

## Learning Objectives

### Chapter 3

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

Consider how everyone can benefit when people trade with one another  
Learn the meaning of and difference between 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**

Calculate opportunity cost ratios in a simple trading example  
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