

Answer on Question 65509 -Economics - Microeconomics

You are required to include a production possibility frontier for each country in your paper. As well, you will need to answer a few questions

What would be the production possibility frontiers for Brazil and the United States? Without trade, the United States produces AND CONSUMES 32,500 units of clothing and 125,000 cans of soda.

Without trade, Brazil produces AND CONSUMES 50,000 units of clothing and 25,000 cans of soda.

Denote these points on each COUNTRY's production possibility frontier.

Using what you have learned and any independent research you may conduct, which product should each country specialize in, and why?

Answer.



In accordance with the concepts of absolute and comparative advantages USA should specialize in soda production (1 can of soda costs here $32,5/125=0.26$ units of clothing, and in Brazil it costs $50/25=2$ units of clothing).

Brazil should specialize in clothing production (1 unit of clothing costs here $25/50=0.5$ can of soda, and in USA it costs $125/32,5=3.85$ cans of soda).