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## Macro Unit 1 Practice FRQs

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### FRQ #1

Country A and Country B produce the same two products, hammocks and looms. Country A can produce a maximum of 60 hammocks or 40 looms, while Country B can produce a maximum of 40 hammocks or 20 looms.

- (a) What is the opportunity cost to produce a loom in terms of hammocks in Country A?
- (b) Which country, if either, has a comparative advantage in producing looms? Explain.
- (c) Internationally, if 1 loom is traded for 1.75 hammocks, who will benefit from trading: Country A only, Country B only, both countries, or neither country?
- (d) Assume there is international trade.
  - i. Can a country produce beyond its production possibilities curve (PPC)?
  - ii. Can a country consume beyond its PPC?

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### FRQ #2

The following table shows employment data for Country Z's working-age population.

<b>Frictionally unemployed</b>	<b>1,000</b>
<b>Structurally unemployed</b>	<b>2,000</b>
<b>Employed</b>	<b>63,000</b>
<b>Not in the labor force</b>	<b>30,000</b>

- (a) Calculate the unemployment rate for Country z. Show your work.
- (b) Calculate the labor force participation rate for Country Z. Show your work.
- (c) Is Country Z currently producing at its potential real output? Explain.
- (d) Assuming constant opportunity costs, draw a correctly labeled graph of Country Z's PPC, showing consumer goods on the horizontal axis and capital goods on the vertical axis. Label a point W on the graph that reflects the current level of unemployment.

### FRQ #3

The table below shows the number of bushels of grapes or bushels of tomatoes that France and Italy can produce in one day using the same amount of resources.

	<b>Bushels of Grapes</b>	<b>Bushels of Tomatoes</b>
<b>France</b>	<b>100</b>	<b>25</b>
<b>Italy</b>	<b>100</b>	<b>50</b>

- (a) Does France, Italy, or neither nation have a comparative advantage in producing grapes? Explain.
- (b) Assume France and Italy decide to specialize and trade according to their comparative advantages, and 20 bushels of grapes are exchanged for 8 bushels of tomatoes. Are specialization and trade under these terms beneficial to both France and Italy? Explain.
- (c) Suppose the productivity of labor in the production of grapes and tomatoes in France doubles. Assuming France experiences constant opportunity cost in the production of the two products, draw a correctly labeled graph of France's production possibilities curve, with grapes on the horizontal axis and tomatoes on the vertical axis. Plot the numerical values on the graph and show the effect of doubling labor productivity.
- (d) Will the doubling of labor productivity in France change France's absolute advantage, change its comparative advantage, or change neither? Explain.