

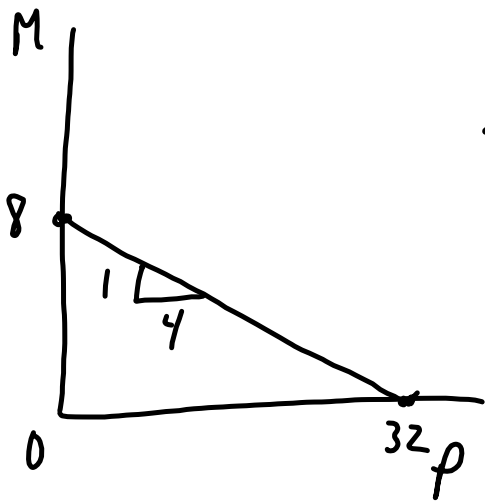
Assignment due Wed <sup>Sept 7</sup> → rate/semester  
call 3 off campus parking lots / use map app  
to get distance  
- churches  
- Commercial lots to Sanford Mall  
Boone  
→ reserved spot?

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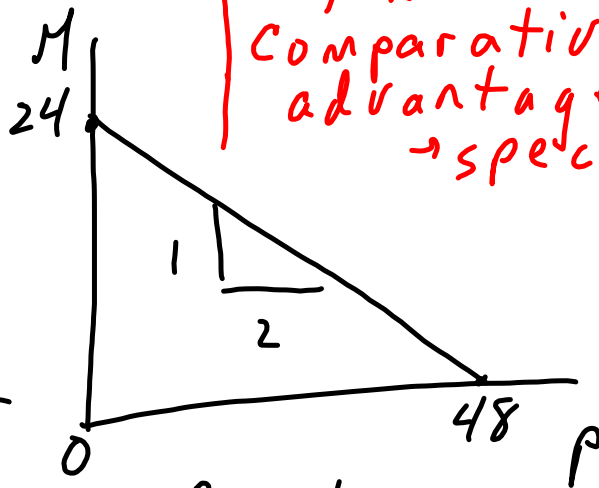
# Farmer / Rancher

- comparative advantage - specialize
- exchange rate (price)

Fig 1 p 49



Farmer



Rancher

Absolute advantage  
to Rancher  
Comparative  
advantage  
→ specialize

Comp. Adv.

- relative opp cost (terms of trade)

F: 1 to 4

1oz of meat to get 4oz of potatoes

R: 1 to 2

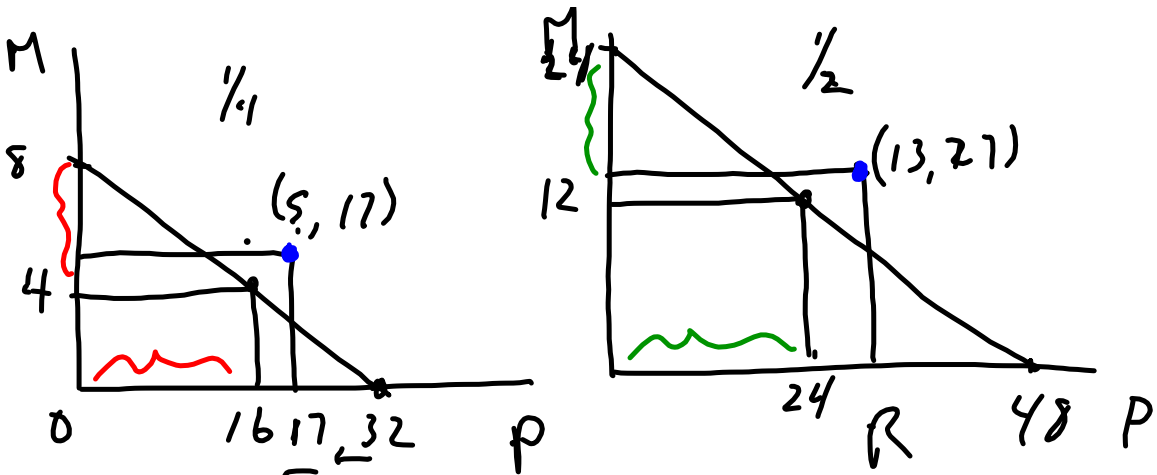
1oz of meat  $\rightarrow$  2oz of "

diff in Terms of Trade  $\frac{1}{4}$   $\frac{1}{2}$

F R

If trade - trade price = x

$$\frac{1}{4} < x < \frac{1}{2}$$



$F \rightarrow 4 \text{ of } M \text{ or } 16 \text{ of } P$       $R \rightarrow 12 \text{ of } M \text{ or } 24 \text{ of } P$

$\left[ \begin{array}{l} F \rightarrow P \text{ only } \quad P \text{ 32} \\ R \rightarrow M \text{ " } \quad M \text{ 24} \end{array} \right]^{-}$

$\rightarrow M - 16 \text{ or } 2$   
 $P - 40 \text{ or } 2$

specialize

Assume  $\rightarrow$  equal bargaining power

possible trade

R → gives S 0 2 M gets 15 0 2 P  $\frac{1}{3}$

F → gives 15 0 2 P " 5 0 2 M  $\frac{1}{3}$

$$\frac{1}{4} < \frac{1}{3} < \frac{1}{2}$$

F

R

↳ feasible trade

## Assumptions

- necessary conditions
  - property rights
    - exclude - require payment
    - use
    - sell
  - information - informed
    - parties equally
    - quality, quantity
  - delivery date?
- verification

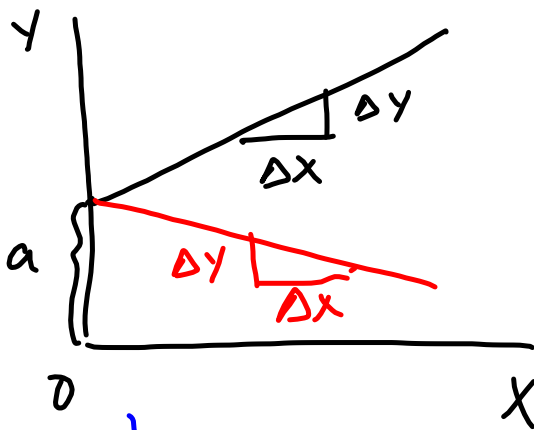
Appendix to Chapter 2

graphs - equation

$$y = a + bx \quad b = \frac{\Delta y}{\Delta x}$$

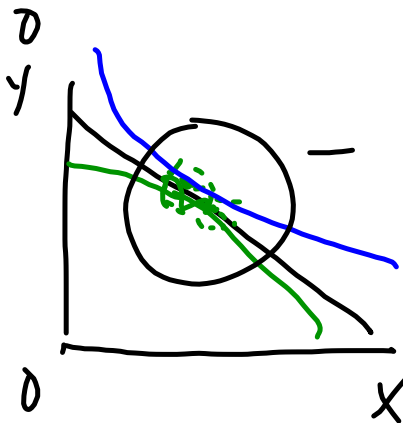
$$y = a - cx$$

$$b = \frac{\Delta y}{\Delta x}$$

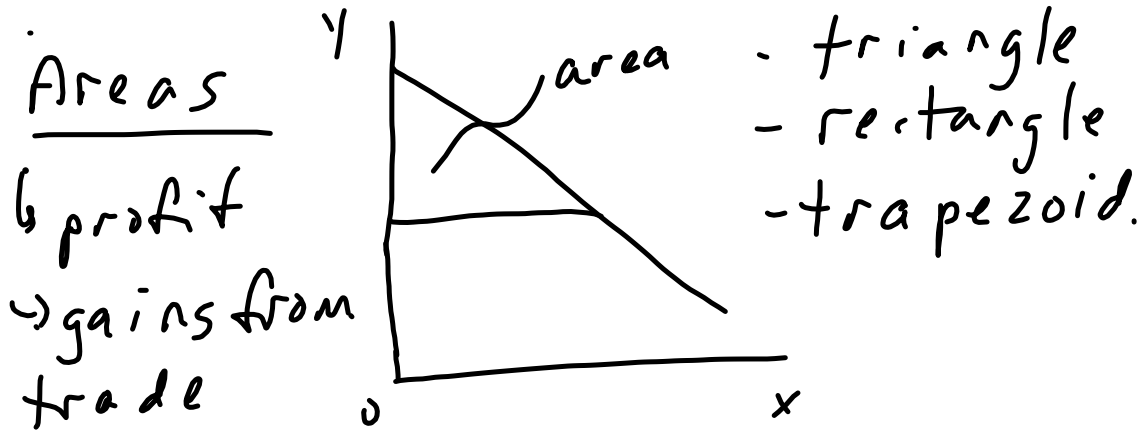


- linear - equation

b constant



- values observed small range  $\rightarrow$  linearity  
not bad assumption



non-linear

