

Unit 1 Problem Set Rubric

Question #1

Question #1A

3 Point Total

1 Point-Define-Scarcity (the idea that we have unlimited wants, but limited resources)

1 Point-Define Tradeoffs (all the things given up when a choice is made)

1 Points- Connect the two concepts (since you cannot have everything you want you need to give up some things)

Write in the score ex: (____/3)

Question #1B

i. 3 Point Total

1 Point-Define Tradeoffs (ALL the things given up when a choice is made)

1 Point-Define Opportunity Cost (the most or BEST desirable alternative)

1 Points- Example

(ex: the trade offs of going to school are going to the beach, going to Disneyland, etc. The opportunity cost is the one best alternative)

Question #1B

ii. 3 Point Total

1 Point-Define normative (Statements that include value judgments)

1 Point-Define positive (Statements that DO NOT include value judgments)

1 Points- Example

iii. 3 Point Total

1 Point-Define Price (The amount the consumer pays)

1 Point-Define Cost (includes price and the opportunity cost)

1 Points- Example

Question #1B

iv. 3 Point Total

1 Point-Define Consumer Goods (goods created for direct consumption)

1 Point-Define Capital Goods (goods that make consumer goods)

1 Points- Example

v. 3 Point Total

1 Point-Define allocative efficiency (produce amount society wants)

1 Point-Define productive efficiency (produce the lowest cost)

1 Points- Example

Question #1B

vi. 3 Point Total

1 Point-Define Free Market (individuals own the resources and answer the 3 economic questions)

1 Point-Define Centrally Planned (government owns the resources and answers the questions)

1 Points- Examples

vii. 3 Point Total

1 Point-Define resource market

1 Point-Define product market

1 Points- Example

Question #2

Question 2: Graph

The Graph: 5 Point Total

(1point) The axes have numbers

(1point) One axis is labeled “Trucks”

(1point) The other axis is labeled “Cars”

(1point) EVERY point is plotted correctly

(1point) ALL points are labeled A,B,C,D,E,F,G

Write in the score ex: (____/5)

Question 2A

5 Point Total

- 1 Point-**At combo A, Toyota is using all the resources to make Cars
- 1 Point-**At combo G, Toyota is using all the resources to make Trucks
- 2 Point-**Neither combo is desirable
- 1 Points-** Consumers likely want trucks and cars. If Toyota only makes one or the other they are going to lose profit. Combinations A and G are likely not allocatively efficient.

Question 2B

5 Point Total

- 1 Point**-Correctly plotted and labeled point Y at 30 cars and 40 trucks
- 1 Point**-Correctly plotted and labeled point X and 40 cars and 50 trucks
- 1 Point**- Combo X is unattainable because there are not enough resources
- 1 Points**- Combo Y is inefficient because more of either goods can be produced without giving up the other.
- 1 Points**- Something

Question 2C

Opportunity Cost (2 Points)

- 1 Point-** The PPF demonstrates opportunity cost by showing exactly how much of a good is forgone when additional units of another good are being produced.
- 1 Point-** Numeric example of opportunity cost. Opportunity cost of A to B is 2 Cars

Question 2C

Efficiency (3 Points)

1 Point- Productive efficiency is demonstrated on the PPF as points on the curve. These different combinations show that the economy is using all its resources to produce the maximum amount of products

1 Point- Example. Ex: Point D

1 Point- Allocative efficiency involves making the combination of goods most desired by society. This can be demonstrated by the PPF by moving along the curve towards optimal combinations determined by society.

Question 2C

Unemployment (2 Points)

1 Point- Unemployment on the PPF is shown by any point within the curve. These points show an inefficient use of resources since more of both goods can easily be produced without giving up more of either good.

1 Point- Numerical example inside curve

Question 2C

Law of Increasing opportunity Cost (2 Points)

1 Point- The law of increasing opportunity cost can be shown using a PPF by bowing out the curve away from the origin.

When the curve is bowed out, production of additional units of one good results in increasing losses in the production of the other good.

1 Point- Example showing that opportunity cost increase.

Question 2C

Economic Growth (2 Points)

1 Point- If the graph were to shift outward there would be economic growth because more of both goods could be produced

1 Point- Example describing how the PPC can shift outward do to a change in resources (quantity or quality) or technology.

Write in the total score on the top of the cover page.

Question #3

Question 3A

A. PPF A

1 Point- Opportunity cost from A to B is 5 guns

1 Point- Opportunity cost from B to C is 5 guns

1 Point- Constant opportunity cost

2 Point- Resources are identical

Question 3B

B. PPF B

- 1 Point-** Opportunity cost from A to B is .5 guns
- 1 Point-** Opportunity cost from B to C is 1.5 guns
- 1 Point-** Opportunity cost from E to F is 15 guns
- 2 Point-** Resources are not identical.

Question 3C

C. Per Unit Opportunity Cost

2.5 Points- Per unit opportunity cost from C to E is 4 guns per unit of butter

2.5 Points- Opportunity cost from E to C is $\frac{1}{4}$ unit of butter per gun

Question #4

Practice FRQ

Question 4

Question A: 3 Points

- 1 Point-** No one has absolute advantage in the production of wheat
- 1 Point-** Country B has absolute advantage in the production of cloth, making more cloth.
- 1 Point-** Explanation: Since Country B can produce more output with the same resources they have an absolute advantage.

Question B: 5 Point Total

- 2 Points-** Country A has comparative advantage in the production of wheat, because they can produce wheat at a lower opportunity cost.
- 2 Points-** Country B has comparative advantage in the production of cloth since they can produce cloth at a lower opportunity cost.

Question 4

Question C: 2 Points

1 Point- Country B

1 Point- Country B will import wheat because they have a comparative disadvantage in the production of wheat.

Question D: 1 Point Total

1 Point - Country B will gain from trade because if they produced their own wheat it would cost 3 cloths. However they can import for 2 cloth so they gain.

Question #5

Question 5

Question A: 5 Points

2 Point-Honduras has an absolute advantage in bananas

1 Points-Explanation: Since they can produce more output with the same resources they have an absolute advantage.

1 Point-Panama has an absolute advantage in Sugarcane

1 Points-Explanation: Since they can produce more output with the same resources they have an absolute advantage.

Question B: 5 Point Total

2.5 Points- For Panama, one unit of bananas costs $\frac{1}{2}$ a sugarcane

2.5 Points-For Honduras, one unit of sugarcane costs 4 bananas

Question 5

Question C: 5 Points

1 Point- Honduras has the comparative advantage in bananas

1 Point- Panama has the comparative advantage in sugarcane

1 Point- Yes they should trade

2 Points- Panama should make Sugar and Honduras should make bananas

Question 5

Question D: 5 Points

3 Points- Terms of trade the benefits both is

1 Sugar for 3 Bananas

1 Banana for $\frac{1}{3}$ Sugar

2 Point- Panama would benefit because they would prefer trading 1 sugar for 3 bananas rather than producing bananas themselves and getting only 2 bananas for each sugar.

Write in the total score on the top of the cover page.