

Economics 1 Answer Topics

Week 2

Exercise 2.4 c.

Exercise 2.6

- Both PPFs are straight lines. For Jane both intercepts are 25. For Mark the apples-intercept is 10, the fish-intercept is 12.5.
- For Jane, $F=25-A$, $C_{F,A}=1$. For Mark, $F=12-1.25A$, $C_{F,A}=0.8$.
- Jane has absolute advantages in both goods.
- Mark has comparative advantages in fish; Jane, in apples.
- It does not change. Comparative advantage depends only on relative opportunity costs.

Exercise 2.7 b.

Exercise 2.8 Answer at the end of textbook.

Exercise 2.9 c, 2.10 b, 2.11 d

Exercise 2.12

- The PPF is a straight line with y-intercept 40, and x-intercept 20.
- Yes.
- 2.
- It shifts out. Y-intercept is now 48, the x-intercept is 24

Exercise 2.13 c.

Exercise 2.14

- The PPFs are straight lines: for France the y-intercept is 500, and x-intercept 1000; for Italy it is 270 and 900 respectively..
- France has absolute advantages in both goods; Italy has comparative advantages in wool, France in wine.
- They will benefit if France specializes in wine and Italy in wool.

Exercise 2.15 to 2.18 Answers at the end of textbook.

Exercise 2.19

- Write a table with quantities supplied and demanded for prices 10 to 20.
- 100 (thousand tons) and €50.
- $Q=70$, $p=15$.
- $Q_d=200-4p$. $Q=120$, $p=20$.

Exercise 2.20 d, 2.21 c, 2.22 a, 2.23 d, 2.24 b, 2.25 c, 2.26 b, 2.27 b.