

## Comparative Advantage / Production Possibilities

The tables below show the production possibilities for two hypothetical countries, Italia and Nire.

Italia		Nire	
Guns	Butter	Guns	Butter
12	0	16	0
8	2	12	1
4	4	8	2
0	6	4	3
		0	4

Which country has the absolute advantage in producing butter?

Which country has the absolute advantage in producing guns?

Which country has the comparative advantage in producing butter?

Which country has the comparative advantage in producing guns?

In Nire, the opportunity cost of obtaining the first unit of guns is how many units of butter?

In Italia, the opportunity cost of obtaining the first two units of butter is how many units of guns?

What would be a mutually agreeable rate of exchange between the countries?