

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

3

3A

a) the opportunity cost of a bicycle in Artland is $\frac{600}{300} = 2$ hats

b) Rayland would import bicycles because it has the comparative advantage in producing hats because its opportunity cost of producing one hat is $\frac{2}{4}$ of a bicycle whereas the opportunity cost of producing one hat in Artland is $\frac{1}{2}$ of a bicycle

c)

i) trade would be advantageous for Artland

ii) trade would not be advantageous for Rayland

d) Rayland would still have the comparative advantage in producing hats because even though productivity in Artland tripled, the opportunity costs stayed the same