

- UK has absolute advantage (is more efficient) at producing both goods
- However UK is relatively more efficient (comparative advantage) when producing Beer
 - It produces Beer at a ratio of 3:1 (3/1) versus Ireland and computers at a ratio 2:1 (80/40)
 - UK should specialise in producing Beer and trade for computers

- Both Countries Specialise

Country	Commodities	
	Computers	Beer
Ireland	$(40 \times 2) = 80$	
UK		$(30 \times 2) = 60$
Total Output	80	60

- Production for Beer has increased by 50% (20/40).
- Production of Computers has decreased by 33% (40/120).
- Assuming there are only two countries in the world, as the 50% increase in Beer production is greater than the 33% decrease in computers production the world is using its resources more efficiently and both countries benefit from trade

- Terms of Trade
 - The number of imports that can be purchased with a unit of export
- UK
 - 1 unit of Beer is worth 2.6 computers (80/30)
 - 1 Unit of computer is worth 0.375 Beers (30/80)
- Ireland
 - 1 Unit of Beers is worth 4 Computers (40/10)
 - 1 Unit of Computers is worth 0.25 Beers (10/40)
- Terms of Trade
 - 1 unit of Beers worth between 2.6 and 4 computers
 - 1 computers is worth between 0.25 and 0.375 beers