Unit 1 Home Learning:

Part 1: The following terms should be studied for a quiz given on the following days:

Set 1 Quiz:
A Day: 8/20
B Day: 8/21

1) Scarcity
2) Opportunity Cost
3) Marginal Analysis (Marginal Benefit/Marginal Cost)
4) Production Possibilities Curve (with Graph)
5) Functions of Economic Systems
6) Law of Increasing Costs
7) Absolute Advantage
8) Comparative Advantage
9) Specialization
10) Productive Efficiency
11) Allocative Efficiency
12) Economic Growth
13) Market Economy
14) Law of Demand/Demand Curve (graph)

Set 2 Quiz:

A Day: 8/22

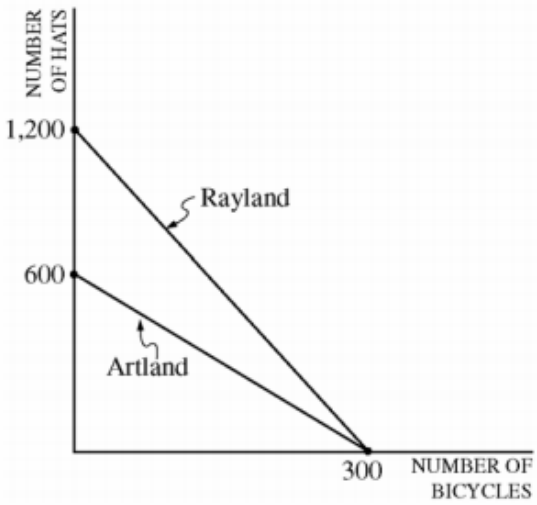
B Day: 8/25

15) Determinants of Demand (list the determinants)
16) Law of Supply/Supply Curve (graph)
17) Determinants of Supply (List the determinants)
18) Market Equilibrium (graph)
19) Disequilibrium
20) All Else Equal
21) Substitution Effect
22) Income Effect
23) Normal Goods
24) Inferior Goods
25) Substitute Goods
26) Complimentary Goods
27) Shortage (Show on graph)
28) Surplus (Show on graph)

Practice FRQs (Due date will be announced later)

Part 2: Then answer the following Free Response Questions to the best of your ability.

1.



The diagram above shows the production possibilities curves for two countries: Artland and Rayland. Using equal amounts of resources, Artland can produce 600 hats or 300 bicycles, whereas Rayland can produce 1,200 hats or 300 bicycles.

(a) Calculate the opportunity cost of a bicycle in Artland.

(b) If the two countries specialize and trade, which country will import bicycles? Explain.

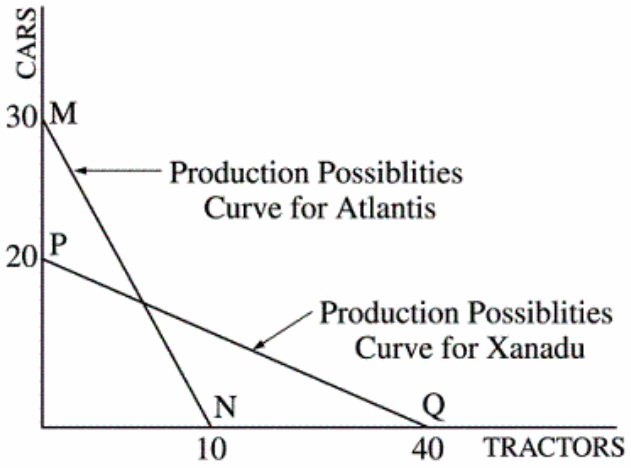
(c) If the terms of trade are 5 hats for 1 bicycle, would trade be advantageous for each of the following?

(i) Artland

(ii) Rayland

(d) If productivity in Artland triples, which country has the comparative advantage in the production of hats?

2.



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.

3.

OUTPUT PER WORKER PER DAY		
Country	Units of Cloth	Units of Food
Newland	10	2
Beeland	10	1

The table above gives the production alternatives of two nations that are producing cloth and food, using equal amounts of resources.

(a) (i) Calculate the opportunity cost of producing a unit of cloth in Newland.

(ii) Calculate the opportunity cost of producing a unit of food in Beeland.

(b) (i) Which nation has the comparative advantage in cloth production?

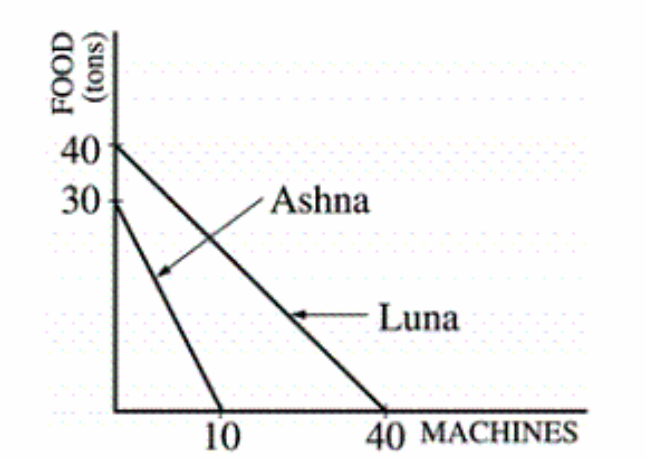
(ii) Which nation has the comparative advantage in food production?

(c) Now assume that the productivity of Beeland's workers triples for each good.

(i) Which country has a comparative advantage in food production?

(ii) Explain how you determined your answer.

4.



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.

5.

Country X and Country Y are trading partners, and both produce furnaces and solar panels. The countries can produce the following amounts using equal amounts of resources.

Country X: 6 furnaces or 8 solar panels

Country Y: 6 furnaces or 12 solar panels

(a) Which country has an absolute advantage in producing solar panels?

(b) Calculate the opportunity cost of a furnace in Country Y.

(c) Which country has the comparative advantage in producing furnaces? Explain.

(d) If the terms of trade were that 2 furnaces are exchanged for 1 solar panel, should Country X produce solar panels domestically or import solar panels from Country Y?