1) Explain how the United States, being a large economy with an abundance of natural resources, labor, and capital, can benefit by not being in autarky.

2) It was shown in the video that the United States had the comparative advantage in burgers.  Using the table below, show and explain how Mexico has the comparative advantage in phones.

|  |  |  |
| --- | --- | --- |
|  | **Mexico** | **United States** |
| **Possibility** | **Burgers** | **Phones** | **Burgers** | **Phones** |
| **A** | **6** | **0** | **12** | **0** |
| **B** | **4** | **8** | **8** | **8** |
| **C** | **2** | **16** | **4** | **16** |
| **D** | **0** | **24** | **0** | **24** |

3) From your answer in the previous question, what is the opportunity cost of burgers for the United States, *i.e.* how many burgers must the United States give up to produce one phone? What would be an agreeable terms of trade for 1 phone?

4) At the end of the video, a supply and demand graph of the phone market for both countries was shown.  Explain why Mexico exported phones to the United States.

5) Suppose, the market for burgers was shown rather than the market for phones in the supply and demand graphs.  For the United States to export burgers and Mexico to import burgers, what would world price need to be, in each country, relative to the domestic price?

6) Lastly, explain what a tariff is and the effect it can have on burger imports for Mexico.