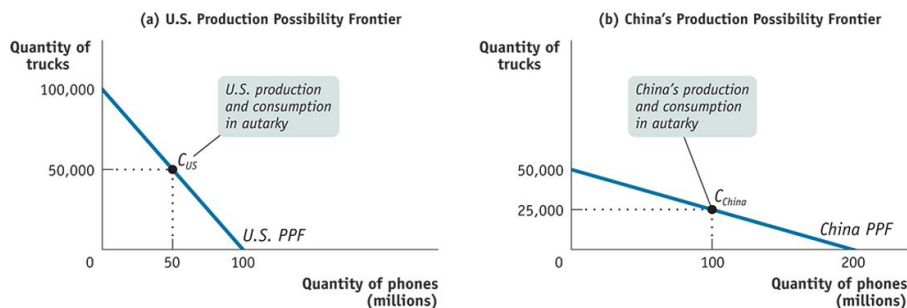


# Pop-quiz 5

EC 201

September 28, 2021

Look at the below graph and answer the following questions. Give economic reasons behind your arguments. An answer without detailed calculations and economic reasoning will get only partial credit.



1. U.S. Opportunity cost for Trucks

Answer:  $\frac{100,000,000}{100,000} = 1,000$  phones

2. U.S. opportunity cost for phones

Answer:  $\frac{100,000}{100,000,000} = \frac{1}{1,000}$  trucks

3. China Opportunity cost for Trucks

Answer:  $\frac{200,000,000}{50,000} = 4,000$  phones

4. China opportunity cost for phones

Answer:  $\frac{50,000}{200,000,000} = \frac{1}{4,000}$  trucks

5. What should U.S. specialize in producing? Why?

Answer: Trucks. Because U.S. has comparative advantage over China on producing Trucks since the opportunity cost for one Truck for the U.S (1,000 phones) is lower than that for China (4,000 phones).

6. What should China specialize in producing? Why?

Answer: Phones. Because China has comparative advantage over U.S. on producing Phones since the opportunity cost for one Phone for China ( $\frac{1}{4,000}$ ) is lower than that for U.S. ( $\frac{1}{1,000}$ ).