Broadway Economics

"Teaching Economics Through Musical Theatre"

Discussion Questions for "Molasses to Rum"

1.) What do economists mean when they say there are "gains from trade"?

2.) What are some benefits of free trade?

3.) Consider two countries that can each choose to produce either molasses or rum. The amount they can make per day is:

	Country A	**Country B**
Molasses	7	14
Rum	3	9

a) If there is no trade, what is the opportunity cost for country A to produce molasses? To produce rum?
b) If there is no trade, what is the opportunity cost for country B to produce molasses? To produce rum?
c) Draw the PPF for each country
d) Are there absolute or comparative advantages? Discuss.
e) If the countries start trading – what products would the countries specialize in producing?
f) At what "price" would trade take place?