ECON 1210: Oppgaver til forelesningen 08.09.06 – del 2

Tema: Internasjonal handel. Absolutte og komparative fortrinn

Table 1 gives the number of worker hours needed to make a ton of candy or a ton of beef in Argentina and Brazil. For example, 2 hours of labour employed in Argentina always yields either 1/2 ton of candy or 1 ton of beef.

Table 1

	Candy	Beef
Argentina	4	2
Brazil	5	3

(a)   Does Argentina have an absolute advantage in any good?

(b)   What is the opportunity cost in Argentina of producing one additional ton of beef?

(c)   What is the opportunity cost in Brazil of producing one additional ton of beef?

(d)   In which good does Argentina have a comparative advantage and why?

(e)   In which good does Brazil have a comparative advantage and explain why?

(f)   Suppose Argentina and Brazil each has available 120,000 person-hours to use in candy and beef production. If they do not trade with one another but allocate half of their labor time to candy production and half to beef production, how much will each produce and what is total candy and beef production?

(g)   Now suppose Argentina and Brazil trade with each other. They each still have 120,000 person-hours to use in candy and beef production. Brazil puts all of its person-hours to the good it holds a comparative advantage in. Argentina devotes most of its person-hours to beef but still produces some candy; this is called incomplete specialization. Specifically, Argentina uses 104,000 person-hours in beef production and 16,000 person-hours in candy production. What is total candy and beef production?