

# *Chapter 2*

## *Core Principles*

**Principle of Comparative Advantage** - The chapter introduces and presents this core concept by developing first a one person economy and then two person and multiple person economies.

**The Principle of Increasing Opportunity Cost** - The chapter uses the opportunity cost concept used in previous chapters to introduce comparative advantage.

## *Important Concepts Covered*

- Absolute Advantage
- Comparative Advantage
- Production Possibilities Curve Model
- The Principle of Increasing Opportunity Cost (the Low-Hanging-Fruit Principle)
- International Trade