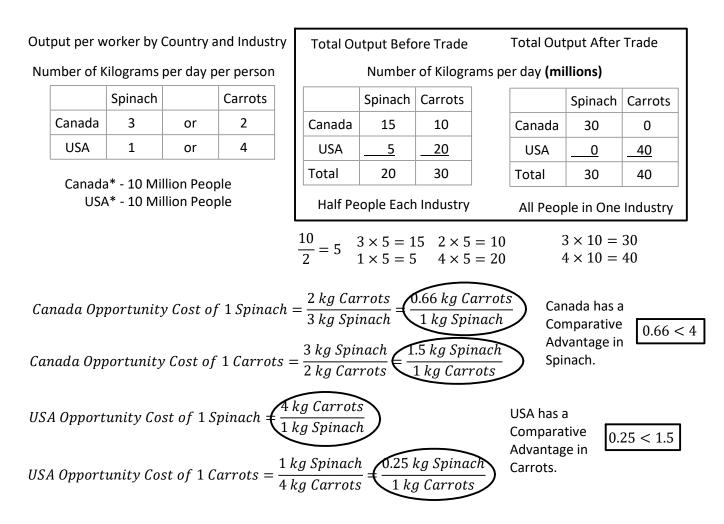
E101 - 1.3 - Comparative Advantage

Comparative Advantage - The advantage that comes from producing something at the lower opportunity than others are able to.

Trade - Everyone is better off*.



Absolute Advantage - A comparative advantage in both industries.

International Trade

Terms of Trade - The average price of the country's exports compared the price of its imports.

$$Terms of Trade = \frac{average \ price \ of \ exports}{average \ price \ of \ imports} \times 100$$