

Name:

Period:

Absolute and Comparative advantage

- Assume there are two employees working at the same company. Julie can type 100 words per minute and Josh can type 50 words per minute.
- Who is the best typist?
- Now assume that Julie is the CEO of her company and Josh is her assistant. Remember, Julie can type 100 words per minute and Josh can type 50 words per minute.
- Who should do all of the typing?

Use the space in your notes to respond to the prompts below. Please write in complete sentences.

- In the example, Julie was the faster typist. What was her opportunity cost if she were to do the typing?
- In the example, Josh was the slower typist. What was his opportunity cost if he were to do the typing?
- What does opportunity cost tell us about specialization of labor?
- What is absolute advantage?
 - ✦ Example: Julie had the absolute advantage in typing over Josh in the warm up activity
- What is comparative advantage?
 - ✦ Example: Josh had the comparative advantage in typing over Julie in the warm up activity because he had a lower opportunity cost
 - ✦ This is why developed nations trade with other nations even though they could produce the products themselves.

Think About It

- What does the US have comparative advantage in producing? What does China have comparative advantage in producing?

Factors Influencing Comparative Advantage

- What factors can influence whether a country has comparative advantage or not?
 - Climate:

 - Factors of Production:

 - Technology:

Think About It

- Why do you buy products made in other countries even though there are probably similar products made in the US?