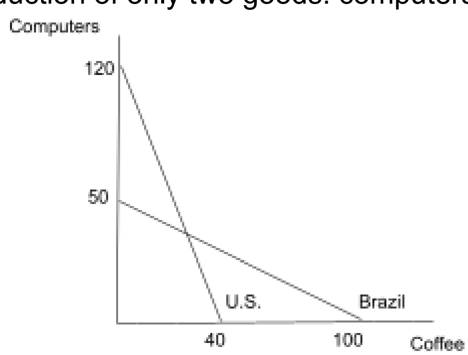
This question requires you to complete a Macro/Microeconomics FRQ focused on Comparative Advantage, Terms of Trade, and the Production Possibilities Curve. Four related video clips are presented below to provide supplemental information to help you answer the prompt.

As with all Macro/Microeconomics FRQs, you will complete four main tasks:
Make assertions about economic concepts, principles, models, outcomes, and/or effects
Explain economic concepts, principles, models, outcomes, and/or effects
Perform numerical analysis
Create graphs or visual representations

Video Clip #1: The Law of Comparative Advantage (1:17)
Video Clip #2: David Ricardo and Comparative Advantage (1:44)
Video Clip #3: Representative Marcy Kaptur (D-OH) on Trade Policy (2:07)
Video Clip #4: Free Trade and Agriculture (2:35)

Macro/Microeconomics FRQ - Short Free Response
Comparative Advantage, Terms of Trade, and Production Possibilities Curve

The graph below shows the production possibilities curve for the United States and Brazil given the production of only two goods: computers and coffee.



A. Identify the country that has absolute advantage in the production of coffee.
B. Does the United States have a comparative advantage in the production of computers? Explain using the numbers provided.
C. With trade between these two countries, who will import coffee?
D. If the terms of trade were one computer for four units of coffee, would both countries be willing to trade with one another? Explain using the numbers provided.
E. Assume that the United States imposed a tariff on trade with Brazil. Discuss the impact that this would have on the production possibilities frontier of the United States.

Macro/Microeconomics FRQ - Short Free Response
(Comparative Advantage, Terms of Trade, and Production Possibilities Curve) - 8 points

(a) One point is earned for identifying that Brazil has the absolute advantage in the production of coffee.	**1 point**
(b) One point is earned for stating that the United States has comparative advantage in the production of computers. One point is earned for explaining that the per unit opportunity cost of producing computers in the United States is lower than the per unit opportunity cost of producing computers in Brazil. This can be explained using the numbers provided given that the per unit opportunity cost of producing computers in the United States is ⅓ units of coffee, whereas the per unit cost of producing computers in Brazil is 2 units of coffee.	**2 points**
(c) One point is earned for identifying that the United States will import coffee.	**1 point**
(d) One point is earned for stating that both countries will not be willing to accept the terms of trade of one computer for four units of coffee. One point is earned for explaining that while the United States will be willing to accept this trade price, Brazil will not be willing to accept this trade price. This can be explained using the numbers provided as the opportunity cost of producing one computer in the United States is ⅓ units of coffee. Given these terms of trade, the United States would be receiving more than they give up under these terms of trade. This would benefit the United States and they would be willing to trade with Brazil. Brazil, however, would not benefit from the trade and they would not be willing to trade with the United States. This can be explained using the numbers provided as the opportunity cost of producing one computer in Brazil is 2 units of coffee. Given these terms of trade, Brazil would be giving up more than they give up by producing on their own. Since the terms of trade do not fall between both countries per unit opportunity cost the trade is not mutually beneficial to both countries and will not take place.	**2 points**
(e) One point is earned for stating that there is no change to the production possibilities of the United States. One point is earned for discussing that the productive capacity of a country is based on the factors of production (land, labor, capital) and current technology, rather than trade. While the imposition of a tariff does not alter the production possibilities of a nation, it does impact their ability to exploit the benefits of trade and specialization. These benefits would allow both countries the ability to consume outside of their production possibilities curve.	**2 points**

Additional Resources for Further Study

Bell Ringer: Friedrich Hayek and Prices in a Free Market Economy (2:18)
Bell Ringer: Trade-Offs and Cost-Benefit Analysis (2:39)
Lesson Plan: Real World Applications of the Production Possibilities Curve (4 Clips)