Absolute Advantage

US	
Bread	**Wine**
100	0
80	10
60	20
40	30
20	40
0	50

FRANCE	
Bread	**Wine**
15	0
12	12
9	24
6	36
3	48
0	60
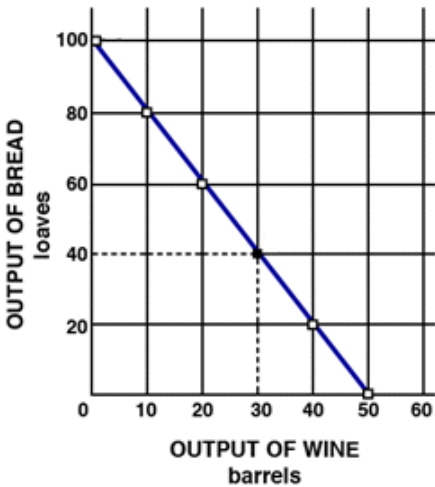
Use the production possibilities curves to answer the following questions. Assume that each country has constant costs and the same size labor force (number of resources).

Assume that **before** specialization the US is producing 40 bread (B) and 30 wine (W) and France is producing 9B and 24W. Record their production, and the total production, on the table below.

Who has an absolute advantage in Bread? _____ Wine? _____

Assume both countries **specialize** 100% according to their **<u>absolute advantage</u>**. Record their production, and total production, on the table below.

Now assume they **exchange** 40 bread for 30 wine. Record the <u>amounts they have now</u> on the table below.

BEFORE

	B	W
US		
Fr		
total		

SPECIALIZATION

	B	W
US		
Fr		
total		

EXCHANGE

	B	W
US		
Fr		
total		

What are the gains from specializing? _____ (How much more was produced?)
Indicate on the graphs the quantities that they have after specialization and trade.

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Comparative Advantage

US	Bread	Radios
	100	0
	80	5
	60	10
	40	15
	20	20
	0	25
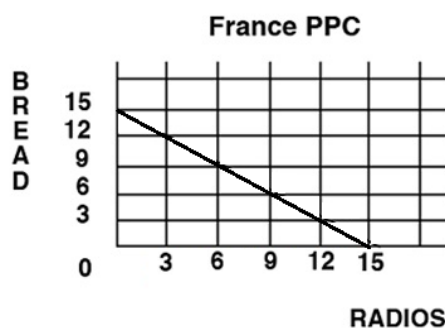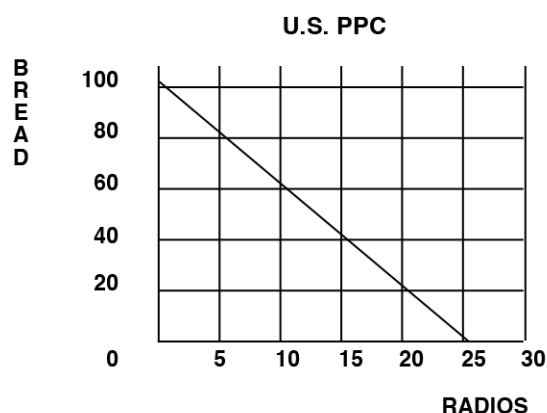
FRANCE	Bread	Radios
	15	0
	12	3
	9	6
	6	9
	3	12
	0	15

U.S. PPC

France PPC

Use the production possibilities curves to answer the following questions. Assume that each country has constant costs and the same size labor force (number of resources).

Assume that **before** specialization the US is producing 60 bread (B) and 10 radios (R) and France is producing 12 bread and 3 radios. Record their individual production, and the total production, on the table below.

Who has an absolute advantage in Bread? _____ Radios? _____

Assume both countries **specialize** 100% according to their **comparative advantage**. Record their production, and the total production, on the table below. NOTE: you need to calculate the opportunity costs so that you can find which country has a comparative advantage in which product.

Now assume they **exchange** 30 bread for 10 radios. Record the amounts they have now on the table below.

BEFORE	B	R
US		
Fr		
total		

SPECIALIZATION	B	R
US		
Fr		
total		

EXCHANGE	B	R
US		
Fr		
total		

What are the gains from specializing? _____ (How much more was produced?)

Indicate on the graphs the quantities that they have after specialization and trade.