

Comparative Advantage

Note Title

6/28/2006

Question 9 (1 point)

Trade - Question 110

The kitchen manager at an Italian restaurant is deciding what assignments he should give to his two cooks, John and David. John can make 25 pizzas or 40 servings of pasta per hour and David can make 20 pizzas or 30 servings of pasta. Which of the following should be the manager's choice?

Student response:

Percent Value	Correct Response	Student Response	Answer Choices
0.0%			a. Fire David because he is not as productive as John. John will do both jobs.
0.0%		▶	b. John will make pizza because he has comparative advantage in making pizza.
100.0%	▶		c. David will make pizza because he has comparative advantage in making pizza.
0.0%			d. John and David both will spend half their time making pizza and half their time making pasta because each has a comparative advantage in making pizza.

Score:

0 / 1

John has absolute advantage over David in making pizza ($25 > 20$) and in making pasta ($40 > 30$),

But David's disadvantage is less in making pizza and John's advantage in pasta is greater so David has a comparative advantage in pizza & John has a comparative advantage in pasta.

Productivity per hour

	John	David
Pizza	25	20
Pasta	40	30

Let John make pizza & let David make pasta and you have $25 + 30$ units as your productivity.

Let David make pizza and let John make pasta and you have $20 + 40$ units. $60 > 55$ so choose this one.