**Lab 10 Answers:**

**Q1.**

**a)**

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**c)**

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**d)**

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**e)**

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**Q4.**

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**Q6.**

**b)**

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**c)**

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**d)**

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**Q7.**

**a)**

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**Q8.**

**a)**

Peru produces more wheat and corn bushels per acre than Mexico so it has the absolute advantage in both.

**b)**

**Production:**

|  |  |  |
| --- | --- | --- |
|  | **Peru** | **Mexico** |
| **Wheat** | **90** | **75** |
| **Corn** | **60** | **45** |

**Opportunity Cost**

|  |  |  |
| --- | --- | --- |
|  | **Peru** | **Mexico** |
| **1 Bushel of Wheat** | **60/90 = 0.66 bushels of corn** | **45/75 = 0.6 bushels of corn** |
| **1 Bushel of Corn** | **90/60 = 1.5 bushels of wheat** | **75/45 = 1.66 bushels of wheat** |

**Mexico has comparative advantage in production of wheat. The opportunity cost of producing wheat in Mexico is 0.6 bushel of Corn which is less than opportunity cost of Mexico. In Peru opportunity cost of wheat is 0.66 bushel of Corn.**

**Peru has comparative advantage in producing Corn over Mexico. The opportunity cost of producing corn in Mexico is 1.66 Bushel of Wheat while in Peru it is 1.33 Bushel of Wheat.**

**c)**

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**Q9.**

**b & c)**

|  |  |  |
| --- | --- | --- |
|  | **Country 1** | **Country 2** |
| **1 ton of Dairy** | **16/4 = 4 tons of beef** | **16/20 = 0.8 tons of beef** |
| **1 ton of Beef** | **4/16 = ¼ tons of dairy** | **20/16 = 1.25 tons of dairy** |

**Q10.**

**Brazil hectares:**

* **Oats: 9000/90 = 100 hectares of oats**
* **Corn: 9000/60 = 150 hectares of corn**

**Argentina:**

* **Oats: 9000/75 = 120 hectares of Oats**
* **Corn: 9000/45 = 200 hectares of corn**

**Put points on graph for PPB for both**

**Q11.**

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**Q12.**

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**Q13.**

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**Q14.**

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**Q15.**

**Ireland creates 4/3 units of steel per unit of Wool, Japan creates 7/3 units of steel per unit of Wool**

**Q16.**

|  |  |  |
| --- | --- | --- |
|  | **India** | **Canada** |
| **1 ton of Rice** | **11/6 = 1.83 bushels of wheat** | **7/11 = 0.64 bushels of wheat** |
| **1 ton of Wheat** | **6/11 = 0.54 bushels of rice** | **11/7 = 1.57 bushels of rice** |

**India creates surplus of wheat but not enough rice so export wheat and import rice**

**Q17.**

|  |  |
| --- | --- |
|  | **Canada** |
| **1 soybean** | **11/55 = 0.2 barrels of oil** |
| **1 oil** | **55/11 = 5 bushels of soybeans** |

**Opportunity cost of 1 barrel of oil is 5 bushels of soybeans**

**Q18.**

|  |  |  |
| --- | --- | --- |
|  | **Canada** | **Mexico** |
| **1 soybean** | **10/57 = 0.18 barrels of oil** | **6/30 = 0.2 barrels of oil** |
| **1 oil** | **57/10 = 5.7 bushels of soybeans** | **30/6 = 5 bushels of soybeans** |

**For 1 oil, Mexico produces 5 bushels of soybeans, so to make it worth, it must import more than 5 bushels of soybeans to make trading worth**

**Q19.**

**24 cocoa beans = 4 cotton**

**1 cocoa bean = 4/24 (0.166) cotton**

**Q20.**

**a)**

**Find equilibrium point and qty in both respective graphs**

**b)**

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**Q21.**

**a)**

**Canada is a net exporter so restricting world supply of oil = price increase**

**Terms of trade = Price of Export / Price of Import so improve**

**b)**

**If Drought hit the Russia which reduces the production of wheat , it means now supply for the wheat will have less competition, thus Canada’s price of wheat will increase.**

**Terms of trade = Price of Export / Price of Import so improve**

**Q22.**

**a)**

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**b)**

**Cutting the price of steel they sell to Korea is favorable to Canada as they will be able to purchase same amount of steel for lower price. For Korea, they will gain less profit from steel trade so unfavourable**

**c)**

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**d)**

**If price falls, then importers will import oil for cheaper so favourable, exporters will lose profits on oil export so unfavourable**

**Q23.**

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**Q24.**

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**Q25.**

**a)**

**Find equilibrium quantity and price**

**b)**

**Find qty of supply and demand where price is located at 40$**

**c)**

**Qty of supply at 40$ (35 thousand) – Qty of demand at 40$ (25 thousand)**

**Q26.**

**Find equilibrium price and quantity and label it**

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**Locate qty of demand at 25$ and qty of supply at 25$ and find difference of them to find imported beer cases**

**Q27.**

**Price of wheat increases means that opportunity cost of wheat with cotton becomes steeper so Trade line becomes steeper**

**Venezuela is an exporter of Wheat due to its comparative advantage on wheat so an increase in the price of wheat improves the terms of trade of Venezuela thus it is better off due to the increased consumption possibilities**

**Q28.**

**At $23 mil, demand is at 80 regional jets while supply is at 50 regional jets = shortage of jets**

**To fix, it must import 80 – 50 = 30 regional jets**

**Q29.**

**f)**

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**Q30.**

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**Q31.**

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**Q32.**

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**Q33.**

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**Q34.**

**a)**

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**b)**

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**c)**

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**Q35.**

**a)**

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**b)**

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**c)**

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**Q36.**

**a)**

**Qty before tariff: Qty at Pw of D – Qty at Pw of S = 33-7 = 26**

**Qty after tariff: Qty at Pw + t of D – Qty at Pw + t of S = 25 – 14 = 11**

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**b)**

**Domestic production increases by 14 - 7 = 7 thousand**

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**c)**

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**Q37.**

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**b)**

**The money will be gained by foreign producer as they will get the share of government revenue**

**c)**

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**Q38.**

**a)**

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**b)**

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**c)**

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**Q39.**

**a)**

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**b)**

**Did not get answer ☹**

**c)**

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**d)**

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**Q40.**

**a)**

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**b)**

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**c)**

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**d)**

**New price = $90 x 1.5 = $135, which is below domestic equilibrium price, so Canada will import.**

**Domestic production at $135 (Qs) = 1.8 million**

**Domestic consumption at $135 (Qd) = 2.2 million**

**Imports = Qd - Qs = (2.2 - 1.8) million = 0.4 million**

**e)**

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**f)**

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**Q42.**

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**Q43.**

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**Q44.**

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**Q45.**

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**Q46.**

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**Q47.**

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**Q48.**

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**Q49.**

**A diagram of a price line

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Tariff collected by governement



**Q50.**

**No trade so still trading at equilibrium**

**Q51.**

**Open trade so Canada will trade at Pw where supply is located at Q1**

**Q52.**

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**Q53.**

**J + I + G + E + D represents REVENUE gained by tariff but not profit.**

**Q54.**

**a)**

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**b)**

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**Q55.**

**a)**

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Description automatically generated**

**b)**

**A screenshot of a computer screen

Description automatically generated**

**c)**

**A screenshot of a computer screen

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**d)**

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**Q56.**

**Canada imposes 5% tariff on import of cheddar cheese. However, since price is cheaper in UK and USA, it means it will import cheese from both UK and USA**

**UK price with 5% tariff: 6.00 \* 1.05 = $6.3**

**USA price with 5% tariff: 4.00 \* 1.05 = $4.20**

**Canada wont impose tariff on himself so still remain price of $8.00**

**Q57.**

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**Q58.**

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**Resources:**

* **https://quizlet.com/vn/599419398/tut-9-flash-cards/**