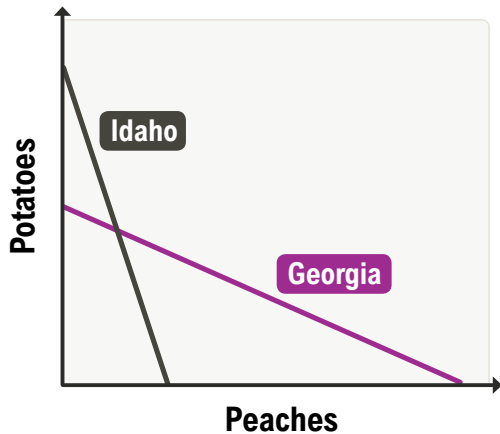


**TOPIC: PPF - Comparative Advantage and Absolute Advantage**

**Different PPFs and Absolute Advantage**

- ◆ Due to factors like climate, geography, and technology, different economies will have \_\_\_\_\_ PPFs.
- ◆ Economies with different PPFs will have different production **advantages**.
  - There are two types of advantage: **absolute advantage** and **comparative advantage**.

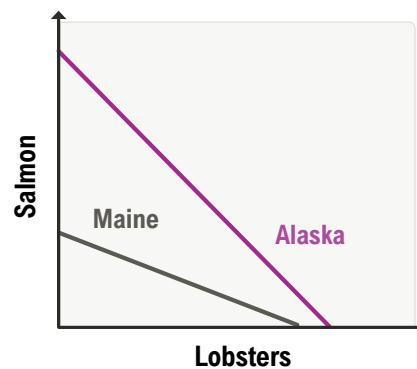
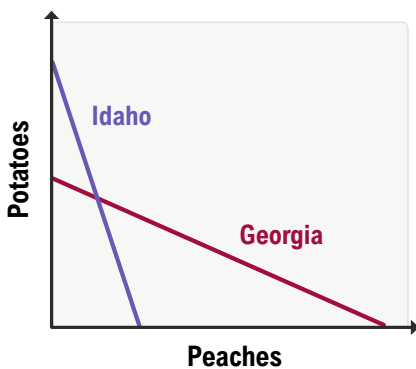


	Absolute advantage
Peaches	
Potatoes	

- The economy with the \_\_\_\_\_ *maximum possible output* has the **absolute advantage** for that good.

**Opportunity Cost and Comparative Advantage**

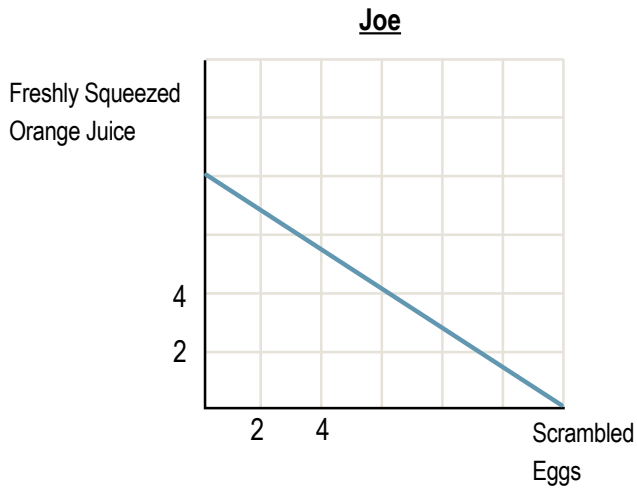
- ◆ **Comparative advantage** occurs when one economy can produce a good at a lower opportunity cost than another economy.
  - The economy with the \_\_\_\_\_ *marginal opportunity cost* has the **comparative advantage** for that good.



	Absolute	Comparative
Peaches		
Potatoes		

	Absolute	Comparative
Lobsters		
Salmon		

**PRACTICE:** Answer the following questions based on these graphs:



1. Who has the absolute advantage in making scrambled eggs?  
a) Joe      b) Carla      c) No One
  
2. Who has the absolute advantage in making fresh squeezed orange juice?  
a) Joe      b) Carla      c) No One
  
3. Who has the comparative advantage in making scrambled eggs?  
a) Joe      b) Carla      c) No One
  
4. Who has the comparative advantage in making fresh squeezed orange juice?  
a) Joe      b) Carla      c) No One