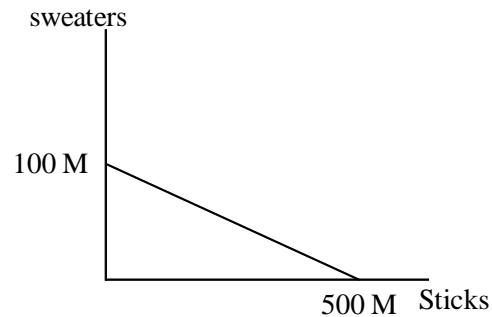


TEST #1 ANSWER GUIDE

Question	11:00 V1
1	B
2	C
3	C
4	B
5	D
6	B
7	A
8	A
9	D
10	B
11	D
12	B
13	A
14	C
15	D
16	A
17	C
18	C
19	B
20	B
21	A
22	A
23	A
24	A
25	A
26	A
27	B
28	D
29	D
30	C
31	D
32	E
33	D
34	C
35	A
36	E
37	A
38	D
39	D
40	B

Short Answer

1. a)



- b) No, Canada should not accept the offer. The new consumption point would be inside the PPF. Trade only makes sense if a country can get outside the PPF by trading (they can already consume anywhere along or inside the PPF).
2. The supply curve shifts out to the right, the demand curve shifts in to the left. Equilibrium price falls. The impact on equilibrium quantity is ambiguous.
3. The statement is normative because a value judgment is being made (the word “good” is a clue). Partial credit was given if you defined the terms “positive” and “normative”.