

Poll 2 Questions

1. Assume that spaghetti is an inferior good for most people. As their incomes decrease, all other things held constant, the:
 - a) demand for spaghetti will decrease shifting the demand curve to the left.
 - b) demand for spaghetti will decrease shifting the demand curve to the right.
 - c) demand for spaghetti will increase shifting the demand curve to the left.
 - d) demand for spaghetti will increase shifting the demand curve to the right.
2. Suppose France can produce four phones or three computers with one unit of labor, and Sweden can produce one phone or two computers with one 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.

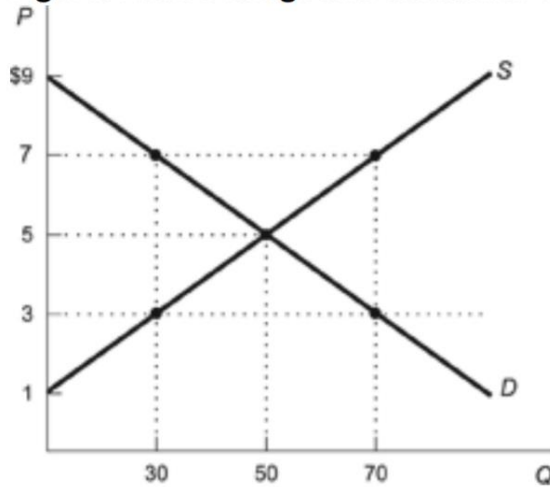
Table: Production Possibilities for the United States and Mexico

	Corn (millions of tons)	Potatoes (millions of tons)
United States	50	10
Mexico	40	5

3. (Table: Production Possibilities for the United States and Mexico) According to the table on Production Possibilities for the United States and Mexico, the United States has an absolute advantage in _____ and a comparative advantage in _____.
 - a) both goods; corn
 - b) both goods; potatoes
 - c) potatoes; corn
 - d) nothing; potatoes
4. (Table: Production Possibilities for the United States and Mexico) According to the table on Production Possibilities for the United States and Mexico, Mexico has an absolute advantage in _____ and a comparative advantage in _____.
 - a) neither good; corn
 - b) corn; potatoes
 - c) potatoes; corn
 - d) neither good; potatoes
5. (Table: Production Possibilities for the United States and Mexico) Using the table on Production Possibilities for the United States and Mexico, assume each country specializes in the good for which it has a comparative advantage. Which of the following answers identifies a trade price that both countries would find acceptable? (Units are in tons.)

- a) 0.2 potato for one corn < Trade price < five corns for one potato
- b) 0.125 potato for one corn, < Trade price < eight potatoes for one corn
- c) five corns for one potato < Trade price < eight corns for one potato
- d) 0.125 potato for one corn, < Trade price < five potatoes for one corn

Figure: Price Ceilings and Consumer Valuation



- 6. (Figure: Price Ceilings and Consumer Valuation) Refer to the figure. Suppose a price ceiling of \$3 goes into effect. If the goods sold are **allocated only to the highest value users**, the total consumer surplus in the market would be:
 - a) \$180.
 - b) \$30.
 - c) \$120.
 - d) \$150

- 7. (Figure: Price Ceilings and Consumer Valuation) Refer to the figure. Suppose a price ceiling of \$3 goes into effect. If the goods sold are **randomly allocated**, the total consumer surplus in the market would be:
 - a) \$180.
 - b) \$30.
 - c) \$120.
 - d) \$150