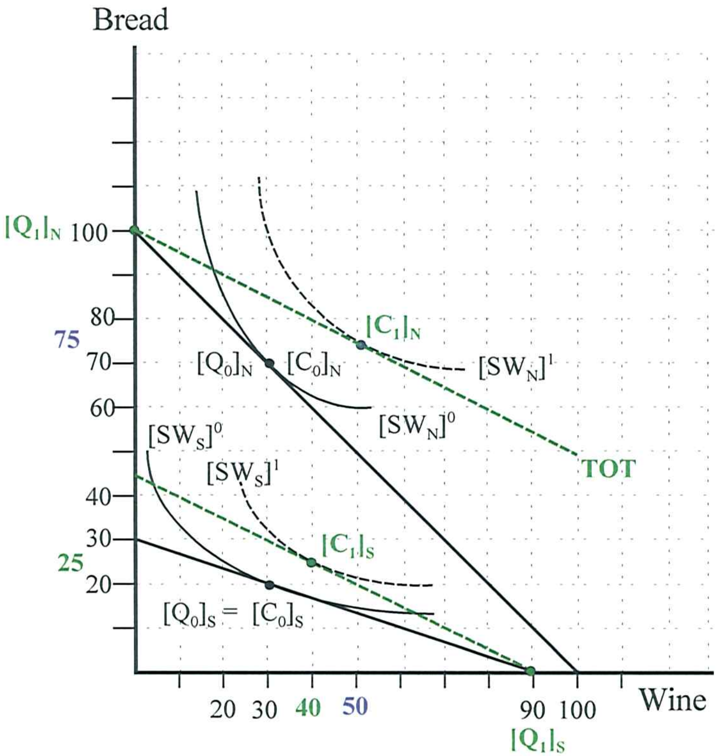
Modelling trade under a Ricardian 2 x 2 x 1 world: Case where one country has absolute advantage in production

Pre-Trade:

	Production Possibilities N	Production Possibilities S	Production N	Production S	Consumption N	Consumption S
B	100	30	70	20	70	20
W	100	90	30	30	30	30

Pre-trade Prices

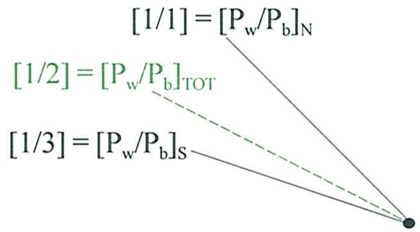
N	S
1B = 1W	1B = 3W
1W = 1B	1W = 1/3B



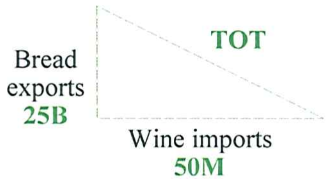
Feasible Range for World Prices

$[P_w]_N = 1B > [P_w]_{TOT} > 1/3B = [P_w]_S$
$[P_b]_N = 1W < [P_b]_{TOT} < 3W = [P_b]_S$

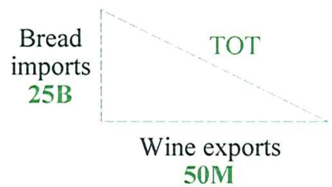
$[P_w/P_b]_N > [P_w/P_b]_{TOT} > [P_w/P_b]_S$



Free Trade:



Trade Triangles



Free Trade Prices

1B = 2W 1W = ½ B

TOT = ½

	Production N	Production S	Consumption N	Consumption S	Quantity traded N	Quantity traded S
B	100	0	75	25	25	-25
W	0	90	50	40	-50	50