



**AP[®] Macro Economics
2004 Sample Student Responses
Form B**

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Write in the box the number of the question you are answering on this page as it is designated in the examination.

30

30 (a) (i) The opportunity cost of producing a unit of cloth in Newland is $\frac{1}{5}$ units of food.

(ii) The opportunity cost of producing a unit of food in Beeland is 10 units of cloth.

(b) (i) The opportunity cost of cloth production in Newland is $\frac{1}{5}$ units of food and in Beeland is $\frac{1}{10}$ units of food. Beeland has a smaller opportunity cost in producing cloth and therefore has the comparative advantage in cloth production.

(ii) The opportunity cost of food production in Newland is 5 units of cloth and in Beeland it is 10 units of cloth. Newland has a smaller opportunity cost in producing food and therefore has the comparative advantage in food production.

(c) (i) Newland

(ii) Although Beeland's productivity has tripled for both goods, the opportunity cost of food production in Newland remains $10/2 = 5$ and in Beeland remains $30/3 = 10$.

~~Beeland~~ Newland still has the comparative advantage in food production.

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Qu3.

(a)	Cloth	Food	Cloth	Food
(i) Newland	10	2 \Rightarrow N.	1	$\frac{2}{10} = 0.2$
Baeland	10	1 B.	1	$\frac{1}{10} = 0.1$

\Rightarrow Opp. cost of producing 1 unit of cloth in newland = 0.2 uni. of food

(ii)	Cloth	Food	Cloth	Food
Newland	10	2 \Rightarrow N	5	1
Baeland	10	1 \Rightarrow B	10	1

\Rightarrow opp. cost = 10 units of cloth

(b) (i) Baeland has a lower opportunity cost in the production of cloth \Rightarrow Baeland has a comparative advantage in the production of cloth.

(ii) Newland has a lower opp. cost in the production of food \Rightarrow Newland has a comparative advantage in the production of food.

(c) (i) \Rightarrow opp. cost for prod. of ~~food~~^{cloth} in Baeland now is $\frac{10}{3}$ ~~and in cloth~~ Baeland.

(ii) ~~(i)~~ Opp. cost for producing 1 unit of food is now less due to the increase in the productivity \Rightarrow Opp. cost for producing 1 unit of food now is 10 which is less than five (They are producing each product more efficiently now)

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3,

3a) i) The opportunity cost of producing a unit of cloth in Newland is 0.2 units of food.

ii) The opportunity cost of producing a unit of food in Beeland is 10 units of cloth.

b) i) Both nations production capabilities of units of cloth are equal.

ii) Beeland has a comparative advantage in food production while Newland has an absolute advantage.

c) i) ii) Newland has a comparative advantage in food production. This is due to Beeland tripling their production of food to 3 units. This means that Beeland has an absolute advantage in both food and cloth production.