

Figure 18-1

Tax Subsidy to Savings

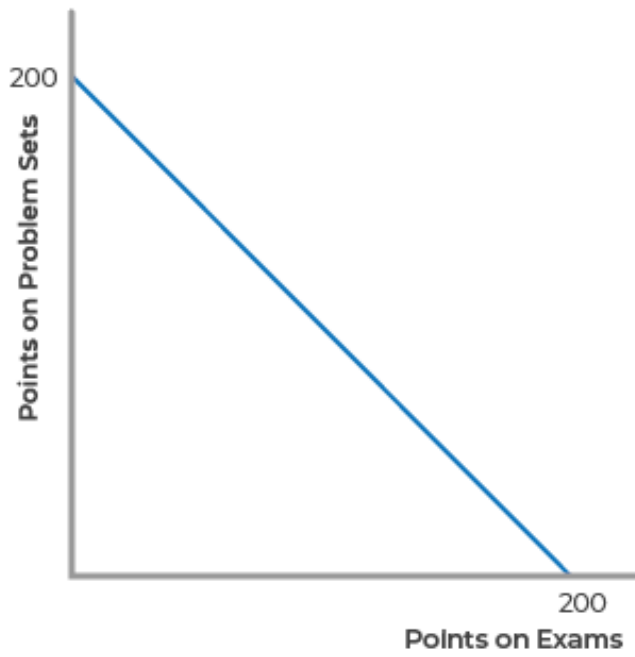
The Tax Advantage of IRA Savings						
Account Type	Earnings	Tax on earnings (25% Tax Rate)	Initial Deposit	Interest earned (10% Interest Rate)	Taxes paid upon withdrawal	Total amount withdrawn
Regular	\$100	\$25	\$75	\$750	$0.25 \times (\$750) = \1.88	$\$75 - \$7.50 - \$1.88 = \80.62
IRA	\$100	\$0	\$100	\$10	$0.25 \times (\$110) = \27.50	$\$100 + \$10 - \$27.50 = \82.50

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Figure 18-2a

Economies of Scope

Linear PPF



PPF with Economies of Scope

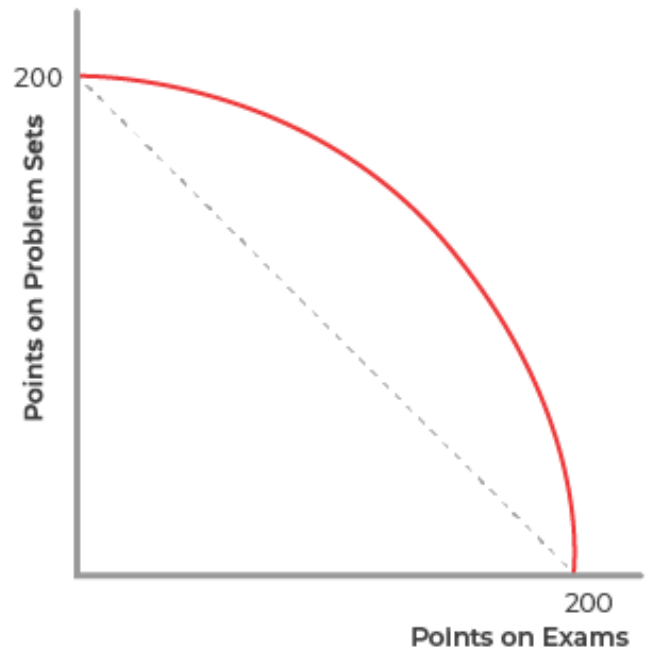


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Figure 18-2b

Economies of Scope

PPF with Diseconomies of Scope

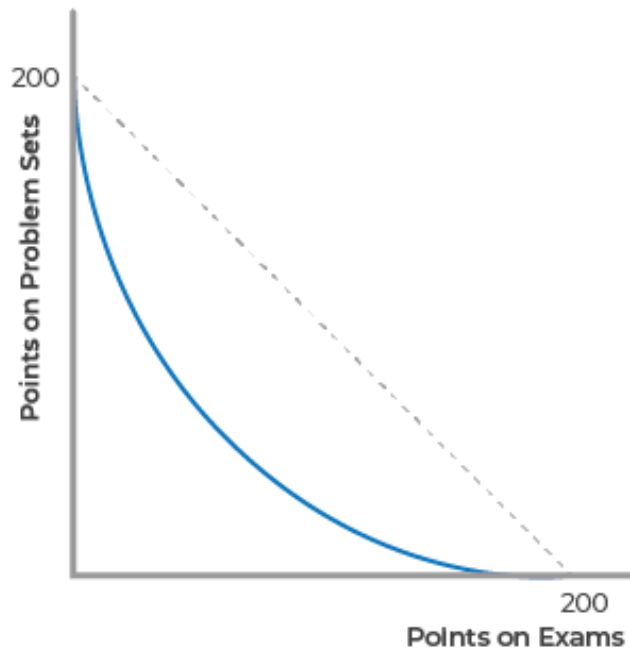
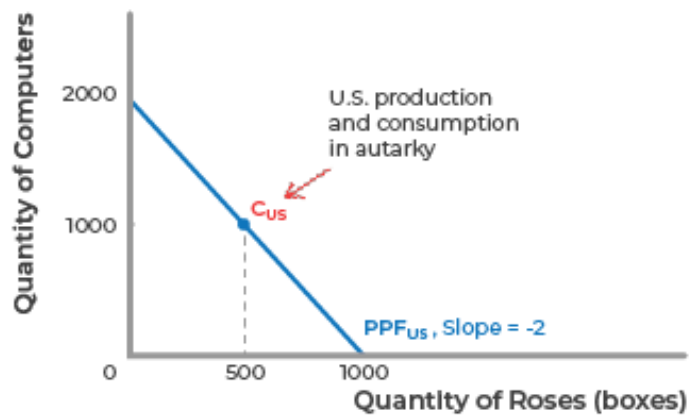


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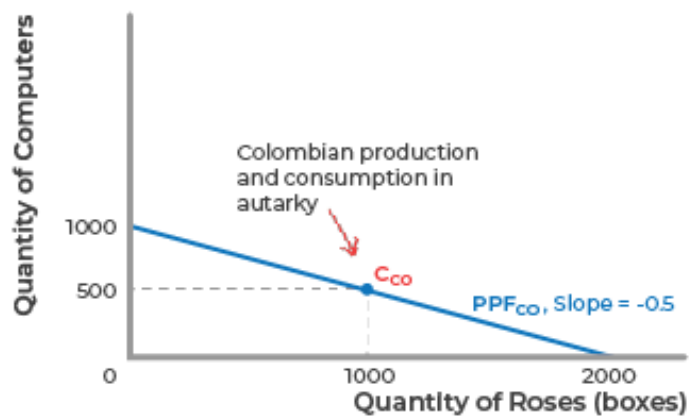
Figure 18-3

Production Possibility Frontier

a.) U.S. Production Possibility Frontier



b.) Colombian Production Possibility Frontier



Production and Consumption Under Autarky

a.) U.S.

	Production	Consumption
Quantity of Roses (Boxes)	500	500
Quantity of Computers	1,000	1,000

b.) Colombia

	Production	Consumption
Quantity of Roses (Boxes)	1,000	1,000
Quantity of Computers	500	500

c.) World (U.S. and Colombia)

	Production	Consumption
Quantity of Roses (Boxes)	1,500	1,500
Quantity of Computers	1,500	1,500

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Figure 18-4

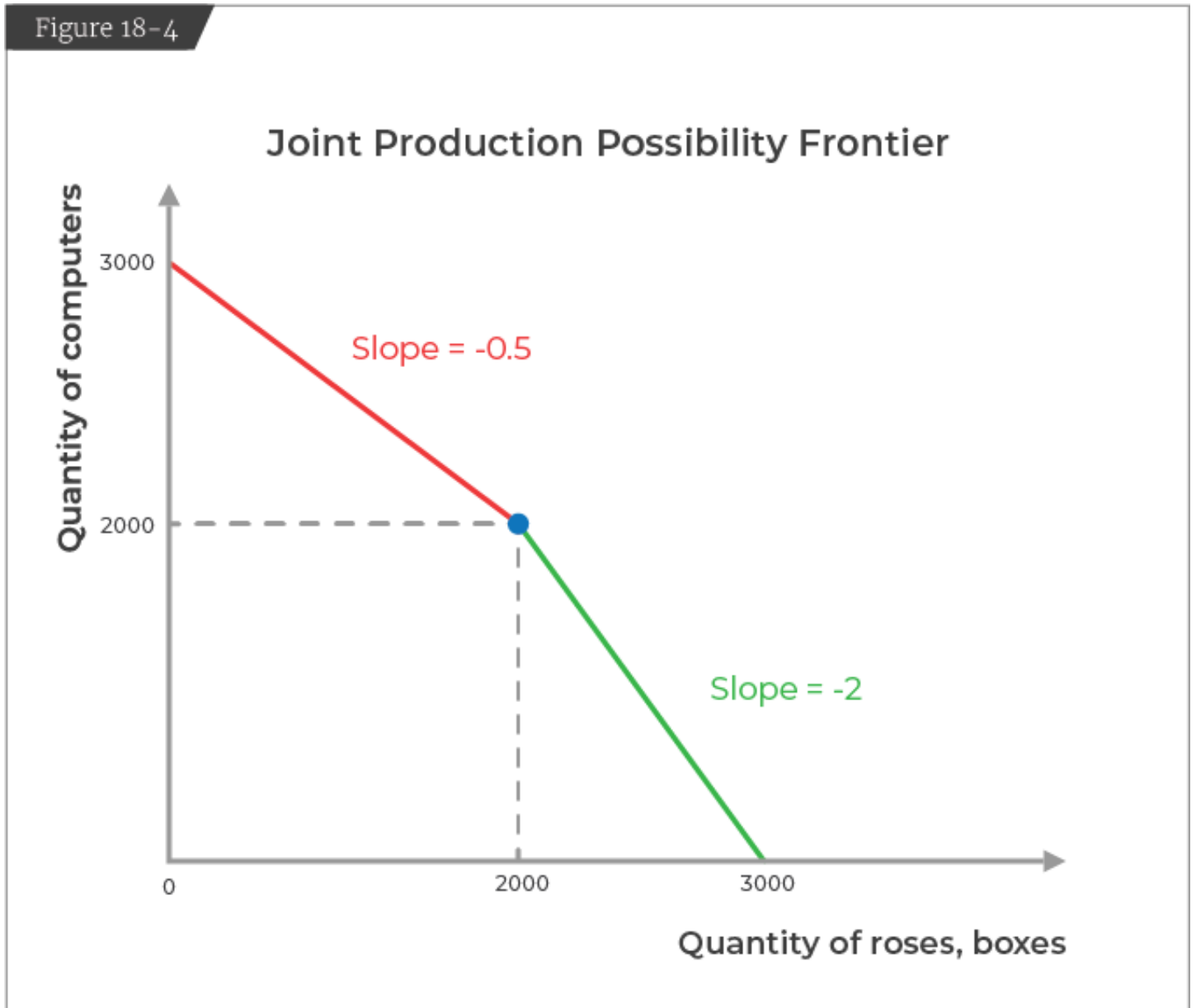
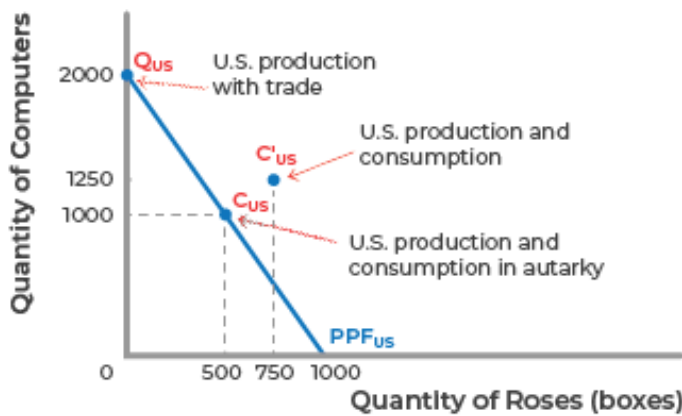


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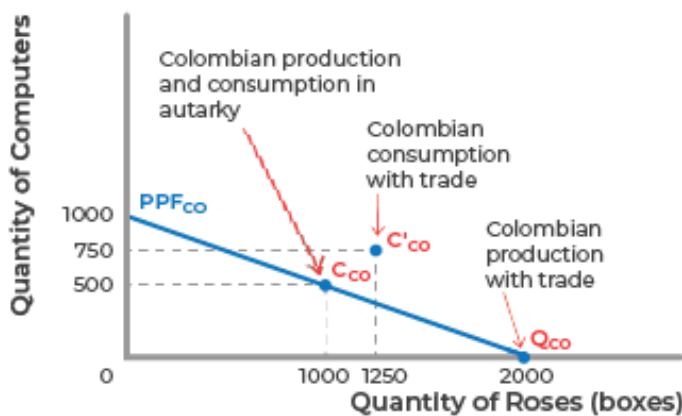
Figure 18-5

Gains from Trade

a.) U.S. Production and Consumption



b.) Colombian Production and Consumption



Production and Consumption After International Trade

a.) U.S.

	Production	Consumption
Quantity of Roses (Boxes)	0	750
Quantity of Computers	2,000	1,250

b.) Colombia

	Production	Consumption
Quantity of Roses (Boxes)	2,000	1,250
Quantity of Computers	0	750

c.) World (U.S. and Colombia)

	Production	Consumption
Quantity of Roses (Boxes)	2,000	2,000
Quantity of Computers	2,000	2,000

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