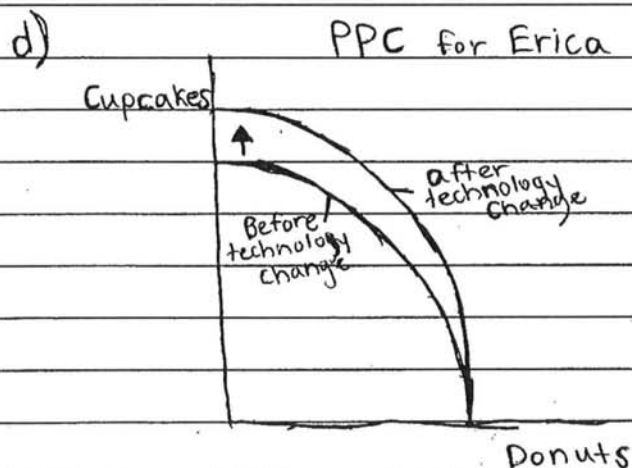


a) John has the absolute advantage in producing Donuts because he can produce 200 donuts in one day compared to Erica's 150 donuts in one day.

b) Erica has the comparative advantage in producing donuts because in order for her to produce 1 donut she ~~gives up~~ only gives up the opportunity to produce  $\frac{1}{3}$  of a cupcake, but in order for John to produce 1 donut he has to give up the opportunity of producing half of a cupcake.

c) John would produce cupcakes and Erica would produce donuts

- i) Specialization and trade are beneficial to John
- ii) Specialization and trade are not beneficial to Erica



GO ON TO THE NEXT PAGE.