

AP Macroeconomics
Unit 1, Objectives 6-7
Comparative Advantage/Trade & Specialization (Chapter 3)

Directions: Answer the questions below in your notebook.

1. If Rick can mow 5 lawns or trim 10 trees in a work day, while Dave can mow 8 lawns or trim 4 trees, who should specialize in mowing lawns? Who should specialize in trimming trees? Why?

2. If Rick can mow more lawns and trim more trees than Dave, should they still trade tasks? Why or why not?

3. From each set of data below, determine the following information:

- each country's opportunity cost to produce each good
 - which country has the absolute advantage for each good
 - which country has the comparative advantage for each good
 - which country should specialize in each good
 - a fair exchange rate for trade between countries
 - a PPF for each country, including a new point reached through trade
- a) Canada can produce a car in 8 hours, the US can in 6 hours. Canada can produce a computer in 2 hours, the US can in 3 hours.
- b) Japan can produce 500 cars or 2000 computers in a day. South Korea can produce 400 cars or 2000 computers in a day.
- c) The US can produce 13 million cell phones or grow 39 million apples using 1000 workers. China can produce 12 million cell phones or grow 24 million apples with 1000 workers.