POSNACK

SCHOOL

David Posnack Jewish Day School

AP Microeconomics
Summer Assignment
2019-2020

This assignment is due the first day of classes: remember, in AP, there is NO EXCUSE for late work.

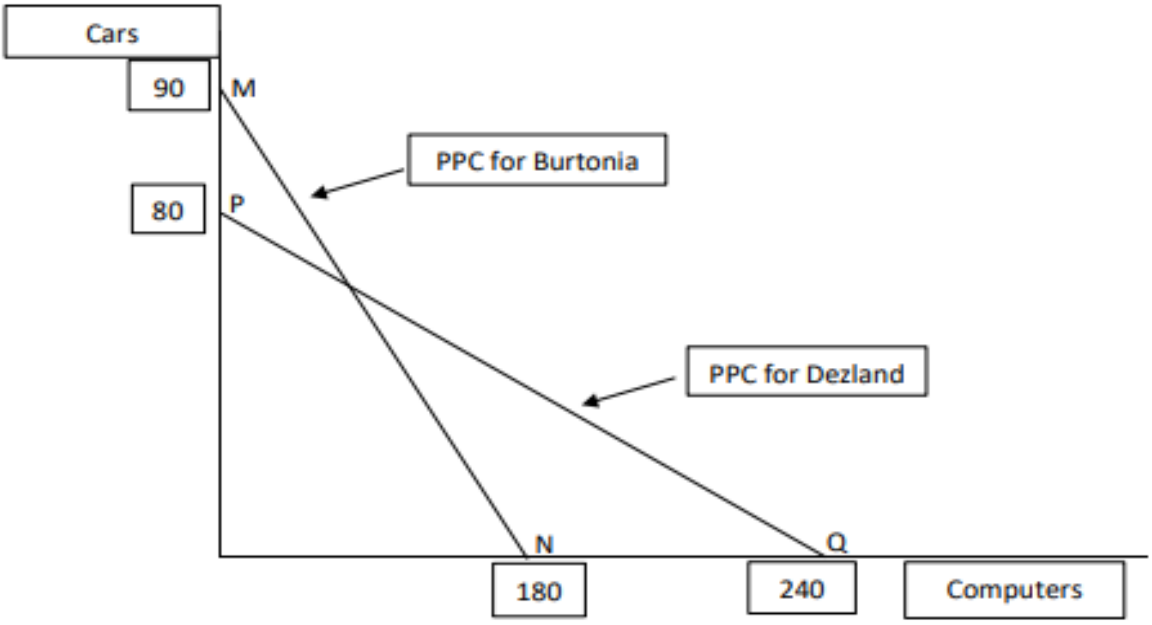
Textbook: CoreMicroeconomics by Eric Chiang, 3rd Edition

Part 1: Read Chapters 1 and 2 of your textbook. Be prepared for a summative assessment on the chapter when you return to school. The assessment will be on the second day of class and will consist of 30 multiple-choice, 10 true/false, and 10 matching questions. (50 points).

Part 2: INDEX CARDS. Create index cards with definitions of each of the terms from chapters 1 and 2 of your textbook. Your index cards MUST be handwritten and with you on the first day of class. (10 points).

Part 3: FREE-RESPONSE QUESTIONS. After reading the text and completing your index cards, complete the problems below. ANSWERS MUST BE HANDWRITTEN ON A SEPARATE SHEET OF PAPER IN ORDER TO RECEIVE CREDIT. (40 points).

Free-Response Question 1:



1) Assume that two countries, Burtonia and Dezland, have equal amounts of resources. Burtonia can produce 90 cars or 180 computers or any combination, as shown by line MN in the figure above. Dezland can produce 80 cars or 240 computers or any combination, as shown by lin PQ in the figure above.
    a. Which country has an absolute advantage in the production of computers? 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 computer, explain how Burtonia will benefit from such trade.

Free-Response Question 2:

Determining Comparative Advantage: Input Method

	Soybeans	**Avocados**
Mexico	16	8
USA	8	6

2) In order to produce 1 ton of output, Mexico and the USA require the amount of land (in acres) listed in the table above.
    a. Which country has a comparative advantage in:
        i. Soybeans
        ii. Avocados
    b. Calculate the opportunity cost of avocados in:
        i. Mexico
        ii. The US
    c. Assume the countries agree to trade at the rate of 1 soybean for 1.5 avocados. Explain why the country that imports soy beans will benefit from trade.

Free-Response Question 3:

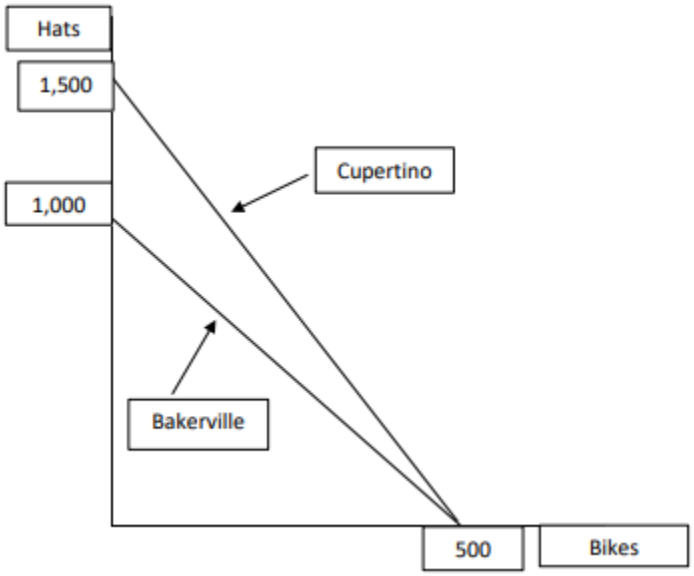
Determining Comparative Advantage: Output Method

	Units of Cloth	**Units of Food**
Newland	20	5
Oldland	20	10

3) The table above gives the production alternatives of two nations that are producing cloth and food, using equal amounts of resources.
    a. Calculate the opportunity cost of producing a unit of
        i. Cloth in Newland
        ii. Food in Oldland
    b. Which nation has the comparative advantage in
        i. Cloth production
        ii. Food production
    c. Now assume that the productivity of Oldland's workers triples for each good.

i. Which country has a comparative in food production?
ii. Explain how you determined your answer.

Free-Response Question 4:



4) The diagram above shows the production possibilities curves for two countries: Cupertino and Bakerville. Using equal amounts of resources, Bakerville can produce 1,000 hats or 500 bikes, whereas Cupertino can produce 1,500 hats or 500 bikes.
   a. Calculate the opportunity cost of a bicycle in Bakerville.
   b. If the two countries specialize and trade, which country will import bicycles? Explain.
   c. If the terms of trade are 6 hats for 1 bicycle, would the trade be advantageous for each of the following?
      i. Cupertino
      ii. Bakerville
   d. If productivity in Bakerville triples, which country has the comparative advantage in the production of hats?