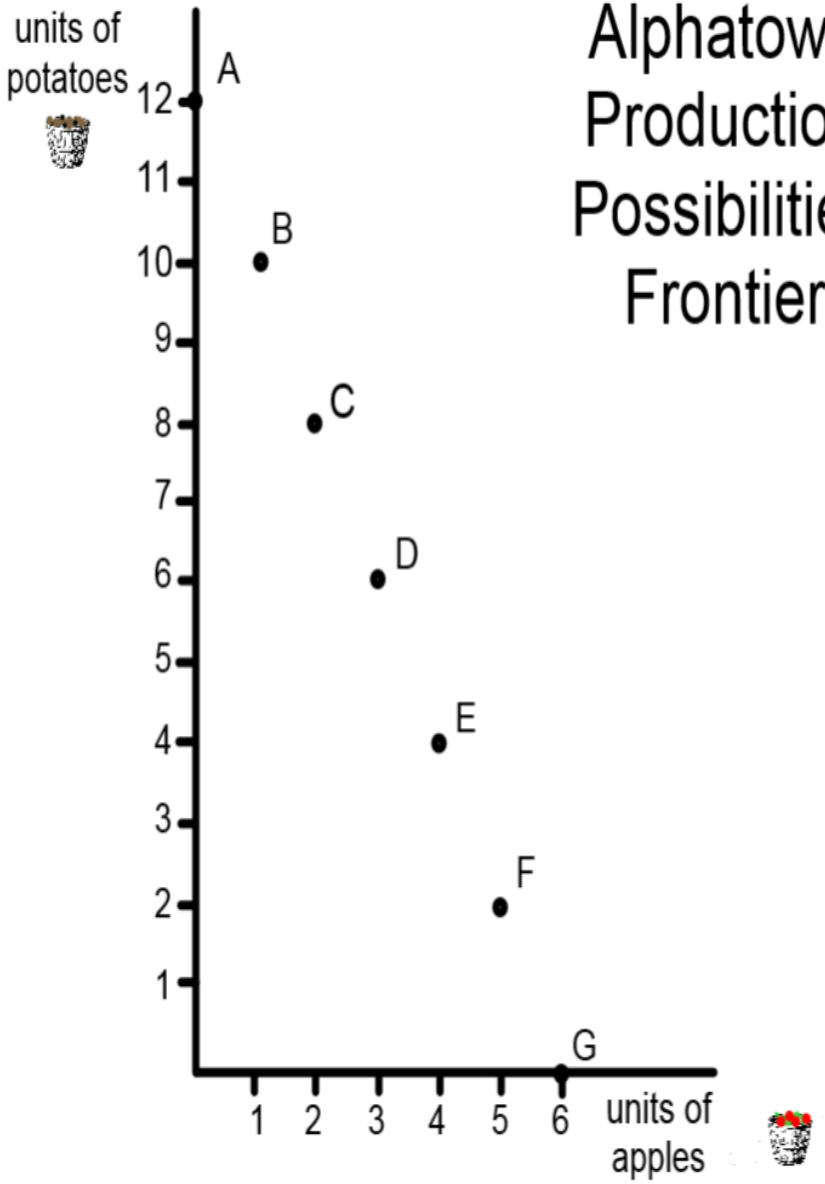
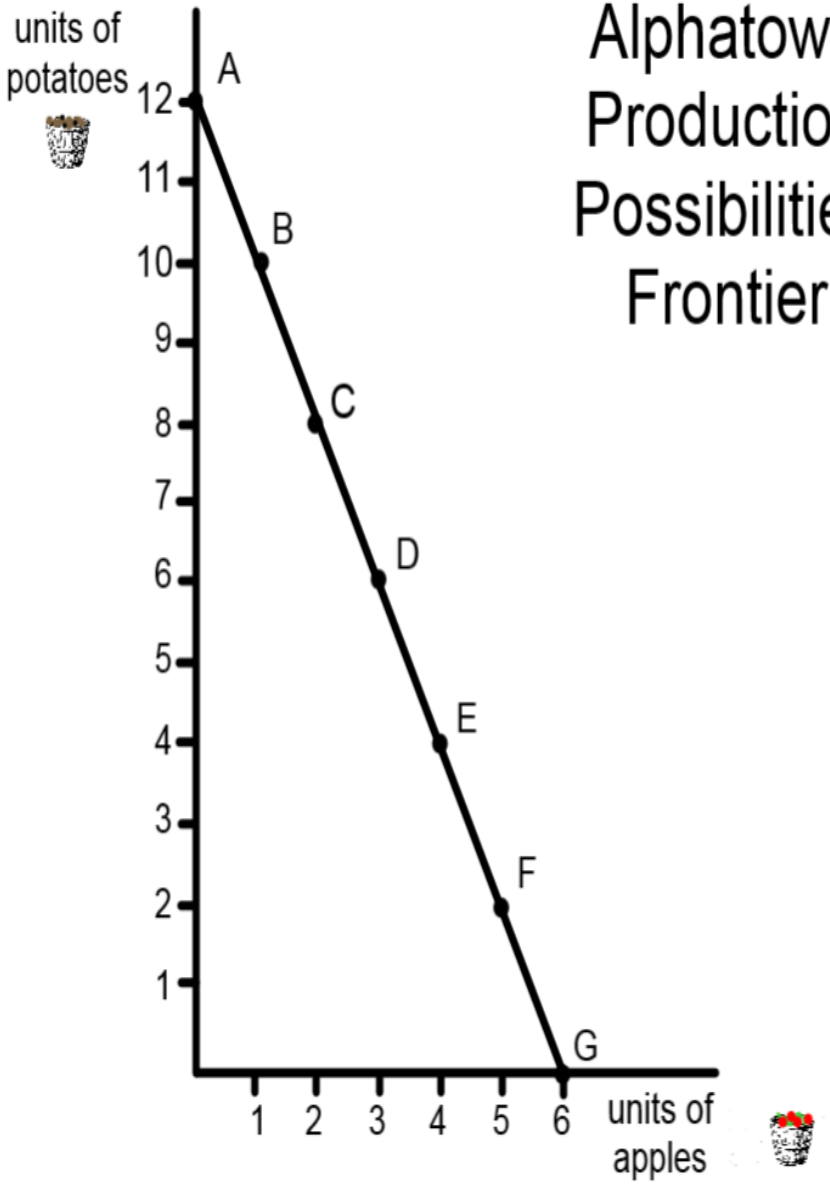
Slide 2 presents Alphatown's possible production combinations graphically and in a table.
Slide 3 connects the possible production combinations to form the production possibilities frontier.
Slides 4 and 5 provide the same information for Omegaville.
Slide 6 shows the costs of each good in terms of the other. These are opportunity costs, and the table and graph illustrate that potatoes are less costly in Alphatown and apples are less costly in Omegaville. This provides the basis for specialization and trade.
Slide 7 illustrates the difference in each country's production before and after specialization.
Slide 8 shows that after specialization, Alphatown has only potatoes to consume and Omegaville has only apples.
Slide 9 shows how the countries could trade for the good they no longer produce.
Slide 10 shows how total consumption for the two counties has increased due to specialization and trade.
Slides 11 and 12 depict the points on slide 10 graphically.



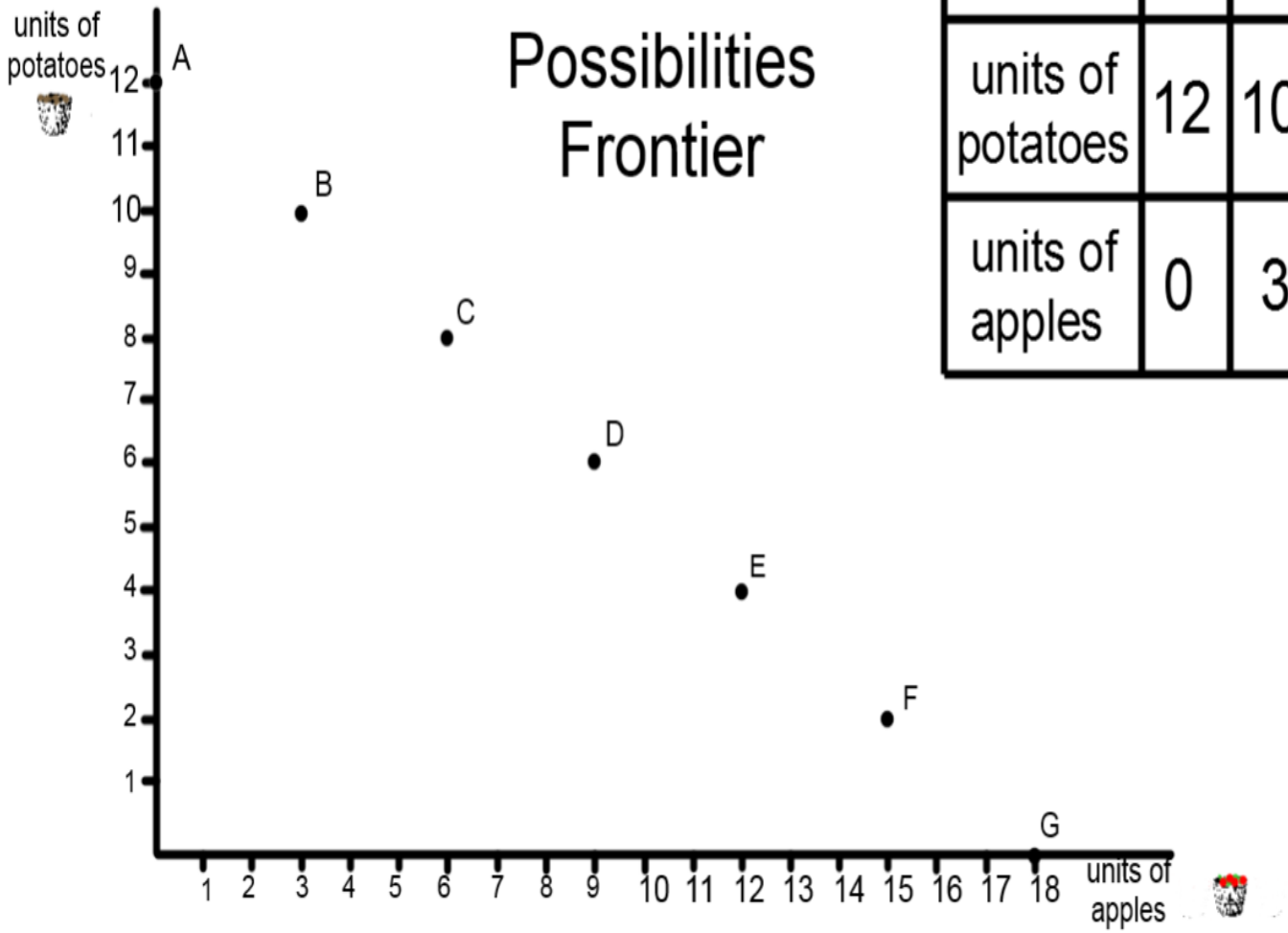
	A	B	C	D	E	F	G
units of potatoes	12	10	8	6	4	2	0
units of apples	0	1	2	3	4	5	6

Alphatown Production Possibilities Frontier



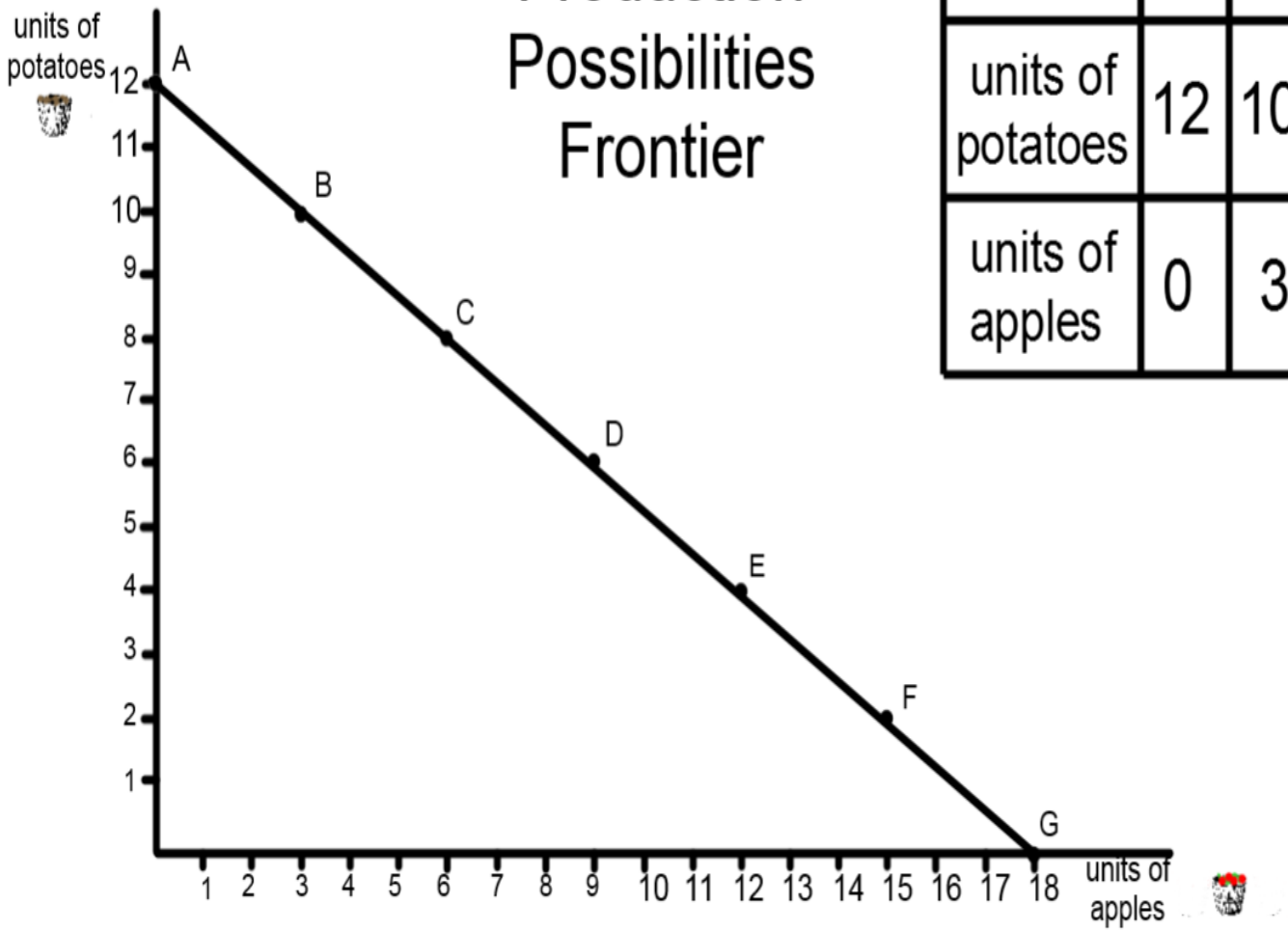
	A	B	C	D	E	F	G
units of potatoes	12	10	8	6	4	2	0
units of apples	0	1	2	3	4	5	6

Omegaville Production Possibilities Frontier



	A	B	C	D	E	F	G
units of potatoes	12	10	8	6	4	2	0
units of apples	0	3	6	9	12	15	18

Omegaville Production Possibilities Frontier



	A	B	C	D	E	F	G
units of potatoes	12	10	8	6	4	2	0
units of apples	0	3	6	9	12	15	18

	A	B	C	D	E	F	G
units of potatoes	12	10	8	6	4	2	0
units of apples	0	1	2	3	4	5	6

In Alphatown,
1 unit of potatoes costs 1/2 unit of apples, and
1 unit of apples costs 2 units of potatoes.

	A	B	C	D	E	F	G
units of potatoes	12	10	8	6	4	2	0
units of apples	0	3	6	9	12	15	18

In Omegaville,
1 unit of potatoes costs 1.5 units of apples.
1 unit of apples costs .66 units of potatoes.

Potatoes are less costly in Alphatown and apples are less costly in Omegaville.
So, Alphatown should produce potatoes and Omegaville should produce apples.

Potatoes are less costly in Alphatown and apples are less costly in Omegaville. So, Alphatown should produce potatoes and Omegaville should produce apples.

Before specialization and trade:

	Apples	Potatoes
Alphatown	2	8
Omegaville	15	2
TOTAL	17	10

After specialization:

	Apples	Potatoes
Alphatown	0	12
Omegaville	18	0
TOTAL	18	12

Before specialization and trade:

	Apples	Potatoes
Alphatown	2	8
Omegaville	15	2
TOTAL	17	10

But wait! Before specialization, Alphatown consumed 2 units of apples and Omegaville consumed 2 units of potatoes. Now, each has only the goods in which it has specialized.

After specialization:

	Apples	Potatoes
Alphatown	0	12
Omegaville	18	0
TOTAL	18	12

What if Alphatown provides the Omegaville with the units of potatoes it had before specialization, and what if Omegaville provides Alphatown with the units of apples it had before trade?

So, Alphatown trades 2 potatoes for 2 Omegaville apples.

Now, Alphatown has 2 units of apples and 10 units of potatoes. That's 2 more units of potatoes than it had before specialization.

Now, Omegaville has 2 units of potatoes and 16 units of apples. That's 1 more unit of apples than it had before specialization.

After specialization and trade:

	Apples	Potatoes
Alphatown	2	10
Omegaville	16	2
TOTAL	18	12

Before specialization and trade:

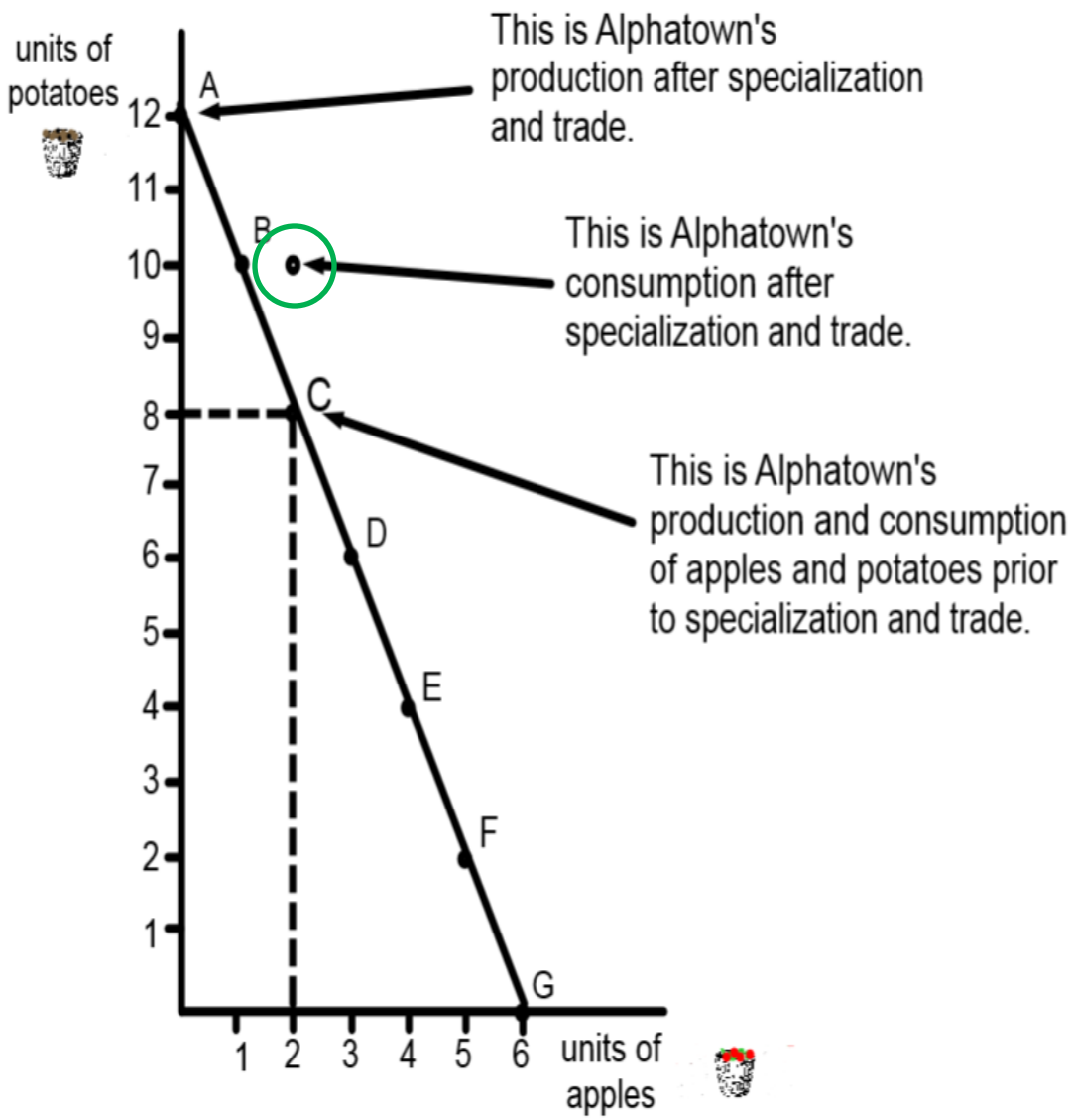
	Apples	Potatoes
Alphatown	2	8
Omegaville	15	2
TOTAL	17	10

After specialization:

	Apples	Potatoes
Alphatown	0	12
Omegaville	18	0
TOTAL	18	12

After specialization and trade:

	Apples	Potatoes
Alphatown	2	10
Omegaville	16	2
TOTAL	18	12


units of potatoes
12
11
10
9
8
7
6
5
4
3
2
1
A
B
C
D
E
F
G
1
2
3
4
5
6
units of apples
This is Alphatown's production after specialization and trade.
This is Alphatown's consumption after specialization and trade.
This is Alphatown's production and consumption of apples and potatoes prior to specialization and trade.

Comparative Advantage