

## Comparative Advantage – Day 3 Questions

Honors Econ 202/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 Friday, February 3, 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.

<b>Country X</b>	A <sub>1</sub>	A <sub>2</sub>	A <sub>3</sub>	A <sub>4</sub>
Quantity of Wheat	0	30	45	75
Quantity of Rye	100	60	40	0

<b>Country Y</b>	B <sub>1</sub>	B <sub>2</sub>	B <sub>3</sub>	B <sub>4</sub>
Quantity of Wheat	0	20	60	100
Quantity of Rye	50	40	20	0

1. If Country X changes from producing at point A<sub>3</sub> to producing at point A<sub>4</sub>, then the opportunity cost of each additional unit of wheat is \_\_\_\_\_
  - a. 30 units of rye
  - b. 0.75 units of rye
  - c. 5 units of rye
  - d. 1.3 units of rye
  
2. If Country Y changes from producing at point B<sub>3</sub> to producing at point B<sub>2</sub>, 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. Assume that 2 countries engage in trade, implementing the Law of Comparative Advantage. If so, then which of the following is the result of their doing so:
- a. these countries can shift their respective production possibilities curves outward
  - b. these countries can increase their consumption possibilities
  - c. these countries can consume outside of their production possibilities curve
  - d. these countries can produce outside of their production possibilities curve
  - e. the average consumer in each country can consume a greater variety of goods
  - f. all of the above are correct, except answer a
  - g. answers b, c, and e are correct