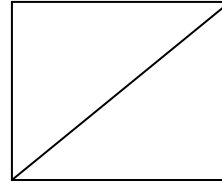




HWA CHONG INSTITUTION (High School Section)
INTEGRATED HUMANITIES
SEC. 3 PPE
TOPIC : INTRODUCTION TO PPE
PRE-READING QUIZ (1)



Name : _____

Class : 3/ _____

Date : _____

Assumptions:

1. There are 2 countries in the scenario, USA and China.
2. Both countries produce Jeans and Toys
3. Both have equal amount of resources (10 units) in producing their respective goods (5 for jeans and 5 for toys).
4. There is perfect factor mobility, i.e. resources in the production of jeans can be diverted to the production of toys directly.

Given the above assumptions, we can conclude that 1 units of resource is able to produce 40 units of jeans and 400 units of toys in USA. In China, 1 unit of resource is able to produce 20 units of jeans and 300 units of toys.

Table 1: Production Possibilities before specialization

	Jeans (units)	Toys (Units)
USA	200	2000
China	100	1500
Total Output	300	3500

Can trade exist between USA and China under the Law of Absolute Advantage? ___ (1m)

Calculate the respective opportunity cost of production:

Table 3: Opportunity Cost

	Jeans (units)	Toys (Units)
USA		
China		

Table 4: Under conditions of complete specialization

	Jeans (units)	Toys (Units)
USA		
China		
Total Output		

Table 5: Under conditions of partial specialization

	Jeans (units)	Toys (Units)
USA		
China		
Total Output		