AP KEY GRAPH

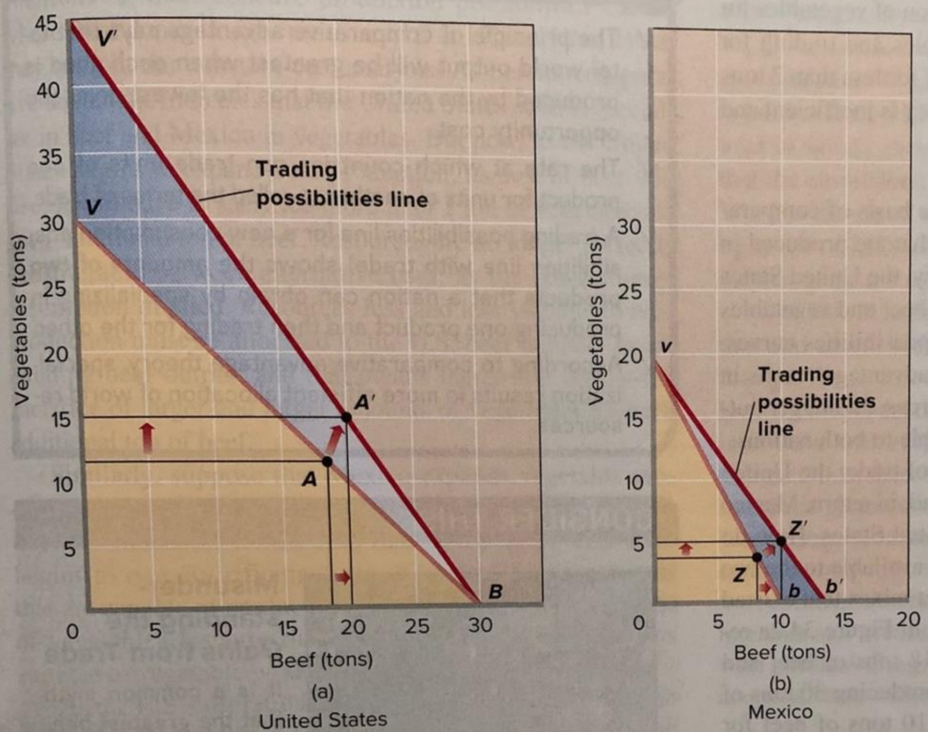

FIGURE 34.2 Trading possibilities lines and the gains from trade. As a result of specialization and trade, both the United States and Mexico can have higher levels of output than the levels attainable on their domestic production possibilities curves. (a) The United States can move from point *A* on its domestic production possibilities curve to, say, *A′* on its trading possibilities line. (b) Mexico can move from *Z* to *Z′*.

QUICK QUIZ FOR FIGURE 34.2

1. The production possibilities curves in graphs (a) and (b) imply:
   a. increasing domestic opportunity costs.
   b. decreasing domestic opportunity costs.
   c. constant domestic opportunity costs.
   d. first decreasing, then increasing domestic opportunity costs.
2. Before specialization, the domestic opportunity cost of producing 1 unit of beef is:
   a. 1 unit of vegetables in both the United States and Mexico.
   b. 1 unit of vegetables in the United States and 2 units of vegetables in Mexico.
   c. 2 units of vegetables in the United States and 1 unit of vegetables in Mexico.
   d. 1 unit of vegetables in the United States and $\frac{1}{2}$ unit of vegetables in Mexico.
3. After specialization and international trade, the world output of beef and vegetables is:
   a. 20 tons of beef and 20 tons of vegetables.
   b. 45 tons of beef and 15 tons of vegetables.
   c. 30 tons of beef and 20 tons of vegetables.
   d. 10 tons of beef and 30 tons of vegetables.
4. After specialization and international trade:
   a. the United States can obtain units of vegetables at less cost than it could before trade.
   b. Mexico can obtain more than 20 tons of vegetables, if it so chooses.
   c. the United States no longer has a comparative advantage in producing beef.
   d. Mexico can benefit by prohibiting vegetables imports from the United States.

Answers: 1. c; 2. b; 3. c; 4. a