

Comparative Advantage Practice Problems

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For each of the following problems, answer (a) what is the equation of the PPF (expressed with the first good on the horizontal axis and the second good on the vertical axis) for each person? (b) what are each person's opportunity costs? (c) who should specialize in producing what? (d) what will the range of prices be for each good?

1. Bob and Ann can each gather bananas and/or fish. Currently, Bob is collecting 50 bananas and 15 fish; Ann is collecting 30 bananas and 15 fish. If Bob spends all of his time, he can collect 100 bananas or 30 fish. If Ann spends all of her time, she can collect 60 bananas or 30 fish.
2. Gondor and Rohan can each produce oil and linen. Currently, Gondor is producing 250 barrels of oil and 100 units of linen; Rohan is producing 150 barrels of oil and 50 units of linen. If Gondor devotes all of its resources, it can produce 500 barrels of oil or 200 units of linen. If Rohan devotes all of its resources, it can produce 300 barrels or oil or 100 units of linen.
3. Casterly Rock and Highgarden can each produce gold and wheat. Currently, Casterly Rock is producing 100 gold and 50 wheat; Highgarden is producing 60 gold and 40 wheat. If Casterly Rock devotes all of its resources, it can produce 200 ounces of gold or 100 bushels of wheat. If Highgarden devotes all of its resources, it can produce 120 ounces of gold or 80 bushels of wheat.
4. Japan and Ireland can each produce fish and cars. Japan is currently producing 1000 fish and 100 cars; Ireland is currently producing 2000 fish and 200 cars. If Japan devotes all of its resources, it can produce 2,000 fish or 200 cars. If Ireland devotes all of its resources, it can produce 6,000 fish or 300 cars.
5. The planet Gallifrey and the planet Skaro can each produce Tardises and sonic screwdrivers. Gallifrey is currently producing 50 Tardises and 100 Sonic Screwdrivers; Skaro is currently producing 20 Tardises and 50 Sonic Screwdrivers. If Gallifrey devotes all of its resources, it can produce 75 Tardises, or 300 sonic screwdrivers. If Skaro devotes all of its resources, it can produce 30 Tardises or 150 sonic screwdrivers.