Answers to Questions for Review

27.1  (a) Alphaland for cloth; Betaland for potatoes.

(b) In Alphaland 1/20 of a tonne (or 50kg) of potatoes for 1 square metre of cloth, and 20 square metres of cloth for 1 tonne of potatoes; in Betaland 3/15 or 1/5 of a tonne (or 200kg) of potatoes for 1 square metre of cloth, and 5 square metres of cloth for 1 tonne of potatoes.

(c) Alphaland for cloth; Betaland for potatoes.

(d) With trade, Alphaland could shift one worker from potatoes to cloth each week, so that each week it would lose 1 tonne of potatoes and gain 20 square metres of cloth; it could then export, say, 15 square metres of cloth each week to Betaland where the revenue from selling them would allow it to buy 3 tonnes of potatoes; the result is that each week it could now consume 5 more square metres of cloth and 2 more tonnes of potatoes than it did before. Also, Betaland could shift one worker from cloth to potatoes each week, so that each week it would lose 15 square metres of cloth and gain 3 tonnes of potatoes; it could then export, say, 1 tonne of potatoes each week to Alphaland where the revenue from selling it would allow it to buy 20 square metres of cloth; the result is that each week it could now consume 5 more square metres of cloth and 2 more tonnes of potatoes than it did before.

27.2  (a) Alphaland for both cloth and potatoes.

(b) In Alphaland 10/20 or ½ of a tonne (or 500kg) of potatoes for 1 square metre of cloth, and 2 square metres of cloth for 1 tonne of potatoes; in Betaland 200kg and 5 square metres as before.

(c) Betaland for cloth; Alphaland for potatoes.
(d) With trade, Alphaland could shift one worker from cloth to potatoes each week, so that each week it would lose 20 square metres of cloth and gain 10 tonnes of potatoes; it could then export, say, 6 tonnes of potatoes each week to Betaland where the revenue from selling them would allow it to buy 30 square metres of cloth; the result is that each week it could now consume 10 more square metres of cloth and 4 more tonnes of potatoes than it did before. Also, Betaland could shift one worker from potatoes to cloth each week, so that each week it would lose 3 tonnes of potatoes and gain 15 square metres of cloth; it could then export, say, 10 square metres of cloth each week to Alphaland where the revenue from selling them would allow it to buy 5 tonnes of potatoes; the result is that each week it could consume 5 more square metres of cloth and 2 more tonnes of potatoes than it did before.

27.3 Their consumers may have different preferences, as in Figure 27.2, or their industries might be subject to economies of scale, as in Figure 27.3.

27.4 (a) Yes, if it was large enough to reduce the world price of its imports, but even then only if it took care not to set its tariff so large that it ended up importing very little: see the case in Figure 27.5.

(b) Yes, if it or they have a large share in the output of a product for which demand is inelastic, because then it or they can raise the price to sell less, but also increase their revenue from exports and so afford more imports.