



AP[®] Macroeconomics 2003 Sample Student Responses

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Write in the box the number of the question you are answering on this page as it is designated in the examination.

a) Xanadu has an absolute advantage since it can produce 40 tractors while Atlantis only 10.

b) Atlantis has a comparative advantage since it only gives up 10 tractors to produce 30 cars or $\frac{1}{3}$ of a tractor for every car it makes while Xanadu gives up 2 tractors for every car it makes.

c) Xanadu will import cars because it has a comparative advantage in tractor production while Atlantis has one in car production. When the two trade, they both become more efficient.

d) Atlantis will benefit because it can produce 30 cars, trade 10 for tractors and come out with ~~10~~ ^{cars and 10 tractors} each while if it had tried to produce 10 tractors of its own, it would not be able to produce any cars. It is simply more efficient to trade.

Write in the box the number of the question you are answering on this page as it is designated in the examination.

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a. Xanadu has a comparative advantage in the production of tractors because it only costs them $\frac{1}{2}$ of a car to produce compared to Atlantis where 1 tractor costs 3 cars to produce.

b. Atlantis has ~~the~~^a comparative advantage ~~the~~ in the production of cars because ~~their~~ their opportunity cost for 1 car is only $\frac{1}{3}$ of a truck while Xanadu's opportunity cost for 1 car is 2 tractors.

c. Xanadu will import cars because they have a comparative advantage in tractors.

d. Atlantis's opportunity cost for cars is lower per truck ($\frac{1}{3}$) than Xanadu's opportunity cost for trucks per car ($\frac{1}{2}$). Detailed below.

$$\begin{array}{l} \text{AT: } 1 \text{ Car} = \frac{1}{3} \text{ Truck} \\ \text{XA: } 1 \text{ Truck} = \frac{1}{2} \text{ Car} \end{array} \quad \left. \begin{array}{l} \left(\frac{1}{3} \text{ is less than } \frac{1}{2} \right) \\ \left(\frac{1}{2} \text{ is greater than } \frac{1}{3} \right) \end{array} \right\}$$