Suppose that two people, Mary and John each live alone in an isolated region. They each have the same resources available, and they grow corn and raise pigs.  If Mary devotes all her resources to growing corn, she can raise 200 pounds of corn per year. If she devotes all her resources to raising pigs, she can raise 50 pigs per year. (If she apportions some resources to each, then she can produce any linear combination of pigs and corn that lies between those extreme points.  If John devotes all his resources to growing corn, he can raise 80 pounds of corn per year. If he devotes all his resources to raising pigs, he can raise 40 pigs per year. (If he apportions some resources to each, then he can produce any linear combination of pigs and corn that lies between those extreme points.)

* What is Mary’s opportunity cost of producing corn?
* What is Mary’s opportunity cost of producing pigs?
* What is John’ opportunity cost of producing corn?
* What is John’ opportunity cost of producing pigs?
* Which person has an absolute advantage in which activities?
* Which person has a comparative?
* Suppose that they are thinking of each specializing completely in the area in which they have a comparative advantage, and then trading at a rate of 2.5 pounds of corn for 1 chicken, would they each be better off? Explain.
* How would you extend the above narrative to businesses, society as a whole or nations? Explain.