

Comparative Advantage – Day 3 Questions

Econ 201/Haworth

The questions below are provided to test your understanding of this day's material.

*To receive credit for this assignment, go to Assignments and find the folder entitled Daily Questions. Inside that folder, you'll find a folder entitled Section 1. Once you're in that folder, click on the link that says **Comparative Advantage-Day 3** and complete the assignment. When you are finished, you may submit. Remember that the deadline for submitting this Day 3 Daily Question assignment is Monday, February 6, at 9:00pm.*

The Tables below correspond with questions #1-3.

The Tables below represent the Production Possibilities from two different countries, Country X and Country Y, who produce wheat and rye with constant opportunity cost.

Country X	A ₁	A ₂	A ₃	A ₄
Quantity of Wheat	0	50	75	125
Quantity of Rye	25	15	10	0

Country Y	B ₁	B ₂	B ₃	B ₄
Quantity of Wheat	0	20	60	100
Quantity of Rye	50	40	20	0

1. If Country X changes from producing at point A₃ to producing at point A₄, then the opportunity cost of each additional unit of wheat is _____
 - a. 10 units of rye
 - b. 0.2 units of rye
 - c. 5 units of rye
 - d. 2 units of rye

2. If Country Y changes from producing at point B₃ to producing at point B₂, then the opportunity cost of each additional unit of rye is _____
 - a. 2 units of wheat
 - b. 0.5 units of wheat
 - c. 20 units of wheat
 - d. 40 units of wheat

Question #3 refers to the tables on the previous page.

3. Which of the statements below is a correct statement about the comparative advantage associated with producing wheat and rye in Countries X and Y:
- a. Country X has a comparative advantage in the production of wheat
 - b. Country X has a comparative advantage in the production of rye
 - c. Country Y has a comparative advantage in the production of wheat
 - d. Country Y has a comparative advantage in the production of rye
 - e. Country X has a comparative advantage in the production of both wheat and rye
 - f. Country Y has a comparative advantage in the production of both wheat and rye
 - g. both a and d are correct
 - h. both b and c are correct
4. The negative slope of the PPC directly illustrates which of the following:
- a. that a country will operate at a point where the country maximizes net benefit
 - b. that a country has fixed rates of productivity associated with producing goods and services
 - c. that a country is incapable of producing outside of their PPC
 - d. that a country always utilizes heterogeneous factors when producing goods and services
 - e. that a country faces opportunity cost when making production-related decisions