

Substitute for question 16, p. 39:

Using Case II (Japan can produce either 4 corn or 3 wine, Korea either 1 corn or 2 wine per day)

- Calculate the MRT for each country
- Calculate the range of terms of trade
- Assume Japan produces only corn (4 bushels/day) and Korea produces only wine (2 bottles/day). Japan trades 2 corn for 1 wine.
- How much corn and wine does Japan end up with for consumption? Korea?
- Compare a case of autarky where each country devotes half its efforts to corn and half to wine, i.e. Japan makes 2 corn and 1.5 wine, Korea makes 0.5 corn and 1 wine
- Calculate the gains from trade (compare consumption with trade versus consumption with autarky)