Answer on Question 67482 -Economics - Microeconomics

Two Canadian workers, Adam and Karina, can each produce stoves or coffee. Adam can produce either 50 kg of coffee or 1 stove per month. Karina can produce either 160 kg of coffee or 1 stove per month. (Note: Please be sure to be as accurate as possible and to round your answers to two decimal places).

a) Plot Canada's production possibilities curve by plotting at least 3 points on the curve.

Vertical (Coffee): 0-40-80-120-...
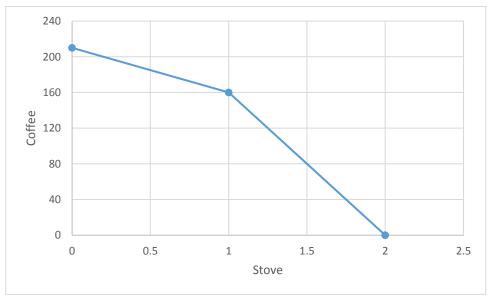
Horizontal (Stoves): 0-0.5-1-...

b) How much of each good is produced if each worker specializes according to comparative advantage?

Stoves = ?

Coffee = ?

Answer.

a) Canada produces either 210 kg of coffee (50+160) and no one stove, or 2 stoves (1+1) and no one kg of coffee. If Canada has to produce both products, it produces 1 stove and maximum 160 kg of coffee.

b) If each worker specializes according to comparative advantage (Karina- coffee, Adam – stoves), Canada will produce 1 stove and 160 kg of coffee.