1. Suppose these graphs depict the production possibilities curves for Iceland and Snowland.



* 1. Which country has the comparative advantage in making ice cream? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. How do you know?
	2. Which country has the absolute advantage in making ice skates? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. How do you know?
	3. Which country should specialize in making ice skates? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. How do you know?
	4. Would both countries benefit from terms of trade of 1 gallon of ice cream for 2 pairs of ice skates? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Explain your answer.
1. Which of the following would necessarily be true if Iceland had an absolute advantage in making both goods?
	1. Iceland could not benefit from trade with Snowland.
	2. Snowland would have a comparative advantage in making both goods.
	3. Iceland would have a comparative advantage in making both goods.
	4. Snowland should not specialize in the production of either good.
	5. Iceland could make more ice cream than Snowland.
2. Draw production possibilities curves for Iceland and Snowland as they might look if Snowland had an absolute advantage in making both goods and neither country could benefit from trade with the other country.

