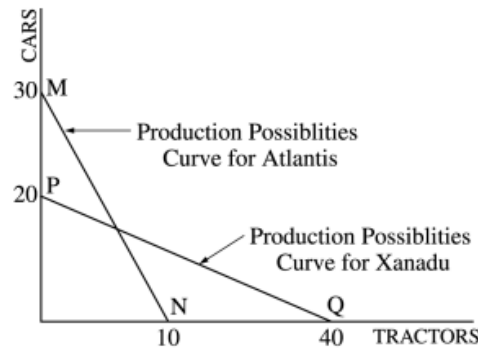


Fun Set 1.3

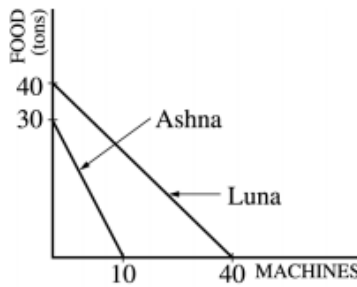
Name: _____

2003 FRQ:



3. Assume that two countries, Atlantis and Xanadu, have equal amounts of resources. Atlantis can produce 30 cars or 10 tractors or any combination, as shown by the line MN in the figure above. Xanadu can produce 20 cars or 40 tractors or any combination, as shown by the line PQ in the figure above.
 - (a) Which country has an absolute advantage in the production of tractors? Explain how you determined your answer.
 - (b) Which country has a comparative advantage in the production of cars? Using the concept of opportunity cost, explain how you determined your answer.
 - (c) If the two countries specialize and trade with each other, which country will import cars? Explain why.
 - (d) If the terms of trade are such that one car can be exchanged for one tractor, explain how Atlantis will benefit from such trade.

2003 AP[®] MACROECONOMICS FREE-RESPONSE QUESTIONS (Form B)



2. Using equal amounts of resources, the countries of Ashna and Luna can each produce any combination of food and machines described by their production possibilities curves above.
 - (a) Which country has an absolute advantage in the production of machines? Explain.
 - (b) Which country has an absolute advantage in the production of food? Explain.
 - (c) Which country has a comparative advantage in the production of machines? Explain.
 - (d) With trade between these two countries, which country will import food? Explain.
 - (e) Give an example of terms of trade acceptable to both countries.

2016 FRQ:

3. The following table shows the number of donuts or cupcakes that John and Erica can each produce in one day.

	Donuts	Cupcakes
John	200	100
Erica	150	50

- (a) Who has the absolute advantage in producing donuts? Explain.
- (b) Who has the comparative advantage in producing donuts? Explain.
- (c) Assume that John and Erica decide to specialize according to their comparative advantages and that one cupcake is exchanged for four donuts.
- Indicate whether or not specialization and trade are beneficial to John.
 - Indicate whether or not specialization and trade are beneficial to Erica.
- (d) Assume that Erica discovers a new cupcake production technique that will increase her daily production of cupcakes only. Using donuts on the horizontal axis, draw a correctly labeled production possibilities curve for Erica, before and after the technology change in cupcake production.

2013 International Exam FRQ:

3. Country A and Country B produce the same two products, hammocks and looms. Country A can produce a maximum of 60 hammocks or 40 looms, while Country B can produce a maximum of 40 hammocks or 20 looms.
- (a) What is the opportunity cost to produce a loom in terms of hammocks in Country A?
- (b) Which country, if either, has a comparative advantage in producing looms? Explain.
- (c) Internationally, if 1 loom is traded for 1.75 hammocks, who will benefit from trading: Country A only, Country B only, both countries, or neither country?
- (d) Assume there is international trade.
- Can a country produce beyond its production possibilities curve (PPC) ?
 - Can a country consume beyond its PPC?

Input or Output Questions? Determine which has absolute and comparative advantage in each and determine acceptable terms of trade:

Number of stuffed animals created per day		
	Deer	Antelope
Henry	2	6
John	24	12

Weeks to produce one		
	Car	Plane
Canada	2	10
Japan	15	5

Hours to produce 1 unit		
	Campaign Commercial	Speech
Kamala	8	2
Hillary	3	9