Output per worker per day

|  |  |  |
| --- | --- | --- |
| worker | Unit of hair care products | Unit of hot combs |
| Addie Monroe | 60 | 20 |
| Madame CJ Walker | 20 | 40 |

Assume the two ladies above are producing with equal amounts of resources.

1. Which person has an absolute advantage in the production of hot combs? Explain how you determined your answer.
2. Which person has the comparative advantage in hair care production? Using the concept of opportunity cost, explain how you determined your answer
3. If the two individuals specialize and trade with each other, who will import hot combs? Explain why?
4. Now assume that the terms of trade is 1 hot comb =5 hair care products. Who is hurt the most by these terms of trade?
5. Give an acceptable term of trade: (Go back to the video on the comparative notes and the home page to help you out)