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| 1. In an informed and voluntary exchange,   |  |  |  | | --- | --- | --- | |  | a. | both parties receive something they value more than what they gave up. | |  | b. | both parties place an equal value on what they received and what they gave up. | |  | c. | neither party can gain more than the other. | |  | d. | one trader can gain only at the expense of the other. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 2. In voluntary exchange, if the seller of a product gains,   |  |  |  | | --- | --- | --- | |  | a. | the buyer will generally lose an amount greater than the gain to the seller. | |  | b. | the buyer must lose an amount equal to what the seller gains. | |  | c. | someone else must lose an equal amount. | |  | d. | the buyer must also gain; mutual gain provides the foundation for exchange. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 3. Which of the following statements about exchange is *false*?   |  |  |  | | --- | --- | --- | |  | a. | The expectation of gain motivates people to engage in trade. | |  | b. | If a party to a potential exchange does not believe that it will lead to personal gain, he or she can chose not to engage in the trade. | |  | c. | Voluntary exchange is generally mutually beneficial to the trading partners. | |  | d. | If one trading partner gains, the other must lose. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 4. Isabella decides to buy a dress that Olivia has for sale; they agree on a price of $20. Which of the following best describes who gains and who loses from the transaction?   |  |  |  | | --- | --- | --- | |  | a. | If the dress originally costs more than $20, Isabella gains and Olivia loses. | |  | b. | If the dress originally costs less than $20, Olivia gains and Isabella loses. | |  | c. | Both parties expect to gain from this transaction. | |  | d. | If Olivia gains from the transaction, Isabella must lose an equal amount. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 5. If Sean sells Tom a tennis racket for $50, we would expect   |  |  |  | | --- | --- | --- | |  | a. | both parties to gain from this transaction. | |  | b. | Sean to gain from the transaction, while Tom loses. | |  | c. | Tom to gain from the transaction, while Sean loses. | |  | d. | the well-being of both parties to be unchanged. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 6. Mateo values his camper at $4,000, and Nicole values it at $9,000. If Nicole buys it from Mateo for $7,000, which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | Mateo gains $3,000 of value, and Nicole gains $2,000 of value. | |  | b. | Mateo gains $7,000 of value, and Nicole loses $7,000 of value. | |  | c. | Mateo gains $7,000 of value, and Nicole gains $6,000 of value. | |  | d. | Mateo and Nicole both gain $7,000 of value. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 7. Noah values his car at $10,000, and Emily values it at $14,000. If Emily buys it from Noah for $11,000, which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | Noah gains $1,000 of value, and Emily gains $3,000 of value. | |  | b. | Noah gains $11,000 of value, and Emily loses $11,000 of value. | |  | c. | Noah gains $10,000 of value, and Emily loses $14,000 of value. | |  | d. | Noah and Emily both gain $11,000 of value. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 8. Which of the following most accurately states the economic significance of exchange?   |  |  |  | | --- | --- | --- | |  | a. | Physical goods have value because they exist; exchange can neither increase nor decrease their value. | |  | b. | Production of physical goods creates value; exchange merely redistributes this value. | |  | c. | Exchange creates value by moving goods from parties who value them less to parties who value them more. | |  | d. | Exchange reduces value since it consumes resources without adding to the physical supply of goods. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 9. Which of the following about trade is true?   |  |  |  | | --- | --- | --- | |  | a. | Trade does not produce anything new; therefore, it cannot create value. | |  | b. | The value of a good is determined by the cost of the material resources required for its production. | |  | c. | The value of a good generally depends on who uses it and circumstances such as when and where it is used. | |  | d. | All of the above are true. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 10. In economics, the term that refers to the time, effort, and other resources needed to search out, negotiate, and consummate an exchange is   |  |  |  | | --- | --- | --- | |  | a. | transaction costs. | |  | b. | specialization costs. | |  | c. | pecuniary costs. | |  | d. | comparative costs. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 11. In economics, transaction costs refer to the   |  |  |  | | --- | --- | --- | |  | a. | time, effort, and other resources needed to search out and negotiate an exchange. | |  | b. | dollar cost or price of the item traded. | |  | c. | cost an economy suffers when it allows specialization according to comparative advantage. | |  | d. | amount by which the price of an item increases due to the presence of a middleman. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 12. High transaction costs will tend to   |  |  |  | | --- | --- | --- | |  | a. | reduce the number of mutually beneficial exchanges that occur. | |  | b. | allow easier specialization according to the law of comparative advantage. | |  | c. | increase the value created by exchanges in an economy. | |  | d. | increase the number of mutually beneficial exchanges that occur. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 13. Compared to a situation where transaction costs are zero, the existence of transaction costs   |  |  |  | | --- | --- | --- | |  | a. | will reduce the volume of trade. | |  | b. | will reduce the gains from trade. | |  | c. | may lead some buyers and sellers to employ middlemen. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 14. Which of the following is true with regard to value and exchange?   |  |  |  | | --- | --- | --- | |  | a. | Exchange generally moves a good from a person who values it more to a person who values it less. | |  | b. | Transaction costs reduce our ability to gain from potentially advantageous trades. | |  | c. | Middlemen increase transaction costs and, thereby, reduce the potential gains derived from trade. | |  | d. | Physical goods have an objective value that is unrelated to time and the person of ownership. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 15. A nation with cheap, efficient communications is likely to be   |  |  |  | | --- | --- | --- | |  | a. | richer, *ceteris paribus*, because transaction costs will be lower and trade greater. | |  | b. | richer only if production of goods is cheaper, too, since trade itself cannot create value. | |  | c. | poorer since it spends so much on communication instead of true productivity. | |  | d. | spending too much on communications, which adds nothing to the value of output. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 16. If the Internet makes it easier for sellers to find buyers and makes it easier for buyers to learn about the products that are available for sale, we would expect that   |  |  |  | | --- | --- | --- | |  | a. | the volume of trade will decline. | |  | b. | transaction costs will rise. | |  | c. | the gains from trade will increase. | |  | d. | buyers and sellers will be worse off. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 17. Internet sites such as eBay make it easier for sellers and buyers to find one another and, by doing so,   |  |  |  | | --- | --- | --- | |  | a. | reduce transactions costs. | |  | b. | increase transaction costs. | |  | c. | reduce the number of exchanges that occur. | |  | d. | lower the value created by the goods and services available. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 18. A middleman is a person who   |  |  |  | | --- | --- | --- | |  | a. | specializes in arranging trades and selling, guaranteeing, and servicing items traded. | |  | b. | acts as a middle person between the top management of a business firm and the hourly employees who actually produce the goods and services. | |  | c. | adds to the seller's expense and the buyer's buying price without providing a service to either. | |  | d. | levies a tax on private sector activity and uses the funds to support government activities. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 19. Middlemen are individuals who   |  |  |  | | --- | --- | --- | |  | a. | add to the buyer's expense without performing a useful function. | |  | b. | add to the seller's cost without performing a useful function. | |  | c. | provide services that reduce the cost of transactions and help achieve additional gains from trade. | |  | d. | act as a middle person between the top management of a business firm and the hourly employees who actually produce the goods and services. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 20. In economics, the term for a person who reduces transaction costs by arranging trades for buyers and sellers is   |  |  |  | | --- | --- | --- | |  | a. | an exchange broker. | |  | b. | a middleman. | |  | c. | a transactions specialist. | |  | d. | an opportunity finder. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 21. Which of the following most accurately states the function of middlemen?   |  |  |  | | --- | --- | --- | |  | a. | Middlemen add to the expense of buyers and sellers without providing any benefit. | |  | b. | Our economy would work just as well without middlemen since they do not expand the availability of physical goods. | |  | c. | Middlemen reduce the number of transactions since they increase the buyer's price and reduce the seller's net revenue. | |  | d. | Middlemen create value by arranging trades and providing information to buyers and sellers. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 22. Which of the following most accurately states the function of middlemen?   |  |  |  | | --- | --- | --- | |  | a. | Middlemen reduce transaction costs. | |  | b. | Middlemen add to the expense of buyers and sellers without providing any benefit. | |  | c. | Our economy would work just as well without middlemen since they do not expand the availability of physical goods. | |  | d. | Middlemen reduce the number of transactions since they increase the buyer's price and reduce the seller's net receipts. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 23. Which of the following is true regarding value and exchange?   |  |  |  | | --- | --- | --- | |  | a. | Middlemen fail to create value since they do not expand the supply of physical goods. | |  | b. | A good or service has a given value regardless of who uses it or how it is used. | |  | c. | If it were not for middlemen, transaction costs would be zero. | |  | d. | Voluntary exchange creates value by channeling goods into the hands of people who value them most. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 24. Which of the following is true regarding value, transaction costs, and exchange?   |  |  |  | | --- | --- | --- | |  | a. | Middlemen can be viewed as agents who create value by reducing transaction costs and, thereby, facilitating gains from exchange. | |  | b. | Middlemen fail to create value since they do not expand the supply of physical goods. | |  | c. | A good or service has a given value regardless of who uses it or how it is used. | |  | d. | Voluntary exchange reduces value by channeling goods into the hands of people who value them least. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 25. Economic thinking suggests that a nation in which middlemen are considered to be unproductive seekers of profit, and where their activities are heavily restricted by law, will   |  |  |  | | --- | --- | --- | |  | a. | gain by channeling people's efforts away from unproductive middleman activity toward physical output. | |  | b. | lose the potential gains from trade that would result from lower transaction costs emanating from middleman activities. | |  | c. | find that it is richer because the added transaction costs normally imposed by middlemen will be reduced. | |  | d. | gain because the value of total output will rise. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:05 PM | | *DATE MODIFIED:* | 5/19/2016 3:05 PM | |

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| 26. If a motorist is stranded in front of a pay phone and has only dollar bills, and he ends up buying a quarter from a passerby for $1,   |  |  |  | | --- | --- | --- | |  | a. | the stranded motorist must not understand that four quarters are worth $1. | |  | b. | economic theory is unable to explain this transaction. | |  | c. | both parties have gained from this exchange. | |  | d. | the passerby was made better off and the motorist worse off. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Application | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:06 PM | | *DATE MODIFIED:* | 5/19/2016 3:06 PM | |

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| 27. Middlemen, such as grocers, stockbrokers, and realtors   |  |  |  | | --- | --- | --- | |  | a. | specialize in reducing transactions costs. | |  | b. | provide nothing of value to either the buyer or the seller. | |  | c. | have no effect on economic output in society. | |  | d. | do not exist in capitalist economies. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Gains from trade, speciali - DISC: Gains from trade, specialization and trade | | *TOPICS:* | Trade Creates Value | | *KEYWORDS:* | Bloom's: Knowledge | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:06 PM | | *DATE MODIFIED:* | 5/19/2016 3:06 PM | |