

# [Which country has the comparative advantage in the production of gadgets?](https://assignbuster.com/which-country-has-the-comparative-advantage-in-the-production-of-gadgets/)

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To find the answer to this question, use the formula given in problem (5) and substitute in the values that you are given in this question. Thus, the percentage change in foreclosures in Dane County between 2000 and 2010 is equal to [(1768 - 282)/282] \* 100 or approximately 530%. (This is a huge increase by historical standards. ) 8. Italy can produce 40 pairs of shoes and O leather handbags or O pairs of shoes and 50 leather handbags or any combination that lies on the straight line between these two given combinations. Croatia can produce 20 pairs of shoes and O leather handbags or O pairs of shoes and 20 leather handbags.

Assume that Italy and Croatia have the same level of resources to use in the production of shoes and handbags. . Which country has the absolute advantage in the production of leather handbags? Italy has the absolute advantage in the production of leather handbags since it can produce more handbags from its available resources than can Croatia. B. Which country has the absolute advantage in the production of shoes? Italy has the absolute advantage in the production of shoes since it can produce more shoes from its available resources than can Croatia. C.

Which country has the comparative advantage in the production of leather One leather handbag costs Italy 4/5 of a pair of shoes to produce while it costs Croatia 1 pair of shoes. Since Italy can produce the leather handbag at lower opportunity cost than can Croatia, Italy has the comparative advantage in handbag production. D. Which country has the comparative advantage in the production of shoes? One pair of shoes costs Italy 5/4 leather handbags to produce while it costs Croatia 1 leather handbag. Since Croatia can produce the pair of shoes at lower opportunity cost than can Italy, Croatia has the comparative advantage in shoe e.

Suppose Italy is currently producing on its production possibility frontier and it is making 35 pairs of shoes. Suppose Croatia is currently producing on its production possibility frontier and it is making 15 leather handbags. Calculate the total number of pairs of shoes and leather handbags that these two countries are currently making. Perhaps the simplest way to solve this problem is to draw the production possibility frontiers for the two countries and then write equations for these two linear production possibility frontiers.

If you do this, then Italy's APP is given by the equation S = 40 - (4/5)H where S is pairs of shoes and H is leather handbags. Croatian APP is given by the equation S = 20 - H. Thus, if Italy is producing 35 pairs of shoes and is on its APP, this then implies that Italy must be producing 6. 25 leather handbags. Similarly, if Croatia is producing 15 leather handbags, then this implies that it is producing 5 pairs of shoes since we are told that Croatia is producing on its APP. Thus, the total number of pairs of shoes being produced is equal to 40 and the total number of leather handbags being produced is equal to 21. 5. F. Given the production in part (e), can you suggest how total production of these two goods can be increased? In your answer be sure to provide numerical values to purport your position. Decreases its production of handbags: that is, both countries should specialize according to their comparative advantage. Your numerical answers will vary but here is one possible illustration of the gains to be had from specialization and then trade. Initial Situation: 135 I Pairs of Shoes 16. 25 I I Total Production A Superior Situation: 40 I Leather Handbags I Croatia 121. 5 I Croatia 125 15 120 Iloyalty115 10 g. What is the range of prices in terms of leather handbags that 5 pairs of shoes will trade for? Since Italy's opportunity cost of producing a pair of shoes is 5/4 leather handbag ND Croatian opportunity cost of producing a pair of shoes is 1 leather handbag, then Croatia is always willing to trade a pair of shoes anytime it can get more than 1 leather handbag and Italy is willing to buy a pair of shoes anytime it can purchase them for less than 1. 5 leather handbags. Thus, the trading range for one pair of shoes will fall between 1 leather handbag and 1. 25 leather handbags. But, we want to know the trading range for 5 pairs of shoes so we can multiply the trading range we Just calculated by 5 to get a range of prices for 5 pairs of shoes between 5 leather handbags and 6. 5 leather handbags. H. What is the range of prices in terms of pairs of shoes that 2 handbags will trade for?

Since Italy's opportunity cost of producing one leather handbag is 4/5 pair of shoes and Croatian opportunity cost of producing one leather handbag is 1 pair of shoes, then Italy is always willing to trade a leather handbag anytime it can get more than 4/5 pair of shoes and Croatia is willing to buy a leather handbag anytime it can purchase it for less than 1 pair of shoes. Thus, the trading range for one leather handbag will fall between . 8 pairs of shoes and 1 pair of shoes.

But, we want to know just calculated by 2 to get a range of prices for 2 leather handbags between 1. 6 pairs of shoes and 2 pairs of shoes. 9. You are given the following information about the US and China's ability to produce widgets and gadgets. Assume that both countries have 300 hours of labor available that can be used to produce either widgets or gadgets. I I Labor Needed to Produce One Widget 12 hours of labor I China 110 hours of labor I Labor Needed to Produce One Gadget 13 hours of labor 115 hours of labor a.

From the above table and the information you have been given, what is the axiom amount of widgets that China can produce? The maximum amount of widgets that China can produce is 30 since China has 300 hours of labor that it could use for widget production and each widget costs 10 hours of labor to produce. B. From the above table and the information you have been given, what is the maximum amount of widgets that the US can produce?

The maximum amount of widgets that the US can produce is 150 since the US has 300 hours of labor that it could use for widget production and each widget costs 2 hours of labor to produce. C. Write an equation for China's APP assuming that gadgets (W) are measured on the Y-axis and gadgets (G) are measured on the X-axis. Write your equation in slope intercept form. If China uses all of her available labor to produce widgets it can produce 30 widgets. If China uses all of her available labor to produce gadgets it can produce 20 gadgets.

If you plot these production possibilities on a graph this will enable you to quickly see that the slope of the linear APP is -3/2 and that the Y-intercept is 30. Thus, the equation for China's APP can be written as W = 30 - (3/2)G. D. Write an equation for the Use's APP assuming that widgets (W) are measured n the Y-axis and gadgets (G) are measured on the X-axis. If the US uses all of her available labor to produce widgets it can produce 150 widgets. If the US uses all of her available labor to produce gadgets it can produce 100 gadgets.

If you plot these production possibilities on a graph this will enable you to quickly see that the slope of the linear APP is -3/2 and that the Y-intercept is 150. Thus, the equation for the Use's APP can be written as W = 150 - (3/2)G. E. Which country has the comparative advantage in the production of widgets? Neither country has the comparative advantage in the production of widgets: it sots China 2/3 gadget to produce a widget and it costs the US 2/3 gadget to produce a widget. F.

Which country has the comparative advantage in the production of gadgets? Neither country has the comparative advantage in the production of gadgets: it costs China 3/2 widget to produce a gadget and it costs the US 3/2 widget to produce a gadget. G. What is the range of prices for one widget in terms of gadgets? Since there is no difference in the opportunity cost of producing the two goods in the two countries there will be no gains from specialization and trade. H. What is the range of prices for 10 gadgets in terms of widgets?