

## **Learning Objectives**

### **Chapter 3**

#### **In this chapter you will**

- Consider how everyone can benefit when people trade with one another
- Learn the meaning of absolute advantage and comparative advantage
- See how comparative advantage explains the gains from trade
- Apply the theory of comparative advantage to everyday life and national policy

#### **You should be able to**

- Show how total production rises when individuals specialize in the production of goods for which they have a comparative advantage
- Explain why all people have a comparative advantage even if they have no absolute advantage
- Demonstrate the link between comparative advantage and opportunity cost
- Explain why people who are good at everything still tend to specialize