

## Practice for fun ☺

1. Two important industries on the island of Bermuda are fishing and tourism. According to the data from the World Resources Institute and the Bermuda Department of Statistics, in the year 2000 the 307 registered fishermen in Bermuda caught 286 metric tons of marine fish. And the 3,409 people employed by hotels produced 538,000 hotel stays (measured by the number of visitor arrivals). Suppose that this production point is efficient in production. Assume also that the opportunity cost of one additional metric ton of fish is 2,000 hotel stays and that this opportunity cost is constant. (the opportunity cost does not change).
  - a. If all 307 registered fishermen were to be employed by hotels (in addition to the 3,409 people already working in hotels), how many hotel stays could Bermuda produce?
  - b. If all 3,409 hotel employees were to become fishermen (in addition to the 307 fishermen already working in the fishing industry), how many metric tons of fish could Bermuda produce?
  - c. Draw a production possibility frontier for Bermuda, with fish on the horizontal axis and hotel stays on the vertical axis, and label Bermuda's actual production point for the year 2000.
  
2. According to the U.S. Census Bureau, in July 2006 the United States exported aircraft worth \$1 billion to China and imported aircraft worth only \$19,000 from China. During the same month, however, the United States imported \$83 million worth of men's trousers, slacks, and jeans from China but exported only \$8,000 worth of trousers, slacks, and jeans to China. Using what you have learned about how trade is determined by comparative advantage, answer the following questions.
  - a. Which country has the comparative advantage in aircraft production? In production of trousers, slacks, and jeans?
  - b. Can you determine which country has the absolute advantage in aircraft production? In production of trousers, slacks, and jeans?