

Notes on economics

[Economics](#)



The following table shows output per hour for Martha and Stewart who make gift baskets and potholders: (a) What is the opportunity cost of a gift basket for Martha? What is the opportunity cost of a gift basket for Stewart? Who has a comparative advantage in producing gift baskets? How can you tell? (b) What is the opportunity cost of a potholder for Martha? What is the opportunity cost of a potholder for Stewart? Who has an absolute advantage in producing potholders? Who has a comparative advantage in producing potholders? Notes on Economics By optometrist Both produce fruit and timber.

Each island has a labor force of 1, 200. The table below gives production per month for each worker in the country: (a) Which country has an absolute advantage in the production of fruit? Which country has an absolute advantage in the production of timber? (b) Which country has a comparative advantage in the production of fruit? Of timber? (c) Sketch the production possibility frontiers for both countries. (d) If both countries desired to have equal numbers of feet of timber and baskets of fruit, how would they allocate worker to the two sectors? (e) Show that specialization and trade can move both countries beyond their produce-