

CHAPTER 2

- Define comparative advantage
- Define absolute advantage
- Use opportunity cost to determine comparative advantage
- Use opportunity cost to determine absolute advantage
- Explain the Principle of Comparative Advantage
- Discuss the sources of comparative advantage
- Identify a production possibilities curve
- Graph a production possibilities curve
- Identify attainable and unattainable points on a production possibilities curve
- Identify efficient and inefficient points on a production possibilities curve
- Explain why a production possibilities curve is downward sloping
- Calculate the slope of a production possibilities curve
- Explain the Principle of Increasing Opportunity Cost ("The Low Hanging Fruit Principle")
- Identify the benefits from specialization
- Discuss the conditions that result in the greatest benefits from specialization
- Discuss why more specialization is not always better
- Explain how trade increases consumption possibilities
- Discuss why some people oppose free trade