million

63) In the figure above, international trade ________ total surplus in the United States by ________.
A) decreases; $256 million  B) increases; $320 million
C) decreases; $192 million  D) increases; $128 million
64) Suppose sugar is exported from a nation. In the sugar market who does NOT benefit from the exports?
   A) domestic producers   B) workers in the industry
   C) domestic consumers   D) foreign consumers

65) A country opens up to trade and becomes an importer of a sugar. In the sugar market, consumer surplus will ________, producer surplus will ________, and total surplus will ________.
   A) increase; decrease; decrease   B) increase; decrease; increase
   C) decrease; increase; increase   D) decrease; decrease; decrease
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