

Two countries (Veggieland and Fruitland) are trying to decide if they should trade with each other. Below are their Production Possibilities Tables for the each country's domestic production of Artichokes and Bananas.

| Veggieland Production Possibilities Table |                         |      |      |      |      |      |
|---|-------------------------|------|------|------|------|------|
|   | Production Alternatives |      |      |      |      |      |
| Product                                   | A                       | B    | C    | D    | E    | F    |
| Artichokes                                | 10000                   | 8000 | 6000 | 4000 | 2000 | 0    |
| Bananas                                   | 0                       | 500  | 1000 | 1500 | 2000 | 2500 |

| Fruitland Production Possibilities Table |                         |      |      |      |      |      |
|--|-------------------------|------|------|------|------|------|
|  | Production Alternatives |      |      |      |      |      |
| Product                                  | T                       | U    | V    | W    | X    | Y    |
| Artichokes                               | 5000                    | 4000 | 3000 | 2000 | 1000 | 0    |
| Bananas                                  | 0                       | 1500 | 3000 | 4500 | 6000 | 7500 |

- a) Who has an absolute advantage in Artichokes? In Bananas?
- b) Graph the two Production Possibilities Tables on the same graph. Label each point with the corresponding letter.
- c) What are the two countries' comparative cost ratios?
- d) Could a trade agreement be reached that would be beneficial for both countries? What should each specialize in? Explain.
- e) Assuming a trade agreement can be reached, would a trade on the terms of 1 Artichoke for 1 Banana be beneficial to both? Explain.
- f) Before trading, Veggieland was producing at point C while Fruitland was producing at point W. What will each country gain from this trade (1 Artichoke  $\equiv$  1 Banana)? Explain and show all work.