

15.2: Introduction to Comparative Advantage

What you'll learn to do: define and calculate comparative advantage, and understand how countries choose which goods and services to trade internationally



People trade for goods and services if they can buy them more cheaply than they could make them themselves. This is true whether you're buying produce from the grocery store or imported chocolate from another country.

We live in a global marketplace. The food on your table might include fresh fruit from Chile, cheese from France, and bottled water from Scotland. Your wireless phone might have been made in Taiwan or Korea. The clothes you wear might be designed in Italy and manufactured in China. The toys you give to a child might have come from India. The car you drive might come from Japan, Germany, or Korea. The gasoline in the tank might be refined from crude oil from Saudi Arabia, Mexico, or Nigeria. As a worker, if your job is involved with farming, machinery, airplanes, cars, scientific instruments, or many other technology-related industries, the odds are good that a hearty proportion of the sales of your employer—and hence the money that pays your salary—comes from export sales. We are all linked by international trade, and the volume of that trade has grown dramatically in the last few decades.

In this section, you will learn about the basics behind international trade, what determines the costs of imports and exports, and why it is advantageous for countries to specialize in the production of particular goods or services.

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