

Solutions

Each answer shows the steps, then the **result**.

2.1

- absolute advantage is producing more of a good with the same resources; comparative advantage is producing it at a lower opportunity cost

2.2

- 1 wheat costs $\frac{10}{20} = 0.5$ cloth

2.3

- the good in which it has the **lower opportunity cost** (comparative advantage)

3.1 B

3.2 B

3.3

(a)

- 1 cake costs 2 breads

(b)

- 1 cake costs 1 bread

(c)

- Ben — his opportunity cost of a cake (1 bread) is lower than Ann's (2 breads)