

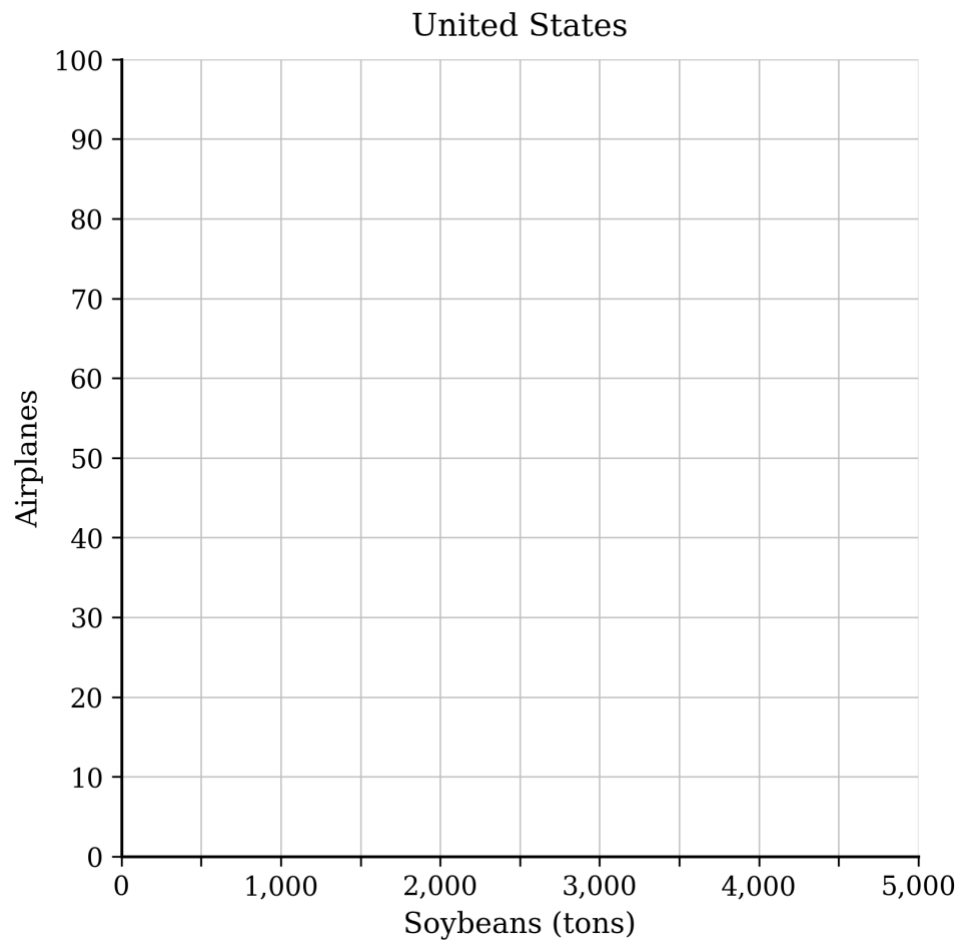
Production Possibility Frontiers and Trade

United States Production Schedule

1. U.S. has 50,000 total labor hours
2. 1 airplane requires 500 labor hours
3. 1 ton of soybeans requires 10 labor hours

Point	Labor Hours for Airplanes	Labor Hours for Soybeans	Airplanes Produced	Soybeans Produced
A	50,000			
B	40,000			
C	25,000			
D	10,000			
E	0			

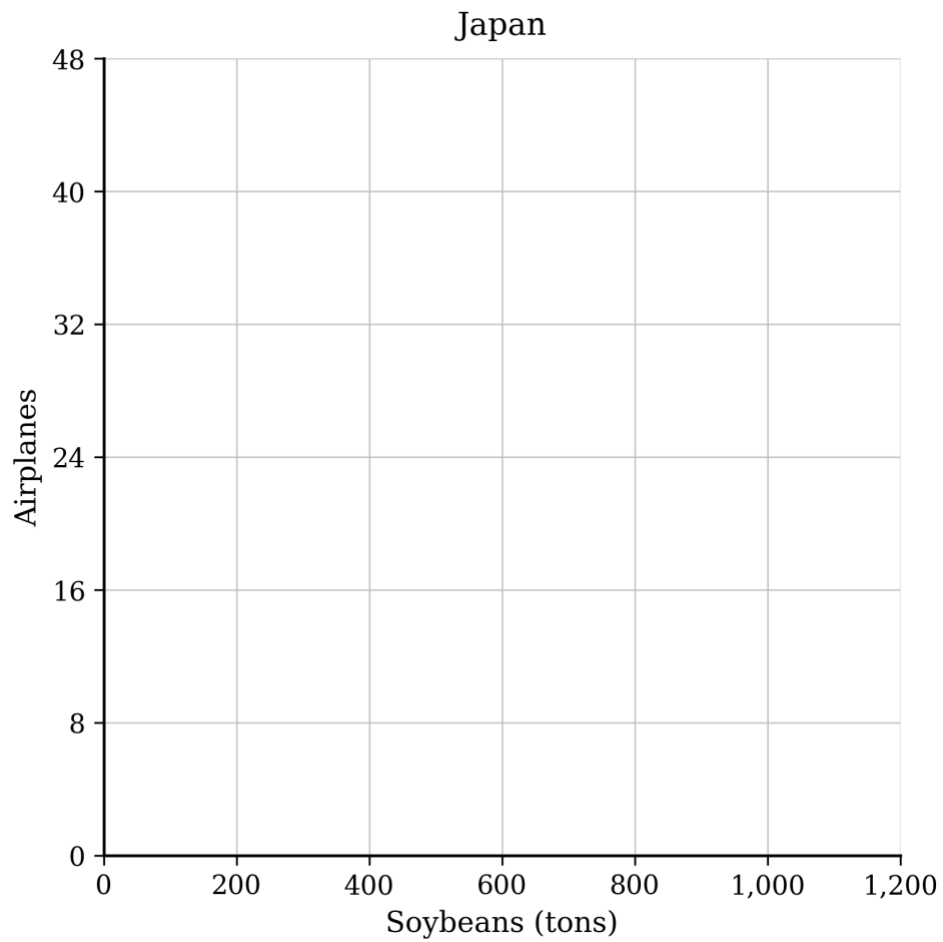
United States Production Possibility Frontier



Japanese Production Schedule

1. Japan has 30,000 total labor hours
2. 1 airplane requires 625 labor hours
3. 1 ton of soybeans requires 25 labor hours

Point	Labor Hours for Airplanes	Labor Hours for Soybeans	Airplanes Produced	Soybeans Produced
A	30,000			
B	25,000			
C	15,000			
D	5,000			
E	0			

Japanese Production Possibility Frontier

Absolute Advantage

		U.S.	Japan
Cost to Produce	Soybeans		
	Airplanes		

Opportunity Cost and Comparative Advantage

For the U.S.:

To produce 1 airplane, the U.S. gives up:

To produce 1 ton of soybeans, the U.S. gives up:

For Japan:

To produce 1 airplane, Japan gives up:

To produce 1 ton of soybeans, Japan gives up:

		U.S.	Japan
<i>Opportunity</i> Cost to Produce	Soybeans		
	Airplanes		