Question 2: Short — 5 points

(a)	State that Southland has a comparative advantage in producing wheat and explain that the opportunity cost of producing one bushel of wheat in Southland is 1/2 yard of cloth, which is less than the opportunity cost of producing one bushel of wheat in Northland, which is 3 yards of cloth.	**1 point**
(b)	Identify any specific number between 5 and 30 yards of cloth.	**1 point**
(c)	State no and explain that Southland's opportunity cost to produce one yard of cloth is 1.5 bushels of wheat, which is greater than Northland's opportunity cost of producing cloth, which is 1/3 of a bushel of wheat.	**1 point**
(d)(i)	State no, the market results in an inefficient allocation of resources and explain with **ONE** of the following: • The negative externality causes the marginal social cost to be greater than the marginal social benefit (MSC > MSB) at the market equilibrium. • The negative externality in production causes the marginal social cost to be greater than the marginal private cost (MSC > MPC) at the market equilibrium.	**1 point**
(ii)	State that a lump-sum tax will not change the market equilibrium price and quantity in the short run.	**1 point**
	Total for part (d)	**2 points**
	Total for question 2	**5 points**